FPPA

FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005

FPPA Comprehensive Annual Financial Report
for the fiscal year ended December 31, 2005
under the direction of the
FPPA Board of Directors

and prepared by the FPPA Operations Division
Kim Collins, Chief Operations Officer
Shelley Daly, G&A Accounting Supervisor

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FPPA

FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

"It is amidst great perils we see brave hearts."

— Jean Francois Regnard

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* *The accompanying notes are an integral part of the financial statements.*

The Fire & Police Pension Association of Colorado is committed to safeguarding retirement funds, administering benefits fairly, and providing superior, cost-effective service to our members.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Colorado

Fire and Police Pension

Association

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards
2005 Award

Presented to

Fire & Police Pension Association of Colorado

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

FPPA

Fire & Police Pension Association

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June 30, 2006

Board of Directors
Fire and Police Pension Association

Dear Members of the Board of Directors:

We are pleased to submit to you the annual financial report for the Fire and Police Members' Benefit Fund (the "Fund"), for the calendar year ended December 31, 2005. The Fund consists of the Defined Benefit System, the Statewide Death and Disability Plan, and numerous separate local "Old Hire" and volunteer fire pension funds. FPPA also administers the Members' Money Purchase Plan Benefit Fund and the Members' Statewide Money Purchase Plan Benefit Fund. In addition, for presentation purposes, the IRC 457 Deferred Compensation Plan has been included.

The Fire and Police Pension Association was established January 1, 1980 and administers a statewide multiple employer public employee retirement system providing defined benefit plan coverage as well as death and disability coverage for police officers and firefighters throughout the State of Colorado. The Association also administers local defined benefit pension funds for police officers and firefighters hired prior to April 8, 1978 whose employers have elected to affiliate with the Association; for volunteer fire defined benefit plans; and for local money purchase (defined contribution) pension plans. Starting January 1, 1995, the Association began offering membership in the Statewide Money Purchase Plan. There were 183 employers participating in the Statewide Defined Benefit Plan, 15 employers participating in the Statewide Hybrid Plan, 52 employers with employees covered by the Statewide Money Purchase Plan, 392 employers covered by the Statewide Death and Disability Plan, 54 affiliated local defined benefit plans, 2 affiliated local money purchase plans, and 167 affiliated volunteer fire pension plans as of December 31, 2005.

The annual report for the calendar year 2005 consists of six sections: an introductory section which contains a transmittal letter along with general information about the Association; a financial section which contains the opinion of the Association's certified public accountants, the financial statements, footnotes and supplementary data; an investment section which contains a review of investment policies, holdings and activity for the year; an actuarial section which contains a summary of the results of the actuarial valuations and other related data; a statistical section which contains information on state funding of local pension plans (old hire) and the statewide death and disability plan; and a section containing an overview of other programs offered to members by FPPA, including FPPA's Section 457 Deferred Compensation Plan.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Additionally, graphs and charts of statistical data may be found throughout the report.

Financial Highlights

General Economic Conditions

Despite soaring energy costs and the shock of two major hurricanes, the U.S. economy continued to expand in 2005 albeit at a slower pace than 2004. Real gross domestic product, a broad measure of the output of goods and services in the United States, grew at an annual rate of 3.5% in 2005, compared to 4.2% in 2004. While high energy prices boosted the overall consumer price index, core consumer price inflation, excluding food and energy, remained stable. Although the hurricanes displaced thousands of workers from their homes and jobs, the national employment situation actually improved in 2005. Corporate profits continued to grow in 2005 and business and consumer spending remained strong.

In 2005, the Federal Reserve continued the process of tightening that it initiated in June 2004, raising the target federal funds rate by 25 basis points at each of its eight meetings to its year-end level of 4.25 percent. The Federal Open Market Committee has indicated that further tightening may be needed in 2006 to keep economic growth and price stability roughly in balance. Largely due to higher energy costs, the consumer price index rose 3.4% in 2005 compared to a rate of 3.3% in 2004. The energy index rose 17.1% in 2005 following a 16.6% increase in 2004. Excluding food and energy, the consumer price index rose 2.2% in 2005, the same as in 2004.

In the labor markets, nonfarm payroll employment grew by 2 million jobs over the course of the year. The unemployment rate fell to 4.9% from 5.4% at the end of 2004. Appreciation in real estate and stock prices over the past few years encouraged consumers to maintain their spending in 2005 despite weak growth in personal incomes.

In the financial markets, the U.S. stock market posted modest returns for the year. The Russell 3000 Stock Index, a broad measure of overall U.S. stock market performance, rose 6.12% in 2005, following a return of 11.95% in 2004. Large company stocks, as measured by the S&P 500 Stock Index, increased 4.91% in 2005 compared to a return of 10.87% in 2004. Smaller company stocks, as represented by the Russell 2000 Stock Index, underperformed larger company stocks with a return of 4.55% in 2005 compared to a gain of 18.33% in 2004. The U.S. bond market again produced low single digit returns. The Lehman Brothers Aggregate Bond Index produced a return of 2.43% in 2005 compared to a 4.34% return in 2004.

For the fourth consecutive year, international equity markets outperformed the U.S. equity market. Emerging markets continued to outperform developed markets, finishing 2005 with a return of 34.54% after increasing 25.95% in 2004. Within the developed international equity markets, the MSCI Europe Index rose 9.42% in 2005 following an increase of 20.88% in 2004. The MSCI Pacific Basin Index returned 22.64% compared to a gain of 18.98% in 2004. Non-U.S. government bonds produced negative returns for the first time since 2001, with a return of -9.20% in 2005 versus a return of 12.14% in 2004.

In the currency markets, the U.S. dollar appreciated against most major currencies in 2005. The dollar rose 14.3% against the euro, closing at 0.8446 euros per dollar from 0.7389 at the end of 2004. Against the British pound, the dollar appreciated 11.5% to 0.5818 from 0.522 pounds per dollar at the end of 2004. The dollar fell 3.2% against the Canadian dollar to 1.1658 Canadian dollars per US dollar from 1.2039 at the end of 2004. The dollar appreciated 14.7% relative to the yen to 117.86 yen per dollar from 102.74 at the beginning of the year.

Funding Status

Each pension plan administered by FPPA must be separately funded. Assets from one plan cannot be used to pay the benefit obligations of any other plan. Therefore, the funding status of each individual plan must be judged separately.

For the Defined Benefit System, assets continue to exceed the pension benefit obligation as calculated according to GASB 25. There are no unfunded current liabilities under this plan in accordance with state statutory requirements. Assets continue to increase as a percentage of the liability for future benefits of all members.

Independent Audit

The accounting firm of Bondi & Co., LLC rendered an opinion as to the fairness of the Plan's 2005 financial statements. The audit was performed in accordance with auditing standards generally accepted in the United States of America. The Independent Auditors' Report is included on page 16 of this report.

Revenues

Revenues are used to fund the current and future retirement benefits established by the state legislature and local boards which are paid to retirees and their survivors by the Association. The primary sources of revenue include contributions from active members, employers and the state; new affiliations; and investment income. Revenues for the year 2005 amounted to $423.9 million, a decrease of $18.7 million or (4.2%) from 2004.

The net revenues for 2005 were comprised of $53.1 million in member contributions, down 13.6% from $61.5 million in 2004. Employer contributions totaled $85.3 million in 2005, up 26.5% from $67.5 million in 2004. The State of Colorado contributed $2.6 million to plans affiliated with the Association in 2005. The Association's investment gain for 2005 totaled $269 million. Four volunteer fire pension plans elected to affiliate with the Association during 2005, bringing in $2.6 million in assets. Seven departments entered into the Statewide Hybrid Plan bringing in an additional $9.9 million in assets.

Active membership is distributed as follows: 4,470 new hire members, up 11.7% from 4,001 in 2004; 1,090 exempt new hire members, up 4.0% from 1,048 the prior year;

377 old hire members, down (25.6%) from 507 in 2004; 104 money purchase plan members, down (52.9%) from 221 last year; 4,010 volunteer fire members, down (6.15)% from 4,273; and 4,747 members covered for death and disability only. The members listed above are comprised of 40.0% police officers and 60.0% firefighters.

The net investment gains for 2005 amounted to $269 million. Interest, dividends and other investment income increased by $24 million over the prior year. Realized and unrealized gains on investment transactions decreased $41.3 million for 2005 over those in 2004. The total market value of the investment portfolio increased to $2.9 billion, or an increase of $211 million from $2.7 billion at the end of 2004.

An explanation of FPPA's investment policies and asset allocation strategy, as well as the portfolio's composition are included in the investment section of this report. Additionally, a review of investment activity and performance for 2005 is included in that section.

Expenses

The primary expenses of the Association include the payment of benefits to retirees and beneficiaries, the refund of contributions to former members, and the cost of administering the numerous pension plans. Expenses for the year 2005 totaled $212.2 million, which is an increase of $16.6 million or 8.5% over 2004.

Benefit payments to retirees and beneficiaries totaled $156.7 million in 2005, up 4.3% or $6.4 million from the prior year. The increase in benefit payments was due primarily to an increase in the number of retirees and beneficiaries receiving benefits, and a cost of living increase for the Defined Benefit System of 2.6%. Other increases ranged from 1.83% to 7.7% among the various local old hire plans, with average increases of 3.54% for those departments that granted increases. The number of retirees receiving benefit payments increased to 7,013 as of December 31, 2005, up 4.72% from 6,697 at the end of 2004.

Administration expenses of the fund increased to $17.7 million in 2005 from $14.5 million in 2004. This represented an increase of 22.4% in actual dollars, and .44% and .46% in 2005 and 2004, respectively, when expressed as a percentage of total assets and using a time-weighted measurement scale. Administrative expenses include money management fees, which make up 77.5% of total administrative expenses. Investment management fees are asset based and increase as the size of the fund increases. Refer to Note 3 for an expanded explanation on the change in accounting policy with regards to security lending fees and the corresponding increase in administrative expenses.

Other Programs and Services

Visitation Program

During 2005, FPPA's Benefits & Communication Division continued its communication programs with members, employers and retirees. Approximately 425 presentations were made to members from 135 fire and police departments throughout the state about their death and disability benefits, retirement benefits, and other services provided by the Association. Much of this program is conducted on-site, with staff visiting fire stations and attending police roll calls, to ensure that members have face-to-face meetings with FPPA staff on a regular basis. Thanks to exceptionally good response, we have continued the use of the computer program designed to assist members in planning for their future retirement needs, with the dollar projections shown in both future and current values, as well as being shown as a percentage of salary that their retirement income is projected to replace. This provides a quick way for the members to see if they are saving adequately for retirement.

FPPA staff also presents benefit information at many department academy classes throughout the year. These meetings provide the new members an introduction to the FPPA benefit plans. The members are then able to stay abreast of the benefit plan provisions through the on-going department visitation program.

FPPA Defined Benefit System Meetings

In 2003, legislation was enacted to allow departments who covered their firefighters and police officers in money purchase plans to elect coverage under the FPPA Defined Benefit System. In 2005, FPPA staff held 103 meetings to present information on the FPPA Defined Benefit System provisions and to facilitate the process for entry into the system. Seven departments completed the entry process in 2005. These meetings are conducted at the request of the members and/or employers.

FPPA Seminars

Year 2005 also marks FPPA's eighteenth year of offering various seminars to help members plan for retirement, both financially and psychologically. FPPA hosted two seminars, on topics including wills, estate taxes, trusts, Medicare and Social Security information as it relates to the FPPA membership, identity theft and considerations when evaluating the need for long-term care insurance. The seminars continue to get excellent reviews by the attendees. FPPA strongly recommends these no-cost seminars to members, retirees and employers.

457 Deferred Compensation

FPPA's Section 457 Deferred Compensation program was developed in 1990 in response to member requests. By the end of 2005, there were 94 employers participating in the plan. The program provides tax-deferred savings for the individuals to save for their retirement needs and, with low management fees, more of the dollars invested are returned for the member's use in retirement.

Money Management Services – Money Purchase Plans

FPPA has offered its money management services since 1990 to departments that have provided money purchase plans to their members. FPPA had two departments affiliated for these services at year-end 2005.

Statewide Money Purchase Plan

In April 1993, the Colorado General Assembly authorized FPPA to create a new Statewide Money Purchase Plan. The plan took effect on January 1, 1995. Currently there are fifty-two departments participating in this plan. Some have exited to enter the FPPA Defined Benefit System which offers added choice to the existing members. Department chiefs may also participate in this plan as an alternative to the Statewide Defined Benefit Plan.

Money Management Services – Volunteer Fire Plans

Since legislative approval in 1986, FPPA has offered the advantages of its money management services to volunteer fire department pension funds that choose to affiliate. At the end of 2005, there were a total of 167 volunteer plans participating. Plans participating in FPPA are provided with an actuarial study every two years as well as an annual audit of their pension funds.

Optional Insurance Benefit Programs

FPPA offers retirees access to a broad range of insurance products including health, dental, vision and similar type benefits. Some of these benefits are available to members by simply applying for coverage, while others require evidence of insurability. A group medical plan is available for retirees who are Medicare eligible through the Secure Horizons Medicare+ Choice Group Retiree plan offered by PacifiCare. Retirees who are not Medicare eligible can contact FPPA's partner, The Gemini Group, to receive assistance in finding an individual medical insurance policy. The Gemini Group works with many companies and is able to assist FPPA members in comparing benefits and applying for coverage. Gemini can also assist members with applying for life insurance and AFLAC supplemental benefit products. Finally, FPPA retirees also have access to two group dental plans, and two vision plans.

Accounting System and Internal Control

The financial statements included in this report, along with all other information provided, are the responsibility of the management of the Fire and Police Pension Association. The financial statements have been prepared in accordance with generally accepted accounting principles and reporting as required by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

Revenues are recognized when they are earned and become measurable, and expenses recorded as liabilities as they are incurred. Investments are stated at current market value, and trades booked on a trade-dated rather than settlement-dated basis. Investments in limited partnerships and pooled funds are carried at values adjusted to recognize the Association's share of net income or loss in the period reported. Fixed assets are capitalized at cost and depreciated over their useful lives. Contributions to the plans are based on principles of level cost funding, and are developed using the entry age normal cost method with current service financed on a current basis and prior service amortized over a 10 to 40 year period (depending on the type of plan). In management's opinion, the financial statements present fairly the financial position of the FPPA at December 31, 2005 and the result of its operations for the period then ended.

The financial statement format of the Comprehensive Annual Financial Report, as well as data presented in the Actuarial Section, meet the requirements of GASB 25. While each of the plans administered by FPPA have been audited as a separate fund and identified separately in the auditors opinion, they are combined on the financial statements for presentation purposes. We have also chosen to include the assets and liabilities of the IRC 457 Deferred Compensation Plan, an expendable trust administered by FPPA.

The management of the Fire and Police Pension Association is also responsible for maintaining a system of internal accounting control designed to provide reasonable assurance that transactions are executed in accordance with generally accepted accounting principles. This system includes the appropriate segregation of duties and responsibilities, sound practices in the performance of those duties, capable personnel, and the organizational structure itself. We believe that the internal controls in effect during the year ended December 31, 2005 adequately safeguarded assets and provided reasonable assurance regarding the proper recording of financial transactions.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fire and Police Pension Association for its comprehensive annual financial report for the fiscal year ended December

31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

This annual report of the Fire and Police Pension Association was prepared through the combined efforts of the FPPA staff under the leadership of the Board of Directors. It is intended to provide complete and reliable information which may be used as a basis for making management decisions and as a means for determining compliance with state statutes.

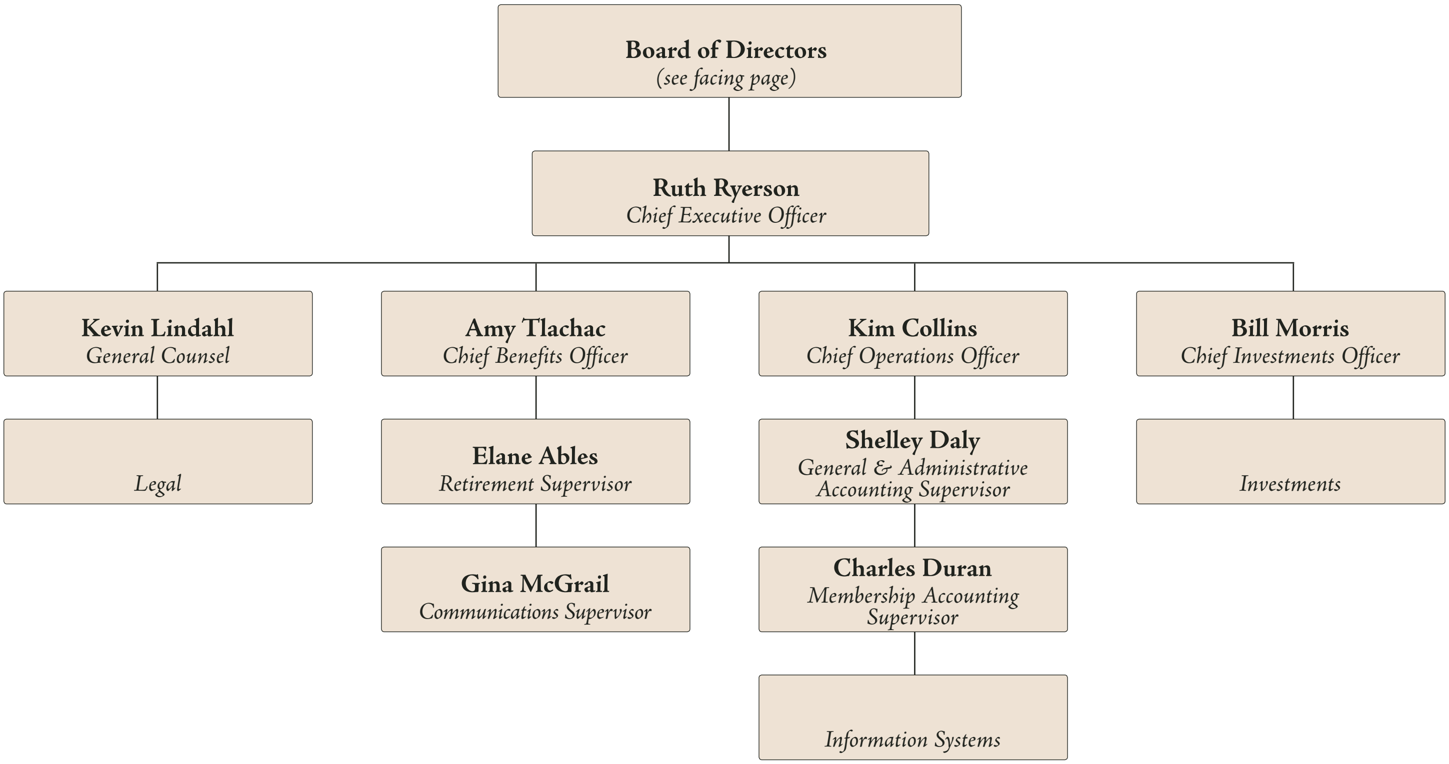
This report is being mailed to the State Auditor, the Joint Budget Committee, the State Pension Reform Commission, all participating employers, and other interested parties.

Respectfully submitted,

Ruth Ryerson

Ruth T. Ryerson
Chief Executive Officer

FPPA Adminstrative Organizational Chart



By state statute, the management of the Members' Benefit Fund is vested in the Board of Directors of the Fire and Police Pension Association of Colorado. The nine members of the Board of Directors serve four-year staggered terms. Appointed by the Governor and confirmed by the Senate, the FPPA Board of Directors is composed of:

Two members representing Colorado municipal employers;

One member representing full-time paid firefighters;

One member representing full-time paid police officers;

One member who is a retired police officer and who, upon completion of his term, is replaced by a retired firefighter. Thereafter, the appointment of retired officers alternates between a retired police officer and a retired firefighter for each successive four year term;

One member who is either a member of the Board of Directors of a special district, or is the full-time paid professional manager of a special district to represent special districts having volunteer firefighters;

One member from the state's financial or business community with experience in investments;

One member from the state's financial or business community with experience in insurance disability claims; and

One member of the state's financial or business community experienced in personnel or corporate administration in corporations of over 200 employees.

Specific duties of the Board of Directors include investing and managing the FPPA benefit fund, disbursing money from that fund, setting required contribution levels, and determining the award of disability and survivor benefits. The Board of Directors also appoints a Chief Executive Officer who is FPPA's chief administrative officer. The Chief Executive Officer appoints FPPA staff who are responsible for the day-to-day administration of the state firefighter and police pension funds.

The FPPA Board of Directors accomplishes its business at regular meetings, held monthly at the Association's Greenwood Village offices. In accordance with state law, each meeting's proposed agenda items are posted in the lobby directory of FPPA's offices at least 24 hours in advance. All meetings begin between 7:30 and 9 am and are open to the public.

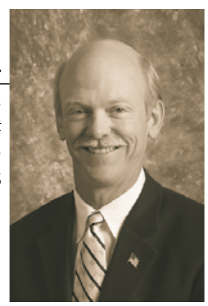
Management fees are on pages 60 and 61. Brokerage commissions are listed on pages 64 and 65. Professional consultants and investment managers are listed on page 14.

FPPA
Board of Directors
as of December 31, 2005

Todd Bower
Board Chair
Captain - Denver Fire Department
Member since 2001
Current term expires 9/1/09

Monica Cortez-Sangster
Board Vice Chair
Director of Human Resources - Colorado Department of Personnel & Administration
Member since 2003
Current term expires 9/1/06

John Bramble
City Manager - Brighton
Member since 2000
Current term expires 9/1/07

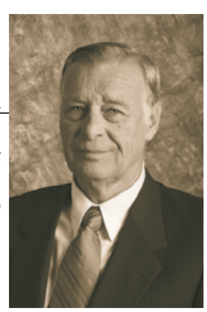


Kirk J. Miller
Active, Corporal, Denver Police Department
Member since 2005
Current term expires 9/1/08

L. Kristine Gardner
Senior VP - Alpine Banks of Colorado, Glenwood Springs
Member since 1988
Current term expires 9/1/08

Leo J. Johnson
Trustee, West Metro Fire Rescue District
Member since 2000
Current term expires 9/1/07

Ron Lappi
Finance Director - Grand Junction
Member since 1991
Current term expires 9/1/06



Stanley T. Sponsel
Retired, Assistant Fire Chief, Denver Fire Department
Member since 2005
Current term expires 9/1/09

Mark Sunderhuse
Principal - Foresight Capital
Member since 2002
Current term expires 9/1/06

Professional Consultants

Actuarial
Gabriel Roeder Smith & Co.
Pension Consulting Alliance/EFI

Auditor
BONDI & Co., LLC

Board Medical Advisor
Dr. Roderic Gottula

Investment Consultants
Abel/Noser Corporation
Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP
IRRC, Inc.
Pension Consulting Alliance

Legal Counsel
Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP
Dechert, LLP
Ice Miller LLP
Parsons Heiser & Paul LLP
Sutherland Tarlar Laugesen PC

Governmental Relations
Lombard & Clayton

Master Custodian/Trustee
Mellon Global Securities Services

Investment Managers

Domestic Equities
Brandywine Asset Management, Inc.
Cortina Asset Management
Fiduciary Asset Management
Legg Mason Capital Management
State Street Global Advisors
Thomson Horstmann & Bryant, Inc.

Domestic Fixed Income
Pacific Investment Management Co.
Trust Company of the West
Western Asset Management Co.

International Equities
Baillie Gifford Overseas Ltd.
Julius Baer Investment Management
LSV Asset Management
Morgan Stanley Asset Management
Rexiter Capital Management
State Street Global Advisors

Real Estate
Apollo Real Estate Advisors
Blackstone Real Estate
Hancock Timber
JP Morgan Fleming Asset Management
Prudential Asset Management Company
RREEF Funds

Funds of Hedge Funds
Fairfield Greenwich Group
Gottex Fund Management

Venture & Alternative Investments
ABS Capital Partners
Apollo Management LP
ARCH Venture Partners
Aurora Equity Partners
Avenue Capital Group
Birch Hill Equity Partners
Blackstone Capital Partners
Boston Ventures, LP
Candover Partners Ltd.
Catterton Partners
Centennial Ventures
Charles River Ventures
Chisholm Partners
Coller Investment Management Limited
Columbine Venture Management, Inc.
CVC European Equity Partners
Doughty Hanson & Company
Endeavour Capital
First Reserve Corporation
Granite Global Ventures
Hancock Falcon Ventures
Hancock International Venture Fund
Harvest Partners
Heritage Partners
JMI Equity
Kayne Anderson Capital Advisors
Larimer Venture
Leonard Green & Partners
Leapfrog Ventures
Lighthouse Capital Partners
MatlinPatterson
Nordic Capital
Oxford Bioscience
Pacific Corporate Group
Providence Equity Partners
SKM Equity Fund
Sprout Capital Group
TCW Special Credits Fund
Texas Pacific Group
Thomas H Lee Partners
Thomas McNerney & Partners
Vestar Capital Partners
W Capital Partners
Willis Stein & Partners

The Members' Benefit Fund consists of the Statewide Defined Benefit Plan, the Statewide Death and Disability Plan, the Statewide Hybrid Plan, plus 54 local defined benefit funds, two local money purchase funds and 167 affiliated volunteer firefighter pension funds.

In addition, FPPA administers two local money purchase plans within the Members' Money Purchase Plan Benefit Fund, and the Statewide Money Purchase Plan within the Members' Statewide Money Purchase Plan Benefit Fund.

An audit is performed annually on each of the following funds.

The Members' Benefit Fund

The Defined Benefit System

The Statewide Death and Disability Plan

Statewide Money Purchase Plan Benefit Fund

The Money Purchase Plan Benefit Fund.

General information about each statewide fund can be found in the Introductory Section of this annual report. A listing of employers participating in each plan can be found in the Statistical Section of this report. All data in this annual report, other than the audit reports which follow, has not been audited by FPPA's outside auditors.

The accompanying notes are an integral part of the financial statement.

BONDI & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

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Board of Directors
Fire and Police Pension Association of Colorado
Greenwood Village, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements, consisting of the Affiliated Local Plans Fund, the Statewide Death & Disability Fund, the Defined Benefit System Fund, the Members' Statewide Money Purchase Fund, the Members' Local Money Purchase Fund, and the IRC 457 Plan of the Fire and Police Pension Association of Colorado, (FPPA), as of and for the year ended December 31, 2005. These financial statements are the responsibility of the management of FPPA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FPPA as of December 31, 2005, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information and management's discussion and analysis included in the annual report are not a required part of the basic financial statements but are supplementary information required by Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Affiliate Offices Worldwide

Board of Directors
Fire and Police Pension Association of Colorado
Greenwood Village, Colorado

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supporting schedules for the financial section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of FPPA. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Bondi & Co. LLC

March 10, 2006

BONDI & Co. LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is an overview of the financial activities of the Fire and Police Pension Association for the year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in the Letter of Transmittal beginning on page 7 of this report

FPPA administers the Fire and Police Members' Benefit Fund. The Fund consists of the Defined Benefit System, the Statewide Death and Disability Plan, the Members' Statewide Money Purchase Plan, and numerous separate Local "Old Hire", "Exempt New Hire", and Volunteer Fire pension funds. Included in the Defined Benefit System are the Statewide Defined Benefit Plan and the Statewide Hybrid Plan.

Financial Highlights

Plan Net Assets for all funds administered by FPPA increased $211,727,492 during the calendar year 2005.

Affiliated Local Plans	$ 58,042,593
Statewide Death & Disability	24,055,372
Defined Benefit System	136,022,952
Members Money Purchase	(9,354,000)
Members Statewide Money Purchase	(1,752,185)
IRC 457 Deferred Compensation Plan	4,712,760
Total Increase in Plan Net Assets	**$ 211,727,492**

For the year ended December 31, 2005, the gross rate of return on the Defined Benefit Assets was a positive 10.15 percent, (9.71 percent, net of fees), which was less than the 12.51 percent gross return for the year ended December 31, 2004 (12.05 percent, net of fees). The net investment gain for all of the funds, including the IRC 457 Deferred Compensation Plan fund administered by FPPA, for the year ended December 31, 2005 was $269,026,972. The overall financial position of the Association improved due to better than expected returns on investment of the Fire and Police Members' Benefit Fund. There are no current known facts, conditions or decisions that are expected to have a significant effect on the financial position or results of operations.

Net Investment Gain

Affiliated Local Plans	$ 146,652,920
Statewide Death & Disability	29,041,707
Defined Benefit System	89,364,717
Members Money Purchase	603,847
Members Statewide Money Purchase	329,385
IRC 457 Deferred Compensation Plan	3,034,396
Total Net Investment Gain	**$ 269,026,972**

The members of the Association's Board of Directors serve as the fiduciaries for the funds and are responsible for the investment of the funds, or the selection of investment options available to money purchase plan members. As fiduciaries, the FPPA Board members are required to discharge their duties in the interest of fund participants and beneficiaries.

As of January 1, 2005 and 2004, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the funds is shown below:

	1/1/2005	1/1/2004
Statewide Death & Disability	96.6%	87.7%
Defined Benefit System – Statewide Defined Benefit Plan	112.5%	110.9%
Defined Benefit System – Statewide Hybrid Plan	124.9%	N/A

The Affiliated Local Plans are not listed since the necessary data to calculate a gain/loss analysis on all Local Plans was not available as of the 1/1/05 actuarial valuations.

FPPA's funding objective is to meet long-term benefit promises through contributions and investment income. The funding ratio listed above gives an indication of how well this objective has been met to date. The higher the funding ratio, the better funded the plan is.

The Members' Money Purchase Plan saw its total contributions decrease from $1,267,676 to $960,962. The decrease of $306,714 was due to a large employer moving to the Statewide Hybrid Plan.

The Statewide Money Purchase Plan contributions decreased from $999,043 to $575,072. The decrease of $423,971 was due to employers moving to the Statewide Hybrid Plan.

The IRC 457 Deferred Compensation Plan increased from $28,003,379 to $32,716,139. This was caused by a net increase of $4,712,760 in plan net assets due to member contributions and an appreciation in the Fair Value of their investments.

Overview of the Financial Statements

The management discussion and analysis is intended to serve as an introduction to FPPA's Financial Statements. The Financial Section for FPPA is comprised of four components: (1) Fund Financial Statements, (2) Notes to the Financial Statements, (3) Required Supplementary Information, and (4) Other Supplementary Schedules.

Fund Financial Statements

There are two Financial Statements presented for the fiduciary funds. The Statement of Plan Net Assets as of December 31, 2005 indicates the net assets available to pay future pension benefits and reflects a snapshot at a particular point in time. The Statement of Changes in Plan Net Assets for the year ended December 31, 2005 provides a view of current year's additions and deductions to the individual funds.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 28-41 of this report.

Required Supplementary Information

The required supplementary information consists of a Schedule of Funding Progress and a Schedule of Employer Contributions. Related notes regarding historical trend information and significant factors affecting trends in actuarial information for the Statewide Death and Disability Plan, Defined Benefit System, and Affiliated Local Plans is also provided.

Other Supplementary Schedules

The additional schedules (Net Assets by Participant, Payments to Consultants, Schedule of Administration and Investment Expenses) are presented for the purpose of additional analysis.

Comparative Financial Statements

Defined Benefit Pension Plans

The three defined benefit plans provide retirement, survivor and disability benefits to the employees of affiliated employers. Benefits are funded by member and employer contributions and by earnings on investments.

Defined Benefit Plan Net Assets

	12/31/2005	12/31/2004	%Change
Assets			
Cash	$ 2,611,275	$ 2,448,275	6.7%
Short Term Investments	174,675,078	335,947,301	(48.0)%
Securities Lending Pool	221,298,428	277,945,771	(20.4)%
Total Investments	2,797,999,215	2,472,372,845	13.2%
Receivables	18,961,976	12,139,041	56.2%
Other Assets	2,756,832	2,807,404	(1.8)%
Total Assets	**3,218,302,804**	**3,103,660,637**	**3.7%**
Liabilities			
Securities Lending Obligations	221,298,428	277,945,771	(20.4)%
Investment and Other Liabilities	79,927,281	126,758,688	(36.9)%
Total Liabilities	**301,225,709**	**404,704,459**	**(25.6)%**
Net Assets Available for Benefits	**$2,917,077,095**	**$2,698,956,178**	**8.1%**

Members' Money Purchase Plan

	12/31/2005	12/31/2004	%Change
Assets			
Total Investments	$ 5,152,693	$14,506,693	(64.5)%
Total Assets	**5,152,693**	**14,506,693**	**(64.5)%**
Net Assets Available for Benefits	**$ 5,152,693**	**$14,506,693**	**(64.5)%**

Members' Statewide Money Purchase Plan

	12/31/2005	12/31/2004	%Change
Assets			
Total Investments	$ 3,843,037	$5,567,720	(31.0)%
Receivables	0	27,502	(100.0)%
Total Assets	**3,843,037**	**5,595,222**	**(31.0)%**
Net Assets Available for Benefits	**$3,843,037**	**$5,595,222**	**(31.0)%**

IRC 457 Deferred Compensation Plan

	12/31/2005	12/31/2004	%Change
Assets			
Total Investments	$32,716,139	$28,003,379	16.8%
Total Assets	**32,716,139**	**28,003,379**	**16.8%**
Net Assets Available for Benefits	**$32,716,139**	**$28,003,379**	**16.8%**

Total Defined Benefit Plan Changes In Net Assets

	12/31/2005	12/31/2004	%Change
Additions			
Employer contributions	$84,564,797	$66,404,449	27.4%
Member contributions	46,819,689	55,553,304	(15.8)%
Affiliations	25,058,451	23,382,781	7.2%
State contributions	2,628,849	1,962,294	34.0%
Investment Income/Loss	265,059,344	285,778,610	(7.3)%
Securities Lending Income	1,212,831	643,694	88.4%
Total Additions	**$425,343,961**	**$433,725,132**	**(1.9)%**

	12/31/2005	12/31/2004	%Change
Deductions			
Benefit payments	$156,721,164	$150,284,940	4.3%
Refund of contributions	46,803,682	39,633,774	18.1%
Administrative costs	3,698,198	3,654,837	1.2%
Total Deductions	**207,223,044**	**193,573,551**	**7.1%**
Change in Net Assets Available for Pension Benefits	**$218,120,917**	**$ 240,151,581**	**(9.2)%**

Total Members' Money Purchase Plan Changes In Net Assets

	12/31/2005	12/31/2004	%Change
Additions			
Employer contributions	$ 473,510	$613,070	(22.8)%
Member contributions	487,452	654,606	(25.5)%
Withdrawals	(10,147,369)	(1,624,409)	524.7%
Investment Income/Loss	603,847	1,126,819	(46.4)%
Total Additions	**$(8,582,560)**	**$ 770,086**	**(1214.5)%**
Deductions			
Refund of contributions	$771,440	$421,195	83.2%
Total Deductions	**$771,440**	**$421,195**	**83.2%**
Change in Net Assets			
Available for Pension Benefits	**$(9,354,000)**	**348,891**	**(2781.1)%**

Total Members' Statewide Money Purchase Plan Changes In Net Assets

	12/31/2005	12/31/2004	%Change
Additions			
Employer contributions	$ 303,479	$ 473,980	(36.0)%
Member contributions	271,593	525,063	(48.3)%
Withdrawals	(2,334,916)	0	(100.0)%
Investment Income/Loss	329,385	(81,457)	504.0%
Total Additions	**$(1,430,459)**	**$ 917,586**	**(255.9)%**
Deductions			
Refund of contributions	$ 321,726	$ 431,381	(25.4)%
Total Deductions	**$ 321,726**	**$ 431,381**	**(25.4)%**
Change in Net Assets			
Available for Pension Benefits	**$ (1,752,185)**	**$ 486,195**	**(460.5)%**

Total IRC 457 Deferred Compensation Plan Changes In Net Assets

	12/31/2005	12/31/2004	%Change
Additions			
Member contributions	$5,541,209	$4,772,766	16.1%
Investment Income/Loss	3,034,396	2,463,578	23.2%
Total Additions	**$8,575,605**	**$7,236,344**	**18.5%**
Deductions			
Benefit payments	$3,862,845	$1,128,668	242.3%
Total Deductions	**3,862,845**	**1,128,668**	**242.3%**
Change in Net Assets			
Available for Pension Benefits	**$4,712,760**	**$6,107,676**	**(22.8)%**

STATEMENT OF PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS — December 31, 2005

	AFFILIATED LOCAL PLANS	STATEWIDE DEATH & DISABILITY	DEFINED BENEFIT SYSTEM
ASSETS			
Cash (Note 5)	$1,730,791	$234,212	$646,272
Investments (Note 5)			
Short Term Investments	115,777,502	15,667,074	43,230,502
U.S. Government Agency Obligations	172,124,620	21,693,708	60,377,960
Corporate Bonds	249,354,649	33,622,028	92,992,508
Domestic Equity Securities	876,212,190	112,344,473	328,755,476
International Equity Securities	343,029,933	46,074,087	128,504,189
International Fixed Income	12,372,264	1,674,222	4,619,717
Venture Capital	122,476,895	16,573,639	45,732,016
Real Estate	85,811,281	11,612,028	32,041,332
Securities Lending Investment Pool	146,680,216	19,848,845	54,769,367
Total Investments	2,123,839,550	279,110,104	791,023,067
Total Cash and Investments	2,125,570,341	279,344,316	791,669,339
Receivables			
Other	3,159	427	1,180
Assets Sold-Pending Trades	5,741,540	776,948	2,143,851
Contributions			
Accrued Interest and Dividends	6,823,609	923,374	2,547,888
Total Receivables	12,568,308	1,700,749	4,692,919
Properties and Equipment, at Cost, Net of Accumulated Depreciation (Note 7)	1,703,900	230,573	636,224
Other Assets	123,373	16,695	46,067
TOTAL ASSETS	2,139,965,922	281,292,333	797,044,549
LIABILITIES			
Payables			
Accounts, Employee and Participants Payable	1,440,976	194,994	538,050
For Assets Purchased-Pending Trades	51,536,133	6,973,897	19,243,231
Amounts Owed for Securities Lending Transactions (Note 5)	146,680,216	19,848,845	54,769,367
TOTAL LIABILITIES	199,657,325	27,017,736	74,550,648
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A Schedule of Funding Progress for each Plan is presented on Page 42)	$1,940,308,597	$254,274,597	$722,493,901

TOTAL DEFINED BENEFIT	MEMBERS' LOCAL MONEY PURCHASE	MEMBERS' STATEWIDE MONEY PURCHASE	IRC 457 DEFERRED COMPENSATION PLAN	COMBINED TOTALS 2005	COMBINED TOTALS 2004
$2,611,275	$	$	$	$2,611,275	$2,448,275
174,675,078				174,675,078	335,947,301
254,196,288	708,642	101,319	2,226,428	257,232,677	282,934,906
375,969,185	260,898	228,364	833,877	377,292,324	365,812,822
1,317,312,139	4,043,275	3,228,520	26,649,272	1,351,233,206	1,123,565,721
517,608,209	139,878	284,834	3,006,562	521,039,483	486,720,221
18,666,203				18,666,203	13,311,009
184,782,550				184,782,550	149,977,280
129,464,641				129,464,641	98,128,678
221,298,428				221,298,428	277,945,771
3,193,972,721	5,152,693	3,843,037	32,716,139	3,235,684,590	3,134,343,709
3,196,583,996	5,152,693	3,843,037	32,716,139	3,238,295,865	3,136,791,984
4,766				4,766	11,459
8,662,339				8,662,339	974,206
					1,392,874
10,294,871				10,294,871	9,788,004
18,961,976				18,961,976	12,166,543
2,570,697				2,570,697	2,582,845
186,135				186,135	224,559
3,218,302,804	5,152,693	3,843,037	32,716,139	3,260,014,673	3,151,765,931
2,174,020				2,174,020	2,010,470
77,753,261				77,753,261	124,748,218
221,298,428				221,298,428	277,945,771
301,225,709				301,225,709	404,704,459
$2,917,077,095	$5,152,693	$3,843,037	$32,716,139	$2,958,788,964	$2,747,061,472

STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS — For The Year Ended December 31, 2005

	AFFILIATED LOCAL PLANS	STATEWIDE DEATH & DISABILITY	DEFINED BENEFIT SYSTEM
ADDITIONS			
Contributions (Note 4)			
Employer	$66,915,372	$5,319,121	$12,330,304
Plan Member	8,914,698	1,773,597	36,131,394
Affiliations/Withdrawals	2,661,461		22,396,990
State Contributions	2,628,849		
Total Contributions	81,120,380	7,092,718	70,858,688
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	90,547,526	21,449,473	68,415,119
Interest	24,022,522	3,250,750	8,969,943
Dividends	30,907,955	4,182,494	11,540,944
Net Real Estate Investment Income	8,493,787	1,149,387	3,171,557
Other Income	1,806,232	244,421	674,442
Total Investment Income (Loss)	155,778,022	30,276,525	92,772,005
Less Investment Counsel	119,307	16,145	44,549
Less Investment Management Fees	8,500,855	1,150,344	3,174,195
Less Alternative Investment Legal Fees	23,328	3,157	8,711
Less Bank Fees	481,612	65,172	179,833
Net Investment Income (Loss)	146,652,920	29,041,707	89,364,717
Securities Lending			
Income	6,334,386	857,175	2,365,242
Borrowers Rebates	(5,262,583)	(712,138)	(1,965,034)
Agent Fees	(267,921)	(36,255)	(100,041)
Net Securities Lending Income	803,882	108,782	300,167
TOTAL ADDITIONS	**228,577,182**	**36,243,207**	**160,523,572**
DEDUCTIONS			
Benefit Payments	141,596,874	11,856,134	3,268,156
Refunds of Contributions	26,486,496		20,317,186
Administrative Costs	2,451,219	331,701	915,278
TOTAL DEDUCTIONS	**170,534,589**	**12,187,835**	**24,500,620**
NET INCREASE IN PLAN NET ASSETS	**58,042,593**	**24,055,372**	**136,022,952**
NET ASSETS AVAILABLE FOR PENSION BENEFITS			
Beginning of Year	**1,882,266,004**	**230,219,225**	**586,470,949**
End of Year	**$1,940,308,597**	**$254,274,597**	**$722,493,901**

The accompanying notes are an integral part of these financial statements.

TOTAL DEFINED BENEFIT	MEMBERS' MONEY PURCHASE	MEMBERS' STATEWIDE MONEY PURCHASE	IRC 457 DEFERRED COMPENSATION PLAN	COMBINED TOTALS 2005	COMBINED TOTALS 2004
$84,564,797	$473,510	$303,479		$85,341,786	$67,491,499
46,819,689	487,452	271,593	5,541,209	53,119,943	61,505,739
25,058,451	(10,147,369)	(2,334,916)		12,576,166	21,758,372
2,628,849				2,628,849	1,962,294
159,071,786	(9,186,407)	(1,759,844)	5,541,209	153,666,744	152,717,904
180,412,118	603,847	329,385	3,034,396	184,379,746	225,715,107
36,243,215				36,243,215	23,226,671
46,631,393				46,631,393	38,033,146
12,814,731				12,814,731	12,569,913
2,725,095				2,725,095	539,744
278,826,552	603,847	329,385	3,034,396	282,794,180	300,084,581
180,001				180,001	234,916
12,825,394				12,825,394	10,167,622
35,196				35,196	61,843
726,617				726,617	332,650
265,059,344	603,847	329,385	3,034,396	269,026,972	289,287,550
9,556,803				9,556,803	3,202,257
(7,939,755)				(7,939,755)	(2,344,048)
(404,217)				(404,217)	(214,515)
1,212,831				1,212,831	643,694
425,343,961	**(8,582,560)**	**(1,430,459)**	**8,575,605**	**423,906,547**	**442,649,148**
156,721,164				156,721,164	150,284,940
46,803,682	771,440	321,726	3,862,845	51,759,693	41,615,028
3,698,198				3,698,198	3,654,837
207,223,044	**771,440**	**321,726**	**3,862,845**	**212,179,055**	**195,554,805**
218,120,917	**(9,354,000)**	**(1,752,185)**	**4,712,760**	**211,727,492**	**247,094,343**
2,698,956,178	**14,506,693**	**5,595,222**	**28,003,379**	**2,747,061,472**	**2,499,967,129**
$2,917,077,095	**$5,152,693**	**$3,843,037**	**$32,716,139**	**$2,958,788,964**	**$2,747,061,472**

NOTES TO FINANCIAL STATEMENT — December 31, 2005

NOTE 1: ORGANIZATION

The Fire and Police Members' Benefit Fund (the Common Fund) was established in 1980 pursuant to the Colorado Revised Statutes of 1973, as amended. Funds are administered by a nine member Board of Directors appointed by the Governor, and confirmed by the Senate to serve four-year staggered terms. The trustee, the Fire and Police Pension Association of Colorado (FPPA), collects, invests, administers, and disburses monies on behalf of fire fighters and police officers in the State of Colorado for the following plans/funds:

Defined benefit retirement plans for fire and police employees in the State of Colorado hired before April 8, 1978, (Old Hires) providing that such plans have affiliated with FPPA, fire and police employees of affiliated employers hired after April 8, 1978 (Exempt New Hires), and affiliated volunteer fire pension plans in the State of Colorado. This is an agent multiple-employer plan. These plans are reported as the **Affiliated Local Plans Fund**.

The **Statewide Death and Disability Fund** is a defined benefit plan. This is a cost sharing multiple-employer plan.

The **Defined Benefit System** consists of the Statewide Defined Benefit Plan and the Statewide Hybrid Plan, and was created in order to provide enhanced benefit options for Members. The Statewide Defined Benefit Plan is a defined benefit plan for fire and police employees hired in the State of Colorado on or after April 8, 1978. The Statewide Hybrid Plan became effective January 1, 2004 and provides a combination of defined benefit and money purchase retirement benefits to the Members of those Employers who have either (1) established a local money purchase plan pursuant to C.R.S. § 31-30.5-801 or 31-31-601 or (2) withdrawn into the Statewide Money Purchase Plan pursuant to C.R.S. § 31-31-501 and subsequently elected to participate in the Statewide Hybrid Plan under C.R.S. § 31-31-1101. This System is presented as a single plan based on GASB statement 25, paragraph 16 that states that on an "ongoing basis, all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions to any of the plan members or beneficiaries, as defined by the terms of the plan."

The **Members' Money Purchase Plan Benefit Fund** administers defined contribution plans for fire and police employees hired in the State of Colorado providing that such plans have affiliated with FPPA. This is a cost sharing multiple-employer defined contribution plan.

The **Members' Statewide Money Purchase Plan Benefit Fund** is a cost sharing multiple-employer defined contribution plan.

The **IRC 457 Deferred Compensation Plan Fund** is a plan created under Internal Revenue Code Section 457. This Fund collects amounts deferred by participants of affiliated plans. The assets are held in trust for the exclusive benefit of participants.

In order to facilitate investing, and to reduce operating costs, FPPA pools investments in what is known as the Common Fund. Each month shared revenues (i.e. investment income) and shared operating expenses are allocated to each affiliate, and to the statewide plans, based upon each plan's proportionate share of total assets. The IRC 457 Deferred Compensation Fund, the Members' Money Purchase Plan Benefit Fund, and the Members' Statewide Money Purchase Plan Benefit Fund are excluded from this allocation process.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting for the Affiliated Local Plans, Statewide Death and Disability Plan, Defined Benefit System, Members' Money Purchase Plan, and Members' Statewide Money Purchase Plan and the IRC 457 Deferred Compensation Plan in accordance with generally accepted accounting principles of the United States Of America applicable to governmental accounting in accordance with GASB Statement No. 25. Member and employer contributions for all plans are recognized as additions/revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Operating expenditures are recorded when incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

In 2005, GASB Statement No. 40, Deposits and Investment Risk Disclosures was implemented. GASB Statement No. 40 addresses disclosures on deposits and investments, focusing on common investment risks related to interest rate risk, credit risk, custodial credit risk, foreign currency risk and concentration credit risk.

(b) Reporting Entity

The Governmental Accounting Standards Board has specified the criteria to be used in defining a governmental entity for financial reporting purposes. In accordance with Governmental Accounting Standards, FPPA has considered the possibility of inclusion of additional entities in its comprehensive annual financial report. The definition of the reporting entity is based primarily on financial accountability. FPPA is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if

FPPA appoints a voting majority of the organization's governing body and is either able to impose it's will on that organization or there is a potential for benefits to, or to impose, specific financial burdens on FPPA. FPPA may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the application of the above criteria, FPPA has no includable entities. In addition, FPPA is not included in the financial statements of any other entity.

(c) Investments

Investments are recorded at fair value using quoted market prices, except for real estate which is recorded at estimated fair value based upon periodic appraisals and valuations, investments in limited partnerships which are recorded at estimated fair value as derived from the financial statements of the partnerships, and guaranteed investment contracts which are recorded at contract value. Investment transactions are accounted for on the trade date.

Short Term Investments include short term investment funds, repurchase agreements, commercial paper, certificates of deposit, treasury bills, and government agency issues, all with a maturity of less than one year.

Dividend income is recorded on the ex-dividend date. Interest income is accounted for using the accrual method of accounting.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds, cash and cash equivalents held by money managers, certificates of deposit, and demand deposits.

(e) Property and Equipment

FPPA has a capitalization threshold of $5,000. Property and equipment are stated at cost, less any write-downs for impairment in value, and are depreciated using the straight-line method over estimated lives as follows:

Computer and office equipment	3 - 5 years
Vehicles	5 years
Furniture	10 years
Building and Improvements	5 - 30 years
Tenant Improvements	life of lease

(f) Income Taxes

FPPA is exempt from federal income taxes under Section 501(c)(9) of the Internal Revenue Code.

(g) Member Transactions

Funds invested by members include payroll contributions made by member police officers and fire fighters, contributions of affiliated employers on behalf of their police officers and fire fighters, contributions from the State of Colorado, and contributions of plan assets by newly affiliated plans of formerly non-participating entities.

Funds withdrawn by members include benefit payments to members, refunds paid to terminated employees, and withdrawals of deferred amounts.

(h) Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. Actuarially determined future benefit payments require the use of significant estimates. The Association believes that the techniques and assumptions used in establishing these estimates are appropriate.

(i) Reclassification of Prior Year Amounts

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

(j) Allocation

Expenses and investments are allocated to each Plan according to their proportionate share of total assets. In the current year the costs of administering the Plans was financed by Investment Income.

NOTE 3: CHANGE IN ACCOUNTING POLICY

Security Lending Fees

Effective January 1, 2005, the Association changed its accounting treatment for Security Lending fees. The Association records its share of lending fees as an expense with the effect of increasing security lending income earned.

NOTE 4: PLAN DESCRIPTIONS

Affiliated Local Plans

Plan Description

This is an agent multiple-employer Public Employee Retirement System (PERS). There are 221 local plans affiliated with the Association.

The Affiliated Local Plans represent the assets of a number of separate plans, which have been pooled for investment purposes. The pension plans (volunteer and paid) represented in the Affiliated Local Plans investment pool, have elected to affiliate with FPPA for plan administration and investment only. Each plan has a separate plan document, actuarial valuation, and is governed by its own local pension board.

(2) Contributions and Benefit Provisions

As each affiliated member has its own plan, there is no uniform amount for either contributions or benefit provisions.

(3) Membership

These plans are for the benefit of three distinct groups. The first of those are fire and police employees of affiliated employers hired prior to April 8, 1978, (Old Hires). The second of those are fire and police employees of affiliated employers hired after April 8, 1978 (Exempt New Hires). The final group is volunteer firefighters of affiliated plans. The membership of these groups as of December 31, 2005, are comprised as follows:

Deferred Retirement Option Plan (DROP)	
Participants – Active Old Hire	251
DROP Participants–Active Exempt New Hire	24
Retirees and Beneficiaries Currently Receiving Benefits	5,635
Terminated Vested Employees Entitled	
To Benefits But Not Yet Receiving Them	307
Current Employees – Active Old Hire	126
Current Employees – Active Exempt New Hire	1,066
Current Volunteers – Active	4,010
Total Members	**11,419**

(B) Statewide Death and Disability Plan

(1) Plan Description

The Plan is a multi-employer cost sharing defined benefit plan covering full-time employees of substantially all fire and police departments in Colorado. As of August 1, 2003, the Plan may include part-time police and fire employees. Contributions to the Plan are used solely for the payment of death and disability benefits. The Plan was established in 1980 pursuant to Colorado Revised Statutes.

(2) Contributions

Prior to 1997, the Plan was primarily funded by the State of Colorado, whose contributions were established by Colorado statute. The State made a one-time contribution in 1997 of $39,000,000 to fund the past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated. Members hired on or after January 1, 1997, contribute 2.4% of payroll as of January 1, 2003 to this fund. The contribution increased to 2.5% of payroll as of January 1, 2005. This percentage can vary depending on actuarial experience. In addition, there were 9 contributing employers as of December 31, 2005, who are covered by Social Security and have also elected supplementary coverage by the statewide plan.

Benefits

Benefits are established by Colorado statute.

If a member dies prior to retirement while off-duty, the surviving spouse is entitled to a benefit equal to 40% of the member's monthly base salary with an additional 10% of base salary if a surviving spouse has two or more dependent children, or if there are three or more dependent children without a surviving spouse. As of October 15, 2002, if a member dies prior to retirement while on-duty, the surviving spouse is entitled to a benefit equal to 70% of the member's monthly base salary regardless of the number of dependent children. If there are dependent children without a surviving spouse, and they do not live in the household, the benefit is 40% for the first child and 15% for each additional child but not greater than the 70% total. Benefit entitlement continues until death of the spouse and death, marriage, or other termination of dependency of children. These benefits are reduced by the amount of certain other benefits received.

A member who becomes disabled prior to retirement shall be eligible for disability benefits. If the member is totally disabled, he shall receive 70% of his base salary preceding disability. If the member is occupationally disabled and his disability is judged to be a permanent occupational disability, he shall receive 50% of his base salary preceding disability regardless of his family status. If the member is occupationally disabled and his disability is judged to be a temporary occupational disability, he shall receive 40% of his base salary preceding disability regardless of his family status for up to 5 years.

Total disability and permanent occupational disability benefits are reduced by the amount of certain other benefits received.

Benefits paid to members are evaluated and may be re-determined on October 1 of each year. Any increase in the level of benefits cannot increase by more than 3% for any one year. Totally disabled members and their beneficiaries receive an automatic cost-of-living-adjustment each year of 3%.

(4) Membership

The participating employees (members) of the Plan as of December 31, 2005, are comprised as follows:

Retirees and beneficiaries receiving benefits	700
Active non-vested members	10,465
Total Members	11,165

(C) Defined Benefit System – Statewide Defined Benefit Plan

(1) Plan Description

The Plan is a multi-employer cost sharing, defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978, (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire departments whose services are auxiliary to fire protection. The Plan became effective January 1, 1980. The Plan currently has 183 participating employers.

Employees hired before April 8, 1978, (Old Hires) may be covered by the Plan provided that their employer is affiliated with the Association. An employer has the opportunity to affiliate on January 1 of each year. A requirement of coverage under the Statewide Plan is that the affiliating employer transfer assets to the Plan equivalent to the total actuarial liability of employees who also transfer to the Plan.

Employers had the option to elect to withdraw from the Plan until a change in state statutes was passed which permitted no further withdrawals after January 1, 1988.

(2) Contributions

It is the policy of the Plan that the contribution rate be established at a level that will result in all benefits being fully funded at the retirement date of all members of the Statewide Defined Benefit Plan. At the present time, both employers and employees are required by Colorado statute to contribute 8% of the employees' salary to the Plan. As of 1/1/2004, employers that affiliate into the Defined Benefit System and have members selecting the Statewide Defined Benefit Plan tier shall contribute a total of 20%. The employer shall specify how much of the required rate of contribution is to be paid by the employer and how much shall be made by the member. However, the employer and member shall each contribute at least 8%. In addition, certain employers who are covered by Social Security have also elected supplementary coverage by the statewide plan. Based upon an estimated base payroll, the actuarially determined contribution rate for 2005 is between 9.41% (based on current law) to 16.2% (based on current law with 3% permanent cost-of-living adjustment).

(3) Benefits

Employees have 60 days from the date of affiliation by their employer to elect whether to adopt the Plan's schedule of benefits or to remain with the employer's previous schedule.

On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the Plan to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that the retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983 to state that any member may be retired from further service and shall be eligible for a normal retirement pension at any time after attaining the age of 55 years, if the member has at least 25 years of service.

The annual normal pension shall be 2% of the average of the member's highest three years' base salary for each year of credited service up to ten years plus 2.5% for each year thereafter. The benefit for members of affiliated social security employers will be reduced by the amount of social security income the member receives annually. Benefits paid to retired members are evaluated and re-determined October 1 of each year. The amount of increase is based on the Board's discretion and can range from 0-3%. In addition, upon retirement a participant may receive additional benefits credited to the participant's "Separate Retirement" account each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and any earnings or losses thereon. Participants do not vest in amounts credited to their account until retirement and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions.

A member shall be eligible for an early retirement benefit after completion of 30 years of service or attainment of age 50. The early retirement benefit shall be the reduction of the Normal Retirement Benefit on an actuarially equivalent basis.

Upon termination, an employee may elect to have all contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and continue to be eligible for a retirement pension at age 55 equal to 2% of the member's highest three years base salary for each year of credited service up to ten years plus 2.5% for each year thereafter.

Membership

The participating employees (members) of the Plan as of December 31, 2005, are comprised as follows:

Retirees and beneficiaries receiving benefits	108
Terminated members entitled to benefits but not yet receiving such benefits	157
DROP Participants	48
Fully Vested	216
Partially Vested	2,350
Non-vested	1,742
Total Members	4,621

Defined Benefit System – Statewide Hybrid Plan

Plan Description

The Plan was established January 1, 2004 and is a multi-employer cost sharing pension plan covering full-time firefighters and police officers from departments that elect coverage. The Plan may also cover clerical staff or other personnel from fire departments whose services are auxiliary to fire protection. The Plan may also include part-time police and fire employees. However, part-time members shall be limited to the Money Purchase Component in the Statewide Hybrid Plan. The Plan is comprised of two components: Defined Benefit Component and the Money Purchase Component. Employees have the option of choosing between various mutual funds offered by an outside investment manager within the Money Purchase Component. The Plan currently has 15 participating employers.

Employers do not have the option to withdraw from the Plan once elected.

(6) Contributions

It is the policy of the Plan that the contribution rate be established at a level that will result in all benefits being fully funded at the retirement date of all members of the Statewide Hybrid Plan. At the present time, both employers and employees are required to contribute 8% of the employees' salary to the Plan pursuant to C.R.S § 31-31-1102 (4) (a). Of that 16%, 12.38% currently is going towards the Defined Benefit Component. If an employer has a higher mandatory contribution rate, the excess goes towards the Money Purchase Component of the Plan.

Employees are always 100% vested in their own contributions within the Money Purchase Component, as well as the earnings on those contributions. Vesting in the employer's contributions within the Money Purchase Component, and earnings on those contributions is determined by the vesting schedule and set by the plan document. Employer and member contributions are invested in funds at the discretion of members.

An employee may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan.

Benefits

The Plan document states that any employee may be retired from further service and shall be eligible for a normal retirement pension at any time after attaining the age of 55 years, if the member has at least 25 years of service.

The annual normal pension of the Defined Benefit Component shall be 1.5% of the average of the member's highest three years' base salary for each year of credited service. Benefits paid to retired members of the Defined Benefit Component are evaluated and re-determined October 1 of each year. The amount of increase is based on the Board's discretion and can range from 0-3%.

An employee shall be eligible for an early retirement benefit after completion of 30 years of service or attainment of age 50. The early retirement benefit shall be the reduction of the Normal Retirement Benefit on an actuarially equivalent basis.

Upon termination, an employee may elect to have all contributions, along with 5% as interest, returned as a lump sum distribution from the Defined Benefit Component. Alternatively, an employee with at least five years of accredited service may leave contributions with the Defined Benefit Component of the Plan and continue to be eligible for a retirement pension at age 55 equal to 1.5% of the member's highest three years base salary for each year of credited service. In addition, upon termination, the vested account balance within the Money Purchase Component is available to the employee.

(8) Membership

The participating employees (members) of the Plan – Defined Benefit Component and Money Purchase Only Component as of December 31, 2005, are comprised as follows:

Retirees and beneficiaries receiving benefits,	
and terminated members entitled to	
benefits but not yet receiving such benefits	73
DROP Participants	0
Fully Vested	14
Partially Vested	100
Total Members	187

(D) Members' Money Purchase Plan Benefit Fund

(1) Plan Description

The Fund is a multi-employer defined contribution (money purchase) pension fund covering full-time employees of participating fire or police departments in Colorado whose employers have elected to affiliate with FPPA for investment and administrative purposes.

The Members' Money Purchase Plan Benefit Fund became effective on January 1, 1990. Participants have the option of choosing between various mutual funds offered by an outside money manager. There were 2 contributing employers as of December 31, 2005.

(2) Contributions and Vesting

Contributions to the Fund are calculated as a percentage of the employee's base salary. The percentage is specified in each employer's individual plan document, but current participants are contributing at the rate of 8% of salary, which is matched by the employer.

Plans may also allow voluntary contributions to be made by the members, which are generally not matched by the employer. Members are always 100% vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer's contributions and earnings on those contributions is determined by each individual plan's vesting schedule.

(3) Membership

There were 42 contributing employees (members) at December 31, 2005.

Retirees and beneficiaries receiving benefits,	
and terminated members entitled to	
benefits but not yet receiving such benefits	8
Members:	
Partially Vested	42
Total Members	50

(E) Members' Statewide Money Purchase Plan Benefit Fund

(1) Plan Description

The Fund is a multi-employer defined contribution (money purchase) pension fund covering full-time employees of participating fire or police departments in Colorado who have elected to participate in the Members' Statewide Money Purchase Benefit Fund. As of August 1, 2003, the fund may include part-time police and fire employees. The fund may also include clerical or other personnel from fire departments whose services are auxiliary to fire protection.

The Members' Statewide Money Purchase Plan Benefit Fund became effective on January 1, 1995. Participants have the option of choosing between various mutual funds offered by an outside money manager. There were 52 contributing employers as of December 31, 2005.

(2) Contributions and Vesting

Contributions to the Fund are calculated as a percentage of the employee's base salary, which is specified by State statute. In addition, current participants are contributing at the rate of 8% of salary, which is matched by the employer. Members are always 100% vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer's contributions and earnings on those contributions is determined by the vesting schedule and set by the State statute. Employer contributions are invested in funds at the discretion of members.

(3) Membership

The participating employees (members) of the Fund at December 31, 2005, are comprised as follows

Retirees and beneficiaries receiving benefits,	
and terminated members entitled to benefits	
but not yet receiving such benefits	25
Members:	
Fully Vested	26
Partially Vested	36
Total Members	87

NOTE 5: DEPOSITS AND INVESTMENTS

(1) Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Association may not be able to recover its deposits. The Association does not have a formal policy for custodial credit risk. All non-investment related bank deposits are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the Association's name. The Operating Account at Wells Fargo Bank held a balance of $2,608,510 as of 12/31/05.

Investment related cash that is received after the custodian bank's daily cutoff is invested in Mellon Bank's Late Money Deposit Account. The Late Money Deposit Account is insured for amounts up to $100,000 but is not collateralized. At December 31, 2005, the balance held in the Late Money Deposit Account was $2,577,049.

The Colorado Public Deposit Act (PDPA) requires that all units of Local Government deposit cash in eligible depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal levels must be collateralized. Collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

(2) Investments

The Association has established a long-range statement of investment objectives and policies for managing and monitoring the Common Fund. The investment policy sets forth the Common Fund's investment objective to provide the greatest long-term benefits to members of the Association by maximizing the total rate of return on investments, within prudent parameters of risk. The investment policy also defines the responsibilities of the fiduciaries with respect to the Common Fund, their investment authority under the prudent person rule, the level of acceptable risk for investments, statutory asset allocation restrictions, investment performance objectives, and guidelines within which outside investment managers may operate.

Under Colorado statutes, the Association, as trustee of the Common Fund, has complete discretionary authority to invest and reinvest funds of the Common Fund, using the prudent investor rule.

Investments are exposed to various investment risks including custodial credit risk, credit quality risk, interest rate risk, and foreign currency risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Association will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Association does not have a formal policy for custodial credit risk. All investments, where securities are used as evidence of the investment, are held by the custodian in book-entry form in the Association's name. Investment related cash is swept daily by the custodian bank into the Employee Benefit Temporary Investment Fund, a collective investment fund sponsored by the custodian bank. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. As of December 31, 2005, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Association's name.

Investments in foreign currency	$4,568,564

Concentration of Credit Risk

The Association does not have any investments representing five percent or more of the Common Fund assets in any single issuer.

Credit Risk

Credit risk is the risk that an issuer of a debt instrument will not fulfill its obligations. The Association manages its exposure to credit risk by monitoring the quality ratings in its fixed income portfolios and by requiring its fixed income managers to diversify by issuer. Domestic core plus fixed income managers may not invest more than 15% of the portfolio's fair value in domestic high yield (non-investment grade) and/or U.S. dollar denominated emerging market fixed income securities. Other than investments in domestic high yield fixed income securities and dollar denominated emerging market debt, securities must meet the minimum investment grade ranking (Baa/BBB) of at least one major bond ratings service, either Moody's Investor Services or Standard & Poor's. Unrated corporate bonds and commercial paper rated below A2/P2 are not permitted without prior written approval. Domestic high yield fixed income managers may not invest more than 25% of the portfolio in unrated securities and private placements (Rule 144A securities) combined. In addition, the exposure to one high yield security is limited to 4% of the fair value of the portfolio and the allocation to any one industry is limited to 20% of the fair value of the portfolio.

The following table summarizes the Association's fixed income securities credit quality ratings as of December 31, 2005.

	Core Plus Portfolio		High Yield Portfolio	
Credit Quality Rating:	**Fair Value**	**%**	**Fair Value**	**%**
Aaa/AAA	$62,150,584	8.0%	0	0.0%
Aa/AA	7,051,411	0.9%	0	0.0%
A	23,342,274	3.0%	579,548	1.4%
A1/P-1	69,732,416	9.0%	0	0.0%
Baa/BBB	41,508,029	5.3%	0	0.0%
Ba/BB	48,659,347	6.3%	9,600,995	23.3%
B	13,585,739	1.7%	26,397,315	64.0%
Caa/CCC	4,656,500	0.6%	3,485,875	8.4%
Ca/CC	1,082,627	0.1%	111,750	0.3%
C	137,950	0.0%	353,500	0.9%
D	246,702	0.0%	0	0.0%
Not Rated	93,600	0.0%	28,790	0.1%
Total Credit Risk Debt Securities	272,247,179	34.9%	40,557,773	97.9%
U.S Government and Agency Securities	488,204,545	62.7%	0	0.0%
Total Fixed Income Securities	760,451,724	97.6%	40,557,773	97.9%
Cash Deposit Accounts	1,993,848	0.3%	0	0.0%
Temporary Investment Fund	16,569,605	2.1%	888,798	2.1%
Total Fixed Income Investments	**$779,015,177**	**100.0%**	**$41,446,571**	**100.0%**

The Association invests in certain sectors of the fixed income market through its core plus fixed income managers' commingled fund vehicles. The weighted average rating of each commingled fund is shown in the appropriate ratings categories above. The short-term securities held in the Employee Benefit Temporary Investment Fund had an average rating of P-1; the long-term securities had an average rating of AA. Obligations of the U.S. government and obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Within the core plus fixed income portfolio, non-investment grade securities comprised 8.8% of the total portfolio at December 31, 2005. Within the high yield fixed income portfolio, unrated securities represented 0.1% of the portfolio, no security exceeded 4% of the portfolio, and no industry exceeded 20% of the portfolio.

Interest Rate Risk

The fair value of fixed income investments fluctuate in response to changes in market interest rates, generally decreasing in response to increases in market interest rates. Through its investment policy, the Association manages its exposure to fair value losses arising from increasing interest rates by monitoring the duration and maturity of its portfolio and requiring its fixed income managers to diversify by issuer and by sector or industry.

Duration measures a fixed income security's exposure to price changes arising from changing interest rates. The calculation uses the present value of cash flows, weighted according to the time to cash receipt. Effective (or option-adjusted) duration is the duration of a bond after adjusting for any embedded options. Effective duration takes into account the fact that yield changes may change the expected cash flows of the bond in the presence of an embedded option, such as a call, put, or prepayment option for asset- or mortgage-backed securities. The longer the duration, the more sensitive the bond or portfolio of bonds should be to changes in interest rates.

The investment manager agreements for the Association's core plus fixed income managers limit the duration of the portfolios to the duration of the Lehman Brothers Aggregate Bond Index plus or minus 20%. The Association places no restrictions on the duration of the high yield fixed income portfolio. At December 31, 2005, the effective duration of the Lehman Aggregate Bond Index was 4.57. The effective duration of the Citigroup High Yield Cash Pay Index was 4.59 at December 31, 2005.

The Association uses analytical software provided by Mellon Analytical Solutions to monitor effective duration at the security level, which is supplemented by account level data reported by the Association's fixed income investment managers. The table below summarizes the effective duration of the Association's fixed income portfolios.

	Core Plus Portfolio		High Yield Portfolio	
Security Type:	**Fair Value**	**Effective Duration**	**Fair Value**	**Effective Duration**
Asset Backed Securities	$ 8,457,951	1.48		
Corporate – Investment Grade	64,592,761	4.56	$ 579,548	6.99
Corporate – High Yield	38,920,574	3.30	39,978,225	2.19
Emerging Market Bonds	11,377,420	4.28		
Non-US Dollar Developed	29,136,945	4.11		
Mortgage-Backed Securities	403,997,892	3.55		
Municipal Bonds	10,002,312	7.50		
US Treasury & Agency	81,540,851	5.52		
Yankee Bonds	15,648,246	8.97		
US Treasury Strips	2,576,990	16.84		
Commercial Paper	69,732,416	0.19		
Short Term US Government Obligations	24,467,366	0.18		
British Pound Margin Account	6,108	0.08		
Late Money Deposit Account	1,987,740	0.08		
Temporary Investment Fund	16,569,605	0.08	888,798	0.08
Total	**$779,015,177**	**3.55**	**$41,446,571**	**2.21**

The Association invests in various securities with embedded options that affect the sensitivity to changes in interest rates. Mortgage related securities, which include mortgage pass-through securities, collateralized mortgage obligations, and commercial mortgage-backed securities, are moderately sensitive to changes in market interest rates because they are backed by mortgage loans and subject to prepayment risk. Asset-backed securities, securities that are backed by a pool of non-mortgage related assets such as automobile loans, credit card receivables, and home equity loans, are somewhat sensitive to changes in interest rates which might lead to principal repayments.

The Association may invest in stripped U.S. Treasury securities, asset-backed securities and mortgage-backed securities. When a Treasury security is stripped, each interest payment and the principal payment become a separate zero-coupon security. Zero coupon securities are subject to greater interest rate risk than interest paying securities of similar maturities. When an asset- or mortgage-backed security is stripped, one class of securities receives all of the interest from the assets, while the other class receives all of the principal payments. Interest-only securities are extremely sensitive to the rate of principal prepayments, which may result from a decline in interest rates. Principal-only strips are sensitive to decreasing prepayments that may result from interest rate increases, thus increasing the average maturity of the investment.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Association's exposure to foreign currency risk derives from its allocations to non-U.S. dollar denominated international equity, fixed income, and private equity investments. Through its asset allocation policy, the Association has set a target asset allocation of 21% to developed and emerging market international equities. Core plus fixed income managers may invest up to 10% of the portfolio in non-U.S. dollar denominated investment grade fixed income securities. Within the private equity portfolio, the Association has a target allocation range of 5-15% to international funds.

International equity and core plus fixed income managers may use forward currency contracts as a defensive hedge to protect the portfolio from periods of relative strength of the U.S. dollar. Hedging contracts that do not involve the U.S. dollar are permissible for international equity managers, provided that the currencies have a correlation coefficient of at least 0.75. For international equity managers, the total nominal exposure of all forward currency contracts may not exceed 50% of the portfolio's fair value. International equity and core plus fixed income managers may use currency options for hedging purposes.

The fair value of the Association's exposure to foreign currency risk at December 31, 2005 is summarized in the table below.

Currency:	Cash	Equities	Fixed Income	Private Equity	Total
Australian Dollar	$ 502,442	$ 19,609,756			$ 20,112,198
Brazilian Real		4,024,600			4,024,600
British Pound	(1,909,978)	92,210,032	1,977,974	617,869	92,895,897
Canadian Dollar	15,651	22,745,557		43,489	22,804,697
Danish Kroner	988,055	4,526,628			5,514,683
Euro Currency	3,056,823	184,179,892	2,568,472	4,887,085	194,692,272
Hong Kong Dollar	189,289	8,696,958			8,886,247
Indian Rupee		3,477,691			3,477,691
Indonesian Rupiah		2,805,647			2,805,647
Japanese Yen	(2,361,808)	105,438,824	6,941,663		110,018,679
Korean Won		13,410,454			13,410,454
Malaysian Ringgit		4,624,377			4,624,377
Mexican Peso		3,142,330			3,142,330
New Zealand Dollar	33,493	1,079,346			1,112,839
Norwegian Krone	117,750	5,751,964			5,869,713
Singapore Dollar	886,527	3,836,909			4,723,437
South African Rand		6,032,428			6,032,428
Swedish Krona	168,465	17,990,031		1,591,473	19,749,969
Swiss Franc	300,511	35,005,892			35,306,403
Taiwan Dollar		7,685,461			7,685,461
Thai Baht		3,360,689			3,360,689
Turkish Lira		3,304,120			3,304,120
Subtotal	1,987,220	552,939,586	11,488,109	7,139,916	573,554,831
Other (<$2 million in holdings)		4,467,024			4,467,024
Total Excluding USD	**$1,987,220**	**$ 557,406,610**	**$ 11,488,109**	**$ 7,139,916**	**$ 578,021,855**

Non-U.S. dollar denominated investment grade fixed income investments had a weighted average quality rating of AAA at December 31, 2005. The Association invests in emerging market debt, primarily through commingled fund vehicles. Commingled emerging market debt funds may invest a small portion of the underlying assets in non-U.S. dollar denominated debt issued by emerging market countries. Substantially all of the non-U.S. currency exposure is hedged at all times.

A summary of investments reflected on the Statement of Plan Net Assets Available for Benefits follows:

U.S. Government Agency Obligations	$257,232,677
Corporate Bonds	377,292,324
Domestic Equity Securities	1,351,233,206
International Equity Securities	521,039,483
International Fixed Income	18,666,203
Short Term Investments	174,675,078
Venture Capital	184,782,550
Real Estate	129,464,641
Securities Lending Investments Pool	221,298,428
Total Investments	**$3,235,684,590**

Securities Lending

State Statute allows the Association to participate in securities lending transactions. The Association has, via a Securities Lending Authorization Agreement, authorized Mellon Global Securities Services to lend the securities it holds as custodian to broker-dealers and banks pursuant to a form of loan agreement.

During the year ended December 31, 2005, the Association received U.S. and foreign dollar cash, U.S. Government Securities, foreign sovereign debt and irrevocable bank letters of credit for collateral. The Association did not have the ability to pledge or sell collateral securities without a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to 102% of the market value of the loaned securities with respect to U.S. securities and 105% of the market value of loaned securities with respect to foreign securities. The Association did not impose any restrictions on the amounts of loans that Mellon Bank made on its behalf. Mellon Bank indemnified the Association by agreeing to purchase replacement securities, or to credit the Association with the market value of unreturned loaned securities, in the event a borrower failed to return the loaned securities or failed to pay distributions. There were no defaults by any borrowers to return loaned securities or pay distributions during the year ended December 31, 2005. In addition, there were no losses during the fiscal year resulting from a default of the borrowers or Mellon Bank.

During the fiscal year, the Association and borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders. As of December 31, 2005, the estimated days to reset or maturity for the investment pool was 24 days. Because the loans were terminable at will their duration did not generally match the maturation of the investments made with cash collateral. On December 31, 2005, the Association had no credit risk exposure to borrowers because the amount FPPA owes the borrowers is less than the amounts the borrowers owe FPPA. The market value of the securities on loan for the Association as of December 31, 2005, was $223,733,107. The market value of the collateral received as of December 31, 2005 is $231,772,234.

The following table presents the fair value of the underlying securities and the fair value of the collateral pledged at December 31, 2005:

Securities Lent	Fair Value	Cash Received Value	Securities Received Value
Lent for Cash Collateral:			
U.S. Government and Agency Securities	$70,168,550	$71,369,642	
Domestic Corporate Bonds	17,541,438	17,999,666	
Domestic Stocks	46,360,853	48,296,272	
International Stocks	76,360,182	80,488,165	
International Fixed Income	3,004,285	3,144,683	
Lent for Securities Collateral:			
U.S. Government and Agency Securities	9,385,972		9,540,213
Domestic Stocks	812,052		829,293
International Stocks	99,775		105,300
Total	**$223,733,107**	**$221,298,428**	**$10,473,806**

NOTE 6: IRC 457 DEFERRED COMPENSATION PLAN

The employees of FPPA may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457, along with participating fire and police departments. All funds are invested outside the Common Fund. The Plan, available to all employees, permits the deferral of a portion of their salary until future years. The deferred compensation and associated appreciation in the fair value of the assets held are not available to employees until termination, retirement, death, or an unforeseen emergency.

In response to the 1996 Small Business Protection Act, the Governmental Accounting Standards Board issued Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This Statement requires that amounts deferred under a qualified Section 457 plan be held in trust for the exclusive benefit of participating employees, and not be accessible by the sponsoring government, or its general creditors.

In response to this Statement, the Association has modified its trust agreement with respective affiliates; and the result of this modification is the placing of Plan activity within a Pension Trust Fund for the purposes of financial statement presentation. Fund Balance Reserved for Withdrawals equaled $32,716,139 at December 31, 2005.

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2005, is comprised of the following:

General Assets	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Nondepreciable Assets				
Land	$ 1,937,742			$ 1,937,742
Depreciable Assets				
Buildings & Improvements	1,403,192	10,681		1,413,873
Tenant Finish		129,766		129,766
Equipment	769,311	42,507	(4,000)	807,818
Totals at historical cost	**4,110,245**	**182,954**	**(4,000)**	**4,289,199**
Less Accumulated Depreciation for:				
Buildings & Improvements	(877,044)	(77,755)		(954,799)
Equipment	(650,356)	(117,347)	4,000	(763,703)
Total Accumulated Depreciation	**(1,527,400)**	**(195,102)**	**4,000**	**(1,718,502)**
Total Net Assets:	**$ 2,582,845**	**$(12,148)**		**$ 2,570,697**

NOTE 8: RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. It carries commercial coverage of these risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT PLAN

(1) Plan Description

The Association contributes to the State Division Trust Fund (SDTF) a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Association are members of SDTF. Title 24, Article 51 of the Colorado Revised Statutes, (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for SDTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA's InfoLine at 1-800-759-PERA, or Denver metro area 303-837-6250.

(2) Basis of Accounting for the SDTF

The financial statements of the SDTF are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. SDTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, and approximate fair value.

(3) Funding Policy

Plan members and the Association are required to contribute at a rate set by statute. The contribution requirements of plan members and the Association are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the Association is 10.15% of covered salary. A portion of the Association's contribution is allocated for the Health Care Fund. The Association's contributions to SDTF for the years ending December 31, 2005, 2004, and 2003 were $180,082, $162,662, and $127,525, respectively, equal to their required contributions for each year.

NOTE 10: DEFINED CONTRIBUTION PENSION PLAN

(1) Plan Description

The SDTF members of the Association may voluntarily contribute to the Voluntary Investment Program (VIP) an Internal Revenue Code Section 401(k) defined contribution plan administered by the PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the VIP provisions to the State Legislature.

The VIP is funded by voluntary member contributions. The maximum contribution level is set by the Internal Revenue Service and changes annually. No employer contributions are required. The VIP member contributions from Association employees for the year ended December 31, 2005 was $82,894.

NOTE 11: FINANCIAL OBLIGATIONS WITH OFF BALANCE SHEET RISK

FORWARD FOREIGN EXCHANGE CONTRACTS

The Association through its various money managers has entered into forward foreign exchange contracts. These contracts were entered into for the purposes of hedging against changes in currency prices relative to the U. S. dollar. This is allowed under the Association's investment policies subject to a limit of 50% of the portfolio's market value.

Forward Foreign Exchange Contracts are a contractual obligation between two parities to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry counter-party risk. Forwards are usually transacted Over the Counter (OTC). These transactions are entered into with the foreign exchange department of a bank located in a major money market.

Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract.

EQUITY INDEX FUTURES

The Association through one money manager has invested in un-leveraged international equity index futures. These future positions are used solely to provide liquidity and market exposure. These types of contracts are allowed under the Association's investment policies subject to the following conditions: a) All long and short positions must be covered; b) Sufficient cash shall be maintained to cover all margin requirements; c) Leverage will not be permitted; d) Counterparties must have and maintain a minimum credit rating of "a"; e) Index futures exposure shall not exceed 25% of the total portfolio market value.

FINANCIAL FUTURES AND OPTIONS

The Association, through its various money managers has entered into exchange traded financial futures. The purpose of these contracts is for hedging, as an alternative to investments in the cash market, and as an additional yield curve management strategy. These futures included U.S. Agency, Bond and Treasury Futures and Options. In addition, contracts include Euro dollar and interest rate swap futures. Money managers may also invest in forward contracts. These transactions relate to a forward commitment strategy in cash equivalents or short duration securities with an effective duration of one year or less.

NOTE 12: COMMITMENTS AND CONTINGENCIES

FPPA is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of FPPA's legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Common Fund. The Association has invested in certain venture capital partnerships and corporations. As part of these investments, FPPA has agreed to contribute additional funds at various times. At December 31, 2005, FPPA had committed approximately $100.5 million in additional funds to these projects.

Schedule of Funding Progress (unaudited)

Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Surplus) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Surplus) Actuarial Accrued Liability as a % of Covered Payroll
Statewide Defined Benefit Plan							
2005	1/1/05	$557,949,693	$495,915,617	$(62,034,076)	112.5%	$217,752,582	(28.5%)
2004	1/1/04	473,006,658	426,673,675	(46,332,983)	110.9%	189,359,234	(24.5%)
2003	1/1/03	424,088,589	371,056,405	(53,032,184)	114.3%	172,625,858	(30.7%)
2002	1/1/02	428,388,591	337,391,594	(90,996,997)	127.0%	156,808,953	(58.0%)
2001	1/1/01	405,598,652	305,500,209	(100,098,443)	132.8%	141,154,007	(70.9%)
2000	1/1/00	367,003,914	230,422,395	(136,581,519)	159.3%	125,090,112	(109.2%)
1999	1/1/99	$311,057,177	$203,004,350	$(108,052,827)	153.2%	$108,851,702	(99.3%)
Defined Benefit System – Statewide Hybrid Plan							
2005	1/1/05	$5,040,067	$4,035,894	$(1,004,173)	124.9%	$2,587,830	(38.8%)

The first actuarial valuation completed on the Defined Benefit System – Statewide Hybrid Plan was in 2005.

Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Surplus) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Surplus) Actuarial Accrued Liability as a % of Covered Payroll
Affiliated Local Plans							
2004	1/1/04	$1,642,270,820	$2,160,729,353	$518,458,533	76.0%**	$70,053,951	740.1%
2002	1/1/02	1,902,729,069	2,086,914,286	184,185,217	91.2%	74,373,501	247.6%
2000	1/1/00	1,824,520,033	1,958,959,749	134,439,716	93.1%	82,304,632	163.3%
1998	1/1/98	1,466,608,186	1,813,999,862	347,391,676	80.9%	104,522,694	332.4%
1996	1/1/96	$1,121,444,504	$1,593,927,538	$472,483,034	70.4%	$ 96,013,582	492.1%

*** State Contributions have been suspended for 2 years and will recommence as of 4/30/2006.*

Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Surplus) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Surplus) Actuarial Accrued Liability as a % of Covered Payroll
Statewide Death & Disability Plan*							
2005	1/1/05	$223,389,097	$231,252,507	$ 7,863,410	96.6%	$567,949,536	1.4%
2004	1/1/04	212,273,124	241,966,436	29,693,312	87.7%	547,190,145	5.4%
2003	1/1/03	218,151,921	261,133,007	42,981,086	83.5%	515,529,441	8.3%
2002	1/1/02	239,456,347	239,793,687	337,340	99.9%	484,328,830	0.1%
2001	1/1/01	240,575,733	209,233,639	(31,342,094)	115.0%	441,924,703	(7.1%)
2000	1/1/00	229,537,083	182,268,906	(47,268,177)	125.9%	413,510,444	(11.4%)
1999	1/1/99	$212,356,890	$179,953,848	$(32,403,042)	118.0%	$394,666,053	(8.2%)

*** This plan is valued under the Aggregate Funding Method, where the Actuarial Accrued Liability is set equal to the assets, resulting in no Unfunded Actuarial Accrued Liability and a Funded Ratio of 100%. The Actuarial Accrued Liability reported here is the Present Value of Projected Benefits, less the Present Value of Projected Member Contributions.*

Schedule of Employer Contributions

(A) Statewide Death and Disability Plan

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2005	$ 5,310,356	100%
2004	4,396,906	100
2003	3,698,399	100
2002	2,840,452	100
2001	2,270,023	100
2000	$ 1,465,861	100%

(B) Defined Benefit System - Statewide Defined Benefit Plan

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2005	$ 17,999,016	100%
2004	15,148,739	100
2003	13,810,069	100
2002	12,544,716	100
2001	11,292,321	100
2000	$ 10,007,209	100%

(C) Defined Benefit System – Statewide Hybrid Plan

The first actuarial valuation completed on the Defined Benefit System – Statewide Hybrid Plan was in 2005.

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2005	$ 38,814	100%

(D) Affiliated Local Plans

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2005	$ 97,547,567	100%
2004	96,995,192	100
2003	42,835,929	100
2002	40,986,770	100
2001	32,779,006	100
2000	35,097,807	100
1999	$ 51,599,353	100%

Notes to the Required Supplementary Information — December 31, 2005

NOTE 1: DESCRIPTION

The historical trend information for the Statewide Death and Disability Fund, Defined Benefit System, and Affiliated Local Plans are presented as required supplementary information. Actuarial studies are completed on the Affiliated Local Plans biennially in accordance with GASB 27. Each of the 221 Affiliated Local Plans has its own actuarial study. Data presented here is an aggregation of the data from each individual plan study. The data should not be interpreted as being indicative of the status of any individual plan.

NOTE 2: ACTUARIAL ASSUMPTIONS AND METHODS

	Statewide Death & Disability	Statewide Defined Benefit	Statewide Hybrid	Affiliated Local Plans
Valuation Date	1/1/05	1/1/05	1/1/05	1/1/05
Actuarial Method	Aggregate Funding[1]	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open	Level % of Payroll, Open	Various
Amortization Period	N/A	30 Years	30 Years	Various
Asset Valuation Method	3 Year Smoothed Fair Market Value	3 Year Smoothed Fair Market Value	3 Year Smoothed Fair Market Value	3 Year Smoothed Fair Market Value
Actuarial Assumptions:				
Investment Rate of Return	8%	8%	8%	8%
Projected Salary Increase	4.75% - 13.25%	4.75% - 13.25%	4.75% - 13.25%	4.75% - 13.25%
Include Inflation at	3.5%	3.5%	3.5%	3.5%
Cost of Living Adjustment	0% - 3%	0%	0%	0% - 4%
Health Care	N/A	N/A	N/A	N/A

[1]*The aggregate funding method does not identify or separately amortize unfunded actuarial liabilities.*

NOTE 3: SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

Statewide Death and Disability Plan

There were no significant factors affecting trends as of the 1/1/05 actuarial valuation.

Defined Benefit System – Statewide Defined Benefit Plan

There were no significant factors affecting trends as of the 1/1/05 actuarial valuation.

Defined Benefit System – Statewide Hybrid Plan

There were no significant factors affecting trends as of the 1/1/05 actuarial valuation.

Affiliated Local Plans

An Actuarial Experience Study was completed in 2004. The following actuarial assumptions were amended and effective on January 1, 2004.

- *Salary Scale* rate was increased by 0.25% for all years of service
- *Inflation* was decreased from 4.0% to 3.5%
- *Pre-Retirement Mortality* rates were set back two years, and the load was decreased from .04% to .02%
- *Disability* rates were decreased
- *Separation* rates were increased for police members and for fire members with at least four years of service and decreased for fire members with less than four years of service

Net Assets by Participant — December 31, 2005

Alamosa Volunteer Fire Department (Volunteer)	$1,398,852
Allenspark Fire (Volunteer)	247,917
Aspen Fire Protection District (Volunteer)	1,586,598
Ault Fire Protection District (Volunteer)	393,785
Aurora Police	85,108,512
Aurora Police - DROP	6,615,562
Aurora Police-Rank Escalation	15,681,584
Aurora Fire	81,340,327
Aurora Fire - DROP	4,129,772
Aurora Fire-Rank Escalation	13,441,990
Bancroft Fire Protection District	2,309,092
Bancroft Fire Protection District-Rank Escalation	1,577,469
Basalt and Rural Fire Protection District (Volunteer)	1,564,243
Bennett Volunteer Fire (Volunteer)	469,964
Berthoud Fire Protection District (Volunteer)	542,171
**Black Hawk Fire Protection District (Volunteer)	-
Blanca Volunteer Fire (Volunteer)	88,428
Boone Volunteer Fire (Volunteer)	32,453
Boulder Heights Fire Protection District (Volunteer)	400,750
Boulder Rural Fire Protection District (Volunteer)	563,083
Bow Mar Police	102,292
Brighton Fire (Volunteer)	3,679,306
Brush Volunteer Fire Department (Volunteer)	726,060
Buena Vista Fire (Volunteer)	273,910
Burning Mountain Fire Protection District (Volunteer)	739,715
Calhan Fire (Volunteer)	60,274
Canon City Area Fire Protection District	3,801,933
Canon City Area Fire Protection District (Volunteer)	243,986
Carbondale & Rural Fire Protection District (Volunteer)	1,945,589
Cascade Fire (Volunteer)	233,206
Castle Rock Volunteer Fire Department (Volunteer)	958,300
Cedaredge Police	232,884
Central City Fire Department (Volunteer)	292,412
Central Orchard Mesa Fire Protection District (Volunteer)	115,153
Cherry Hills Fire Protection District	2,973,491
Cherryvale Fire Protection District (Volunteer)	262,250
Cheyenne County #1 Fire (Volunteer)	182,546
Clear Creek County Emergency Services District (Volunteer)	1,545,278
Clifton Fire Protection District (Volunteer)	2,099,589
Coal Creek Fire Protection District (Volunteer)	791,158
Colorado Sierra Fire Protection District (Volunteer)	48,527
Colorado Springs Police	69,662,061
Colorado Springs Police-Rank Escalation	13,696,157
Colorado Springs Fire	82,595,152
Colorado Springs Fire-Rank Escalation	16,425,337
Colorado Springs Exempt Police	140,611,634
Colorado Springs Exempt Fire	86,245,371
Colorado Springs Exempt Police SRA-Actuarial	413,541
Colorado Springs Exempt Fire-SRA Actuarial	172,398
Colorado Springs Exempt Police SRA-Master	$86,160

Net Assets by Participant — December 31, 2005 (continued)

Colorado Springs Exempt Fire-SRA STIF	$60,776
Colorado Springs Police - DROP	2,514,817
Colorado Springs Fire - DROP	3,144,694
Colorado Springs Police - NH DROP	1,677,792
Cortez Police	307,945
Cripple Creek Fire Protection District (Volunteer)	327,142
Crowley Fire Department (Volunteer)	17,214
Crystal Lake Fire Department (Volunteer)	93,534
Del Norte Police	31,381
Del Norte Fire (Volunteer)	529,160
Denver Fire	377,492,561
Denver Fire-Rank Escalation	34,031,390
Denver Fire - DROP	15,629,509
Denver Police	495,208,916
Denver Police-Rank Escalation	40,504,718
Denver Police - DROP	26,465,829
Divide Volunteer Fire (Volunteer)	109,089
Donald Westcott Volunteer Fire (Volunteer)	246,273
Dove Creek Fire (Volunteer)	127,146
Durango Police	2,445,257
Durango Fire	1,742,285
Durango Police - DROP	843,715
Durango Firce - DROP	368,783
Durango Fire & Rescue Authority	4,915,177
Eads Volunteer Fire Department (Volunteer)	115,562
Eaton Volunteer Fire Department (Volunteer)	768,306
Eckley Fire (Volunteer)	19,793
Elbert Fire (Volunteer)	83,011
Eldorado Fire Department (Volunteer)	145,085
Elizabeth Fire Protection District (Volunteer)	1,174,926
Englewood Police	7,033,693
Englewood Police-DROP	535,376
Englewood Fire Department	11,647,636
Englewood Fire Department (Volunteer)	273,119
Englewood Fire DROP	538,139
**Erie Police	-
Evans Volunteer Fire Department (Volunteer)	384,280
Evergreen Fire (Volunteer)	3,399,956
Falcon Fire Protection District (Volunteer)	675,243
Federal Heights Volunteer Fire Department (Volunteer)	1,693,175
Firestone Marshalls Police	45,092
Fisher's Peak Fire (Volunteer)	57,140
Florence Fire (Volunteer)	631,435
Foothills Fire Protection District (Volunteer)	1,055,811
Fort Morgan Fire (Volunteer)	1,268,093
Fort Morgan Rural Fire (Volunteer)	431,662
Fort Morgan Police	867,364
Franktown Fire Protection District (Volunteer)	1,506,967
Frederick Area Fire Protection District (Volunteer)	207,923
Galeton Fire (Volunteer)	$261,707

Net Assets by Participant — December 31, 2005 (continued)

Genesee Fire Protection District (Volunteer)	$890,516
Glacier View Fire (Volunteer)	65,703
Glendale Volunteer Fire Department (Volunteer)	226,634
Glenwood Springs Fire Department (Volunteer)	905,696
Golden Volunteer Fire Department (Volunteer)	2,979,809
Golden Gate Fire Protection District (Volunteer)	196,888
Grand Fire Protection District (Volunteer)	1,088,798
Grand Junction Fire	11,898,217
Grand Junction Police	2,453,272
Grand Lake Fire (Volunteer)	1,369,856
Grand Valley Fire (Volunteer)	1,189,887
Greeley Police	1,685,316
Green Mountain Falls-Chipita Park Fire Protection District (Volunteer)	203,335
Gypsum Fire (Volunteer)	402,330
Hartsel Fire Protection District (Volunteer)	372,438
Haxtun Volunteer Fire Department (Volunteer)	135,097
Haxtun Police	221,336
High Country Fire Protection District (Volunteer)	1,174,197
Hillrose Rural Fire (Volunteer)	117,496
Holyoke (City) Volunteer Fire Department (Volunteer)	140,342
Holyoke Fire Protection District (Volunteer)	259,122
**Holyoke Police	-
Hot Sulphur Springs-Parshall Fire Protection District (Volunteer)	124,752
Hygiene Fire (Volunteer)	559,030
Indian Hills Fire Protection District (Volunteer)	308,931
Inter-Canyon Fire Protection District (Volunteer)	886,252
Jackson 105 Fire Protection District (Volunteer)	171,250
Jefferson-Como Fire Protection District (Volunteer)	584,184
Kiowa Fire Protection District (Volunteer)	433,158
Kremmling Fire Protection District (Volunteer)	381,117
La Junta Police	1,158,595
La Junta Fire	1,046,158
La Junta Rural Fire Protection District (Volunteer)	379,133
Lafayette Volunteer Fire Department (Volunteer)	1,082,791
Lake City Fire (Volunteer)	25,154
Lake Dillon Fire (Volunteer)	2,462,550
Lake George Fire Protection District (Volunteer)	161,906
Lakewood Fire Protection District	11,213,734
Lakewood Fire Protection District-Rank Escalation	6,749,935
Lamar Fire	789,266
Lamar Police	154,153
Lamar Fire Protection District (Volunteer)	305,249
Larkspur Fire Protection District (Volunteer)	1,268,510
Las Animas Police	599,280
La Salle Police	615,995
La Salle Fire Protection District (Volunteer)	1,657,812
Leadville Fire	295,380
Left Hand Fire Protection District (Volunteer)	730,373
Lewis-Arriola Fire Protection District (Volunteer)	900,055
Limon Fire Department (Volunteer)	$319,448

Net Assets by Participant — December 31, 2005 (continued)

Livermore Fire Protection District (Volunteer)	$44,704
Log Hill Mesa Fire Protection District (Volunteer)	79,134
Lower Valley Fire Protection District (Volunteer)	497,114
*Mancos Fire Protection District (Volunteer)	401,779
Manitou Springs Fire	451,398
Manitou Springs Volunteer Fire Department (Volunteer)	421,678
Manzanola Rural Fire Protection District (Volunteer)	91,208
Milliken Fire Protection District (Volunteer)	594,152
Montrose Fire Protection District	197,189
Montrose Fire Protection District (Volunteer)	626,423
Mountain View Fire Protection District	537,409
Mountain View Fire Protection District (Volunteer)	2,350,238
Nederland Fire Protection District (Volunteer)	265,072
New Raymer-Stoneham Fire (Volunteer)	45,169
North Fork Fire Protection District (Volunteer)	111,698
North Routt Fire Protection District (Volunteer)	126,990
North Washington Fire Protection District	3,808,040
North Washington Fire Protection District-Rank Escalation	417,710
North Washington Fire Protection District (Volunteer)	184,420
North Washington Fire Protection District - DROP	306,646
Northeast Teller County Fire Protection District (Volunteer)	506,839
Northwest Fire Protection District (Volunteer)	354,092
Northwest Conejos Fire Protection District (Volunteer)	386,470
*Norwood Fire Protection District (Volunteer)	116,520
Nucla-Naturita Fire (Volunteer)	333,784
Nunn Fire Protection District (Volunteer)	404,966
Oak Creek Fire Protection District (Volunteer)	190,128
Olathe Fire Protection District (Volunteer)	354,855
Olney Springs Volunteer Fire Department (Volunteer)	156,322
*Ordway Fire (Volunteer)	151,696
Ouray Volunteer Fire Department (Volunteer)	172,874
Palisade Volunteer Fire Department (Volunteer)	277,445
Palmer Lake Volunteer Fire Department (Volunteer)	18,473
**Paonia Police	-
Parker Fire Protection District (Volunteer)	675,140
Pawnee Fire (Volunteer)	54,153
Pinebrook Hills Fire Protection District (Volunteer)	193,678
Pinewood Springs Fire (Volunteer)	45,959
Plateau Valley Fire (Volunteer)	168,130
Platte Canyon Fire Protection District (Volunteer)	1,020,559
Platte Valley Fire Protection District (Volunteer)	2,100,405
Platteville/Gilcrest Fire Protection District (Volunteer)	1,880,267
Pleasant View Fire Protection District (Volunteer)	246,870
Pleasant View Metro Fire Protection District (Volunteer)	1,173,071
Poudre Valley Fire (Volunteer)	138,599
Pueblo Fire	36,620,567
Pueblo Fire-Rank Escalation	3,601,272
Pueblo Fire - DROP	5,425,901
Pueblo Police	51,273,280
Pueblo Police-Rank Escalation	$11,387,693

Net Assets by Participant — December 31, 2005 (continued)

Pueblo Rural Fire Protection District	$2,462,165
Pueblo Rural Fire Protection District-Rank Escalation	453,421
Rangeley Rural Fire (Volunteer)	543,634
Rattlesnake Fire Protection District (Volunteer)	526,033
Red Feather Lakes Fire Protection District (Volunteer)	181,067
Ridgeway Fire (Volunteer)	342,981
Rio Blanco Fire Protection District (Volunteer)	1,222,799
Rifle Fire (Volunteer)	1,579,523
Rocky Ford Police	512,965
Rocky Ford Fire	303,129
Rocky Ford Volunteer Fire Department (Volunteer)	39,926
Sable Altura Fire Protection District (Volunteer)	532,629
Salida Fire	295,297
Salida Police	1,027,615
Sheridan Fire (Volunteer)	520,563
Silverton Fire (Volunteer)	137,806
Simla Volunteer Fire Department (Volunteer)	79,835
Snake River Fire Protection District (Volunteer)	731,196
South Adams County Fire Protection District	606,896
South Adams County Fire Protection District (Volunteer)	3,813,750
South Arkansas Fire Protection District (Volunteer)	243,080
South Conejos Fire Protection District (Volunteer)	182,929
South Metro Fire Rescue (Volunteer)	447,882
Springfield Police	541,516
Springfield Fire (Volunteer)	102,309
Steamboat Springs Volunteer Fire Department (Volunteer)	1,196,614
Sterling Fire	860,221
Sterling Volunteer Fire Department (Volunteer)	358,172
Sterling Police	1,269,687
Stonewall Fire (Volunteer)	129,513
Stratton Fire Protection District (Volunteer)	68,354
Sugar City Fire Department (Volunteer)	95,442
Sugarloaf Fire Protection District (Volunteer)	354,271
SW Washington Fire (Volunteer)	43,244
Telluride Fire Protection District (Volunteer)	730,596
Thornton Fire	8,816,926
Thornton Fire DROP STIF	505,971
Trinidad Fire	507,657
Trinidad Fire-Rank Escalation	82,545
Trinidad Police	178,901
Union Colony Fire	9,471,542
Walsenburg Police	29,250
Walsh Fire (Volunteer)	21,118
Wellington Fire Protection District (Volunteer)	793,267
West Cheyenne Fire Protection District (Volunteer)	79,477
West Douglas County Fire Protection District (Volunteer)	526,192
West Metro Fire (Volunteer)	823,909
West Routt Fire Protection District (Volunteer)	1,786,638
Westminster Fire (Volunteer)	3,137,756
Wet Mountain Fire (Volunteer)	$797,779

Net Assets by Participant — December 31, 2005 (continued)

Wiggins Fire (Volunteer)	$527,620
Wiley Rural Fire Protection District (Volunteer)	92,768
*Windsor Severance (Volunteer)	2,222,627
Yampa Fire Protection District (Volunteer)	361,720
Yuma Fire (Volunteer)	315,440
Total Net Assets By Participant	$1,940,308,597

**New Affiliation in 2005*

***Departments with zero assets have either disaffiliated with FPPA, or all dollars have been paid out of the plan in the current year.*

Payments to Consultants

ACTUARIAL CONSULTANTS	
Gabriel Roeder Smith & Co.	$189,700
Pension Consulting Alliance/EFI	40,000
AUDITORS	
BONDI & Co. LLC	33,000
INVESTMENT COUNSEL	
Pension Consulting Alliance	140,000
IRRC, Inc.	37,500
Abel/Noser Corporation	7,500
LEGAL AND LEGISLATIVE COUNSELS	
Parsons, Heizer , Paul LLP	3,150
Lombard & Clayton	40,000
Klausner & Kaufman	5,670
Sutherland, Tarler & Laugesen PC	31,826
Christensen, Miller,Fink, & Jacobs	35,195
MANAGEMENT CONSULTANTS	
Ennis Knupp	25,000
MEDICAL CONSULTANT	
Roderic Gottula, M.D/ Correctional MED/LEGAL Consultants	34,700
Total Payments To Consultants	**$623,241**

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES

December 31, 2005 (With Comparative Totals for December 31, 2004, 2003, 2002, 2001, and 2000)

Expense Group	*2005*	*2004*	*2003*	*2002*	*2001*	*2000*
PROFESSIONAL CONTRACTS						
Actuarial Contract	$225,000	$345,098	$148,500	$174,885	$141,547	$141,352
Audit Fees	33,000	33,000	33,210	31,225	30,000	29,000
Computer Maintenance & Lease	247,658	176,420	107,532	92,150	140,483	67,494
Insurance & Bonding	113,467	109,290	104,251	91,770	87,394	84,942
Legal & Legislative Counsel	80,195	60,698	111,631	109,660	77,946	92,500
Management Consulting	25,000			4,720	30,000	2,500
Medical Exam Fees	145,000	119,446	142,455	130,642	117,717	150,100
Hearing Officers - D&D	7,000	8,345	5,375	3,947	6,980	4,274
Outside Svcs/Contract Help	29,145	49,947	10,781	16,931	8,277	3,144
Records Management	5,400	5,370	3,852	5,254	5,701	6,313
Total Professional Contracts	*910,865*	*907,614*	*667,587*	*661,184*	*646,045*	*581,619*
PERSONNEL SERVICES						
Salaries	1,822,000	1,730,359	1,629,422	1,581,473	1,572,031	1,426,576
Employee Benefits	481,000	413,205	370,754	350,602	258,869	300,238
Employment Programs	10,500	9,454	7,494	9,562	14,624	15,553
Total Personnel Services	*2,313,500*	*2,153,018*	*2,007,670*	*1,941,637*	*1,845,524*	*1,742,367*
STAFF EDUCATION						
Tuition Assistance Program	19,275	21,981	15,348	14,088	8,691	16,466
Conferences & Seminars	37,750	26,545	24,948	28,599	28,241	32,762
Total Staff Education	*$57,025*	*$48,526*	*$40,296*	*$42,687*	*$36,932*	*$49,228*

Continued on next page

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES (cont'd)

Expense Group	2005	2004	2003	2002	2001	2000
OTHER OPERATING EXPENSES						
Company Vehicles	$4,400	$2,779	$4,439	$3,931	$7,251	$7,200
Board Expenses	78,500	56,747	44,439	74,379	78,343	84,492
Data Processing Supplies	23,400	12,604	11,544	15,182	13,396	13,151
Equipment Rental & Maint.	42,510	38,995	37,406	36,644	39,495	37,524
Meetings & Travel	35,000	29,335	27,281	28,172	24,584	24,659
Operating Exp. Two DTC	29,965	25,812	(15,441)	88,742	8,913	13,418
Other (Misc.)	1,000	699	28	984	1,299	2,200
Postage	55,465	52,097	66,909	63,744	62,590	55,414
Printing & Mailing	141,500	109,470	145,465	143,412	137,942	131,646
Retirement Services	12,450	9,148	8,870	14,197	14,246	8,862
Staff Expense	4,800	3,138	3,797	4,960	5,323	5,255
Subscriptions & Dues	12,984	10,432	10,805	8,674	15,092	16,000
Supplies	26,650	26,959	24,305	30,507	35,732	54,249
Telephone	21,000	20,207	20,434	20,981	23,219	17,282
Total Other Operating Expense	*489,624*	*398,422*	*390,281*	*534,509*	*467,425*	*471,352*
TOTAL OPERATING EXPENSE	3,771,014	3,507,580	3,105,834	3,180,017	2,995,926	2,844,566
Depreciation Expense	194,537	147,257	43,980	140,759	126,085	155,555
TOTAL ADMINISTRATIVE EXPENSE	3,965,551	3,654,837	3,149,814	3,320,776	3,122,011	3,000,121
CAPITAL EXPENDITURES	42,507	74,800	48,797	55,386	223,543	21,471
TOTAL ADMINISTRATIVE EXPENSE AND CAPITAL	**$4,008,058**	**$3,729,637**	**$3,198,611**	**$3,376,162**	**$3,345,554**	**$3,021,592**

Expense Group	2005	2004	2003	2002	2001	2000
INVESTMENT FEES						
Investment Counsel	$183,305	$234,916	$186,003	$175,000	$177,499	$142,501
Investment Mgmt. Fees	12,825,394	10,167,622	5,491,021	5,028,068	4,422,092	4,925,713
Alternative Investment Legal Fees	35,195	61,843	28,224	14,457	46,277	21,230
Bank/Security Lending Fees	726,617	332,650	374,755	371,514	379,146	384,146
Total Investment Fees	**$13,770,511**	**$10,797,031**	**$6,080,003**	**$5,589,039**	**$5,025,014**	**$5,473,590**

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This section of the comprehensive annual financial report has been prepared by the Investment Division of the Fire & Police Pension Association of Colorado.

Bill Morris, Chief Investment Officer

The mission of the Fire and Police Pension Association – to provide for the retirement needs of police officers and firefighters throughout the State of Colorado – is facilitated by the management of various fund investment portfolios, which totaled $3.0 billion in market value as of December 31, 2005. Specifically, the Association is responsible for managing four separate funds: the Members' Benefit Fund ($2.917 billion), the Members' Money Purchase Plan Benefit Fund ($5.153 million), the Members' Statewide Money Purchase Plan Benefit Fund ($3.843 million) and the IRC 457 Deferred Compensation Fund ($32.716 million)("the funds").

The Members' Benefit Fund includes the assets of various defined benefit plans designed to provide participants with a specified benefit after retirement, which is calculated as a percentage of the participant's salary.[1] In contrast, The Members' Money Purchase Plan Benefit Fund and the Members' Statewide Money Purchase Plan Benefit Fund include the assets of various defined contribution plans. In these plans, members direct the investment of their contributions among various investment options. The amount received at retirement depends on the performance, over time, of those options chosen. The IRC 457 Deferred Compensation Plan Fund permits employees of FPPA and participating fire and police departments to defer a portion of their salaries to future years. Participants direct the investment of their conributions among various investment options.

The Members of the Association's Board of Directors serve as the fiduciaries for the funds and are responsible for the investment of the funds, or the selection of investment options available to defined contribution and deferred compensation plan members. As fiduciaries, the FPPA Board Members are required to discharge their duties solely in the interest of fund participants and beneficiaries. The Board has established investment policies and allocates assets, or selects investment options, based upon member characteristics, plan provisions, and the financial requirements of the funds, in addition to considering the risk/reward trade-offs of various investments.

The Association has established long range statements of investment objectives and policies for managing and monitoring the funds. The investment policies establish investment objectives and define the responsibilities of the fiduciaries with respect to the funds, their investment authority under Colorado law, the level of acceptable risk for investments, asset allocation restrictions, investment performance objectives, and guidelines within which outside investment managers must operate.

The assets in the Members' Benefit Fund are managed primarily by professional investment management firms. Similarly, investment options offered to defined contribution and deferred compensation plan members are typically pooled investment vehicles managed by professional money managers.

The Association's investment staff coordinates and monitors the investments and fund options, and assists the Board of Directors in the formulation and implementation of investment policies and long-term investment strategies. The investment staff is also responsible for the contents of this section of the annual report. To the extent applicable, investment managers are required to report results in conformance with standards developed by the Association for Investment Management and Research (AIMR). In addition, however, both FPPA and its custodian bank independently calculate investment returns based upon market values and cash flows reported by the custodian bank. FPPA has utilized the returns calculated by its investment staff in this report.

Members' Benefit Fund

Summary of Investment Objectives

The Board, in developing investment objectives, asset allocation, and investment guidelines, recognizes that the Members' Benefit Fund ("the Fund") includes the assets of over 200 different benefit plans, all having a different funded status. To manage these assets effectively and prudently, the Board has, in its planning process, considered, and will continue to consider, all of the plans' liabilities, both present and projected.

The investment objectives of the Board represent desired results and are long-term in nature. Given assumptions about current and projected capital market conditions, a real rate of return objective for plan assets has been set. This objective may be modified based on changes in plan conditions or the nature of the capital markets.

The overall objective of the Fund is to balance and prudently manage the investment needs (risks and return) of all plans participating in the fund, including the need to eliminate current unfunded liabilities and/or to protect surpluses, if possible. This objective is expected to be achieved over time and within any applicable statutory limits.

The Board has established the following minimum average annual real rate of return objectives for each asset class in which the fund is invested: Large Cap. Domestic Equities 6%, Small Cap. Domestic Equities 7.5%, Core Domestic Fixed Income 3%, High Yield Domestic Fixed Income 6%, International Equities 6%, Real Estate 5%, and Alternative Investments 12%.

FPPA's investment objectives and policies are reviewed at least annually. Return targets are expected to be achieved "over time," meaning every suc-

[1] *A small portion of the assets in the Members' Benefit Fund represents self-directed plan assets. These include certain self-directed DROP plan assets and the defined contribution component of the Statewide Hybrid Plan. The discussion of the investment program fro the Members' Benefit Fund in this report specifically relates to the investment of defined benefit plan assets. Self-directed assets within the Members' Benefit Fund participate in the same investment program as the Members' Money Purchase Plan Benefit Fund and the Members' Statewide Money Purchase Plan Benefit Fund.*

cessive 3-5 year period. Further, the Board expects the objectives to be fulfilled within levels of risk that a prudent investor, as defined by statute, would take under similar conditions. Additionally, the Board expects the actuarial soundness of the plans participating in the fund, as it relates to the achievement of the actuarial interest rate, will not be jeopardized.

Each professional investment management firm retained by the Board to manage a separate account must execute an Investment Manager Agreement, the form and substance of which is mutually agreed upon. Each of these firms must also agree, in writing, to abide by the policies and guidelines of the Association's investment policy and any additional instructions specific to that particular investment firm.

Investment management firms may be allowed sole discretion with respect to investment decision making, subject at all times to the standards and limitations set forth in CRS 31-31-302 and CRS 15-1.1-101, et seq. The management firm must follow its stated selling discipline, as presented to the Board. Each management firm must assume the responsibility of continued compliance with any changes in legislation approved in the State of Colorado that may impact the management of the fund.

Cash held by an investment manager is invested on a daily basis in the custodian bank's short-term investment fund. In addition, unless agreed to between the Board and the manager, equity managers should hold no more than 10% of FPPA's accounts in cash or cash equivalents. Securities that are assets of the fund may not be utilized in securities lending programs without prior approval of the Board.

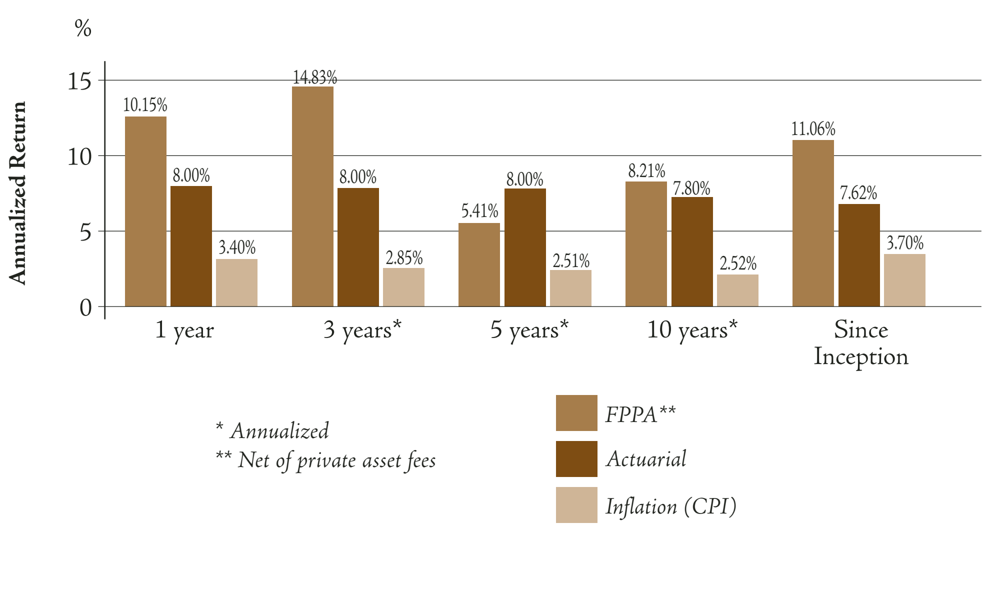
It is the philosophy of the Board that the investment managers, the Board, the Chief Investment Officer, the Chief Executive Officer and the consultant retained by the Board, shall engage in an active partnership to focus on the long-term objectives and goals of the fund. Therefore, periodic review meetings are held to evaluate the managers' progress as it relates to achievement of long-term policies. Performance evaluations are constructed to provide a uniform and consistent basis for the evaluation of each manager as well as the total fund. The total fund results, as well as those of each manager, will be evaluated against several benchmarks including, but not limited to: the achievement of the real rate of return objective, comparison against the performance of other tax-exempt funds, and evaluation against indices. Each manager is evaluated on an on-going basis with evaluations conducted for the most meaningful periods of time within the year, one-year, three-year, and five-year periods ending with the most recent quarter.

Asset Allocation

Asset allocation is a risk management process designed to determine an optimal long-term asset mix, which achieves a specific set of investment objectives. Of all the components of investment policies formulated by the FPPA Board of Directors, asset allocation will have the most impact on the long-term total rate of return. Therefore, the establishment of allocations across the major asset classes is a significant decision in the pension investment management process.

Diversification is the key to effective risk management. Management of asset class allocations and diversification of investment approaches (i.e.,

Members Benefit Fund Return vs. Inflation and Actuarial Requirements (inception - 2005)



* *Annualized*
** *Net of private asset fees*

index funds, active core, active specialty) enables the Association to more effectively control the fund's risk/reward parameters. The fund's assets are diversified in order to minimize the impact of large losses in individual investments in the total fund. The Board believes that diversification is, in part, accomplished through the selection of investment managers. The Board therefore stresses to each investment management firm that it not act as if it were the sole manager of the fund.

The Board's policy is to have an asset allocation study performed approximately every two years. The purpose of this study is to provide additional information regarding the rates of return by asset class, correlation coefficients between asset classes, and to provide a source of information for the Board to utilize in determining asset allocation ranges.

The Board is conscious of the need to evaluate the risk in the investment program and uses several gauges to monitor risk. They include, but are not limited to, variation in the asset mix from the policy, variability of returns, relative performance results, diversification measures, financial characteristics of the portfolio, and portfolio sensitivity to changes in the market. These measures are applied to the total fund, as well as individual managers, as appropriate.

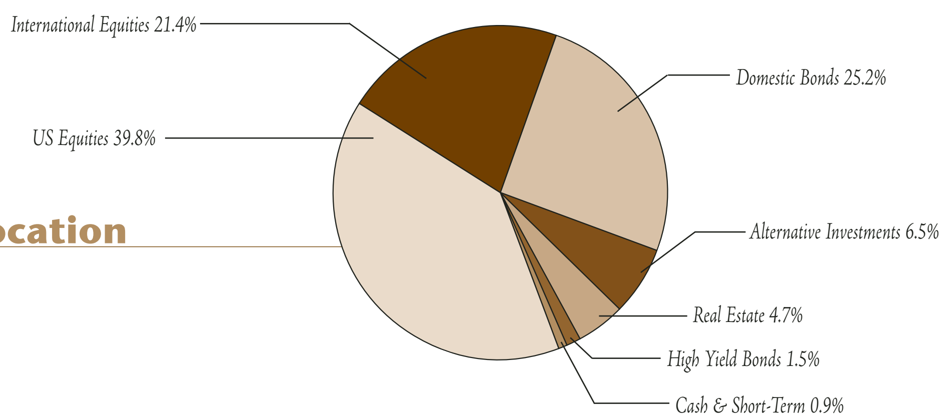
The asset class allocation strategy developed by the Board during 2005 has the following target allocations: U.S. equities 38%, international equities 20%, domestic core plus bonds 25%, domestic high yield bonds 1%, real estate 6%, cash and short-term investments 1%, and alternative investments 9%. Pending the ability to fully fund the allocation to alternative investments, the Board has set interim annual targets of 6% for 2005, 7% for 2006, 8% for 2007 and 9% for 2008.

The Association has established relationships with investment management firms with a diversity of management approaches. The managers have discretionary authority in the selection and retention of individual investments, subject to state statutory restrictions and the Association's investment policy guidelines.

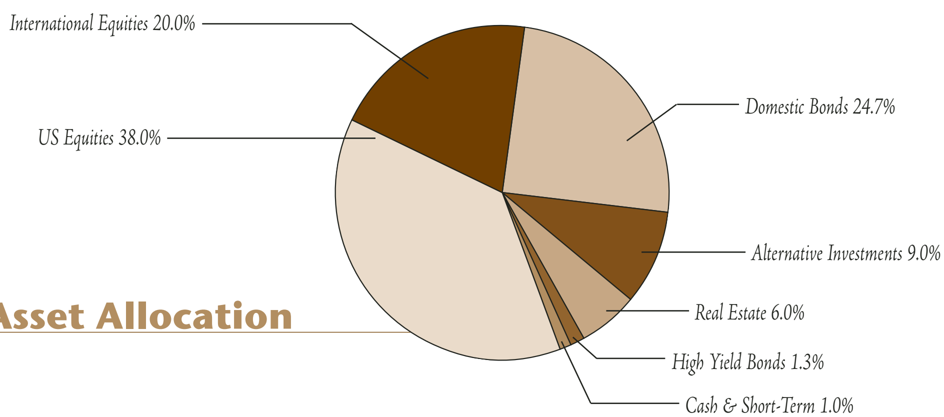
In 2004, FPPA instituted a new program within the domestic equity allocation. To enhance returns over the S&P 500 domestic equity benchmark, the Association established a Portable Alpha Overlay Strategy. The Portable Alpha Overlay Strategy utilizes funds of hedge funds in combination with exposure to the S&P 500 benchmark. Hedge funds, typically unregulated investment vehicles (similar to private equity), employ unique investment strategies and expertise not available to more traditional asset managers. Funds of hedge funds are pools of individual hedge funds that produce returns that are largely uncorrelated to the returns of traditional asset classes. By allocating a portion of fund assets to the Portable Alpha Overlay Strategy, the Association is able to access these unique strategies, while seeking to maximize returns in a risk-controlled manner.

For the Members' Benefit Fund, as of December 31, 2005, the Association employed the external investment managers listed in the table on page 60.

2005 Asset Allocation



2005 Target Asset Allocation



Members' Money Purchase Plan Benefit Fund, Members' Statewide Money Purchase Plan Benefit Fund and IRC 457 Deferred Compensation Plan Fund

Summary of the Funds' Objectives

The Members' Money Purchase Plan Benefit Fund and the Members' Statewide Money Purchase Plan Benefit Fund ("the funds"), include the assets of the Statewide Money Purchase Plan and affiliated local money purchase plans ("the plans"). Members of the plans direct their contributions to one or more of the investment options selected by the Board.

The IRC 457 Deferred Compensation Plan Fund includes the assets of deferred compensation plans administered by the Board. Participants in these plans may direct contributions to one or more of the investment options selected by the Board.

It is the Board's intent to select well managed funds, across diversified asset classes, as investment options for members participating in the plans. In doing so, the Board will comply with the requirements of Colorado law governing its selection of investment options for such members, and pursuant to the funds' master statement of investment policies and objectives, while at the same time seeking to delegate its fiduciary liability to the extent prudent.

In order to provide members with the opportunity to select risk/reward strategies to meet their savings and investment goals, the Board will provide fund options with distinctly different risk/reward trade-offs, each holding securities that are, in the majority, exclusive of the other mangers. To this end, the Board's policy is to have a study of investment options performed approximately every two years. The purpose of this study is to provide updated information regarding the risk/reward profiles of current fund options, as well as alternative fund options across various asset classes. This information will be utilized by the Board in determining appropriate fund options.

Members make their own decisions when directing the investment of their contributions and accumulated account balances among the investment options offered. Members assume the risk of investment results derived from both the options offered and the strategies they select. It is the member's responsibility to allocate and reallocate assets among investment options as personal circumstances change. The options offered allow the members to address the risks and needs members face.

Fund Options for Members

As with any investment strategy, diversification is the key to effective risk management. Consequently, FPPA's Board of Directors has selected a variety of funds across various asset classes from which members can select investment options. Within the funds, one or more pooled investment vehicles are offered in the following asset classes: Stable Value (GIC), Money Market, Domestic Bond, Domestic Balanced, Domestic Equity, and International Equity.

FPPA selected Fidelity Investments® to provide recordkeeping and investment management services for FPPA's 457 Deferred Compensation Plan, Statewide Money Purchase Plan, and the local money purchase plans affiliated with FPPA effective May 1, 2001. Fidelity Investments® provides members with new investment options, convenient access to account information, more flexibility, and increased access to investment education. New services available to members include internet account access and automated phone service. Fidelity Investments® provides members with 20 in vestment options across various asset classes including ten life-cycle funds. The Fidelity Freedom® life-cycle funds are designed for investors who want a simple approach to investing by investing in a group of other Fidelity mutual funds that provide moderate asset allocation. Each Freedom Fund® offers a different investment horizon and asset allocation strategy based on a target retirement date.

Investment Summary - Members' Benefit Fund

Investment Type	*Market Value*	*% of Total*
Fixed Income		
Government bonds	$84,117,841	2.97%
Corporate bonds	144,078,144	5.08%
Mortgage backed securities	403,991,551	14.25%
Asset backed securities	8,457,951	0.30%
International bonds	41,001,876	1.45%
Emerging markets bonds	15,160,735	0.53%
Municipal bonds	10,002,312	0.35%
Total fixed income	*$706,810,410*	*24.93%*
Common Stock		
Consumer Discretionary	$230,598,449	8.13%
Consumer Staples	90,414,263	3.19%
Energy	122,844,243	4.33%
Financials	384,037,149	13.55%
Health Care	179,239,679	6.32%
Industrials	189,979,165	6.70%
Information Technology	203,577,362	7.18%
Materials	82,311,585	2.90%
Telecommunications	72,174,190	2.55%
Utilities	58,764,447	2.07%
Total common stock	*$1,613,940,532*	*56.93%*
Hedge Funds		
Diversified Funds of Hedge Funds	79,587,594	2.81%
Alternative investments		
Real estate	$118,107,096	4.17%
Timberlands	14,709,159	0.52%
Venture capital & other private equity	184,782,550	6.52%
Total alternative investments	*$317,598,805*	*11.20%*
Short-term investments		
Temporary Investment Fund	$65,026,979	2.29%
Government and agency issues	29,418,327	1.04%
Commercial paper	69,732,416	2.46%
Other cash & cash equivalents	22,100,455	0.78%
Net pending trades	(69,090,921)	-2.44%
Total short-term investments	*$117,187,256*	*4.13%*
	$2,835,124,597	***100.00%***

Asset Allocation by Category and Investment Manager

ASSET CLASS MANAGER	Investment Style	Management Fees	TOTAL ASSETS	% of Total Fund Assets
Domestic Equities				
TH&B	Small Cap Core	$177,668	$65,436,727	2.31%
SSGA Russell 1000 Index	Russell 1000 Index	4,381	549,480,025	19.38%
SSGA S&P/Barra Growth Index	S&P/Barra Growth Index	14,198	0 [1]	0.00%
SSGA S&P/Barra Value Index	S&P/Barra Value Index	608	0 [1]	0.00%
SSGA S&P 500	S&P 500 Index	9,449	0 [1]	0.00%
Brandywine	Small Cap Value	331,119	66,741,527	2.35%
Fiduciary Asset Management	Large Cap Core	368,711	138,362,077	4.88%
Legg Mason	Large Cap Core	700,646	141,407,915	4.99%
Cortina Asset Management	Small Cap Growth	473,849	71,159,204	2.51%
Fairfield Investment Fund	Fund of Hedge Funds	543,222	39,700,421	1.40%
Gottex Market Neutral	Fund of Hedge Funds	595,238	39,887,173	1.41%
S&P 500 Futures	S&P 500 Futures	127,205	15,528,136	0.55%
Total Domestic Equities			*$1,127,703,205*	*39.78%*
Domestic Fixed Income				
Trust Company of the West	High Yield	327,173	42,352,151	1.49%
PIMCO	Active	989,735	355,856,852	12.55%
Western Asset Mgmt	Active	691,032	359,434,821	12.68%
Total Domestic Fixed			*$757,643,824*	*26.72%*
International Equities				
Baillie Gifford Overseas Ltd.	Active Emerging Markets	281,570	38,027,675	1.34%
Internal	Active EAFE	0 [2]	488,058	0.00%
Julius Baer	Active EAFE	827,387	199,181,368	7.03%
LSV Asset Management	Active EAFE	962,900	202,455,304	7.14%
Morgan Stanley	Active/Passive EAFE	372,947	108,322,478	3.82%
Rexiter Capital Management	Active Emerging Markets	284,573	43,896,270	1.55%
State Street Global Advisors	Passive EAFE Index	2,269	15,168,548	0.54%
Total International Equities			*$607,539,701*	*21.41%*
Real Estate				
JP Morgan Fleming	Directly Owned	127,755 [3]	75,000	0.00%
JP Morgan Fleming	Pooled	296,622 [3]	44,730,468	1.58%
Prudential	Pooled	220,920 [3]	22,161,961	0.78%
RREEF	Pooled	132,723 [3]	40,162,003	1.42%
Hancock Timber	Timberlands	136,971 [3]	14,709,159	0.52%
Apollo RE	Opportunistic	79,186 [3]	5,554,897	0.20%
Blackstone RE	Opportunistic	47,712 [3]	2,071,277	0.07%
Internal	Directly Owned	0	3,351,614	0.12%
Total Real Estate			*$132,816,379*	*4.68%*
Alternative Investments				
ABS Capital Partners II		33,643 [3]	539,610	0.02%
Apollo Investment Fund IV		31,405 [3]	6,744,547	0.24%
ARCH Venture V		114,622 [3]	2,180,690	0.08%
Aurora Equity Partners		122,091 [3]	12,501,062	0.44%

Asset Allocation by Category and Investment Manager (continued)

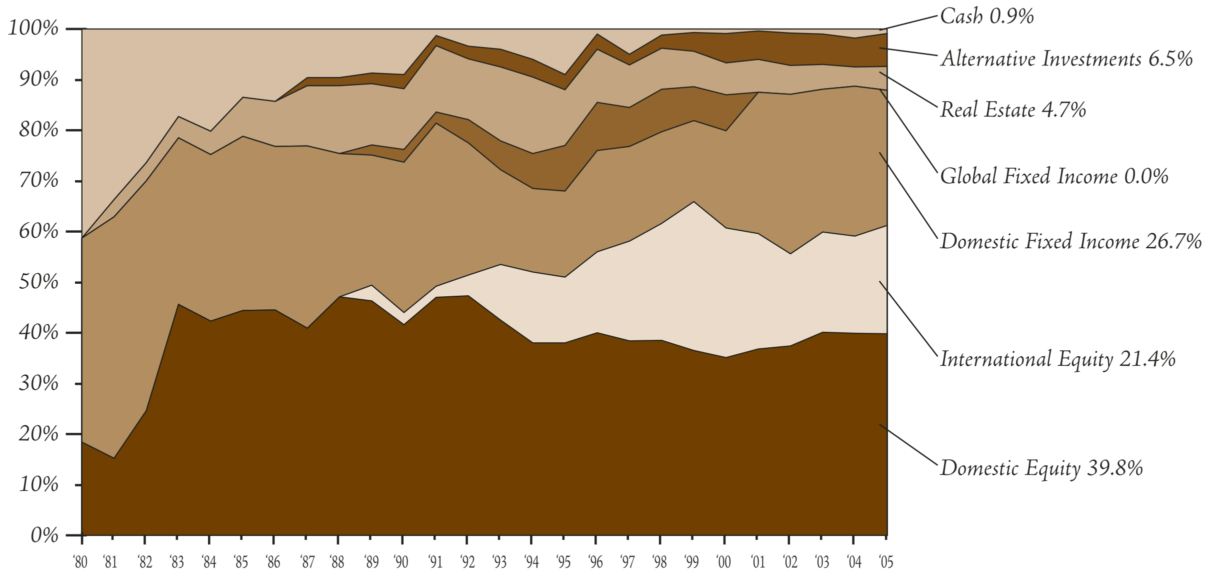
ASSET CLASS MANAGER	Investment Style	Management Fees	TOTAL ASSETS	% of Total Fund Assets
Avenue Special Situations II		112,500 [3]	5,374,625	0.19%
Birch Hill Equity Partners III		0 [3]	43,489	0.00%
Blackstone Capital Partners		0 [3]	10,541,369	0.37%
Boston Ventures V		29,023 [3]	2,792,845	0.10%
Candover Partners		7,961 [3]	617,872	0.02%
Catterton Partners V		87,041 [3]	2,717,523	0.10%
Centennial Funds		185,861 [3]	2,348,582	0.08%
Charles River Partnership VI		0 [3]	34,987	0.00%
Chisholm Funds		401,029 [3]	12,075,357	0.43%
Coller International Partners IV		149,588 [3]	4,634,465	0.16%
Columbine Venture Fund II		0 [3]	115,281	0.00%
CVC European Equity Partners		117,962 [3]	8,869,260	0.31%
Doughty Hanson & Co. Funds		62,222 [3]	3,449,323	0.12%
Endeavour Capital Fund		111,785 [3]	2,077,076	0.07%
First Reserve Funds		197,788 [3]	18,867,612	0.67%
Granite Global Ventures II		148,035 [3]	2,587,539	0.09%
Green Equity Investors IV		17,663 [3]	1,626,148	0.06%
Hancock Falcon Ventures		0 [3]	185,879	0.01%
Hancock Intl Venture		0 [3]	282,203	0.01%
Harvest Funds		18,147 [3]	7,697,481	0.27%
Heritage Funds		95,503 [3]	4,763,514	0.17%
JMI Equity Fund V		54,769 [3]	1,789,387	0.06%
Kayne Anderson Energry III		76,579 [3]	1,780,574	0.06%
Larimer Venture II		0 [3]	177,902	0.01%
Leapfrog Ventures II		93,750 [3]	441,029	0.02%
Lighthouse Capital Partners V		75,000 [3]	2,510,502	0.09%
MatlinPatterson Global Opptys		80,169 [3]	4,448,676	0.16%
Nordic Capital Funds		162,342 [3]	5,494,612	0.19%
Oxford Bioscience IV		124,946 [3]	3,335,616	0.12%
Providence Equity Partners V		0 [3]	3,141,943	0.11%
SKM Equity Fund II		33,379 [3]	3,485,016	0.12%
Sprout Capital Partners Funds		70,270 [3]	3,402,400	0.12%
TCW Special Credits Fund III		0 [3]	65,995	0.00%
Thomas H. Lee Equity Funds		13,770 [3]	5,152,234	0.18%
Thomas McNerney & Partners		239,307 [3]	5,096,476	0.18%
TPG Partners Funds		76,845 [3]	19,380,647	0.68%
Vestar Funds		107,956 [3]	7,386,050	0.26%
W Capital Partners		148,572 [3]	2,972,665	0.10%
Willis Stein Partners		15,871 [3]	1,052,490	0.04%
Pacific Corporate Group (consultant)		225,000	0	0.00%
Total Alternative Investments			*$184,782,553*	*6.52%*
Cash Held at Mellon Bank			**$24,638,935**	**0.87%**
TOTAL FEES & ASSETS			**$2,835,124,597**	**100%**

[1] *The assets in the SSGA S&P Index funds were sold in 2005 and the proceeds were invested in the Russell 1000 Index. Fees relate to that portion of 2005 during which assets were invested in the S&P Index funds.*

[2] *Represents an international stock previously held by a terminated manager. The stock was managed internally until its sale in 2006.*

[3] *Effective January 1, 2004, the Association changed its accounting treatment for private asset management fees. The Association records its share of management fees as an expense with the effect of increasing real estate income earned and increasing the unrealized appreciation or decreasing the unrealized depreciation in the fair value of private equity investments.*

FPPA Asset Allocation 1980-2005 — Members' Benefit Fund



"Top 20" Equity Holdings

Company	*Market Value*
UNITED HEALTH GROUP INC COM	$14,348,437
GOOGLE INC CL A	$9,948,343
SPRINT NEXTEL CORP COM SER 1	$9,236,544
AMAZON.COM INC COM	$7,996,640
LEHMAN BROS HLDGS INC COM	$7,785,046
TOYOTA MOTOR CORP NPV	$7,694,721
TYCO INTL LTD NEW COM	$7,561,320
UNICREDITO ITALIAN EUR0.50	$6,840,555
TOTAL SA EUR10	$6,317,084
CATERPILLAR INC	$5,972,551
AES CORP COM	$5,944,165
ROCHE HLDG AG GENUSSCHEINE NPV	$5,722,216
JPMORGAN CHASE & CO COM	$5,433,561
UBS AG CHF0.80 (REGD)	$5,298,917
BNP PARIBAS EUR2	$5,269,712
NORDEA BANK AB EUR0.39632	$5,226,621
BARCLAYS ORD GBP0.25	$5,165,582
ZIMMER HLDGS INC COM	$5,163,544
UNITED TECHNOLOGIES CORP COM	$5,106,260
GLAXOSMITHKLINE ORD GBP0.25	$5,096,343

The top 20 holdings exclude commingled funds. A complete list of holdings is available upon request.

"Top 20" Fixed Income Holdings

Company	*Description*	*Market Value*
FEDERAL NATL MTG ASSN SF MTG 5.500%	January 1, 2036	$41,085,000
FEDERAL NATL MTG ASSN POOL 5.500%	September 1, 2034	$38,550,097
FEDERAL NATL MTG ASSN POOL 5.500%	February 1, 2035	$21,235,536
U S TREASURY NOTES 3.250%	January 15, 2009	$14,527,500
U S TREASURY NOTES 3.875%	May 15, 2010	$9,028,880
FEDERAL NATL MTG ASSN POOL 5.500%	February 1, 2035	$7,996,666
FEDERAL HOME LOAN BANK VAR RT	July 25, 2044	$7,394,210
U S TREASURY NOTES 3.375%	February 15, 2008	$6,661,960
U S TREASURY INFLATION INDEX BD 3.875%	April 15, 2029	$5,830,029
FEDERAL HOME LOAN BANK 5.000%	January 1, 2036	$5,322,900
U S TREASURY NOTES 4.500%	November 15, 2010	$5,310,096
WASHINGTON MUTUAL MTG VAR RT	December 25, 2027	$4,876,035
FEDERAL HOME LOAN BANK 5.000%	July 15, 2034	$4,871,188
U S TREASURY BONDS 6.5000%	November 15, 2026	$4,812,500
U S TREASURY INFLATION INDEX BD 3.625%	April 15, 2028	$4,767,185
FEDERAL NATL MTG ASSN POOL 5.500%	December 1, 2034	$4,003,225
FEDERAL HOME LOAN BANK 5.000%	January 1, 2036	$3,875,200
UNITED MEXICAN STS 7.500%	April 8, 2033	$3,633,880
WILLIAMS COS INC 6.750%	April 15, 2009	$3,564,000
U S TREASURY NOTES 3.750%	March 31, 2007	$3,471,300

The top 20 holdings exclude commingled funds. A complete list of holdings is available upon request.

Members' Benefit Fund Performance Summary as of December 31, 2005

Series Name Benchmark Indices	*1 Year Return* %	*3 year Annualized Return* %	*5 year Annualized Return* %
FPPA Total Fund - Gross of Fees	10.15	14.83	5.41
FPPA Total Fund - Net of Fees	9.71	14.35	4.98
Custom Total Fund Benchmark[1]	9.94	14.43	4.57
Public Fund Median (Callan Associates)	7.43	13.15	5.33
Domestic Equity Accounts - Gross of Fees	6.14	16.02	3.05
Domestic Equity Accounts - Net of Fees	5.86	15.78	2.86
Russell 3000 Stock Index	6.12	15.90	1.58
International Equity Accounts - Gross of Fees	17.61	24.86	6.38
International Equity Accounts - Net of Fees	17.14	24.35	5.94
MSCI All Country World Ex US Index	17.11	26.20	6.66
Domestic Fixed Income Accounts - Gross of Fees	3.24	6.24	7.13
Domestic Fixed Income Accounts - Net of Fees	3.04	5.99	6.86
Lehman Brothers Aggregate Index	2.43	3.62	5.87
Lehman Brothers Universal Index	2.72	4.49	6.26
All Real Estate Accounts - Gross of Fees[2]	26.95	15.70	9.97
All Real Estate Accounts - Net of Fees[2]	25.67	14.55	9.07
NCREIF Property Index[2]	19.19	13.04	10.95
All Alternative Accounts - Gross of Fees[3]	38.96	20.38	7.08
All Alternative Accounts - Net of Fees[3]	35.98	17.65	4.73
Russell 3000 Index plus 400 basis points	10.12	19.92	5.64
Cambridge Custom Benchmark[4]	30.95	18.52	2.05

NOTES:
1. *Composite of the index benchmark returns of each asset class multiplied by their target asset allocations.*
2. *Real estate accounts and NCRIEF Property Index are reported on a quarter lag.*
3. *Alternative accounts are reported on a quarter lag.*
4. *Composite of Cambridge Private Equity Index (82.5%) and Cambridge Venture Capital Index (17.5%), one quarter in arrears.*

Performance was calculated by investment staff using market values and cash flows provided by the custodian bank. Returns were calculated using time-weighted rates of return adjusted for significant cash flows (10% of the portfolio or greater) or the Modified-Dietz method was used.

Schedule of Brokerage Commissions — Members' Benefit Fund

Broker Name	Commission	Shares	Per Share
PIPER JAFFRAY & CO, MINNEAPOLIS	$89,301.92	5,329,039	$0.017
MERRILL LYNCH INTL LONDON EQUITIES	$51,170.90	3,955,353	$0.013
ABN AMRO BANK NV, LONDON	$37,200.06	3,463,357	$0.011
G-TRADE SERVICES LTD, HAMILTON	$11,107.13	3,211,940	$0.003
PERSHING SECURITIES LTD, LONDON	$30,480.64	3,174,170	$0.010
GOLDMAN SACHS & CO, NY	$37,839.59	2,867,162	$0.013
CREDIT SUISSE, NEW YORK	$37,883.12	2,195,453	$0.017
UBS WARBURG ASIA LTD, HONG KONG	$9,673.33	2,079,086	$0.005
CREDIT SUISSE (HK) LIMITED, HONG KONG	$7,980.24	1,741,985	$0.005
LEHMAN BROS INTL, LONDON	$26,900.91	1,588,463	$0.017
BEAR STEARNS SEC CORP, BROOKLYN	$30,867.20	1,337,961	$0.023
LYNCH JONES & RYAN INC, HOUSTON	$55,180.95	1,159,099	$0.048
CITIGROUP GBL MKTS INC, NEW YORK	$56,368.65	1,137,263	$0.050
DEUTSCHE BANC ALEX BROWN INC, NEW YORK	$44,216.47	1,124,230	$0.039
INVESTMENT TECHNOLOGY GROUPS, NEW YORK	$17,434.30	1,106,441	$0.016
UBS EQUITIES, LONDON	$10,065.08	1,076,033	$0.009
BEAR STEARNS & CO INC, NY	$21,345.42	1,028,000	$0.021
MACQUARIE EQUITIES LTD, SYDNEY	$3,163.80	975,263	$0.003
CHEVREUX DE VIRIEU SA, PARIS	$12,993.15	972,860	$0.013
LIQUIDNET INC, BROOKLYN	$29,271.70	930,581	$0.031
MERRILL LYNCH PIERCE FENNER, WILMINGTON	$7,364.40	849,577	$0.009
SALOMON BROS INTL LTD, LONDON	$5,468.67	835,339	$0.007
CITIGROUP GBL MKTS/SALOMON, NEW YORK	$13,828.57	760,152	$0.018
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	$34,165.70	685,726	$0.050
LEHMAN BROS INC, NEW YORK	$25,247.54	678,779	$0.037
BAIRD, ROBERT W & CO INC, MILWAUKEE	$30,846.05	626,461	$0.049
BNY BROKERAGE INC, NEW YORK	$12,982.30	611,722	$0.021
B TRADE SVCS LLC, NEW YORK	$12,365.88	590,776	$0.021
JONES & ASSOCIATES INC, WESTLAKE VILLAGE	$19,916.19	575,322	$0.035
THOMAS WEISEL PARTNERS, SAN FRANCISCO	$27,443.40	548,868	$0.050
CREDIT SUISSE (EUROPE), LONDON	$16,343.32	544,625	$0.030
ABN AMRO SECS LLC, NEW YORK	$12,458.34	501,055	$0.025
INSTINET CORP, NY	$8,042.79	498,546	$0.016
MORGAN STANLEY & CO INC, NY	$14,279.14	498,362	$0.029
WACHOVIA CAPITAL MARKETS LLC, CHARLOTTE	$22,263.70	467,187	$0.048

Schedule of Brokerage Commissions — Members' Benefit Fund (continued)

Broker Name	Commission	Shares	Per Share
CIBC WORLD MARKETS CORP, NEW YORK	$22,479.40	457,708	$0.049
INSTINET CORP, LONDON	$4,583.73	433,694	$0.011
SG AMERICAS SECURITIES LLC, NEW YORK	$4,213.48	431,514	$0.010
MORGAN KEEGAN & CO INC, MEMPHIS	$20,095.09	416,841	$0.048
NOMURA SECS INTL INC, NEW YORK	$5,467.12	384,006	$0.014
ABN AMRO BK NV (SECS TRADING), HONG KONG	$1,078.92	377,250	$0.003
JEFFERIES & CO INC, NEW YORK	$18,793.74	372,785	$0.050
SALOMON BROS UK EQUITY TALISMAN	$1,081.78	361,400	$0.003
THINKEQUITY PARTNERS LLC, MINNEAPOLIS	$16,486.20	334,924	$0.049
MORGAN J P SECS INC, NEW YORK	$14,263.05	329,262	$0.043
MERRILL LYNCH PROFESSIONAL CLRG, PURCHAS	$15,356.80	316,636	$0.048
FRIEDMAN BILLINGS, WASHINGTON DC	$15,204.75	304,095	$0.050
MERRILL LYNCH INTL LTD, NEW YORK	$719.67	284,459	$0.003
PRUDENTIAL EQUITY GROUP, NEW YORK	$13,968.20	279,364	$0.050
FIRST ALBANY CAPITAL INC, ALBANY	$13,167.95	263,359	$0.050
All Other Brokers	$367,392.33	9,588,706	$0.038
Total	$1,417,812.76	64,662,239	$0.022

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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March 21, 2006

Board of Directors
Fire & Police Pension Association
5290 DTC Parkway, Suite 100
Greenwood Village, CO 80111

Re: Actuarial Certification of Defined Benefit Plans

Dear Members of the Board:

This letter concerns the actuarial valuations of the FPPA Statewide Defined Benefit Plan, the FPPA Statewide Hybrid Plan, the FPPA Statewide Death & Disability Plan, affiliated local old and new hire plans, and affiliated volunteer fire plans.

For each plan, a contribution rate was determined which provides for funding as shown in the following table:

Plan	Funding Objective
Statewide Defined Benefit Plan	Current cost plus level percent of payroll amortization of unfunded liability over 30 years
Statewide Hybrid Plan	Current cost plus level percent of payroll amortization of unfunded liability over 30 years
Statewide Death & Disability Plan	Current cost funded as level percent of payroll of contributing members
Affiliated Local Old Hire Plans	Current cost plus level dollar amortization of unfunded liability over 30 years
Affiliated Local New Hire Plans	Current cost plus level percent of payroll amortization of unfunded liability over 30 years
Affiliated Volunteer Fire Plans	Current cost plus level dollar amortization of unfunded liability over 20 years

Most affiliated plans are valued every two years, while the statewide plans and state assisted local old hire plans are valued every year. The funding objective for each plan is currently being realized, with the exception of the Statewide Death and Disability Plan (D&D) and certain affiliated local old hire plans.

The D&D contribution rate was increased to 2.5% effective January 1, 2005, the maximum rate currently permitted by statute. The D&D contribution rate may only be changed every two years by statute. Depending upon actual experience since January 1, 2005 and the plan's funding situation as of January 1, 2006, another increase in the contribution rate, to 2.6%, may be recommended effective January 1, 2007.

Gabriel Roeder Smith & Company

Board of Directors, Fire and Police Pension Association
March 21, 2006
Page 2

The statewide plans and affiliated volunteer plans were last valued by Gabriel, Roeder, Smith & Company (GRS) as of January 1, 2005. The affiliated local old hire and new hire plans were valued by Mellon as of January 1, 2004. The state assisted local old hire plans were valued by GRS as of January 1, 2005, per statutory requirement.

The valuations were performed based on data provided by FPPA's administrative staff, with an examination of the data for reasonableness. The supporting schedules in this actuarial section were prepared by FPPA from information in Mellon's and GRS' actuarial reports. We have reviewed these schedules for their accuracy. To the best of our knowledge, the supporting schedules fully and fairly disclose the actuarial conditions of the plans.

Sincerely,
Gabriel, Roeder, Smith & Company

William B. Fornia, F.S.A.
Senior Consultant

Joseph P. Newton, F.S.A.
Consultant

k:/2626/2006/val/cafr_03212006.doc

Gabriel Roeder Smith & Company

General Information

As of December 31, 2005 the Members' Benefit Fund of the Fire and Police Pension Association was comprised of the following individual plans: the Statewide Defined Benefit Plan, the Statewide Death and Disability Plan, the Statewide Hybrid Plan, the Statewide Money Purchase Plan, 54 local paid pension plans, and 167 volunteer firefighters pension plans. An independent actuarial firm is hired by the Association to perform annual valuations on the two statewide plans, and to perform bi-annual valuations on the local plans. In 2005 the independent actuarial valuations were performed by Gabriel, Roeder, Smith & Company.

In addition, FPPA administers two local money purchase plans within the Members' Money Purchase Plan Benefits Fund, and the Statewide Money Purchase Plan within the Members' Statewide Money Purchase Plan Benefit Fund.

All of the local paid pension plans have a valuation performed as of January 1 of the even numbered years (2006, 2008, etc.). All of the affiliated volunteer firefighters plans have valuations performed as of January 1 of the odd numbered years (2005, 2007, etc.). The state assisted local paid pension plans have their valuation also updated on the odd numbered years per statutory requirement.

Each of the locally administered plans has a different benefit and member structure. All of the affiliated plans use the actuarial assumptions which have been established by FPPA's Board of Directors.

The following data covers detailed information on the three statewide plans as well as the other affiliated local plans.

Summary of Actuarial Assumptions

The Defined Benefit System is a two tiered plan that is comprised of the Statewide Defined Benefit Plan and the Statewide Hybrid Plan. Both plans are multiple employer, cost sharing public employee retirement systems (PERS).

The Statewide Defined Benefit Plan was created by state statute to cover all members hired on and after April 8, 1978 for normal retirement benefits. The purpose of the creation of this plan was to close entry to all of the local plans, most of which had significant unfunded liabilities. As of December 31, 2005, 183 departments throughout the state were participating in the plan.

The Statewide Hybrid Plan was created by state statute on January 1, 2004 as an option for local Money Purchase plans and participants in the Statewide Money Purchase plan to migrate to a defined benefit plan administered by FPPA. The Plan is comprised of two components, the Defined Benefit Component and the Money Purchase component. As of December 31, 2005, 15 departments throughout the state were participating in the Plan.

The Statewide Death and Disability Plan is a multiple employer cost sharing plan, previously funded almost exclusively by contributions from the state. This plan was created by state statute, and is designed to provide both on- and off-duty coverage for death and disability for all members in the state who have not yet completed the age and service requirements for a normal retirement. As of December 31, 2005, 392 departments were participating in this plan.

The valuation for the Statewide Defined Benefit Plan is then used to determine the normal cost of the plan, and to determine any "excess" contribution amounts which may be allocated to the members' separate retirement accounts (SRAs) for the following year.

The valuation for the Statewide Hybrid Plan is also used to determine the normal cost of the plan and to determine any "excess" contribution amounts which may be allocated to the Money Purchase Component of the Plan.

Data for the valuation is provided by FPPA's staff from the membership and payroll systems. The data was examined for general reasonableness and consistency with prior years' information by the independent consulting firm but was not audited.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA) and an Enrolled Actuary (EA).

The following economic and non-economic assumptions were adopted by the FPPA Board of Directors and were first used during the January 1, 2004 actuarial valuations.

Economic Assumptions

The investment rate of return for purposes of the actuarial valuation is 8.0% per annum, compounded annually and net of operating expenses. Future inflation is assumed to be 3.5% annually and is included in the active members' salary projections. Thus, the real investment rate of return, net of inflation, is 4.5% per annum.

Active members' salary increases are composed of two pieces, inflation increases and merit increases. As stated above, inflation is assumed to be 3.5% annually. For the statewide plans, merit increases vary by the service of the member but decrease with service. For the other affiliated plans, merit increases vary by length of service of the member but also decrease with age. Retirees and beneficiaries are projected to receive annual cost-of-living increases of 3.0% per year, the maximum allowed under state statute.

Under the Statewide Defined Benefit Plan, social security benefits for supplemental social security departments are assumed to increase by 3.5%

annually and the social security wage base is assumed to increase by 4.0% per year. Under the other affiliated plans, paid plan retirees and beneficiaries from limited rank escalation departments are projected to receive annual cost-of-living increases of 4% per annum, compounded annually for benefits accrued prior to January 1, 1980, and 3% per annum compounded annually for benefits accrued after January 1, 1980 (maximum permitted by law). Paid plan retirees and beneficiaries from full rank escalation departments are projected to receive annual cost-of-living increases of 4% per annum.

Assets are valued at an actuarial value of assets. The actuarial value of assets is based on a three-year moving average of expected and actual market values.

No new members are projected to be added to the plans.

Non-economic Assumptions

The 1994 Group Annuity Mortality (GAM) Table, loaded by .0002 for firefighters and police experience, is used in the valuation for active members. The 1994 GAM Table, unchanged, is used in the valuation of benefits. For the Statewide Defined Benefit Plan and Statewide Hybrid Plan, those benefits are for retirees and their spouses. For the Statewide Death and Disability Plan, those benefits are for occupationally disabled retirees and surviving spouses. The 1983 Railroad Retirement Totally Disabled Annuitant Mortality Table is used in the valuation of benefits for totally disabled retirees. And for the other affiliated plans, those benefits are for volunteer (actives and retirees) and paid retirees and their spouses.

The probabilities of separation from service and disablement are based on paid firefighter and police and volunteer experience, and for disablement reflect the increased probability of injury/disablement due to the hazardous nature of firefighter and police work.

The actuarial method used for the valuation of benefits is specified by state statute to be either the Entry Age Normal or Aggregate Cost Method, with experience gains or losses adjusting the unfunded actuarial accrued liability. State statute does also specify that the Defined Benefit System is not allowed to have an unfunded liability. Therefore, the surplus in the Statewide Defined Benefit Plan and Statewide Hybrid Plan are amortized over 30 years from the valuation date.

Pre-Retirement Assumptions

Years of Service	*Increases in Earnings (Merit)*	*(Inflation)*	*(Total)*
<1	9.75%	3.50%	13.25%
1	9.25%	3.50%	12.75%
2	8.75%	3.50%	12.25%
3	8.25%	3.50%	11.75%
4	3.25%	3.50%	6.75%
5	2.75%	3.50%	6.25%
6	2.25%	3.50%	5.75%
7	1.75%	3.50%	5.25%
8	1.50%	3.50%	5.00%
9+	1.25%	3.50%	4.75%

Pre-Retirement Assumptions

Sample Ages	*Disability Annual Rate Per 1,000 Members (Paid)*	*(Volunteer)*	*Separation Annual Rate Per 1,000 Members (Fire)*	*(Police)*	*(Volunteer)*	*Death Annual Rate Per 1,000 Members (Male)*	*(Female)*
20	1.01	0.10	79.3	94.5	192.0	0.66	0.47
30	1.28	0.26	39.9	66.2	160.0	0.95	0.51
40	2.47	0.97	11.4	34.0	112.0	1.14	0.80
45	3.36	3.50	18.3	28.4	96.0	1.55	1.08
50	11.76	6.50	31.9	37.8	80.0	2.30	1.41
55	28.91	8.10	45.5	56.7	96.0	3.78	2.11

For Statewide Death and Disability Plan:
Service Retirement:
1) Statewide Defined Benefit System members — Age 55 and 5 years of service, or current age and service, if greater.
2) Money purchase plan members — Age 65 or current age, if greater.
3) Denver Police local plan members — Age after 25 years of service, or current age if greater.
4) Denver Fire local plan members — Age 50 and 25 years of service or current age if greater.
5) All other plan members — Age 52 or current age, if greater.

Post-Retirement Assumptions

Sample Ages	COLA Increases	Social Security (Benefit)	Social Security (Wage Base)	Full Rank	Limited Rank (Pre 1980)	Limited Rank (Post 1980)	Retiree/Surviving Spouse/ Occupational Disability Death Annual Rate Per 1,000 Members (Male)	Retiree/Surviving Spouse/ Occupational Disability Death Annual Rate Per 1,000 Members (Female)	Total Disability Death Annual Rate Per 1,000 Members (Unisex)
20	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	0.51	0.28	10.60
30	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	0.80	0.35	10.60
40	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	1.07	0.71	13.50
45	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	1.58	0.97	20.00
50	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	2.58	1.43	31.64
55	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	4.43	2.29	37.81
60	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	7.98	4.44	42.46
65	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	14.54	8.64	51.20
70	3.0%	3.5%	4.0%	4.0%	4.0%	3.0%	23.73	13.73	67.47

For Statewide Defined Benefit Pension System:
Service Retirement: Age 55 and 5 years of service, or current age and service if greater.

Statewide Defined Benefit Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll*	Annual Average Pay	% Increase in Average Pay
1/1/05	3,907	$ 209,765,329	$ 53,690	1.58%
1/1/04	3,459	$ 182,825,786	$ 52,855	5.88%
1/1/03	3,340	$ 166,734,883	$ 49,921	4.84%
1/1/02	3,179	$ 151,369,850	$ 47,616	5.04%
1/1/01	3,007	$ 136,306,027	$ 45,330	9.51%
1/1/00	2,768	$ 114,579,015	$ 41,394	1.59%
1/1/99	2,513	$ 102,400,344	$ 40,748	3.69%

* *The "Annual Payroll" column reports the total, actual payroll from the prior year.*

Gain/(Loss) on Actuarial Value of Assets

	Valuation as of 01/01/05	Valuation as of 01/01/04
Actuarial assets, prior valuation	$473,006,658	$424,088,589
Total Contributions since prior valuation	$42,708,036	$29,728,598
Benefits and refunds since prior valuation	($3,781,975)	($3,283,889)
Assumed net investment income at 8%		
Beginning assets	$37,840,533	$33,927,087
Contributions	$1,675,457	$1,166,267
Benefits and refunds paid	($148,369)	($128,829)
Total	$39,367,621	$34,964,525
Expected actuarial assets	$551,300,340	$485,497,823
Actual actuarial assets, this valuation	$557,949,693	$473,006,658
Preliminary asset gain/(loss)	$6,649,353	($12,491,165)
Excess Return on SRA	$3,501,548	$10,213,373
Net asset gain (loss) since prior valuation	$3,147,805 Gain	($22,704,538) Loss

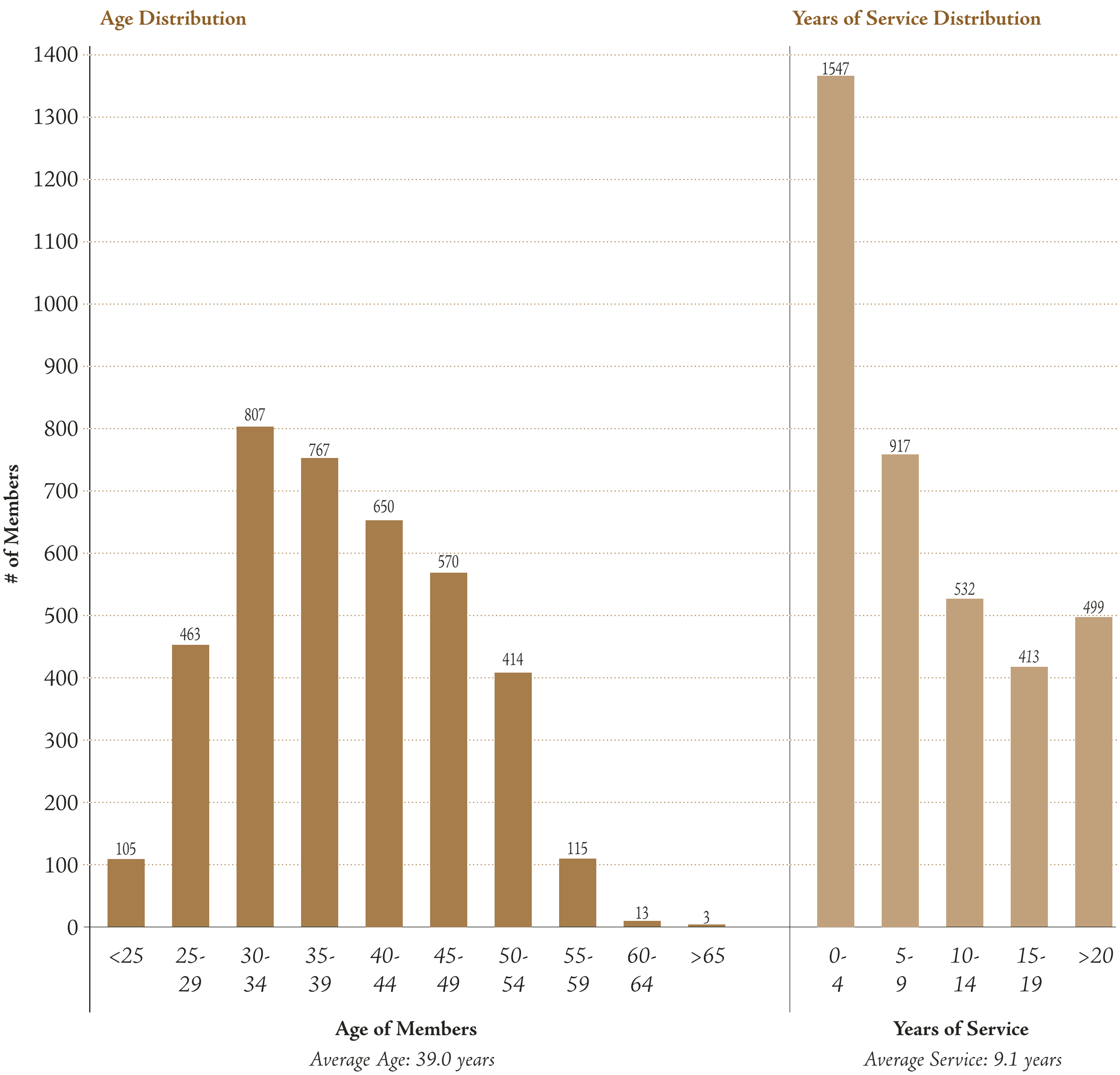
Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll*

	Added to Payroll		Removed from Payroll		Payroll			
Year Ended	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit	% Increase in Annual Benefit	Average Annual Benefit
1/1/05	27	$825,955	0	$ 0	110	$2,506,161	52.00%	$ 22,783
1/1/04	24	$606,147	2	$21,898	83	$1,648,771	56.31%	$ 19,865
1/1/03	14	$301,795	0	$ 0	61	$1,054,842	43.47%	$ 17,292
1/1/02	16	$374,072	1	$ 3,687	47	$ 735,257	107.97%	$ 15,644
1/1/01	5	$ 50,774	1	$15,482	32	$ 353,534	13.35%	$ 11,050
1/1/00	4	$ 56,252	1	$ 6,592	28	$ 311,906	23.19%	$ 11,140
1/1/99	5	$ 61,039	0	$ 0	25	$ 253,185	61.77%	$ 10,127

* *Includes beneficiaries of deceased members with a deferred benefit.*

Statewide Defined Benefit Plan

Age and Years of Service Distribution



The Statewide Defined Benefit Plan Solvency Test

The FPPA funding objective for the Statewide Defined Benefit Plan is to be able to pay the retirement benefits promised to the members including the granting of an annual cost-of-living increase to all retirees and beneficiaries. The objective is to entirely fund these promised benefits by 16% of pay, 8% from the employee and 8% from the employer.

A short-term solvency test is used to check FPPA's funding progress towards its funding objective. In a short-term solvency test, the plan's present assets are compared with: (1) liability for active member contributions on deposit, (2) liability for future benefits to present retired lives, (3) liability for service already rendered by active members.

Expressing the net assets available for benefits as a percentage of the different liability measures provides one indication of the funding status on a going-concern basis. Generally the greater the percentages, the stronger the public employee retirement system.

Statewide Defined Benefit Plan

The schedule below illustrates the progress in funding the various liability measures. As can be seen by the funded percentages, the liabilities continue to be 100% covered by current assets. This plan does not have any unfunded liability and current contributions exceed the cost of annual benefit accruals.

Statewide Defined Benefit Plan - Solvency Test

		Aggregate Accrued Liabilities For:					
Valuation Date	Valuation Assets (000's)	(1) Active Member Contributions (000's)	(2) Retirees and Beneficiaries (000's)	(3) Active Members (Employee Financed Portion) (000's)	Funded Percentages (1)	(2)	(3)
1/1/05	$557,950	$130,910	$40,029	$324,977	100%	100%	100%
1/1/04	$473,007	$106,332	$28,578	$291,764	100%	100%	100%
1/1/03	$424,089	$95,830	$26,599	$349,834	100%	100%	100%
1/1/02	$428,389	$85,368	$21,292	$318,204	100%	100%	100%
1/1/01	$405,599	$75,909	$12,166	$292,895	100%	100%	100%
1/1/00	$367,004	$66,204	$10,263	$205,791	100%	100%	100%
1/1/99	$311,057	$58,232	$8,539	$182,676	100%	100%	100%

SUMMARY OF PLAN PROVISIONS — Statewide Defined Benefit Plan

Members Included

Members included are active employees who are full-time salaried employees of a participating municipality, fire protection district, fire authority, or county improvement district normally serving at least 1,600 hours in a calendar year and whose duties are directly involved with the provision of police or fire protection. As of 8/1/2003 the Plan may include clerical and other personnel from the departments whose services are auxiliary to fire protection.

Also included are employees of any employer that covers members under the federal Social Security Act or any county that chooses to affiliate with FPPA and that covers salaried employees whose duties are directly involved with the provision of law inforcement or fire protection as certified by the county under the federal Social Security Act.

Compensation Considered

Base salary, including member contributions to the Statewide Defined Benefit Plan which are "picked up" by the employer, longevity, sick and vacation pay, shift differential, and mandatory overtime that is part of the member's fixed periodic compensation.

Normal Retirement Date

A member's Normal Retirement Date shall be the date on which the member has completed at least twenty-five years of credited service and has attained the age of 55.

Normal Retirement Benefit

The annual Normal Retirement Benefit shall be two percent of the average of the member's highest three years base salary for each year of credited service up to ten years plus 2.5% for each year thereafter.

The benefit for members of affiliated social security employers will be reduced by the amount of the social security income the member receives annually.

Early Retirement Benefit

A vested member shall be eligible for an Early Retirement Benefit after completion of thirty years of service or attainment of age 50. The Early Retirement Benefit shall be the reduction of the Normal Retirement Benefit on an actuarially equivalent basis. The benefit for members of affiliated social security employers will be reduced by the amount of social security income the member receives annually.

Statewide Defined Benefit Plan

Late Retirement Benefit

The Normal Retirement Benefit for members who continue to work after their normal retirement date will be increased by 2.5% of the member's highest average three years base salary, multiplied by the member's years of service after their Normal Retirement Date.

Terminated Vested Benefit

A member who terminates with at least five years of active service may leave his contributions in the fund and when the member attains age 55 be eligible to receive an annual benefit equal to two percent (2%) of the average of his highest three years base salary for each year of credited service up to 10 years plus 2.5% for each year thereafter. In the event that the member dies prior to the commencement of payments, his designated beneficiary shall receive either a refund of member contributions or a joint and survivor annuity payable when the member would have been eligible for a benefit, whichever is greater. If the member's designated beneficiary dies prior to the time the member would have been eligible to receive a benefit, a refund of the member's employee contribution shall be paid to the beneficiary's estate.

The benefit for members of affiliated social security employers will be reduced by the amount of social security income the member receives annually.

Severance Benefits

In lieu of a future pension, a member may upon termination elect to have the member's accumulated contributions refunded in a lump sum. In addition to receiving the accumulated contributions, the member shall receive five percent of the total accumulated contributions as interest.

Cost-of-Living Increases for Benefits in Pay Status

Benefits to members and beneficiaries are increased annually on October 1. The amount of increase is based on the Board's discretion and can range from 0-3%.

Contribution Rates

Members of this fund and their employers are currently each contributing at the rate of 8% of base salary.

Contrbutions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors.

Contributions from members and employers of affiliated social security employers are annually set by the Board of Directors.

Stabilization Reserve Account (SRA)

Annually, at the discretion of the Board of Directors, the difference between the combined member/employer contribution and the actuarially determined contribution rate may be allocated to the stabilization reserve account. Amounts set aside in the SRA are allocated to individual accounts for each new hire member. A member may receive the amounts in his individual account only upon election of normal, early, disability, or vested retirement. If the cost of the defined benefit plan exceeds the combined member/employer contribution rate, funds from the SRA will make up the shortfall. If the member quits with less than 5 years of service, the SRA account is forfeited. If a member has less than 5 years of service and dies prior to retirement eligibility, then the SRA would be paid to the member's estate.

Deferred Retirement Option Program (DROP)

A member may elect to participate in the DROP after reaching eligibility for normal, early, disability or vested retirement. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into the DROP. The member's percentage of retirement benefit is frozen at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated until the member terminates service, at which time the DROP accumulated benefits can be paid as a lump sum, if desired. The member continues to make contributions, which are credited to the DROP. Effective 1/1/03, the member shall self-direct the investments of the DROP funds.

Death Benefits

At the death of the member, the member's beneficiary shall receive the greater of the refund of the member's contributions or the survivor benefit. If the beneficiary dies before the benefit commencement date, the beneficiary's estate will receive a refund of the member's contributions.

Changes in Plan Provisions

The plan provisions have not changed since the prior valuation.

Changes in Actuarial Assumptions

The plan actuarial assumptions have not chaged since the prior valuation.

Statewide Hybrid Plan

The first actuarial valuation completed on the Statewide Hybrid Plan was in 2005.

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll*	Annual Average Pay	% Increase in Average Pay
1/1/05	36	$ 2,561,203	$ 71,145	0.00%

** The "Annual Payroll" column reports the total, actual payroll from the prior year.*

Gain/(Loss) on Actuarial Value of Assets

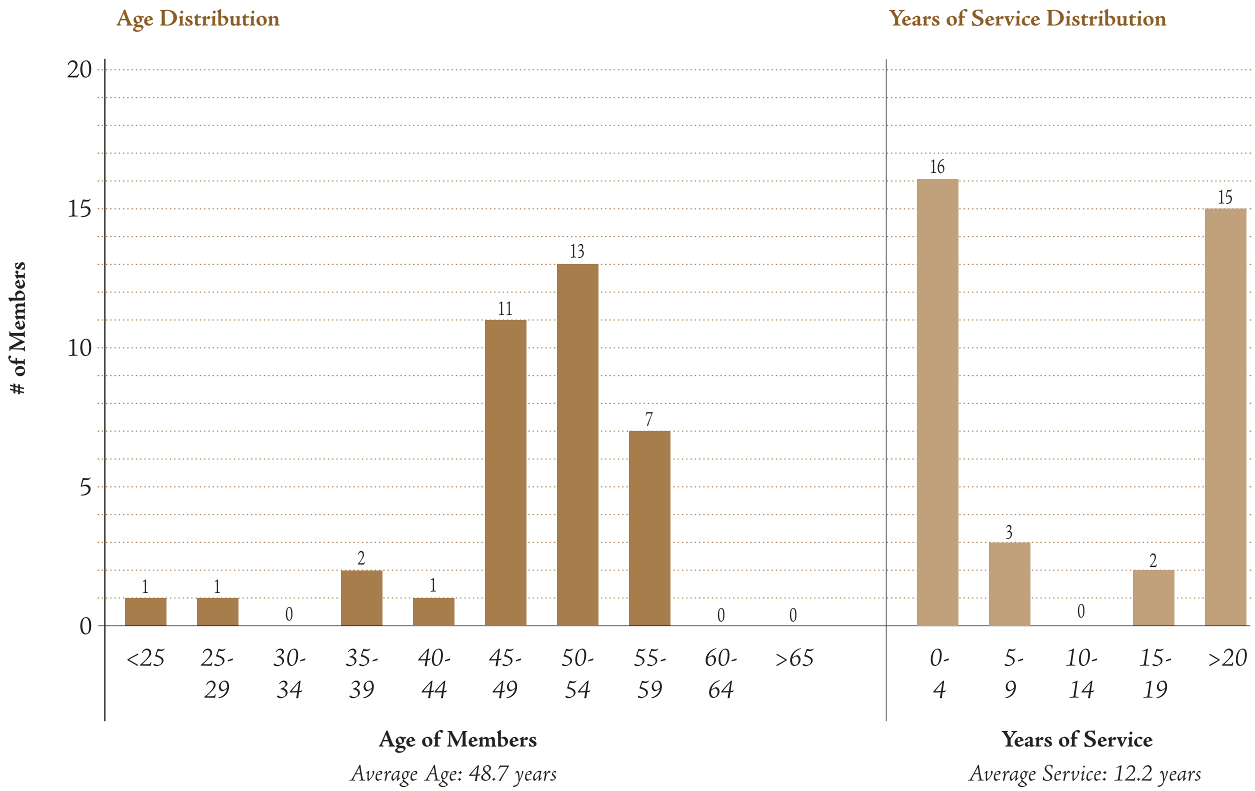
	Valuation as of January 1, 2005
Actuarial assets, prior valuation	$0
Total Contributions since prior valuation	$4,796,245
Benefits and refunds since prior valuation	$0
Assumed net investment income at 8%	
Beginning assets	$0
Contributions	$188,159
Benefits and refunds paid	$0
Total	$188,159
Expected actuarial assets	$4,984,404
Actual actuarial assets, this valuation	$5,040,067
Net asset gain (loss) since prior valuation	$55,663 Gain

Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll

	Added to Payroll		Removed from Payroll		Payroll		% Increase	Average
Year Ended	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit	in Annual Benefit	Annual Benefit
1/1/05	0	$0	0	$0	0	$0	0.00%	$0

Statewide Hybrid Plan

Age and Years of Service Distribution



The Statewide Hybrid Plan Solvency Test

The FPPA funding objective for the Statewide Hybrid Plan is to be able to pay the retirement benefits promised to the members including the granting of an annual cost-of-living increase to all retirees and beneficiaries. The objective is to entirely fund these promised benefits by 14% of pay,.

A short-term solvency test is used to check FPPA's funding progress towards its funding objective. In a short-term solvency test, the plan's present assets are compared with: (1) liability for active member contributions on deposit, (2) liability for future benefits to present retired lives, (3) liability for service already rendered by active members.

Expressing the net assets available for benefits as a percentage of the different liability measures provides one indication of the funding status on a going-concern basis. Generally the greater the percentages, the stronger the public employee retirement system.

The schedule below illustrates the progress in funding the various liability measures. As can be seen by the funded percentages, the liabilities are 100% covered by current assets. This plan does not have any unfunded liability and current contributions exceed the cost of annual benefit accruals.

Statewide Hybrid Plan

Statewide Hybrid Plan - Solvency Test

Valuation Date	Valuation Assets (000's)	Aggregate Accrued Liabilities For: (1) Active Member Contributions (000's)	(2) Retirees and Beneficiaries (000's)	(3) Active Members (Employee Financed Portion) (000's)	Funded Percentages (1)	(2)	(3)
1/1/05	$5,040,067	$4,796,229	$0	($760,335)	100%	100%	100%

SUMMARY OF PLAN PROVISIONS — Statewide Hybrid Plan

Members Included

Members included are active employees who are full-time salaried employees of a participating municipality, fire protection district, fire authority, or county improvement district normally serving at least 1,600 hours in a calendar year and whose duties are directly involved with the provision of police or fire protection. The Plan may include clerical and other personnel from the departments whose services are auxiliary to fire protection.

Compensation Considered

Base salary, including member contributions to the Statewide Hybrid Plan which are "picked up" by the employer, longevity, sick and vacation pay, shift differential, and mandatory overtime that is part of the member's fixed periodic compensation.

Normal Retirement Date

A member's Normal Retirement Date shall be the date on which the member has completed at least twenty-five years of credited service and has attained the age of 55.

Normal Retirement Benefit

The annual Normal Retirement Benefit shall be 1.5% of the average of the member's highest three years base salary for each year of credited service.

Early Retirement Benefit

A vested member shall be eligible for an Early Retirement Benefit after completion of thirty years of service or attainment of age 50. The Early Retirement Benefit shall be the reduction of the Normal Retirement Benefit on an actuarially equivalent basis.

Late Retirement Benefit

The Normal Retirement Benefit for members who continue to work after their normal retirement date will be increased by 1.5% of the member's highest average three years base salary, multiplied by the member's years of service after their Normal Retirement Date.

Terminated Vested Benefit

A member who terminates with at least five years of active service may leave his contributions in the fund and when the member attains age 55 be eligible to receive an annual benefit equal to one and a half percent (1.5%) of the average of his highest three years base salary for each year of credited service. In addition, upon termination, the vested account balance within the Money Purchase component is available to the employee. In the event that the member dies prior to the commencement of payments, his designated beneficiary shall receive either a refund of member contributions or a joint and survivor annuity payable when the member would have been eligible for a benefit, whichever is greater. If the member's designated beneficiary dies prior to the time the member would have been eligible to receive a benefit, a refund of the member's employee contribution shall be paid to the beneficiary's estate.

Severance Benefits

In lieu of a future pension, a member may upon termination elect to have the member's accumulated contributions refunded in a lump sum. In addition to receiving the accumulated contributions, the member shall receive five percent of the total accumulated contributions as interest.

Statewide Hybrid Plan

Cost-of-Living Increases for Benefits in Pay Status

Benefits to members and beneficiaries are increased annually on October 1. The amount of increase is based on the Board's discretion and can range from 0-3%.

Contribution Rates

Members of this fund and their employers are currently each contributing at the rate determined by the individual employer. The amount allocated to the Defined Benefit portion of the Hybrid Plan is annually set by the Board of Directors. The amount, as of the 1/1/05 actuarial study, was 14%. Effective 8/1/2005, the amount decreased to 12.5%.

Deferred Retirement Option Program (DROP)

A member may elect to participate in the DROP after reaching eligibility for normal, early, disability or vested retirement. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into the DROP. The member's percentage of retirement benefit is frozen at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated until the member terminates service, at which time the DROP accumulated benefits can be paid as a lump sum, if desired. The member continues to make contributions, which are credited to the DROP. The member shall self-direct the investments of the DROP funds.

Death Benefits

At the death of the member, the member's beneficiary shall receive the greater of the refund of the member's contributions or the survivor benefit. If the beneficiary dies before the benefit commencement date, the beneficiary's estate will receive a refund of the member's contributions.

Statewide Death & Disability Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	% Increase in Average Pay
1/1/05	10,031	$560,173	$55,844	2.16%
1/1/04	9,669	$528,557	$54,665	3.65%
1/1/03	9,462	$499,043	$52,742	3.39%
1/1/02	9,177	$468,169	$51,015	6.76%
1/1/01	8,949	$427,649	$47,787	5.06%
1/1/00	8,629	$392,479	$45,484	3.44%
1/1/99	8,443	$371,257	$43,972	1.21%

Gain/(Loss) on Actuarial Value of Assets

	Valuation as of 01/01/05	Valuation as of 01/01/04
Actuarial assets, prior valuation	$212,273,124	$218,151,921
Total Contributions since prior valuation	$5,866,130	$4,983,442
Benefits since prior valuation	($11,115,526)	($10,796,086)
Assumed net investment income at 8%		
Beginning assets	$16,981,850	$17,452,154
Contributions	$230,131	$199,338
Benefits and refunds paid	($436,067)	($431,843)
Total	$16,775,914	$17,219,649
Expected actuarial assets	$223,799,642	$229,558,926
Actual actuarial assets, this valuation	$223,389,097	$212,273,124
Asset gain/(loss) since prior valuation	($410,545) Loss	($17,285,802) Loss

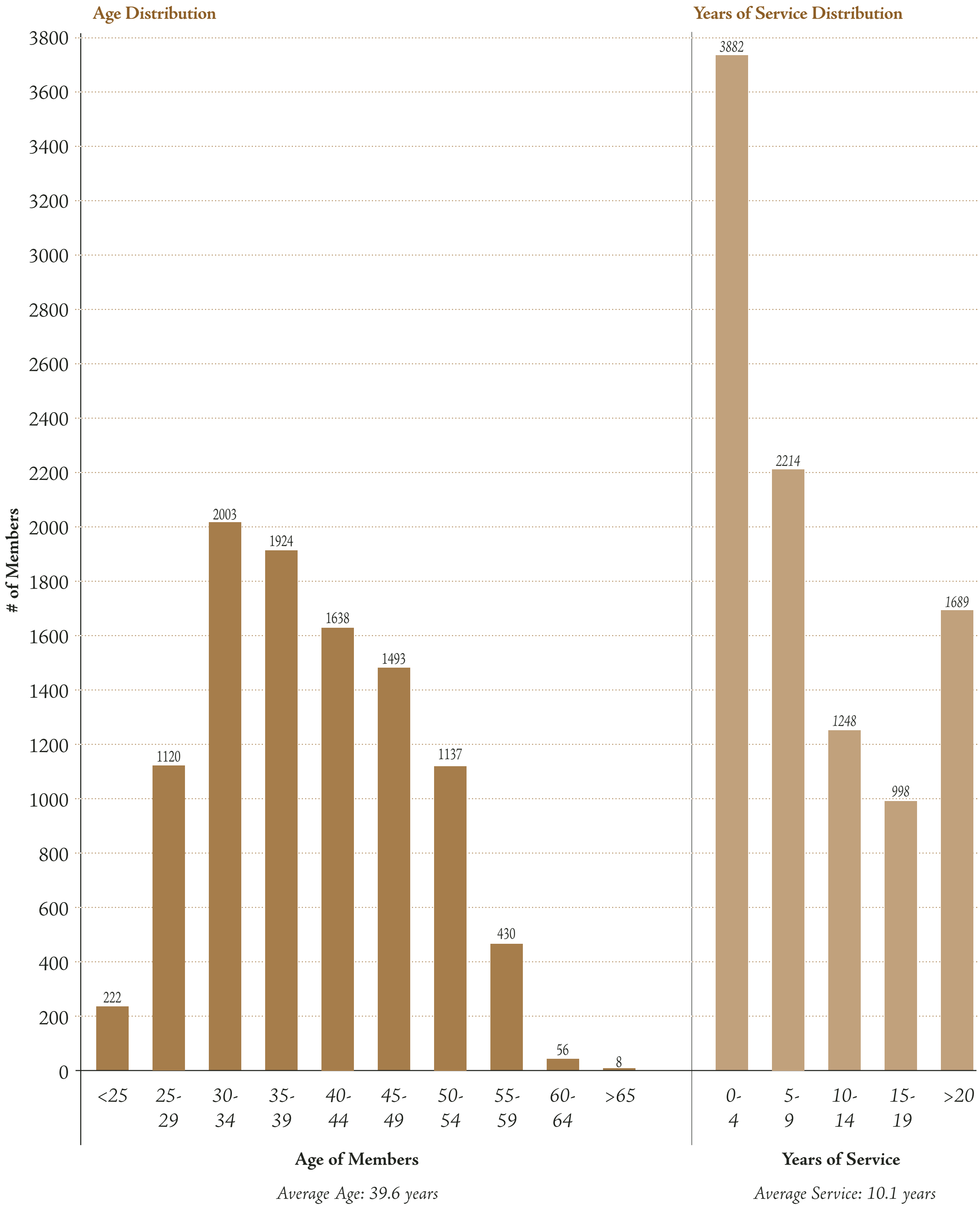
*Includes impact of improved on-duty death benefit.

Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll

	Added to Payroll		Removed from Payroll		Payroll		% Increase	Average
Year Ended	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit	in Annual Benefit	Annual Benefit
1/1/05	50	$752,870	9	$123,720	657	$11,436,494	5.82%	$17,407
1/1/04	45	$837,778	14	$204,551	616	$10,807,344	5.95%	$17,544
1/1/03	36	$736,302	13	$182,056	585	$10,200,028	11.16%	$17,436
1/1/02	57	$980,000	15	$200,000	562	$9,175,755	16.81%	$16,327
1/1/01	52	$788,000	16	$118,000	520	$7,855,192	14.90%	$15,106
1/1/00	42	$732,000	16	$62,000	484	$6,836,274	10.13%	$14,125
1/1/99	51	$651,000	11	$79,000	458	$6,207,553	7.87%	$13,554

Statewide Death & Disability Plan

Age and Years of Service Distribution



Statewide Death & Disability Plan

The Statewide Death and Disability Plan Solvency Test

The FPPA funding objective for the Statewide Death and Disability Plan is to be able to pay the death and disability benefits promised to the members including the granting of an annual cost-of-living increase to all retirees and beneficiaries.

A short-term solvency test is used to check FPPA's funding progress towards its funding objective. In a short-term solvency test, the plan's present assets are compared with: (1) liability for active member contributions on deposit, (2) liability for future benefits to present retired lives, (3) liability for service already rendered by active members.

Expressing the net assets available for benefits as a percentage of the different liability measures provides one indication of the funding status on a going-concern basis. Generally the greater the percentages, the stronger the public employee retirement system.

The schedule below illustrates the progress in funding the various liability measures. As can be seen by the funded percentages, the liabilities continue to be 100% covered by current assets.

Statewide Death & Disability Plan - Solvency Test

		Aggregate Accrued Liabilities For					
Valuation Date	Valuation Assets (000's)	(1) Active Member Contributions (000's)	(2) Retirees and Beneficiaries (000's)	(3) Active Members (Employer Financed Portion) (000's)*	Funded Percentages (1)	(2)	(3)
1/1/05	$223,389	$0	$125,741	$105,512	100%	100%	93%
1/1/04	$212,273	$0	$118,710	$123,256	100%	100%	76%
1/1/03	$218,152	$0	$116,176	$147,657	100%	100%	71%
1/1/02	$239,456	$0	$106,937	$135,363	100%	100%	100%
1/1/01	$240,576	$0	$96,431	$115,073	100%	100%	100%
1/1/00	$229,537	$0	$82,344	$101,830	100%	100%	100%
1/1/99	$212,357	$0	$81,573	$100,293	100%	100%	100%

**As of 1/1/97 the Plan is fully funded. The liability reported is the Present Value of all projected benefits, without regard to future cost-of-living increases. Prior to this date, liabilities are reported on the entry age normal actuarial method.*

SUMMARY OF PLAN PROVISIONS — Statewide Death and Disability Plan

Members Included

Members included are active employees who are full-time salaried employees of a participating municipality or fire protection district normally serving at least 1,600 hours in a calendar year and whose duties are directly involved with the provision of police or fire protection. Former members and beneficiaries of former members who have died or become disabled are also included. As of 8/1/2003, the Plan may include part-time police and fire employees.

Compensation Considered

Base salary, including member contribution to the fund which are "picked up" by the employer, longevity, sick and vacation pay, shift differential, and mandatory overtime that is part of the member's fixed periodic compensation.

Pre-Retirement Death Benefits

If a a member dies prior to retirement while off-duty, the surviving spouse shall receive a benefit (incuding payments made from local defined contribution plans) equal to 40% of the monthly base salary paid to the member prior to death, with an additional 10% of base salary if a surviving spouse has two or more dependent children, or if there are three or more dependent children without a surviving spouse. As of October 15, 2002, if a member dies prior to retirement while on-duty, the surviving spouse shall receive a benefit equal to 70% of the member's monthly base salary

Statewide Death & Disability Plan

regardless of the number of dependent children. If there are dependent children without a surviving spouse, and they do not live in the household, the benefit is 40% for the first child, and 15% for each additional child, but not greater than 70% total. Benefits will be paid to the spouse until death and to dependent children until death, marriage or other termination of dependency. These benefits are offset by Money Purchase account balances, DROP accounts, and SRA accounts, converted to annuities.

Disability Benefits

A member who becomes disabled prior to retirement shall be eligible for disability benefits. If the member is toally disabled, he shall receive 70% of his base salary preceding disability. If the member is occupationally disabled and his disability is judged to be a permanent occupational disability, he shall receive 50% of his base salary preceding disability regardless of his family status. If the member is occupationally disabled and his disability is judged to be a temporary occupational disability, he shall receive 40% of his base salary preceding disability regardless of his family status for up to five years. All disability benefits are reduced by Social Security disability benefits derived from employment as a member, if applicable. Total disability and permanent occupational disability benefits are also reduced by 25% of additional earned income and further offset by the Money Purchase account balances, vested or early retirement DROP accounts, and SRA accounts, converted to annuities. All disability benefits cease if the member recovers from disability.

Cost-of-Living Increases for Benefits in Pay Status

Benefits to members and spouses are increased annually by a percentage to be determined by the Board, but in no case may benefits be increased by more than 3% for any one year. Totally disabled members and their beneficiaries receive an automatic COLA each year of 3%.

Contributions

Members hired after 1996 contribute 2.5% of pay. Either the employer pays the entire 2.5% or it may be split between the employer and the member.

Offsets for SRA and Money Purchase

Death and disability benefits are reduced by the actuarially equivalent annuities of the SRA, DROP, and Money Purchase account balances. A maximum of 16% of the annual Money Purchase contributions apply for this purpose.

Changes in Plan Provisions

The plan provisions have not changed since the prior valuation.

Changes in Actuarial Assumptions

The plan actuarial assumptions have not changed since the prior valuation.

Affiliated Local Plans

Note: *Data compilation began with the 1/1/96 actuarial valuation. Actuarial studies are completed every other year. Each employer participating in the system is financially responsible for its own liabilities. Accordingly, the aggregate numbers presented in this section are indicative only of the overall condition of the system and are not indicative of the status of any one employer.*

Schedule of Active Member Valuation Data

Valuation Date	Number of Participating Employers	Number of Paid and Volunteer Members	Annual Payroll of Paid Members	Annual Average Pay of Paid Members	% Increase in Average Pay
1/1/04	220	5,179	$70,053,951	$59,722	48.88%
1/1/02	211	5,652	$74,373,501	$40,115	(2.67)%
1/1/00	191	5,687	$82,304,632	$41,214	(15.37)%
1/1/98	177	5,278	$104,552,694	$48,697	28.83%
1/1/96	154	5,033	$ 96,013,582	$37,801	N/A

Development of Actuarial Gain or Loss

Note: *Data to calculate a gain/loss analysis on all local plans was not available as of the 1/1/04 actuarial valuations.*

Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll

	Added to Payroll		Removed from Payroll		Payroll		% Increase in Annual Benefit	Average Annual Benefit
Year Ended	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit		
1/1/04	N/A	N/A	N/A	N/A	3,440	$113,510,844	N/A	$32,997
1/1/02	N/A	N/A	N/A	N/A	2,989	$110,003,326*	N/A	$36,803
1/1/00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1/1/98	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1/1/96	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

** Does not include volunteer retirees.*

Note: *Data to calculate the retirees and beneficiaries added to and removed from payroll on all local plans was not available prior to the 1/1/04 actuarial valuation.*

Affiliated Local Plans - Solvency Test

		Aggregate Accrued Liabilities For			Funded Percentages		
Valuation Date (000's)	Valuation Assets (000's)	(1) Active Member Contributions (000's)	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion) (000's)*	(1)	(2)	(3)
1/1/04	$1,642,271	*	*	$2,160,729	N/A	N/A	76%
1/1/02	$1,902,729	*	*	$2,086,914	N/A	N/A	91%
1/1/00	$1,824,520	*	*	$1,958,960	N/A	N/A	93%
1/1/98	$1,466,608	*	*	$1,814,000	N/A	N/A	81%
1/1/96	$1,121,445	*	*	$1,593,928	N/A	N/A	70%

** Included in Column 3*

Affiliated Local Plans

SUMMARY OF PLAN PROVISIONS — Affiliated Local Plans

Members Included

The Affiliated Local Plans are for the benefit of three distinct groups. The first of those are fire and police employees of affiliated employers hired prior to April 8, 1978 (Old Hires). The second of those are fire and police employees of affiliated employers hired after April 8, 1978 (Exempt New Hires). The final group is volunteer firefighters of affiliated plans.

Compensation Considered

Base salary, including longevity, sick and vacation pay.

Volunteer members are not compensated. Their benefit is generally based on the total assets in the plan.

Normal Retirement Date

A member's Normal Retirement Date varies with each plan. Several plans are based on the date a member has completed years of credited service, usually 20-25 years. Most plans require the member to complete 20-25 years of credited service and attain the age of 50-55.

Normal Retirement Benefit

The annual Normal Retirement Benefit varies with each plan. The benefit calculation ranges from 50-75% of salary. Several plans offer a lump sum actuarial equivalent benefit.

Volunteer plans offer a flat dollar benefit from $0 - $1000 per month.

Deferred Vested Benefit

Some plans allow a member to leave their contributions in the fund and be eligible to receive a vested benefit based on salary times years of credited service at termination, usually with a maximum benefit of 50% of pay. The benefit is payable at normal retirement age, typically age 50 or 55. The minimum eligibility for this benefit is usually 10 or 20 years of service at termination. Most plans do not offer deferred vested benefits.

Volunteer plans offer a flat dollar benefit that ranges from 50-100% of the normal retirement benefit depending on the years of credited service at termination. The benefit is usually payable at age 50.

Severance Benefits

In lieu of a future pension, several plans offer their members upon termination an election to have accumulated contributions refunded in a lump sum. In addition to receiving accumulated contributions, the member may receive interest on the total accumulated contributions. Most plans do not offer severance benefits.

Volunteer plans are restricted by statute and cannot offer severance benefits.

Cost-of-Living Increases for Benefits in Pay Status

Several plans offer a cost-of-living increase to their retirees and beneficiaries. Some only offer an ad-hoc cost-of-living increase. Others offer an escalation benefit based on the rank at which the member retired.

Volunteer plans are restricted by statute and cannot offer a cost-of-living increase.

Contribution Rates

The contribution rate varies for each plan. Paid member rates range from 0-10%.

Volunteer members do not contribute to their plan.

Pre-Retirement Death and Disability Benefits

The paid members are covered by the Statewide Death and Disability Plan.

Some volunteer plans offer a 50% benefit. All volunteer plans are required to pay at least a $100 lump sum funeral benefit.

Affiliated Local Plans

Post-Retirement Death Benefits

Most plans offer a 50-100% benefit to the surviving spouse until death or remarriage. Some plans also offer actuarially equivalent post-retirement death benefits.

Deferred Retirement Option Plan (DROP)

Several plans allow a member to participate in the DROP after reaching eligibility for normal or delayed retirement. A member can continue to work while participating in the DROP, but must terminate employment within a given time frame, generally between 3-5 years of entry into the DROP. The member's percentage of retirement benefit is frozen at the time of entry into DROP. The monthly payments go into the DROP and are accumulated until the member terminates service, at which time the DROP and accumulated benefits can be paid as a lump sum or periodic payments, if desired. The member continues contributing the employee percentage of pay which is credited to the DROP.

Changes in Plan Provisions

The provisions of the local plans will vary from plan to plan, as will the periodic changes made to the plans.

Changes in Actuarial Assumptions

An Actuarial Experience Study was completed in 2004. The following actuarial assumptions were amended and effective on January 1, 2004.

- *Salary Scale* rate was increased by 0.25% for all years of service.
- *Inflation* was decreased from 4.0% to 3.5%.
- *Pre-Retirement Mortality* rates were set back two years, and the load was decreased from .04% to .02%.
- *Disability* rates were decreased.
- *Separation* rates were increased for police members and for fire members with at least four years of service and decreased for fire members with less than four years of service.

The Statistical Section of the FPPA annual report contains a variety of information concerning FPPA's operations including legislative history, member demographics and disbursement of state funds to municipalities.

This information is presented in narrative, graphical and tabular forms which staff hopes will assist individuals desiring a more comprehensive understanding of the Association's functions.

While the material in this section is intended to supplement the independent auditor's report contained elsewhere, none of the information within the Statistical Section has been reviewed or certified as to its accuracy by FPPA's auditors.

History of State Involvement in Fire and Police Pension Plans

1978

Senate Bill 46 is enacted, adopting the Policemen's and Firemen's Pension Reform Act and creating the Policemen's and Firemen's Pension Reform Commission. It also freezes old hire plan provisions.

1979

Senate Bill 79 results from the activities of the Policemen's and Firemen's Pension Reform Commission created the previous year. S.B. 79 establishes the Fire and Police Pension Association, and creates a new statewide pension plan and the new Statewide Death and Disability Plan.

1983

Senate Bill 64 gives the FPPA Board of Directors authority to lower the statewide plan retirement age to 55 if actuarially supportable, and makes other miscellaneous changes to Part 10.

1987

Senate Bill 18 establishes a Stabilization Reserve Account, gives FPPA the ability to negotiate group retiree health insurance, and makes other miscellaneous changes to Part 10.

1989

House Bill 1196 grants FPPA the authority to administer 457 Deferred Compensation Plans; and House Bill 1033 grants FPPA the authority to administer and manage money purchase plan funds.

1991

House Bill 1015 grants FPPA the authority to modify statewide pension plan benefits and service requirements for normal retirement without prior approval from the legislature. Any modifications must be approved by 65 percent of the active members in the plan and more than 50 percent of the employers having active members covered by the plan.

1993

Senate Bill 142 amends several aspects of the Statewide Death and Disability Plan including clarifying responsibilities of employers to employees found not disabled by the FPPA Board, and lengthens the reexamination and redetermination of disability period from three to five years.

House Bill 1243 authorizes FPPA to establish a Statewide Money Purchase Plan as an alternative to the Statewide Defined Benefit Plan for departments meeting certain criteria.

1995

House Bill 1012 increases the time from three years to five years within which FPPA may investigate a member retired for disability from the Statewide Death and Disability Plan.

Senate Bill 12 grants the FPPA Board the authority to adopt procedural rules in regard to local employers having money purchase plans for their police officers or firefighters and who wish to terminate those plans and cover their members under the Statewide Money Purchase Plan administered by FPPA. Any such election is voluntary and requires the approval of the employer and at least 65% of the members of the local money purchase plan.

Senate Bill 228 accelerates the payments by state and local governments to those "old hire" plans currently receiving state assistance for unfunded accrued liabilities. The bill increases the state's contribution to these plans and establishes a level dollar employer contribution projected to pay off the unfunded liabilities by the year 2009.

1996

House Bill 1016 establishes a separate statutory condition under the Statewide Death and Disability Plan for those members whose disabilities are the result of an on-duty injury or occupational disease.

House Bill 1370 addresses the future funding of benefits provided under the Statewide Death and Disability Plan. It provides that the state will fund the benefits of members hired prior to January 1, 1997, through the payment of a one time lump sum amount of $39,000,000. For those members hired on or after January 1, 1997, the bill requires funding by the members and/or their employers. On the benefit side, the bill provides a guaranteed cost of living adjustment for those members who are found to be totally disabled. The bill permits an employer, within a limited time window, to withdraw from the Statewide Death and Disability Plan and establish its own disability and survivor benefit plan.

1997

House Bill 1213 authorizes FPPA to offer a supplemental disability benefit program to members of the Statewide Death and Disability Plan.

House Bill 1006 applies the provisions of the Uniform Prudent Investor Act to FPPA with respect to the investment of assets in the Fire and Police Members' Benefit Fund.

House Bill 1022 extends an employer's authority to use excess funds in its old hire fire or police pension plan for other pension and public safety purposes. The bill now permits an employer to utilize excess funds if there are no active members of the plan and the employer takes certain steps to guarantee payment to persons still receiving benefits from the fund.

House Bill 1111 authorizes local boards to increase pension benefits for volunteer firefighters who are already retired.

Senate Bill 81 amendes the statute providing for the division of public employees' retirement benefits upon divorce to clarify which legal actions are subject to the statute.

1998

House Bill 1024 authorizes survivors of police and fire members of the Statewide Death and Disability Plan to seek relief from state and federal income taxes when the plan member's death was in the line of duty or the result of an occupational disease. Also, survivors of members who died prior to the effective date of the bill were granted a two-year period to apply to the Board for a "death-in-the-line-of-duty" determination.

1999

Senate Bill 5 mandates that each deferred compensation plan's assets be held for the exclusive benefit of the plan participants. This protection was enacted on the federal level as a part of the Small Business Job Protection Act of 1996. Senate Bill 5 also establishes minimum requirements for ensuring that appropriate investment options are made available to deferred compensation plan participants.

House Bill 1022 updates provisions needed to maintain police and fire pension plans as "qualified plans" under the Internal Revenue Code. These amendments were required by federal tax law in order for employers and employees to continue to benefit from the favorable tax treatment available under these pension plans.

Senate Bill 114 authorizes parties in domestic relations actions to use additional methods for dividing public employee retirement benefits on divorce, legal separation, or declaration of invalidity of marriage.

2000

House Bill 1006 eliminates the possibility of reducing the Separate Retirement Accounts ("SRA's") of members of the SWDB Plan in order to make transfers to the Death and Disability Account for the Statewide Death and Disability Plan (D&D Plan). Such transfers are no longer needed, because the D&D Plan is now fully funded.

House Bill 1022 creates options for increasing contribution rates under the Statewide Money Purchase Plan above the statutory rates of eight percent from the employer and eight percent from the employee.

House Bill 1018 clarifies the standard of care applicable to the FPPA Board with respect to the administration, investment and management of the Fire and Police Members' Money Purchase Plan Benefit fund. The Bill recognizes that the Board was governed by the Uniform Prudent Investor Act only with respect to assets allocated to the Fire and Police Members' Benefit fund, which is an investment alternative for Fire and Police Member's Money Purchase Plan Benefit.

House Bill 1005 gives the FPPA Board discretion to waive the interest charge on delinquent contributions for new accounts in hardship cases.

House Bill 1017 restores the relocated sections of law relating to the FPPA Defined Benefit Plan to statutes addressing the Death and Disability Plan.

2001

House Bill 1011 clarifies certain statutes, expedites processes, standardizes treatment of members, and conforms to state and federal law. Specific changes are as follows:

General

- Amends the definition of employer to include "fire authority".
- Allows the pension boards of local affiliated plans to obtain the names and addresses of retirees from FPPA.

Statewide Defined Benefit Plan

- Clarifies that normal retirement eligibility is age fifty-five with 25 years of service.
- Reduces the penalty for retiring early.
- Allows the designated beneficiary of a member eligible for normal retirement to receive a pension in the event the member dies before electing a payment option.
- Treats electronic fund transfers the same as cashing a check.
- Allows members to defer receipt of benefits to avoid taxation for early withdrawal.
- Provides that a vested single member's estate shall receive the member's separate retirement account, earnings, and member contributions if there is no designated beneficiary.

Statewide Money Purchase Plan

- Expedites the process for participating in the Statewide Money Purchase Plan.

Affiliated Plans

- Clarifies that employers with multiple plans can exercise affiliation options on an individual plan basis.

Statewide Death and Disability Plan

- Eliminates off-sets and reporting requirements for disability recipients for income earned after the calendar year in which a member attains age 55
- Continues benefits for dependent children who have reached age 19 to age 23 if they are in high school or college.
- Allows an incapacitated child who marries to continue to receive benefits.
- Clarifies that all members who become eligible for normal retirement or who reach its age and service equivalent are ineligible for benefits under the plan, and therefore, are not required to contribute to the plan.
- Requires that actuarial reports be generated annually.
- Authorizes the Board to establish rules for the administrative approval of disability applications in order to shorten the processing times.

457 Deferred Compensation Plan

- Authorizes administrative support staff to participate in this supplemental plan as allowed by the IRS.

House Bill 1008 provides a method for calculating the last year's payments made by the state and an employer to each state-assisted old hire pension plan. It also requires an annual actuarial study.

House Bill 1027 increases survivor benefits for a spouse, child or a spouse and child to forty percent. The bill also clarifies the division of benefits between survivors who live in separate households.

2002

Senate Bill 026

- Creation of a "permanent occupational disability" with a flat 50% of base salary benefit with:
  - No prognosis for improvement
  - No reexamination
  - Regular offsets for SRA and Money Purchase balances and for earned income
- Creation of a "temporary occupational disability" with a flat 40% of base salary benefit with:
  - Periodic reexamination required
  - Board may require treatment, counseling or therapy

- Burden on the member to show compliance with Board direction and continuing disabling condition
- 5 year maximum benefit
- May be upgraded to permanent occupational or total disability
- No SRA or Money Purchase offsets to benefit
- Family is eligible for survivor benefits if member dies while on temporary occupational disability
- If the disability ceases to exist and the member is restored to active service, FPPA will transfer from the death and disability fund the contribution required to fund the defined contribution plan or to fund service credit under the defined benefit plan for period of time the member was on temporary occupational disability (16% per year maximum. If a defined contribution plan's normal contribution amount is above 16%, the employer will make up the difference.)
- If the member reaches age and service, including time on disability, under a defined benefit plan while on temporary occupational disability, FPPA will transfer from the death and disability fund the final contributions necessary for member to earn full service credit and the member will be granted a normal retirement in lieu of continued disability retirement (16% per year maximum. If a defined contribution plan's normal contribution amount is above 16%, the employer will make up the difference.)

- Family option on total and permanent occupational disability to specifically include adult dependent incapacitated children
- Determination of disability can include consideration of any relevant evidence by Board
- Annual cost of living adjustments up to 3% to be determined by the Board with no consumer price index limitation for occupational disability and survivor benefits and an automatic 3% benefit increase for total disability
- Offsets for local SRA's for total and permanent occupational disability benefits and survivor benefits
- Permanent occupational disability benefit payment options would be the same as total disability benefit payment options
- Statute of Limitations for applying for a disability benefit would be 180 days from the last day on the payroll
- Members can waive their right to reinstatement during application process
- Employers submit statement of reason for service termination with application
- Employers submit statement of additional basis for disability with application
- No earned income offset for total disability
- Five year window for upgrade from occupational disability to total disability begins from date of disablement (last day on payroll)
- Definition of "assigned duties" tightened
- Authority for Board to provide death and disability benefits to members on military service. Costs to be assessed, term of benefits, and offsets for military benefits to be established by rule.
- Line-of-duty death benefit increased to flat 70% of base salary. Supplemental benefit for members eligible for retirement to increase total survivor benefits for line-of-duty death to 70% of base salary.

House Bill 1032

- Allow purchase of service credit for any public service
- Allow purchase of service credit for private sector service of up to five years, after five years of service credit are earned
- Ease the process for granting service credit for funds rolled over from other eligible retirement plans

House Bill 1036

- Simplifies method of calculating state matching contribution without changing actual contribution for local volunteer plans
- Increases the minimum state contribution to $1000 for districts contributing 1/2 mill.

2003

Senate Bill 057

This bill creates two new defined benefit plan alternatives for police and fire departments with money purchase plans. These departments may re-enter the existing Statewide Defined Benefit Plan or alternatively enter a new Statewide Hybrid Plan. The new Statewide Hybrid Plan offers a combination defined benefit and defined contribution benefit. Existing members of departments re-entering the Statewide Defined Benefit Plan pay an increased contribution rate in order to prevent adverse actuarial impact to existing Statewide Defined Benefit Plan members. This bill also decreased the vesting period for the Statewide Defined Benefit Plan to five years in order to bring a consistent vesting period to the statewide plans and facilitate the reentry of members from money purchase plans. The cost of lowering the vesting period to 5 years was 0.04% of payroll.

House Bill 1009

This bill authorizes FPPA to create and implement a Health Care Defined Benefit Plan. FPPA has drafted the plan under Section 401(h) of the Internal Revenue Code. A vote was held in May 2004 of all statewide plan members (Statewide Defined Benefit Plan, Statewide Money Purchase Plan, and Statewide Hybrid Plan). If the vote passes the membership by 65%, all members of the statewide plans would contribute 1% of their salary. If less than the majority of a department's members vote in favor of adopting the plan, the employer may elect not to participate in the plan. Neither the state nor employers will have any liability for the plan.

Senate Bill 056

This bill is commonly known as the FPPA Membership Bill. This legislation allows, but does not require, part-time firefighters and police officers to participate in FPPA retirement and disability plans, allows support staff of fire districts to become members of FPPA retirement plans with their department, and allows County sheriff departments to participate in FPPA supplemental social security plans for defined benefits and death and disability. Under the legislation fire and police members of the PERA pension plan would not be eligible to participate in the Statewide Death and Disability Plan because there is no ability to offset benefits. This bill was amended in the House of Representatives to also clarify that the FPPA Board has an obligation to provide documentation regarding state money held by FPPA required by the state auditor in conducting legislative audits.

2005

Senate Bill 043

This Bill clarified a previous exemption from participation in the FPPA Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Departments participating in Social Security prior to August 11, 2005 are exempt from participating in Statewide Defined Benefit Plan and the Statewide Death and Disability Plan.

House Bill 1002

This Bill exempts from disclosure under the Colorado Open Records Act investment information that has not been otherwise publicly disseminated which could cause an investment manager or an entity in which an investment may be made significant competitive harm. It requires the FPPA Board to publish a report of its investments at least annually.

Senate Bill 008

Allows retired members of an old hire fire pension plan to vote for pension board members, to serve as pension board members, and to vote regarding plan amendments.

Senate Bill 067

This Bill allows alternate exempt plans (the Colorado Springs New Hire Fire Plan and the Colorado Springs New Hire Police Plan) to be merged into the FPPA defined benefit system upon agreement between the FPPA and the employer.

2005 Distribution of Funds Directly Received by the State of Colorado

State Funds Allocated to Local Plans to Reduce Unfunded Liabilities

	1999	2000	2001	2002	2003	2004	2005	Total (1980-05)
Aurora Fire	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$2,502,878
Aurora Police	1,032,476	0	0	0	0	0	0	9,175,314
Colo Spgs Fire	0	0	0	0	0	0	0	9,947,115
Colo Spgs Police	646,302	0	0	0	0	0	0	11,496,947
Denver Fire	9,172,120	9,827,860	9,960,439	9,960,439	0	0	0	154,587,795
Denver Police	11,604,493	12,434,131	12,601,870	12,601,870	0	0	0	204,255,738
Grand Jct Fire	314,551	337,039	0	0	0	0	0	4,589,087
Grand Jct Police	265,881	284,890	288,733	288,733	0	0	0	4,486,086
Greeley Fire	606,039	649,366	658,126	658,126	0	0	0	7,801,901
Greeley Police	0	0	0	0	0	0	0	192,075
Pueblo Fire	890,508	954,172	967,044	967,044	0	0	0	16,478,133
Pueblo Police	0	0	0	0	0	0	0	1,699,753
Rocky Ford Fire	10,710	0	0	0	0	0	0	131,044
Rocky Ford Police	0	0	0	0	0	0	0	14,005
Lakewood FPD	625,612	670,339	679,382	679,382	0	0	0	9,584,568
Lamar Fire	0	0	0	0	0	0	0	23,293
Leadville Fire	0	0	0	0	0	0	0	44,719
N. Washington FPD	144,430	154,756	156,844	156,844	0	0	0	2,020,091
All Other	7,957	8,526	8,641	8,641	0	0	0	4,404,797
Total	$25,321,079	$ $25,321,079	$25,321,079	$ $25,321,079	$ 0	$ 0	$ 0	$443,435,339

***Funding was suspended until 4/30/06*

Revenues by Source — All Plans

	1999	2000	2001	2002	2003	2004	2005
Investment Earnings	$396,262,695	$(95,430,184)	$(163,249,147)	$(207,542,363)	$440,600,246	$289,287,550	$269,026,972
State Funding	27,114,921	27,141,938	27,432,188	28,060,171	2,425,586	1,962,294	2,628,849
Employers	49,636,327	51,028,118	53,003,474	55,686,872	58,278,401	67,491,499	85,341,786
Employees	32,428,830	38,011,053	44,873,291	47,292,635	49,414,320	61,505,739	53,119,943
Affiliations	25,807,791	1,426,317	10,679,999	364,746	3,545,138	21,758,372	12,576,166
Total	*$531,250,564*	*$22,177,242*	*$(27,260,195)*	*$(76,137,939)*	*$554,263,691*	*$442,005,454*	*$422,693,716*

Revenue Allocation — All Plans

	1999	2000	2001	2002	2003	2004	2005
Additions to Fund Balance	$412,447,619	$(114,127,155)	$(172,154,282)	$(232,373,436)	$387,708,585	$247,094,343	$211,727,492
Benefit Payments	101,496,836	112,283,281	125,003,556	133,970,296	142,466,923	150,284,940	156,721,164
Administrative Expense	3,254,498	3,426,968	3,168,290	3,320,776	3,149,814	3,654,837	3,698,198
Refunds & Withdrawals	14,051,611	20,594,148	17,813,389	19,823,566	21,399,602	41,615,028	51,759,693
Total	*$531,250,564*	*$22,177,242*	*$(26,169,047)*	*$(75,258,798)*	*$554,724,924*	*$442,649,148*	*$423,906,547*

Expenses by Type — All Plans

	Benefit Payments	Refunds	Administrative Expenses	Capital Expense	Total Expense
2005	$156,721,164	$51,759,693	$3,698,198	$42,507	$212,221,562
2004	$150,284,940	$41,615,028	$3,654,837	$74,800	$195,629,605
2003	$142,466,923	$21,399,602	$3,149,814	$48,797	$167,065,136
2002	$133,970,296	$19,823,566	$3,320,776	$55,386	$157,170,024
2001	$125,003,556	$17,813,389	$3,168,290	$223,543	$146,208,778
2000	$112,283,281	$20,594,148	$3,021,351	$21,471	$135,920,251
1999	$101,496,836	$14,051,611	$3,047,992	$71,113	$118,667,552

Affiliated Volunteer Fire Departments

Alamosa VFD
Allenspark FPD
Aspen FPD
Ault FPD
Basalt & Rural FPD
Bennett FPD #7
Berthoud FPD
Blackhawk FPD*
Blanca VFD
Boone VFD
Boulder Heights FPD
Boulder Rural FPD
Brighton VFD
Brush Rural Fire/VFD
Buena Vista VFD
Burning Mountains FPD
Calhan FPD
Cañon City Area FPD
Carbondale and Rural FPD
Cascade FPD
Castle Rock VFD
Central City VFD
Central Orchard Mesa
Cherryvale FPD
Cheyenne County FPD #1
Clear Creek FA
Clifton FPD
Coal Creek Canyon FD
Colorado Sierra FPD
Cripple Creek
Crowley FD
Crystal Lakes FPD
Del Norte FPD
Divide VFD
Donald Westcoat VFD
Dove Creek FPD
Durango Fire & Rescue Authority
Eads VFD
Eaton FPD
Eckley VFD
Elbert FPD & Rescue
Eldorado Springs/Marshall VFD
Elizabeth FPD
Englewood VFD*
Evans VFD
Evergreen VFD
Falcon FPD
Federal Heights VFD
Fisher's Peak FPD
Florence FPD
Foothills Fire & Rescue
Fort Morgan
Fort Morgan Rural
Franktown FPD
Frederick Firestone FPD
Galeton FPD
Genesee FPD
Glacier View VFD
Glendale VFD
Glenwood Springs VFD
Golden VFD
Golden Gate Fire
Grand FPD #1
Grand Lake FPD
Grand Valley FPD
Green Mountain Falls/Chipita Park FPD
Gypsum FPD
Hartsel FPD
Haxtun VFD
High Country FPD
Hill Rose Rural FPD
Holyoke - City VFD
Holyoke FPD
Hot Sulphur Springs/Parshall FPD
Hygiene VFD
Indian Hills FPD
Inter-Canyon FPD
Jackson 105 FPD
Jefferson-Como FPD
Kiowa FPD
Kremmling FPD
La Junta
La Salle FPD
Lafayette VFD
Lake City Area
Lake Dillon FPD
Lake George FPD
Lamar VFD
Larkspur FPD
Left Hand FPD
Lewis-Arriola FPD
Limon VFD
Livermore FPD
Log Hill Mesa FPD
Lower Valley FPD
Mancos FPD
Manitou Springs VFD
Manzanola Rural FPD
Milliken FPD
Montrose FPD
Mountain View FPD
Nederland FPD
New Raymer-Stoneham FPD*
Northeast Teller County FPD
North Fork VFD
North Routt County
North Washington FPD*
Northwest FPD
Northwest Conejos County FPD
Norwood FPD
Nucla-Naturita FPD
Nunn Volunteer FPD
Oak Creek FPD
Olathe FPD
Olney Springs VFD
Ordway Fire
Ouray Volunteer FPD
Palisade VFD
Palmer Lake VFD
Parker FPD*
Pawnee FPD
Pinebrook Hills FPD
Pinewood Springs VFD
Plateau Valley VFD
Platte Canyon FPD
Platte Valley FPD
Platteville/Gilcrest FPD
Pleasant View FPD
Pleasant View Metro
Poudre FA
Rangely Rural FPD
Rattlesnake FPD
Red Feather Lakes VFD
Ridgway FPD
Rifle FPD
Rio Blanco FPD
Rocky Ford VFD
Sable-Altura FPD
Sheridan VPD
Silverton FD
Simla FD
Snake River FPD
South Adams County FPD
South Arkansas FPD*
South Conejos FPD
South Metro Fire Rescue*
Southwest Washington County FPD
Springfield VFD
Steamboat Springs VFD
Sterling VFD
Stonewall VFD
Stratton FPD
Sugar City VFD
Sugarloaf FPD
Telluride FPD
Walsh FD
Wellington FPD
West Cheyenne FPD
West Douglas County FPD
West Metro FPD
West Routt FPD
Westminster VFD*
Wet Mountain FPD
Wiggins Rural FPD
Wiley Rural FPD
Windsor Severance
Yampa FPD
Yuma VFD

Employers of Affiliated Exempt New Hires

Colorado Springs Police and Fire

Employers of Affiliated Old Hire Pension Plan Members

Aurora Police and Fire
Bancroft FPD
Bowmar Police
Cañon City Area FPD
Cedaredge Police
Cherry Hills FPD
Colorado Springs Police and Fire
Cortez Police
Del Norte Police
Denver Police and Fire
Durango Police and Fire
Englewood Police and Fire
Firestone Marshalls
Fort Morgan Police
Grand Junction Police and Fire
Greeley Police
Haxtun Police
Holyoke Police
La Junta Police and Fire
La Salle Police
Lakewood FPD
Lamar Police and Fire
Las Animas Police
Leadville Fire
Manitou Springs Fire
Montrose FPD
Mountain View FPD
North Washington FPD
Paonia Police
Pueblo Police and Fire
Pueblo Rural FPD
Rocky Ford Police and Fire
Salida Police and Fire
South Adams County FPD
Springfield Police
Sterling Police and Fire
Thornton Fire
Trinidad Police and Fire
Union Colony Fire Rescue
Walsenburg Police

Employers Affiliated for Money Purchase Plan Administration

Cañon City Police
Dacono Police

Employers Affiliated for Supplemental Pension and/or Death and Disability Coverage

Akron Police*
Cedaredge Police
Debeque Police
Estes Park Police
Frederick Police
Haxtun Police
Holyoke Police
Johnstown Police
Kremmling Police
Springfield Police
Windsor Police

Employers Participating in FPPA's 457 Deferred Compensation Plan

Alamosa, City of (Police)
Arvada FPD
Arvada, City of (Police)
Ault, Town of (Police)
Aurora, City of (Police & Fire)
Basalt & Rural FPD
Bennett FPD No. 7
Berthoud FPD
Boulder Rural FPD
Brighton (Police)
Brush, City of (Police)
Buena Vista, Town of (Police)
Cañon City Area FPD
Castle Rock, Town of (Fire)
Cherryvale FPD
Cimarron Hills FPD
Clifton FPD*
Colorado Springs, City of (Police & Fire)
Cripple Creek, City of (Police & Fire)
Cunningham FPD
Donald Westcott FPD
Durango Fire & Rescue Authority
East Grand FPD No. 4
Eaton FPD
Elizabeth FPD
Federal Heights, City of (Police & Fire)
Firestone, Town of (Police)
Foothills FPD
Fort Collins, City of (Police)
Fort Lupton FPD
Frederick-Firestone FPD
Glendale, City of (Police & Fire)
Granada, Town of (Police)*
Greeley, City of (Police)
Green Mountain Falls/Chipita Park FPD*
Gypsum FPD
Hartsel FPD
Hugo, Town of (Police)
Idaho Springs, City of (Police)*
Ignacio, Town of (Police)*
Jefferson-Como FPD
Kremmling FPD
La Jara, Town of (Police)
Lake Dillon FPD
Lakeside, Town of (Police)
Lochbuie, Town of (Police)
Los Pinos FPD
Loveland, City of (Police & Fire)
Lower Valley FPD*
Manitou Springs, City of (Police & Fire)
Montrose FPD
Mountain View FPD
Mountain Village, Town of (Police)
North Metro Fire Rescue Authority
North Washington FPD
Northeast Teller County FPD
Northwest FPD
Pagosa FPD
Palisade (Police & Fire)
Parker FPD
Plateau Valley FPD
Platte Canyon FPD
Platteville, Town of (Police)
Poudre Fire Authority
Pueblo Rural FPD
Pueblo, City of (Police & Fire)
Red, White & Blue FPD
Sable-Altura FPD
Salida, City of (Police & Fire)
Skyline FPD
Snake River FPD
South Adams County FPD
Southwest Adams County FPD #2*
Sterling, City of (Police & Fire)
Stratmoor Hills FPD
Stratton, Town of (Police)
Telluride FPD
Tri-Lakes FPD
Trinidad, City of (Fire)
Union Colony Fire Rescue
Upper Pine River FPD
Vail, Town of (Police and Fire)

West Routt FPD
Wiggins, Town of (Police)*
Windsor Severance FPD
Woodmoor Monument FPD
Wray, City of (Police)
Yuma, City of (Police)

Employers of Statewide Defined Benefit Pension Plan Members

Aguilar Police*
Alma Police*
Antonito Police
Arvada FPD
Aspen FPD*
Ault Police
Basalt Police
Basalt & Rural FPD
Bayfield Police
Bennett FPD #7
Berthoud FPD
Black Forest FPD
Blackhawk FPD
Blanca Police
Blue River Police*
Boulder Mountain FA
Boulder Rural FPD
Bowmar Police
Greater Brighton FPD
Brush Police
Castle Rock Fire
Center Police
Central City Fire*
Cherryvale FPD
Cimarron Hills FPD
Clear Creek FA
Clifton FPD
Collbran Marshalls*
Columbine Valley Police
Copper Mountain Fire
Cripple Creek Fire
Cunningham FPD
Denver Police and Fire
Dinosaur Police
Dolores Police*
Donald Wescott FPD
Durango Fire & Rescue
Eads Police
East Grand FPD #4*
Eaton FPD
Elizabeth Police
Elk Creek FPD
Empire Police
Englewood Fire
Erie Police
Evans Fire & Police
Fairmount FPD
Fairplay Marshalls
Falcon FPD
Firestone Marshalls
Foothills Fire & Rescue
Fort Lupton FPD
Fowler Police
Franktown FPD
Frederick Firestone FPD
Frisco Police
Genesee FPD
Georgetown Police
Gilcrest Police
Granada Police
Grand Lake Fire
Grand Valley FPD*
Greater Eagle FPD
Green Mountain Falls/
Chipita Park Fire
Gypsum FPD
Hartsel FPD
Holly Police*
Hugo Police
Idaho Springs Police
Ignacio Police
Jefferson-Como FPD
Kiowa FPD
Kremmling FPD*
La Jara Police
La Salle FPD
La Salle Police
La Veta Police
Lafayette Fire
Lake Dillon FPD
Lake George FPD*
Lakeside Police
Larkspur FPD
Las Animas Police
Leadville Police and Fire
Lefthand FPD*
Lochbuie Police & Fire
Log Lane Village Police
Lone Tree Police
Los Pinos FPD
Louisville Fire*
Lower Valley FPD
Manassa Police
Manitou Springs Police and Fire
Milliken FPD
Minturn Fire*
Montrose FPD
Mountain View FPD
Mountain View Police
Northeast Teller County FPD
North Fork Fire
North Washington FPD
Northwest FPD
Oak Creek FPD
Oak Creek Police
Olathe Police
Otis Police*
Pagosa FPD
Pagosa Springs Police
Palisade Police and Fire
Palmer Lake Police
Paonia Police
Parachute Police
Parker Police
Pierce Police
Plateau Valley Fire
Platte Canyon FPD
Platteville Police
Platteville/Gilcrest FPD
Pleasant View Metro Fire
Pueblo Police and Fire
Pueblo Rural FPD
Pueblo West Metro FPD
Red, White & Blue FPD
Rifle FPD
Rye FPD
Sable-Altura FPD
Salida Police and Fire
Saguache Police*
Sanford Police
San Luis Police
Silt Police
Silverton Police*
Skyline FPD
South Adams County FPD
South Fork Police
Southern Park County FPD
Steamboat Springs Fire
Sterling Police and Fire
Stratmoor Hills FPD
Stratton Police
Telluride FPD
Thornton Fire
Tri Lakes FPD
Trinidad Fire
Union Colony Fire Rescue
Upper Pine River FPD
Westminster Fire
West Routt FPD
Wheat Ridge FPD
Wiggins Police
Windsor-Severance FPD
Woodland Park Fire*
Woodmoor-Monument FPD
Wray Police
Yuma Police

Employers of Statewide Hybrid Plan

Arvada FPD
Brighton Police
Evans Fire & Police
Federal Heights Police & Fire
Lafayette Police
Lake Dillon Fire
Montrose FPD
North Metro Fire Rescue
Snake River Fire
Trinidad Fire
Union Colony Fire Rescue
Westminster Fire

Employers of Statewide Money Purchase Plan Members

Alma Police*
Arvada FPD*
Blackhawk Fire
Blue River Police*
Boulder Mountain Fire Authority*
Greater Brighton FPD*
Brush Police*
Burning Mountain FPD*
Castle Rock Fire*
Central City Police and Fire
Cherryvale FPD
Clear Creek FA
Cripple Creek Fire*
Dinosaur Police*
Eaton FPD
Elizabeth FPD
Elizabeth Police*
Elk Creek FPD*
Empire Police*
Erie Police
Evans Police and Fire
Fairmont FPD
Falcon FPD
Fowler Police*
Frederick Firestone FPD
Georgetown Police
Grand Valley FPD
Ignacio Police*
Kiowa FPD
Kremmling FPD
Lake George FPD
Las Animas Police*
Leadville Fire*
Lochbuie Police*
Montrose FPD*
Mountain View FPD
Mountain Village Police
Nederland FPD
Oak Creek Police*
Palisade Police
Parker Police
Salida Fire
Salida Police
South Fork Police*
South Park County FPD*
Sterling Fire* & Police
Stratton Police*
Upper Pine River FPD*
Wheat Ridge FPD
Wiggins Police*
Wray Police

* *Currently inactive, with no active members*

Schedule of Average Retirement Benefits Payable

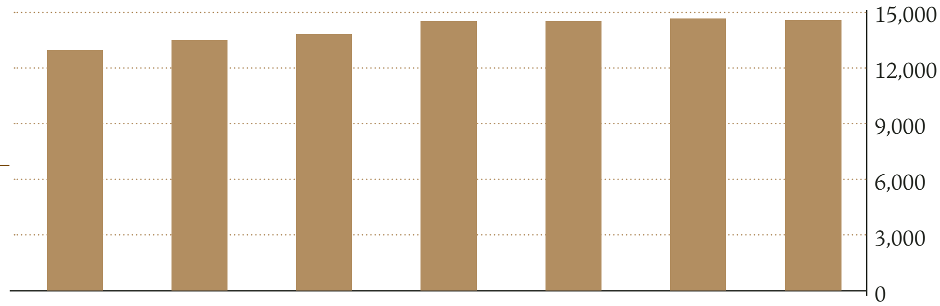
Year Ended	Average Monthly Benefit	Average Age at Retirement	Average Current Age of Retirees	Average Years of Service at Retirement
12/31/2005	$1,777	52.2	64.1	24.8
12/31/2004	$1,762	52.2	63.9	24.8
12/31/2003	$1,682	52.1	63.8	24.6
12/31/2002	$1,668	52.1	63.9	24.3
12/31/2001	$1,544	52.0	63.8	24.2

Schedule of Benefit Disbursements by Type

Year Ended	Benefit Payments	Refunds of Contributions	Total
2005	$156,721,164	$51,759,693	$208,480,857
2004	$150,284,940	$41,615,029	$191,899,969
2003	$142,466,923	$21,399,602	$163,866,525
2002	$133,970,296	$19,823,566	$153,793,862
2001	$125,003,556	$17,813,389	$142,816,945
2000	$112,283,281	$20,594,148	$132,877,429
1999	$101,496,836	$14,051,611	$115,548,447

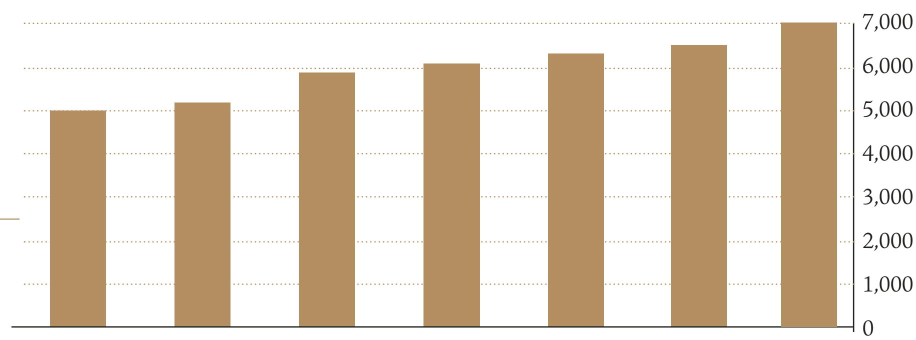
Note: *Additional detail by type of disbursement not available.*

FPPA Active Members by Plan Type (1999-2005)



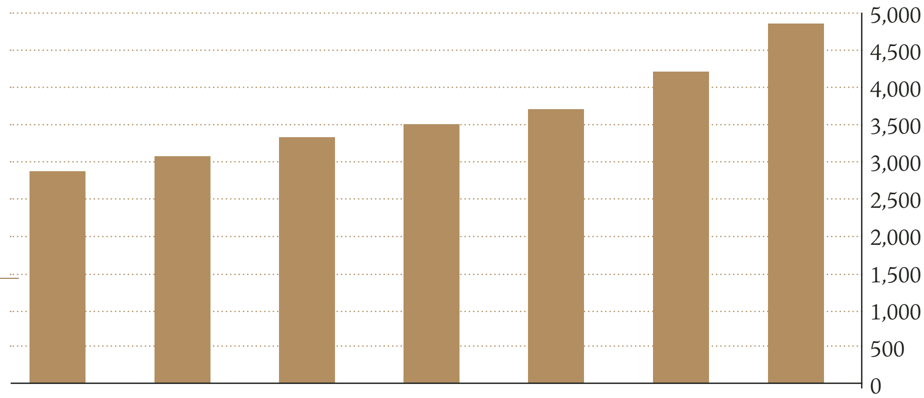
Members per plan:	1999	2000	2001	2002	2003	2004	2005
Local Money Purchase	101	114	125	126	131	125	42
Statewide Money Purchase	75	78	88	92	94	96	62
Death & Disability Only	4,193	4,383	4,598	4,756	4,874	4,787	4747
Volunteers	3,600	3,827	3,798	4,294	4,178	4,273	4010
Statewide Defined Benefit Plan	2,768	2,975	3,181	3,348	3,461	3,913	4308
Statewide Defined Benefit Plan DROP	1	2	6	10	23	32	48
Statewide Hybrid Plan	0	0	0	0	0	56	114
Exempt New Hires	810	872	890	955	971	1032	1066
Exempt New Hire DROP	0	0	0	0	5	16	24
Local Old Hire Plans	844	616	440	311	217	171	126
Local Old Hire Plans with DROP	397	487	524	490	424	336	251
TOTAL MEMBERS	**12,789**	**13,354**	**13,650**	**14,382**	**14,378**	**14,837**	**14,798**

FPPA Retired Members by Plan Type (1999-2005)



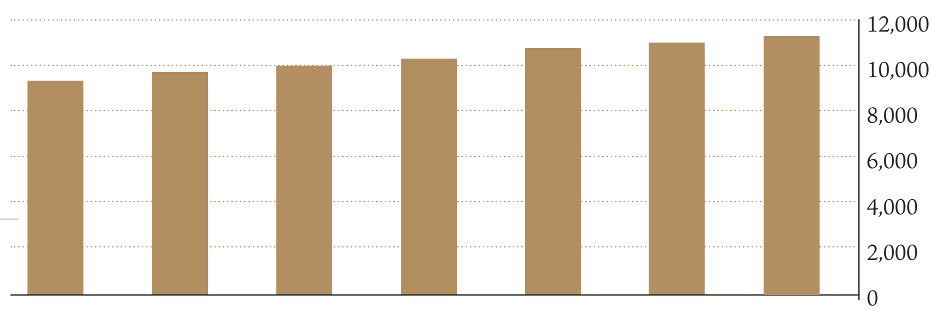
Members per plan:	1999	2000	2001	2002	2003	2004	2005
D&D Retirees	495	528	567	594	629	667	700
Volunteers	1,561	1,693	2,035	2,105	2,307	2,370	2,529
Statewide Defined Benefit Plan	104	117	146	160	193	252	265
Statewide Hybrid Plan	0	0	0	0	0	20	73
All Local Plans	2,833	2,914	2,989	3,128	3,207	3,339	3,418
All Money Purchase Plans	4	10	46	42	55	49	33
TOTAL MEMBERS	**4,997**	**5,262**	**5,783**	**6,029**	**6,391**	**6,697**	**7,018**

Defined Benefit System Membership by Status (1999-2005)



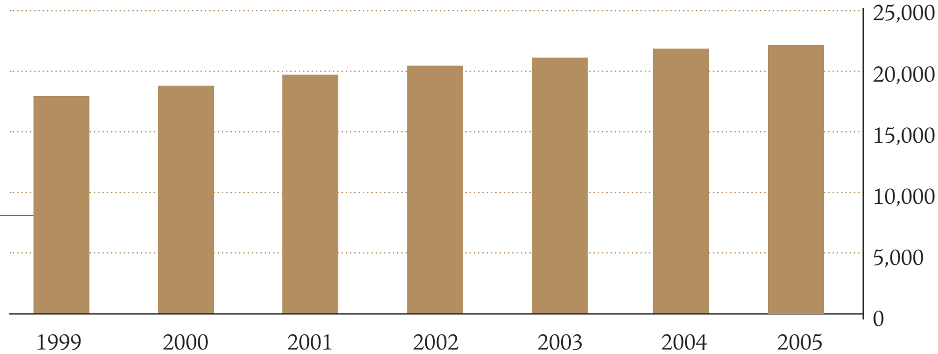
	1999	2000	2001	2002	2003	2004	2005
Statewide Defined Benefit Plan:							
Terminated Vested	76	87	103	111	134	176	157
Retired & Beneficiaries	28	30	43	49	59	76	108
Non-vested Actives	1,771	1,866	1,986	2,089	1,370	1,547	1,742
Partially Vested Actives	995	1,103	1,156	1,213	2,000	2,189	2,350
Fully Vested Actives	2	6	45	46	91	177	216
DROP Actives	1	2	6	10	23	32	48
Statewide Hybrid Plan:							
Retired, Beneficiaries, & Terminated Vested	0	0	0	0	0	20	73
Non-vested Actives	0	0	0	0	0	48	0
Partially Vested Actives	0	0	0	0	0	5	100
Fully Vested Actives	0	0	0	0	0	3	14
DROP Actives	0	0	0	0	0	0	0
TOTAL MEMBERS	**2,873**	**3,094**	**3,339**	**3,518**	**3,677**	**4,273**	**4,808**

Death & Disability Plan Membership by Status (1999-2005)



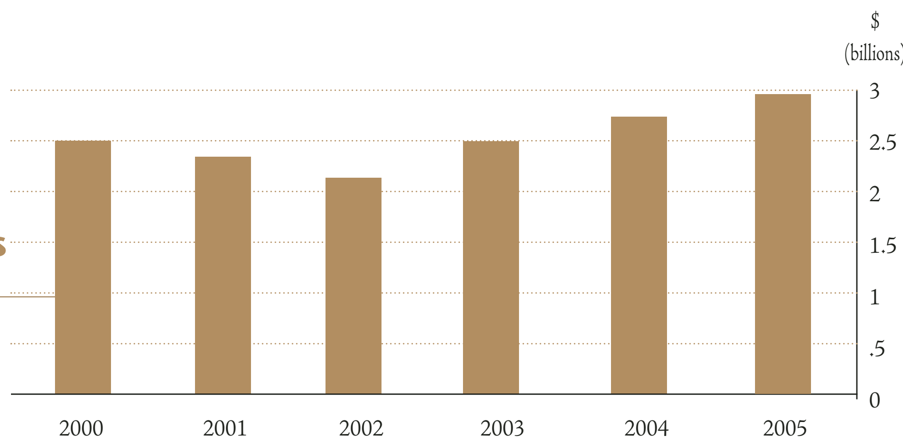
	1999	2000	2001	2002	2003	2004	2005
Disabled Retirees	372	402	430	462	486	512	537
Beneficiaries	123	126	137	132	143	155	163
Non-vested Actives	8,739	9,038	9,322	9,585	9,744	10,180	10,465
TOTAL MEMBERS	**9,234**	**9,566**	**9,889**	**10,179**	**10,373**	**10,847**	**11,165**

FPPA Active and Retired Members by Occupation (1999-2005)



	1999	2000	2001	2002	2003	2004	2005
Retired Firefighters	3,152	3,312	3,777	3,943	4,158	4,291	4,570
Active Firefighters	7,479	7,909	8,065	8,748	8,732	9,031	8,857
Retired Police	1,936	1,976	2,047	2,133	2,232	2,337	2,448
Active Police	5,310	5,445	5,585	5,634	5,639	5,801	5,915
Retired Administrative	0	0	0	0	1	0	0
Active Administrative	0	0	0	0	7	5	26
TOTAL MEMBERS	**17,877**	**18,642**	**19,474**	**20,458**	**20,769**	**21,465**	**21,816**

Growth of Total Pension Fund Assets (2000-2005)



	2000	2001	2002	2003	2004	2005
Revenues/Inflows	$119,947	$138,556	$131,404	$113,663	$152,717	$153,667
Withdrawals/Outflows	(138,654)	(146,623)	(157,291)	(167,016)	(195,555)	(212,179)
Return on Investments	(97,194)	(165,345)	(206,487)	441,061	289,932	270,240
Beginning Assets	2,633,945	2,518,044	2,344,632	2,112,259	2,499,967	2,747,061
Total $ in thousands (000's)	$2,518,044	$2,344,632	$2,112,258	$2,499,967	$2,747,061	$2,958,789

Schedule of Retired Members by Type of Benefit as of December 31, 2005

	Monthly Benefit Amount						
	<$500	$501-1000	$1001-1500	$1501-2000	$2001-2500	>$2501	Total
Statewide Death & Disability Plan							
Occupational Disability	31	76	169	133	65	10	484
Occupational Disablity-Survivor	16	4	4	0	0	0	24
Total Disability	1	0	5	4	17	26	53
Total Disability-Survivor	3	8	11	7	3	2	34
Survivor of Active	6	13	21	40	17	8	105
Money Purchase Normal	N/A	N/A	N/A	N/A	N/A	N/A	33
Statewide Defined Benefit Plan							
Retired	10	28	15	12	16	27	108
Vested	15	68	39	13	13	9	157
Retiree-Survivor	0	4	1	0	0	0	5
Statewide Hybrid Plan							
*Money Purchase Only	N/A	N/A	N/A	N/A	N/A	N/A	73
Retired	0	0	0	0	0	0	0
Vested	0	0	0	0	0	0	0
Retiree-Survivor	0	0	0	0	0	0	0
Local Plan							
Disability Retirement	8	13	5	3	25	806	860
Disability-Survivor	4	11	11	186	88	36	336
Retired	1,566	425	41	51	153	1,510	3,746
Survivor	290	52	27	107	61	48	585
Early Retiree	0	0	10	11	27	60	108
Vested	251	37	12	3	2	2	307
Totals	2,201	739	371	570	487	2,544	7,018

** Details not available due to outsourcing of record-keeping of plan.*