FPPA

FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

Comprehensive Annual Financial Report

for the fiscal year ended

December 31, 2006

FPPA Comprehensive Annual Financial Report
for the fiscal year ended December 31, 2006
under the direction of the
FPPA Board of Directors

and prepared by the FPPA Operations Division
Kim Collins, Chief Operations Officer
Melanie Winters, Senior Accountant

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FPPA

FIRE AND POLICE PENSION ASSOCIATION OF COLORADO

"Peace has its victories, but it takes brave men and women to win them."

— Ralph Waldo Emerson

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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, 2005

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

FPPA

Fire & Police Pension Association
Two DTC • 5290 DTC Parkway • Suite 100
Greenwood Village, Colorado 80111-2721
303-770-3772
toll-free 800-332-3772 • fax 303-771-7622
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June 30, 2007

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 Investment Fund (the "Fund"), for the calendar year ended December 31, 2006. The Fund includes the assets of the Defined Benefit System, the Statewide Death and Disability Plan, and numerous separate local "Old Hire" and volunteer fire pension plans. FPPA also administers the Fire and Police Members' Self-Directed Investment Fund which includes the assets of the Members' Statewide Money Purchase Plan, affiliated local money purchase plans, self-directed DROP plans, the Statewide Hybrid Plan-Money Purchase Component and the IRC 457 Deferred Compensation Plan.

This year's report is the first report reflecting the new fund structure adopted by the Colorado General Assembly in 2006. The Fire and Police Members' Benefit Investment Fund, commingles the assets of those plans, (primarily defined benefit plans and those in the nature of defined benefit plans), for which the FPPA Board of Directors has complete investment authority. The Fire and Police Members' Self-Directed Investment Fund includes the assets of plans or plan benefits where the member is responsible for directing the investment of the member's account to various mutual fund options selected by the Board of Directors.

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 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 188 employers participating in the Statewide Defined Benefit Plan, 13 employers participating in the Statewide Hybrid Plan, 1 employer participating in the Defined Benefit System Exempt Plans, 30 employers with employees participating in the Statewide Money Purchase Plan, 357 employers covered by the Statewide Death and Disability Plan, 52 affiliated local defined benefit plans, 2 affiliated local money purchase plans, and 171 affiliated volunteer fire pension plans as of December 31, 2006.

The annual report for the calendar year 2006 consists of five 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.

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 a significant downturn in the housing market, the US economy turned in generally positive results for 2006. Real gross domestic product, a broad measure of the output of goods and services in the United States, grew at an estimated annual rate of 3.4% in 2006, compared to 3.2% in 2005. Declines in oil and gas prices led to a substantial decline in the consumer price index, although core consumer price inflation, excluding food and energy, moved higher. The national employment situation continued to improve in 2006. Corporate profits reached record levels in 2006 and business and consumer spending remained strong.

In 2006, the Federal Reserve raised the target federal funds rate by 25 basis points at each of its first four meetings to the level of 5.25 percent. The rate stayed at this level for the rest of the year as the Federal Open Market Committee adopted a wait-and-see approach to the economic data. Largely due to lower energy costs, the consumer price index declined to 2.5% in 2006 compared to a rate of 3.4% in 2005. The energy index declined by -3.6%% in 2006 following a 17.1%% increase in 2005. Excluding food and energy, the consumer price index rose 2.6% in 2006, compared to a 2.2% increase in 2005.

In the labor markets, nonfarm payroll employment grew by over 2 million jobs during the year. The unemployment rate fell to 4.5% from 4.9% at the end of 2005. Despite declines in the housing market, consumer spending remained strong in 2006 driven by lower energy costs and strong investment markets.

In the financial markets, the U.S. stock market posted strong returns for the year. The Russell 3000 Stock Index, a broad measure of overall U.S. stock market performance, rose 15.72% in 2006, following a return of 6.12% in 2005. Large company stocks, as measured by the S&P 500 Stock Index, increased 15.78% in 2006 compared to a return of 4.91% in 2005. Smaller company stocks, as represented by the Russell 2000 Stock Index, performed in line with larger company stocks producing a return of 15.46% in 2006 compared to a gain of 4.55% in 2005. The U.S. bond market again produced low single digit returns. The Lehman Brothers Aggregate Bond Index produced a return of 4.33% in 2006 compared to a 2.43% return in 2005.

For the fifth consecutive year, international equity markets outperformed the U.S. equity market. Emerging markets continued to outperform developed markets, finishing 2006 with a return of 32.59% after increasing 34.54% in 2005. Within the developed international equity markets, the MSCI Europe Index rose 33.72% in 2006 following an increase of 9.42% in 2005. The MSCI Pacific Basin Index returned 12.20% compared to a gain of 22.64% in 2005. Non-U.S. government bonds produced a return of 6.94% in 2006 versus a negative return of -9.20% in 2005.

In the currency markets, the U.S. dollar depreciated in value against most major currencies in 2006. The dollar declined -10.5% against the euro, closing at 0.7577 euros per dollar from 0.8446 at the end of 2005. Against the British pound, the dollar declined -12.3% to 0.5106 from 0.5818 pounds per dollar at the end of 2005. The dollar essentially remained flat against the Canadian dollar at a rate of 1.1652 Canadian dollars per US dollar from 1.1658 at the end of 2005. The dollar appreciated 1% relative to the yen to 119.02 yen per dollar from 117.86 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 – Statewide Defined Benefit Plan and the Statewide Hybrid Plan – Defined Benefit Component, 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 2006 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 pages 16 and 17 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 2006 amounted to $606.5 million, an increase of $182.6 million or 43.1% from 2005.

The net revenues for 2006 were comprised of $57.9 million in member contributions, up 9.0% from $53.1 million in 2005. Employer contributions totaled $86.5 million in 2006, up 1.4% from $85.3 million in 2005. The State of Colorado contributed $28.0 million to plans affiliated with the Association in 2006. The Association's investment gain for 2006 totaled $426.8 million. Four volunteer fire pension plans elected to affiliate with the Association during 2006, bringing in $4.1 million in assets. Three departments entered into the Statewide Hybrid Money Purchase Plan bringing in an additional $1.9 million in assets.

Active membership is distributed as follows: 4,617 Statewide Defined Benefit Plan members, up 5.7% from 4,356 in 2005; 115 Statewide Hybrid Plan members, up .9% from 114 in 2005; 1,098 exempt plan members, up .7% from 1,090 the prior year; 303 old hire members, down (24.4%) from 377 in 2005; 110 money purchase plan members, up 5.5% from 104 last year; 4,163 volunteer fire members, up 3.7% from 4,010; and 4,917 members covered for death and disability only. The members listed above are comprised of 40% police officers and 60% firefighters.

The net investment gains for 2006 amounted to $426.8 million. Interest, dividends and other investment income increased by $40.7 million over the prior year. Realized and unrealized gains on investment transactions increased $119.2 million for 2006 over those in 2005. The total market value of the investment portfolio increased to $3.3 billion, or an increase of $401.9 million from $2.9 billion at the end of 2005.

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 2006 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 2006 totaled $204.6 million, which is a decrease of $7.6 million or (3.6%) over 2005.

Benefit payments to retirees and beneficiaries totaled $164.8 million in 2006, up 5.2% or $8.1 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 3.0%. The number of retirees receiving benefit payments increased to 7,265 as of December 31, 2006, up 3.5% from 7,013 at the end of 2005.

Administration expenses of the Fund increased to $20.1 million in 2006 from $17.5 million in 2005. This represented an increase of 14.9%. Administrative expenses include money management fees, which make up 76.8% 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.

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, 2006 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 auditor's opinion, they are combined on the financial statements for presentation purposes.

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, 2006 adequately safeguarded assets and provided reasonable assurance regarding the proper recording of financial transactions.

Other Programs and Services

Visitation Program

During 2006, FPPA's Benefits & Communication Division continued its communication programs with members, employers and retirees. Approximately 347 presentations were made to members from 236 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 staff accepts many invitations to participate in employer sponsored retirement seminars or benefit fairs held at various departments and cities across the state.

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 2006, FPPA staff held 14 meetings to present information to six departments on the FPPA Defined Benefit System provisions and to facilitate the process for entry into the system. Two departments completed the entry process in 2006. These meetings are conducted at the request of the members and/or employers.

FPPA Seminars

Year 2006 also marks FPPA's nineteenth 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 2006, there were 96 employers participating in the plan. The program provides tax-deferred savings for members 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 2006, however one of those departments was in the process of moving to the FPPA Defined Benefit System.

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 32 departments with members 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 2006, there were a total of 171 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. FPPA retirees have access to two group dental plans, and two vision plans. A group medical plan is available for retirees who are Medicare eligible through the Secure Horizons HMO Group Retiree plan offered by PacifiCare/United Health Care. 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, long-term care and AFLAC supplemental benefit products. Finally, in 2006 FPPA secured a group Long Term Care Insurance Plan offered through John Hancock. By joining this group plan, FPPA active or retired members get a 5% discount on the premium.

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, 2005. 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. The 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.

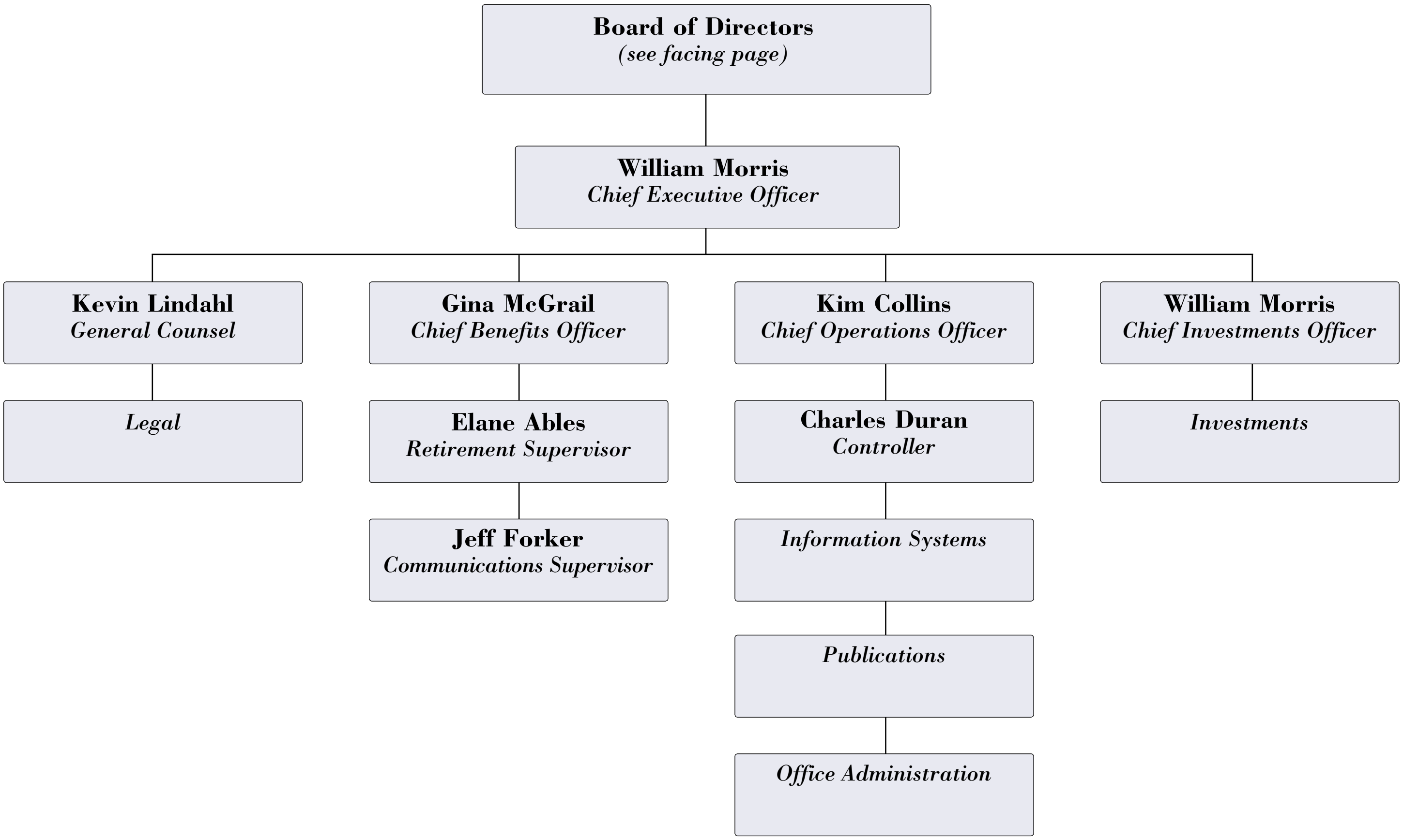
Respectfully submitted,

William Morris

William Morris

Chief Executive Officer/Chief Investment Officer

FPPA Adminstrative Organizational Chart



By state statute, the management of the Members' Benefit Investment Fund and the Self-Directed Investment Fund (the Funds) 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

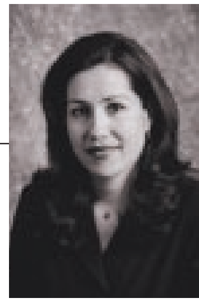
One member of the state's financial or business community experienced in personnel or corporate administration in corporations of over 200 employees.

Specific duties of the Board of Directors include investing and managing the Funds, disbursing money from the Funds, 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.

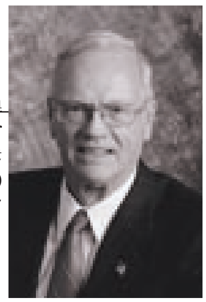
Management fees are on pages 66 and 67. Brokerage commissions are listed on pages 70 and 71. Professional consultants and investment managers are listed on page 14.

FPPA
Board of Directors
as of December 31, 2006



Monica Cortez-Sangster
Board Chair
Director of Human Resources - Colorado Department of Personnel & Administration
Member since 2003
Current term expires 9/1/10

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



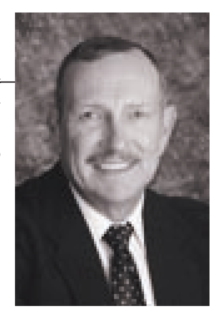
John Bramble
City Manager - Brighton
Member since 2000
Current term expires 9/1/07

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

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

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

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 9/1/10

Professional Consultants

Actuarial
Gabriel Roeder Smith & Co.

Auditor
BONDI & Co., LLC

Board Medical Advisor
Dr. Roderic Gottula

Investment Consultants
Abel/Noser Corporation
Pension Consulting Alliance
The Townsend Group
Institutional Shareholder Services

Master Custodian/Trustee
Mellon Global Securities Services

Management
Ennis Knupp & Associates

Legal Counsel
Bull & Davies, P.C.
Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP
Dechert, LLP
Ice Miller LLP
Parsons Heiser & Paul LLP
Sutherland Tarlar Laugesen PC
Inman Flynn Biesterfeld Brentlinger & Moritz, P.C.
Levett Rockwood P.C.
Bernstein Litowitz Berger & Grossmann LLP
Lieff, Cabraser, Heimann & Bernstein, LLP
Bingham McCutchen LLP
Pitney Hardin LLP

Governmental Relations
Lombard & Clayton

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
Dune Real Estate
Hancock Timber
JP Morgan Asset Management – Real Estate
Morgan Stanley Real Estate
Prudential Real Estate Investors
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
Candover Partners
Catterton Partners
Centennial Ventures
Chisholm Partners
Coller Investment Management Limited
CVC European Equity Partners
Doughty Hanson & Company
Endeavour Capital
First Reserve Corporation
Focus Ventures
Granite Global Ventures
Harvest Partners
HarbourVest Partners
Heritage Partners
JMI Equity
Kayne Anderson Capital Advisors
Larimer Venture
Leonard Green & Partners
Leapfrog Ventures
Lighthouse Capital Partners
MatlinPatterson
MHR Institutional Partners
Nautic Partners
Nordic Capital
Oxford Bioscience
Pacific Corporate Group
Permira
Providence Equity Partners
SKM Equity Fund
Sprout Capital Group
Texas Pacific Group
Thomas H Lee Partners
Thomas McNerney & Partners
Vestar Capital Partners
W Capital Partners
Willis Stein & Partners

FPPA administers the Fire & Police Members' Benefit Investment Fund which includes the assets of the Defined Benefit System, the Statewide Death & Disability Plan, plus 52 Local "Old Hire" and 171 Volunteer Fire pension funds. Included in the Defined Benefit System are the Statewide Defined Benefit Plan, the Statewide Hybrid Plan, and the Exempt Plans.

In addition, FPPA administers the Fire & Police Members' Self-Directed Investment Fund which consists of the portion of assets that are designated for self-direction by the members in the following plans: Defined Benefit System, Local "Old Hire" pension funds, Fire and Police Members' Statewide Money Purchase Plan, affiliated Fire and Police Members' Money Purchase Plan, and the Fire and Police Members' Deferred Compensation Plans.

An audit is performed annually on the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund.

General information about each 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 and Disability Fund, the Defined Benefit System Fund, the Members' Local Money Purchase Fund, the Members' Statewide Money Purchase Fund, the Self-Directed Assets for Affiliated Local and Defined Benefit System Fund, and the IRC 457 Deferred Compensation Plan of the Fire and Police Pension Association of Colorado, (FPPA), as of and for the year ended December 31, 2006, which collectively comprise the FPPA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of FPPA's management. 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 plan net assets available for pension benefits of the Affiliated Local Plans Fund, the Statewide Death and Disability Fund, the Defined Benefit System Fund, the Members' Local Money Purchase Fund, the Members' Statewide Money Purchase Fund, the Self-Directed Assets for Affiliated Local and Defined Benefit System Fund, and the IRC 457 Deferred Compensation Plan of the FPPA as of December 31, 2006, and the related changes in plan net assets available for pension benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Affiliate Offices Worldwide

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the FPPA's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bondi & Co. LLC

March 23, 2007 — *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, 2006.

This year's report is the first report reflecting the new fund structure adopted by the Colorado General Assembly in 2006. The Fire & Police Members' Benefit Investment Fund commingles the assets of those plans (primarily defined benefit plans and those in the nature of defined benefits plans) for which the FPPA Board of Directors has complete investment authority. The Fire & Police Members' Self Directed Investment Fund includes the assets of plans or plan benefits where the member is responsible for directing the investment of the member's account to various mutual fund options selected by the Board of Directors.

FPPA administers the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund. The Benefit Investment Fund includes the assets of the Defined Benefit System, the Statewide Death & Disability Plan, and numerous separate Local "Old Hire" and Volunteer Fire pension funds. Included in the Defined Benefit System are the Statewide Defined Benefit Plan, the Statewide Hybrid Plan, and the Exempt Plans. The Fire & Police Members' Self-Directed Investment Fund consists of the portion of assets that are designated for self-direction by the members in the following plans: Defined Benefit System, Local "Old Hire" pension funds, Fire and Police Members' Statewide Money Purchase Plan, affiliated Fire and Police Members' Money Purchase Plan, and the Fire and Police Members' Deferred Compensation Plans.

Financial Highlights

Plan Net Assets for all funds administered by FPPA increased $401,908,001 during the calendar year 2006.

Plan Net Assets

Affiliated Local Plans	($ 55,165,926)
Statewide Death & Disability	32,334,619
Defined Benefit System	412,786,737
Members' Money Purchase	618,849
Members' Statewide Money Purchase	825,810
Self-Directed Assets for Affiliated Local and Defined Benefit System Plans	2,156,642
IRC 457 Deferred Compensation Plan	8,351,270
Total Increase in Plan Net Assets	**$ 401,908,001**

For the year ended December 31, 2006, the gross rate of return on the Fire & Police Members' Benefit Investment Fund was a positive 15.34 percent, (14.78 percent, net of fees), which was more than the 10.15 percent gross return for the year ended December 31, 2005 (9.71 percent, net of fees). The net investment gain for all of the funds, including the Fire & Police Members' Self-Directed Investment Fund administered by FPPA, for the year ended December 31, 2006 was $426,845,802. The overall financial position of the Association improved due to better than expected returns on investment of the Fire and Police Members' Benefit Investment 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	$ 237,340,258
Statewide Death & Disability	36,953,851
Defined Benefit System	140,179,552
Members' Money Purchase	509,884
Members' Statewide Money Purchase	452,884
Self-Directed Assets for Affiliated Local and Defined Benefit System Plans	6,931,319
IRC 457 Deferred Compensation Plan	4,478,054
Total Net Investment Gain	**$ 426,845,802**

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 self-directed 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, 2006 and 2005, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the Funds is shown below:

Funding Ratio

	1/1/2006	1/1/2005
Statewide Death & Disability	96.4%	96.6%
Defined Benefit System – Statewide Defined Benefit Plan	119.5%	112.5%
Defined Benefit System – Statewide Hybrid Plan	149.0%	124.9%
Defined Benefit System – Exempt Plans	N/A	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 1/1/06 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 $960,962 to $405,144. The decrease of $555,818 was due to a large employer moving to the Statewide Hybrid Plan.

The Statewide Money Purchase Plan contributions decreased from $575,072 to $540,407. The decrease of $34,665 was due to employers moving to the Statewide Hybrid Plan.

The IRC 457 Deferred Compensation Plan increased from $32,716,139 to $41,067,409. This was caused by a net increase of $8,351,270 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 Funds. The Statement of Plan Net Assets as of December 31, 2006 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, 2006 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 28-44 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

Fire & Police Members' Benefit Investment Fund.

The defined benefit plans within this fund 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.

Fire & Police Members' Benefit Investment Fund Net Assets

	12/31/2006	12/31/2005	%Change
Assets			
Cash	$ 3,944,574	$ 2,611,275	5.1%
Short Term Investments	118,329,157	174,675,078	(32.3)%
Securities Lending Pool	369,643,043	221,298,428	67.0%
Total Investments	3,243,478,429	2,797,999,215	15.9%
Receivables	231,698,175	18,961,976	1,121.9%
Other Assets	3,332,229	2,756,832	20.9%
Total Assets	**3,970,425,607**	**3,218,302,804**	**23.4%**
Liabilities			
Securities Lending Obligations	369,643,043	221,298,428	67.0%
Investment and Other Liabilities	375,870,574	79,927,281	370.3%
Total Liabilities	**745,513,617**	**301,225,709**	**147.5%**
Net Assets Available for Benefits	**$3,224,911,990**	**$2,917,077,095**	**10.6%**

Fire & Police Members' Self-Directed Investment Fund

	12/31/2006	12/31/2005	%Change
Assets			
Cash	$ 91,692	$ 0	0.0%
Total Investments	135,416,052	41,711,869	224.6%
Receivables	277,231	0	100.0%
Total Assets	**135,784,975**	**41,711,869**	**225.5%**
Net Assets Available for Benefits	**$135,784,975**	**$41,711,869**	**225.5%**

Total Fire & Police Members' Benefit Investment Fund Changes In Net Assets

	12/31/2006	12/31/2005	%Change
Additions			
Employer contributions	$85,787,012	$84,564,797	1.4%
Member contributions	36,199,146	46,819,689	(22.7)%
Affiliations	4,095,766	25,058,451	(83.7)%
State contributions	27,970,106	2,628,849	964.0%
Investment Income/Loss	414,473,661	265,059,344	56.4%
Securities Lending Income	1,225,365	1,212,831	1.0%
Total Additions	**$569,751,056**	**$425,343,961**	**34.0%**

	12/31/2006	12/31/2005	%Change
Deductions			
Benefit payments	$164,846,096	$156,721,164	5.2%
Refund of contributions	10,745,973	46,803,682	(77.0)%
Administrative costs	4,203,557	3,698,198	13.7%
Total Deductions	**179,795,626**	**207,223,044**	**(13.2)%**
Change in Net Assets			
Available for Pension Benefits	**$389,955,430**	**$218,120,917**	**78.8%**

Total Fire & Police Members' Self-Directed Investment Fund Changes In Net Assets

	12/31/2006	12/31/2005	%Change
Additions			
Employer contributions	$ 721,050	$ 776,989	(7.2)%
Member contributions	21,732,253	6,300,254	244.9%
Affiliations	1,890,668	(12,482,285)	115.2%
Investment Income/Loss	12,372,141	3,967,628	211.8%
Total Additions	**$36,716,112**	**$(1,437,414)**	**2,654.3%**

	12/31/2006	12/31/2005	%Change
Deductions			
Refund of contributions	$24,763,541	$4,956,011	399.7%
Total Deductions	**$24,763,541**	**$4,956,011**	**399.7%**
Change in Net Assets			
Available for Pension Benefits	**$11,952,571**	**$(6,393,425)**	**287.0%**

STATEMENT OF PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS

As of December 31, 2006, with Comparative Totals for 2005

	TOTAL MEMBERS' BENEFIT INVESTMENT FUND	TOTAL MEMBERS' SELF-DIRECTED INVESTMENT FUND	COMBINED TOTALS 2006	COMBINED TOTALS 2005
ASSETS				
Cash (Note 5)	$3,944,574	$91,692	$4,036,266	$2,611,275
Investments (Note 5)				
Short Term Investments	118,329,157		118,329,157	174,675,078
U.S. Government Agency Obligations	485,973,394	13,655,775	499,629,169	257,232,677
Corporate Bonds	432,308,227	2,812,202	435,120,429	377,292,324
Domestic Equity Securities	1,261,354,159	108,719,774	1,370,073,933	1,351,233,206
International Equity Securities	687,741,729	10,228,301	697,970,030	521,039,483
International Fixed Income	9,863,628		9,863,628	18,666,203
Venture Capital	209,021,544		209,021,544	184,782,550
Real Estate	157,215,748		157,215,748	129,464,641
Securities Lending Investment Pool	369,643,043		369,643,043	221,298,428
Total Investments	3,731,450,629	135,416,052	3,866,866,681	3,235,684,590
Total Cash and Investments	3,735,395,203	135,507,744	3,870,902,947	3,238,295,865
Receivables				
Other	16,654		16,654	4,766
Assets Sold-Pending Trades	221,156,146		221,156,146	8,662,339
Contributions	3,405,746	277,231	3,682,977	
Accrued Interest and Dividends	7,119,629		7,119,629	10,294,871
Total Receivables	231,698,175	277,231	231,975,406	18,961,976
Properties and Equipment, at Cost, Net of Accumulated Depreciation (Note 7)	3,141,039		3,141,039	2,570,697
Other Assets	191,190		191,190	186,135
TOTAL ASSETS	3,970,425,607	135,784,975	4,106,210,582	3,260,014,673
LIABILITIES				
Payables				
Accounts, Employee and Participants Payable	2,433,396		2,433,396	2,174,020
For Assets Purchased-Pending Trades	373,437,178		373,437,178	77,753,261
Amounts Owed for Securities Lending Transactions (Note 5)	369,643,043		369,643,043	221,298,428
TOTAL LIABILITIES	745,513,617		745,513,617	301,225,709
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$3,224,911,990	$135,784,975	$3,360,696,965	$2,958,788,964
(A Schedule of Funding Progress for each Plan is presented on Page 45)				

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

STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS

For The Year Ended December 31, 2006, with Comparative Totals for 2005

	TOTAL MEMBERS' BENEFIT INVESTMENT FUND	TOTAL MEMBERS' SELF-DIRECTED INVESTMENT FUND	COMBINED TOTALS 2006	COMBINED TOTALS 2005
ADDITIONS				
Contributions (Note 4)				
Employer	$85,787,012	$721,050	$86,508,062	$85,341,786
Plan Member	36,199,146	21,732,253	57,931,399	53,119,943
Affiliations (Withdrawals)	4,095,766	1,890,668	5,986,434	12,576,166
State Contributions	27,970,106		27,970,106	2,628,849
Total Contributions	154,052,030	24,343,971	178,396,001	153,666,744
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	291,214,968	12,372,141	303,587,109	184,379,746
Interest	33,227,640		33,227,640	36,243,215
Dividends	91,128,353		91,128,353	46,631,393
Net Real Estate Investment Income	13,100,613		13,100,613	12,814,731
Other Income	1,703,666		1,703,666	2,725,095
Total Investment Income (Loss)	430,375,240	12,372,141	442,747,381	282,794,180
Less Investment Counsel	310,500		310,500	180,001
Less Investment Management Fees	14,689,108		14,689,108	12,825,394
Less Alternative Investment Legal Fees	142,182		142,182	35,196
Less Bank Fees	759,789		759,789	726,617
Net Investment Income (Loss)	414,473,661	12,372,141	426,845,802	269,026,972
Securities Lending				
Income	15,613,076		15,613,076	9,556,803
Borrowers Rebates	(13,979,456)		(13,979,456)	(7,939,755)
Agent Fees	(408,255)		(408,255)	(404,217)
Net Securities Lending Income	1,225,365		1,225,365	1,212,831
Total Additions	**569,751,056**	**36,716,112**	**606,467,168**	**423,906,547**
DEDUCTIONS				
Benefit Payments	164,846,096		164,846,096	156,721,164
Refunds of Contributions	10,745,973	24,763,541	35,509,514	51,759,693
Administrative Costs	4,203,557		4,203,557	3,698,198
Total Deductions	**179,795,626**	**24,763,541**	**204,559,167**	**212,179,055**
NET INCREASE IN PLAN NET ASSETS	**389,955,430**	**11,952,571**	**401,908,001**	**211,727,492**
NET ASSETS AVAILABLE FOR PENSION BENEFITS				
BEGINNING OF YEAR	**2,834,956,560**	**123,832,404**	**2,958,788,964**	**2,747,061,472**
END OF YEAR	**$3,224,911,990**	**$135,784,975**	**$3,360,696,965**	**$2,958,788,964**

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

STATEMENT OF PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS (By Plan)

As of December 31, 2006

	AFFILIATED LOCAL PLANS	STATEWIDE DEATH & DISABILITY	DEFINED BENEFIT SYSTEM	TOTAL MEMBERS' BENEFIT INVESTMENT FUND
ASSETS				
Cash (Note 5)	$2,232,074	$350,487	$1,362,013	$3,944,574
Investments (Note 5)				
Short Term Investments	66,957,648	10,513,889	40,857,620	118,329,157
U.S. Government Agency Obligations	274,992,538	43,180,148	167,800,708	485,973,394
Corporate Bonds	244,625,607	38,411,842	149,270,778	432,308,227
Domestic Equity Securities	713,748,912	112,074,982	435,530,265	1,261,354,159
International Equity Securities	389,165,016	61,107,851	237,468,862	687,741,729
International Fixed Income	5,581,425	876,412	3,405,791	9,863,628
Venture Capital	118,276,773	18,572,172	72,172,599	209,021,544
Real Estate	88,961,984	13,969,076	54,284,688	157,215,748
Securities Lending Investment Pool	209,165,933	32,843,859	127,633,251	369,643,043
Total Investments	2,111,475,836	331,550,231	1,288,424,562	3,731,450,629
Total Cash and Investments	2,113,707,910	331,900,718	1,289,786,575	3,735,395,203
Receivables				
Other	9,424	1,480	5,750	16,654
Assets Sold-Pending Trades	125,143,250	19,650,366	76,362,530	221,156,146
Contributions	972,001	369,025	2,064,720	3,405,746
Accrued Interest and Dividends	4,028,708	632,600	2,458,321	7,119,629
Total Receivables	130,153,383	20,653,471	80,891,321	231,698,175
Properties and Equipment, at Cost, Net of Accumulated				
Depreciation (Note 7)	1,777,386	279,090	1,084,563	3,141,039
Other Assets	108,186	16,988	66,016	191,190
TOTAL ASSETS	2,245,746,865	352,850,267	1,371,828,475	3,970,425,607
LIABILITIES				
Payables				
Accounts, Employee and Participants Payable	1,376,960	216,214	840,222	2,433,396
For Assets Purchased-Pending Trades	211,312,880	33,180,978	128,943,320	373,437,178
Amounts Owed for Securities Lending Transactions (Note 5)	209,165,933	32,843,859	127,633,251	369,643,043
TOTAL LIABILITIES	421,855,773	66,241,051	257,416,793	745,513,617
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$1,823,891,092	$286,609,216	$1,114,411,682	$3,224,911,990

(A Schedule of Funding Progress for each Plan is presented on Page 45)

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

MEMBERS' LOCAL MONEY PURCHASE	MEMBERS' STATEWIDE MONEY PURCHASE	SELF-DIRECTED ASSETS FOR AFFIL. LOCAL & DB SYSTEM	IRC 457 DEFERRED COMPENSATION PLAN	TOTAL MEMBERS' SELF-DIRECTED INVESTMENT FUND	COMBINED TOTALS 2006
$13,251	$8,525	$69,916	$0	$91,692	$4,036,266
					118,329,157
775,392	156,269	10,447,956	2,276,158	13,655,775	499,629,169
283,259	206,750	1,475,453	846,740	2,812,202	435,120,429
4,577,346	3,886,946	67,030,067	33,225,415	108,719,774	1,370,073,933
127,799	385,488	5,180,843	4,534,171	10,228,301	697,970,030
					9,863,628
					209,021,544
					157,215,748
					369,643,043
5,763,796	4,635,453	84,134,319	40,882,484	135,416,052	3,866,866,681
5,777,047	4,643,978	84,204,235	40,882,484	135,507,744	3,870,902,947
					16,654
					221,156,146
6,180	24,868	61,258	184,925	277,231	3,682,977
					7,119,629
6,180	24,868	61,258	184,925	277,231	231,975,406
					3,141,039
					191,190
5,783,227	4,668,846	84,265,493	41,067,409	135,784,975	4,106,210,582
					2,433,396
					373,437,178
					369,643,043
					745,513,617
$5,783,227	$4,668,846	$84,265,493	$41,067,409	$135,784,975	$3,360,696,965

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

STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR PENSION BENEFITS (By Plan)

For The Year Ended December 31, 2006

	AFFILIATED LOCAL PLANS	STATEWIDE DEATH & DISABILITY	DEFINED BENEFIT SYSTEM	TOTAL MEMBERS' BENEFIT INVESTMENT FUND
ADDITIONS				
Contributions (Note 4)				
Employer	$51,138,378	$6,465,123	$28,183,511	$85,787,012
Plan Member	2,347,673	2,189,165	31,662,308	36,199,146
Affiliations (Withdrawals)	(223,494,115)		227,589,881	4,095,766
State Contributions	27,970,106			27,970,106
Total Contributions (Withdrawals)	(142,037,958)	8,654,288	287,435,700	154,052,030
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	166,257,227	26,040,913	98,916,828	291,214,968
Interest	19,041,621	2,965,638	11,220,381	33,227,640
Dividends	52,175,724	8,140,449	30,812,180	91,128,353
Net Real Estate Investment Income	7,521,206	1,173,141	4,406,266	13,100,613
Other Income	1,444,600	53,318	205,748	1,703,666
Total Investment Income (Loss)	246,440,378	38,373,459	145,561,403	430,375,240
Less Investment Counsel	177,692	27,720	105,088	310,500
Less Investment Management Fees	8,406,250	1,311,365	4,971,493	14,689,108
Less Alternative Investment Legal Fees	81,368	12,693	48,121	142,182
Less Bank Fees	434,810	67,830	257,149	759,789
Net Investment Income (Loss)	237,340,258	36,953,851	140,179,552	414,473,661
Securities Lending				
Income	8,835,440	1,386,441	5,391,195	15,613,076
Borrowers Rebates	(7,910,974)	(1,241,376)	(4,827,106)	(13,979,456)
Agent Fees	(231,031)	(36,253)	(140,971)	(408,255)
Net Securities Lending Income	693,435	108,812	423,118	1,225,365
Total Additions	**95,995,735**	**45,716,951**	**428,038,370**	**569,751,056**
DEDUCTIONS				
Benefit Payments	142,548,265	13,007,054	9,290,777	164,846,096
Refunds of Contributions	6,207,794		4,538,179	10,745,973
Administrative Costs	2,405,602	375,278	1,422,677	4,203,557
Total Deductions	**151,161,661**	**13,382,332**	**15,251,633**	**179,795,626**
NET INCREASE (DECREASE) IN PLAN NET ASSETS	**(55,165,926)**	**32,334,619**	**412,786,737**	**389,955,430**
NET ASSETS AVAILABLE FOR PENSION BENEFITS				
BEGINNING OF YEAR	**1,879,057,018**	**254,274,597**	**701,624,945**	**2,834,956,560**
END OF YEAR	**$1,823,891,092**	**$286,609,216**	**$1,114,411,682**	**$3,224,911,990**

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

MEMBERS' LOCAL MONEY PURCHASE	MEMBERS' STATEWIDE MONEY PURCHASE	SELF-DIRECTED ASSETS FOR AFFIL. LOCAL & DB SYSTEM	IRC 457 DEFERRED COMPENSATION PLAN	TOTAL MEMBERS' SELF-DIRECTED INVESTMENT FUND	COMBINED TOTALS 2006
$190,943	$271,949	$258,158	$	$721,050	$86,508,062
214,201	268,458	15,510,612	5,738,982	21,732,253	57,931,399
		1,890,668		1,890,668	5,986,434
					27,970,106
405,144	540,407	17,659,438	5,738,982	24,343,971	178,396,001
509,884	452,884	6,931,319	4,478,054	12,372,141	303,587,109
					33,227,640
					91,128,353
					13,100,613
					1,703,666
509,884	452,884	6,931,319	4,478,054	12,372,141	442,747,381
					310,500
					14,689,108
					142,182
					759,789
509,884	452,884	6,931,319	4,478,054	12,372,141	426,845,802
					15,613,076
					(13,979,456)
					(408,255)
					1,225,365
915,028	**993,291**	**24,590,757**	**10,217,036**	**36,716,112**	**606,467,168**
					164,846,096
296,179	167,481	22,434,115	1,865,766	24,763,541	35,509,514
					4,203,557
296,179	**167,481**	**22,434,115**	**1,865,766**	**24,763,541**	**204,559,167**
618,849	**825,810**	**2,156,642**	**8,351,270**	**11,952,571**	**401,908,001**
5,164,378	**3,843,036**	**82,108,851**	**32,716,139**	**123,832,404**	**2,958,788,964**
$5,783,227	**$4,668,846**	**$84,265,493**	**$41,067,409**	**$135,784,975**	**$3,360,696,965**

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

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 within the "Fire and Police Members' Benefit Investment Fund" and the "Fire and Police Members' Self-Directed Investment Fund". These two investment funds were created by Colorado House Bill 1059 in 2006.

The Fire and Police Members' Benefit Investment Fund consists of the portion of the assets that are designated for investment by the Board for the following plans: Defined Benefit System, Local "Old Hire" police and fire plans, affiliated volunteer firefighter pension plans, and the Statewide Death and Disability plan.

The Fire and Police Members' Self-Directed Investment Fund consists of the portion of assets that are designated for self-direction by the members in the following plans: Defined Benefit System, Local "Old Hire" police and fire plans, Fire and Police Members' Statewide Money Purchase Plan, affiliated Fire and Police Members' Money Purchase Plan, and the Fire and Police Members' Deferred Compensation Plans.

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 and the affiliated volunteer fire pension plans in the State of Colorado are reported as the **Affiliated Local Plans**. This is an agent multiple-employer plan.

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

The Defined Benefit System consists of the Statewide Defined Benefit Plan, the Statewide Hybrid Plan, and the exempt plans, 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." Two exempt plans joined the Defined Benefit System as of October 1, 2006. They are defined benefit plans for fire and police employees hired after April 8, 1978.

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

The Self-Directed Assets for the Local "Old Hire" and Defined Benefit System Plans includes the supplemental benefits for the Deferred Retirement Option Plan ("DROP") benefits and the money purchase component for the Statewide Hybrid Plan.

The IRC 457 Deferred Compensation Plan 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. 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 portion of assets in the Fire and Police Members' Self-Directed Investment 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 Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund 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.

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.

Funds of Hedge Funds are valued based upon net asset values provided by each Fund of Hedge Fund's third party administrator.

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 for tangible assets of $5,000. The capitalization threshold for intangible assets, specifically Internal Use Computer Software, is $100,000. Property and equipment are stated at cost, less any write-downs for impairment in value, and are depreciated/amortized 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
Internal Use Computer Software	7 years

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 be consistent with the current year's 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

A. Affiliated Local Plans

1. Plan Description

This is an agent multiple-employer Public Employee Retirement System (PERS). There are 223 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 Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan "DROP" assets only), 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 two 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 volunteer firefighters of affiliated plans. The membership of these groups as of December 31, 2006, are comprised as follows:

Deferred Retirement Option Plan (DROP) Participants –	
Active Old Hire	200
Retirees and Beneficiaries Currently Receiving Benefits	5,736
Terminated Vested Employees	
Entitled To Benefits But Not Yet Receiving Them	245
Current Employees – Active Old Hire	103
Current Volunteers - Active	4,163
Total Members	**10,447**

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. The Plan is represented in the Fire and Police Members' Benefit Investment Fund.

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 increases to 2.6% of payroll as of January 1, 2007. This percentage can vary depending on actuarial experience. In addition, there were 8 contributing employers as of December 31, 2006, who are covered by Social Security and have also elected supplementary coverage by the statewide plan.

3. 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, 2006, are comprised as follows:

Retirees and beneficiaries receiving benefits	733
Active non-vested members	10,840
Total Members	**11,573**

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 188 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.

The Plan is represented in the Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan "DROP" assets only).

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 2006 is 8.27%. Effective January 1, 2007, members currently covered under social security will be transferred into the new FPPA supplemental social security program. The new plan is designed to give half the benefit when compared to the Statewide Defined Benefit Plan for half the cost.

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. Effective January 1, 2007, members currently covered under social security will give half the benefit when compared to the Statewide Defined Benefit Plan. 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. Effective August 1, 2006, the Separate Retirement

Account contribution rate for members of the Statewide Defined Benefit Plan was set at .4% and for members who are subject to the continuing rate of contribution, the rate is 3.08%.

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.

4. Membership

The participating employees (members) of the Plan as of December 31, 2006, are comprised as follows:

Retirees and beneficiaries receiving benefits	149
Terminated members entitled to benefits but not yet receiving such benefits	162
DROP Participants	71
Fully Vested	221
Partially Vested	2,604
Non-vested	1,721
Total Members	**4,928**

D. Defined Benefit System – Statewide Hybrid Plan

1. 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 13 participating employers.

Employers do not have the option to withdraw from the Plan once elected. The Plan is represented in the Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan "DROP" and the Statewide Hybrid Plan – Money Purchase Component assets).

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 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%, 11% currently (as of August 1, 2006) 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.

3. 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.

4. Membership

The participating employees (members) of the Plan – Defined Benefit Component and Money Purchase Only Component as of December 31, 2006, are comprised as follows:

Retirees and beneficiaries receiving benefits, and terminated members entitled to benefits but not yet receiving such benefits	92
DROP Participants	3
Fully Vested	53
Partially Vested	59
Total Members	**207**

E. Defined Benefit System – Exempt Plans

1. Plan Description

Two exempt plans joined the Defined Benefit System as of October 1, 2006. They are defined benefit plans for fire and police employees hired after April 8, 1978. The plans are closed to new members as of October 1, 2006.

Employers do not have the option to withdraw from the Plan once elected. The Plan is represented in the Fire and Police Members' Benefit Investment Fund and the Fire and Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan "DROP" assets only).

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 within each of the exempt plans. At the present time, both employers and employees are required to contribute 8.5% of the employees' salary for the one exempt fire plan. The employer contribution is 8.558% and the employee portion is 8.0% of the employees' salary for the one exempt police plan.

3. Benefits

Police Component

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 50 years, if the member has at least 25 years of service.

The annual normal pension shall be 2% of the member's final average salary (past 18 months) for each full year of credited service up to ten years plus 2.75% for each full year thereafter with a maximum benefit of 75%. Cost-of-living-adjustments begin on October 1 immediately prior to the retired police officer turning age 60 or 10 years after benefits payment commence, whichever is earlier. The amount of the COLA cannot exceed 3% per year subject to limitations linked to the consumer price index.

In addition, upon retirement a participant may receive additional benefits credited to the participant's "Separate Retirement" account. 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. Effective October 1, 2006, the Separate Retirement Account contribution rate for members of the Police Component was set at 0%.

A member shall be eligible for an early retirement benefit after completion of 20 years of service and attainment of age 45. The early retirement benefit is reduced by 7.5% for each year that the member is less than age 50.

Upon termination, an employee may elect to have all contributions, along with 5% per annum, as interest, returned as a lump sum distribution. Alternatively, a member with at least 10 years of accredited service may leave contributions with the Plan and continue to be eligible for a retirement pension at age 50 equal to 2% of the member's final average salary (past 18 months) for each full year of credited service up to ten years plus 2.75% for each full year thereafter with a maximum benefit of 75%.

Fire Component

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 shall be 2% of the member's final average salary (past 18 months) for each full year of credited service up to ten years plus 2.85% for each full year thereafter with a maximum benefit of 77%. Cost-of-living-adjustments begin on October 1 immediately prior to the retired firefighter turning age 65 or 10 years after benefits payment commence, whichever is earlier. The amount of the COLA cannot exceed 3% per year subject to limitations linked to the consumer price index.

In addition, upon retirement a participant may receive additional benefits credited to the participant's "Separate Retirement" account. 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. Effective October 1, 2006, the Separate Retirement Account contribution rate for members of the Fire Component was set at 0%.

A member shall be eligible for an early retirement benefit after completion of 20 years of service and attainment of age 50. The early retirement benefit is reduced by 4.615% for each year that the member is less than age 55.

Upon termination, an employee may elect to have all contributions, along with 5% per annum, as interest, returned as a lump sum distribution. Alternatively, a member with at least 10 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 final average salary (past 18 months) for each full year of credited service up to ten years plus 2.85% for each full year thereafter with a maximum benefit of 77%.

4. Membership

The participating employees (members) of the Plans as of December 31, 2006, are comprised as follows:

Retirees and beneficiaries receiving benefits	85
Terminated members entitled to benefits but	
not yet receiving such benefits	26
DROP Participants	46
Fully Vested	69
Partially Vested	370
Non-vested	613
Total Members	**1,209**

F. 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, 2006.

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

The participating employees (members) of the Plans as of December 31, 2006, are comprised as follows:

Retirees and beneficiaries receiving benefits, and terminated members entitled to benefits but not yet receiving such benefits	10
Partially Vested	44
Total Members	54

G. 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 30 contributing employers as of December 31, 2006.

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, 2006, are comprised as follows

Retirees and beneficiaries receiving benefits, and terminated members entitled to benefits but not yet receiving such benefits	27
Fully Vested	27
Partially Vested	39
Total Members	93

H. Self-Directed Assets for the Local "Old Hire" and Defined Benefit System Plans

1. Plan Description

Includes the supplemental benefits that are self-directed assets for the Deferred Retirement Option Plan ("DROP") benefits and the money purchase component for the Statewide Hybrid Plan within the Local "Old Hire" and Defined Benefit System Plans.

2. Membership

Membership is accounted for within the plans listed above.

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 $5,087,662 as of 12/31/06.

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, 2006, the balance held in the Late Money Deposit Account was $11,658,665.

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 Benefit Investment Fund. The investment policy sets forth the Benefit Investment 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 Members' Benefit Investment 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 Members' Benefit Investment Fund, has complete discretionary authority to invest and reinvest funds of the Members' Benefit Investment 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, 2006, 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	$14,568,892

Concentration of Credit Risk

The Association does not have any investments representing five percent or more of the Benefit Investment 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, fixed income 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 any 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 table below summarizes the Association's fixed income securities credit quality ratings as of December, 31, 2006.

	Core Plus Portfolio		High Yield Portfolio	
Credit Quality Rating:	**Fair Value**	**%**	**Fair Value**	**%**
Aaa/AAA	$ 250,837,953	30.73%		
Aa/AA	11,869,053	1.45%		
A	19,017,677	2.33%		
A1/P-1	38,837,321	4.76%		
Baa/BBB	45,399,967	5.56%	51,318	0.11%
Ba/BB	30,877,280	3.78%	9,161,937	19.64%
B	32,659,995	4.00%	31,786,060	68.14%
Caa/CCC	4,060,871	0.50%	4,192,970	8.99%
Ca/CC	857,464	0.11%	344,402	0.74%
C		0.00%		
D	356,110	0.04%		
Not Rated		0.00%		
Total Credit Risk Debt Securities	$ 434,773,691	53.27%	$ 45,536,686	97.61%
U.S. Government Securities	184,980,176	22.66%		
U.S. Agency Securities	181,263,987	22.21%		
Total Fixed Income Securities	801,017,854	98.15%	45,536,686	97.61%
Cash Deposit Accounts	11,667,497	1.43%		
Temporary Investment Fund	3,464,897	0.42%	1,114,694	2.39%
Total Fixed Income Investments	**$ 816,150,248**	**100.00%**	**$ 46,651,379**	**100.00%**

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 Association's investment in U.S. Government Agency securities includes $4,254,481 of GNMA mortgage backed securities which are backed by the full faith and credit of the U.S. Government. The remaining allocation to U.S. Government Agency securities are invested primarily in FNMA and FHLMC securities that are subject to credit risk. The weighted average credit quality of these securities is AAA.

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 8.4% of the total portfolio at December, 31, 2006. Within the high yield fixed income portfolio, there were no unrated securities, no security exceeded 4% of the portfolio, and no industry sector exceeded 20% of the portfolio.

Interest Rate Risk

The fair value of fixed income investments fluctuates in response to changes in market interest rates, generally decreasing in response to increases in market interest rates. Although the Association does not have a specific policy relating to interest rate risk, 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. These monitoring policies are outlined in The Master

Statement of Investment Policies and Objectives for the Fire and Police Members' Benefit Investment Fund.

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, 2006, the effective duration of the Lehman Aggregate Bond Index was 4.46. The effective duration of the Citigroup High Yield Cash Pay Capped Index was 4.43 at December, 31, 2006. The Association does not have a formal investment policy specifically related to interest rate risk.

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	$2,838,916	1.793		
Puts/Calls/Options	1,310,684	9.268		
Commercial Paper	25,596,243	0.010		
Corporate Bonds	123,961,026	4.184	$37,005,539	2.335
Fixed Income Swaps	(839,854)	0.000		
Government & Agency	137,859,843	6.222		
Mortgages	369,348,835	2.500		
International Bonds	51,583,318	2.462		
Revenue Bonds	4,386,956	6.606		
TIPS	59,644,217	4.043		
Private Placements	25,334,632	3.188	8,531,147	2.351
Temporary Investment Fund	3,464,897	0.083	1,114,694	0.083
Late Money Account	11,660,533	0.083		
Total	**$816,150,248**	**3.36**	**$46,651,379**	**2.28**

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 20.7% 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, 2006 is summarized in the table below.

Currency:	Cash	Equities	Fixed Income	Private Equity	Total
Australian Dollar	$53,437	$22,601,853	($130,161)		$22,525,129
Brazilian Real	$0	$10,806,833			$10,806,833
British Pound	$418,223	$103,805,552	$7,002,622		$111,226,397
Canadian Dollar	$53,703	$28,685,872		$1,641,430	$30,381,005
Chinese Yuan		$12,386,628			$12,386,628
Danish Kroner	$13,842	$4,662,591			$4,676,433
Euro Currency	$7,694,972	$211,411,635		$9,514,566	$228,621,173
Hong Kong Dollar	$819,591	$13,709,106			$14,528,697
Indian Rupee		$7,289,961			$7,289,961
Indonesian Rupiah		$3,078,088			$3,078,088
Japanese Yen	$4,261,689	$97,881,123	$5,137,344		$107,280,156
Korean Won		$12,611,681			$12,611,681
Malaysian Ringgit		$3,666,963			$3,666,963
Mexican Peso		$5,736,842			$5,736,842
New Zealand Dollar	$25,905	$1,511,011			$1,536,916
Norwegian Krone	$238,114	$5,282,078			$5,520,192
Russian Ruble		$10,631,319			$10,631,319
Singapore Dollar	$22,552	$6,689,463			$6,712,015
South African Rand		$5,804,863			$5,804,863
Swedish Krona	$360,949	$18,565,684		$2,840,833	$21,767,466
Swiss Franc	$605,917	$39,377,770			$39,983,687
Taiwan Dollar		$10,555,622			$10,555,622
Thai Baht		$2,273,603			$2,273,603
Turkish Lira		$2,639,360			$2,639,360
Subtotal	**$14,568,892**	**$641,665,502**	**$12,009,806**	**$13,996,831**	**$682,241,030**
Other (less than $2 million in holdings)		$7,733,012			$7,733,012
Total Excluding USD	**$14,568,892**	**$649,398,514**	**$12,009,806**	**$13,996,831**	**$689,974,042**

Non-U.S. dollar denominated investment grade fixed income investments had a weighted average quality rating of AAA at December, 31, 2006. The Association invests in emerging market debt, primarily through commingled fund vehicles. Commingled emerging market debt funds may invest 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:

Cash	$ 4,036,266
Investments	
Short Term Investments	118,329,157
U.S. Government Agency Obligations	499,629,169
Corporate Bonds	435,120,429
Domestic Equity Securities	1,370,073,932
International Equity Securities	697,970,030
International Fixed Income	9,863,628
Venture Capital	209,021,543
Real Estate	157,215,748
Securities Lending Investment Pool	369,643,043
Total Investments	$3,866,866,681
Total Cash and Investments	**$3,870,902,947**

3. 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, 2006, 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, 2006. 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, 2006, the estimated days to reset or maturity for the investment pool was 241 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, 2006, 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, 2006, was $356,394,443. The market value of the collateral received as of December, 31, 2006 was $371,225,732.

The following table presents the fair value of the underlying securities and the fair value of the collateral pledged at December, 31, 2006:

Securities Lent	Fair Value	Cash Received Value	Securities Received Value
Lent for Cash Collateral:			
U.S. Government and Agency Securities	$135,923,957	$138,587,095	
Domestic Corporate Bonds	15,218,201	15,578,910	
Domestic Stocks	123,539,227	128,858,990	
International Stocks	79,531,082	85,927,523	
International Fixed Income	656,239	690,525	
Lent for Securities Collateral			
U.S. Government and Agency			
Securities	382,476		$390,341
Domestic Stocks	188,058		191,880
International Stocks	955,202		1,000,467
Total	**$356,394,443**	**$369,643,043**	**$1,582,688**

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 $41,067,409 at December 31, 2006.

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2006, is comprised of the following:

General Assets	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Nondepreciable Assets:				
Land	$ 1,937,742			$ 1,937,742
Depreciable Assets:				
Buildings & Improvements	1,413,873			1,413,873
Tenant Finish	129,766	76,507	(20,975)	185,298
Equipment	807,818	82,426	(53,571)	836,673
Work in Progress	0	536,216		536,216
Totals at historical cost	**4,289,199**	**695,148**	**(74,546)**	**4,909,802**
Less Accumulated Depreciation for:				
Buildings & Improvements	(954,799)	(69,698)		(1,024,497)
Equipment	(763,703)	(34,133)	53,571	(744,265)
Total Accumulated Depreciation	**(1,718,502)**	**(103,831)**	**53,571**	**(1,768,762)**
Total Net Assets:	**$ 2,570,697**	**$ 591,317**	**(20,975)**	**$ 3,141,039**

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 10.65% 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, 2006, 2005, and 2004 were $205,303, $180,082, and $162,662, respectively, equal to their required contributions for each year.

NOTE 10: EMPLOYEE RETIREMENT PLAN

1. Plan Description

FPPA administers a single-employer defined benefit healthcare plan ("FPPA Staff Healthcare Subsidy Plan"). The plan provides a health-care premium subsidy to all full time employees who are leaving FPPA and have completed at least ten years of service with the FPPA. Currently, 12 employees meet those eligibility requirements.

2. Benefit provisions

FPPA provides a health care premium subsidy to eligible retirees. FPPA subsidy period is limited to the number of years actually worked at FPPA. The subsidy is further limited to the maximum subsidy paid by the Public Employees Retirement Association of Colorado (PERA). The subsidy is $11.50 per month for each year of PERA covered service with a maximum of 20 years. This amount is reduced to $5.75 per month for each year of PERA covered service when the beneficiary becomes Medicare eligible. Currently, the maximum subsidy paid by PERA is $230 per month pre-Medicare and $115 per month Medicare covered. The PERA subsidy can be increased by an act of the Colorado General Assembly. The Retiree Health Plan does not issue a publicly available financial report.

3. Funding Policy

FPPA contributes 100 percent of the present value of future health care premium subsidy for eligible retired plan members. For 2006, FPPA contributed $44,020 to the Plan.

NOTE 11: 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, 2006 was $62,268.

NOTE 12: 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, 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 13: 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, 2006, FPPA had committed approximately $150.8 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
Defined Benefit System – Statewide Defined Benefit Plan							
2006	1/1/06	$681,193,087	$569,819,934	$(111,373,153)	119.5%	$246,693,626	(45.1%)
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%)
1998	1/1/98	261,508,736	171,147,782	(90,360,954)	152.8%	97,101,652	(93.1%)
1997	1/1/97	$217,453,896	$139,041,762	$(78,412,134)	156.4%	$85,955,603	(91.2%)
Defined Benefit System – Statewide Hybrid Plan							
2006	1/1/06	$7,998,356	$5,366,912	$(2,631,444)	149.0%	$4,053,146	(64.9%)
2005	1/1/05	$5,040,067	$4,035,894	$(1,004,173)	124.9%	$2,587,830	(38.8%)
Defined Benefit System – Exempt Plans							
2006	1/1/06	N/A	N/A	N/A	N/A	N/A	N/A
Affiliated Local Plans							
2006	1/1/06	$1,818,993,571	$2,246,572,810	$427,579,239	81.0%*	$75,130,892	569.1%
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%
Statewide Death & Disability Plan							
2006	1/1/06	$249,299,173	$258,726,894	$9,427,721	96.4%**	$610,620,208	1.5%
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%)
1998	1/1/98	193,630,404	147,898,674	(45,731,730)	130.9%	375,057,167	(12.2%)
1997	1/1/97	$175,363,504	$141,514,681	$(33,848,823)	123.9%	$350,988,256	(9.6%)

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

The first actuarial valuation completed on the Defined Benefit System- Exempt Plans will be in 2007 as the program began 10/1/2006.

* *State Contributions were suspended for 2 years and recommenced as of 4/30/2006.*

** *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 & State Contributions (unaudited)

A. Statewide Death and Disability Plan

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2006	$ 6,200,071	100%
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
1999	434,958	100
1998	492,648	100
1997	$ 28,289	100%

B. Defined Benefit System - Statewide Defined Benefit Plan

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2006	$ 20,565,744	100%
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
1999	8,708,136	100
1998	7,768,132	100
1997	$ 6,876,448	100%

C. Defined Benefit System – Statewide Hybrid Plan Defined Benefit Component

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
2006	$ 51,247	100%
2005	$ 38,814	100%

D. Defined Benefit System – Exempt Plans

The first actuarial valuation on the Defined Benefit System Exempt Plans will occur in 2007.

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2006	N/A	N/A

E. Affiliated Local Plans

Employer Contributions:

Year Ended 12/31	Annual Required Contribution	Percentage Contribution
2006	$ 79,726,307	100%
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
1998	53,639,344	100
1997	$ 60,058,331	100%

Notes to the Required Supplementary Information — December 31, 2006

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-Defined Benefit Compnonent	Exempt Plans	Affiliated Local Plans
Valuation Date	1/1/06	1/1/06	1/1/06	1/1/06	1/1/06
Actuarial Method	Aggregate Funding[1]	Entry Age Normal	Entry Age Normal	N/A	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open	Level % of Payroll, Open	N/A	Various
Amortization Period	N/A	30 Years	30 Years	N/A	Various
Asset Valuation Method	3 Year Smoothed Fair Market Value	3 Year Smoothed Fair Market Value	3 Year Smoothed Fair Market Value	N/A	3 Year Smoothed Fair Market Value
Actuarial Assumptions:					
Investment Rate of Return	8%	8%	8%	N/A	8%
Projected Salary Increase	4.75% - 13.25%	4.75% - 13.25%	4.75% - 13.25%	N/A	4.75% - 13.25%
Include Inflation at	3.5%	3.5%	3.5%	N/A	3.5%
Cost of Living Adjustment	0% - 3%	0%	0%	N/A	0% - 4%
Health Care	N/A	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 1/1/06 actuarial valuation.

Defined Benefit System – Statewide Defined Benefit Plan

There were no significant factors affecting trends as of the 1/1/06 actuarial valuation.

Defined Benefit System – Statewide Hybrid Plan

There were no significant factors affecting trends as of the 1/1/06 actuarial valuation.

Defined Benefit System – Exempt Plans

The first actuarial valuation on the Defined Benefit System Exempt Plans will occur in 2007.

Affiliated Local Plans

There were no significant factors affecting trends as of the 1/1/06 actuarial valuation.

Net Assets by Participant — December 31, 2006

Alamosa Volunteer Fire Department (Volunteer)	$1,554,513
Allenspark Fire (Volunteer)	286,973
Aspen Fire Protection District (Volunteer)	1,768,187
Ault Fire Protection District (Volunteer)	454,667
Aurora Police	93,445,588
Aurora Police-Rank Escalation	17,499,339
Aurora Fire	88,406,519
Aurora Fire-Rank Escalation	15,042,031
Bancroft Fire Protection District	524,152
Bancroft Fire Protection District-Rank Escalation	1,764,666
Basalt and Rural Fire Protection District (Volunteer)	1,732,383
Bennett Volunteer Fire (Volunteer)	560,839
Berthoud Fire Protection District (Volunteer)	601,527
Big Sandy Fire Protection District (Volunteer)	88,725
* Big Thompson Canyon Fire (Volunteer)	205,688
* Black Forest Fire Protection District (Volunteer)	1,207,100
Blanca Volunteer Fire (Volunteer)	104,461
Boone Volunteer Fire (Volunteer)	34,939
Boulder Mountain Fire Protection District (Volunteer)	681,948
Boulder Rural Fire Protection District (Volunteer)	635,802
Bow Mar Police	100,596
Brighton Fire (Volunteer)	4,066,171
Brush Volunteer Fire Department (Volunteer)	807,179
Buena Vista Fire (Volunteer)	316,121
Burning Mountain Fire Protection District (Volunteer)	889,990
Calhan Fire (Volunteer)	75,073
Cañon City Area Fire Protection District	4,014,831
Cañon City Area Fire Protection District (Volunteer)	265,217
Carbondale & Rural Fire Protection District (Volunteer)	2,185,792
Cascade Fire (Volunteer)	264,310
Castle Rock Volunteer Fire Department (Volunteer)	1,036,377
Cedaredge Police	251,199
Central City Fire Department (Volunteer)	349,327
Central Orchard Mesa Fire Protection District (Volunteer)	126,531
Cherry Hills Fire Protection District	3,024,273
Cherryvale Fire Protection District (Volunteer)	312,427
Cheyenne County #1 Fire (Volunteer)	216,008
Clear Creek County Emergency Services District (Volunteer)	1,718,254
Clifton Fire Protection District (Volunteer)	2,340,765
Coal Creek Fire Protection District (Volunteer)	885,734
Colorado Sierra Fire Protection District (Volunteer)	58,900
Colorado Springs Police	75,281,133
Colorado Springs Police-Rank Escalation	15,153,081
Colorado Springs Fire	89,696,898
Colorado Springs Fire-Rank Escalation	18,187,514
Cortez Police	336,534
* Crested Butte Fire Protection District (Volunteer)	1,493,171
Cripple Creek Fire Protection District (Volunteer)	382,802
Crowley Fire Department (Volunteer)	20,125
Crystal Lake Fire Department (Volunteer)	117,017
Del Norte Police	29,836
Del Norte Fire (Volunteer)	623,173
Denver Fire	420,922,518
Denver Fire-Rank Escalation	$37,688,701

See the accompanying independent auditor's report.

Net Assets by Participant — December 31, 2006 (continued)

Denver Police	$548,416,339
Denver Police-Rank Escalation	44,183,380
Divide Volunteer Fire (Volunteer)	148,639
Donald Westcott Volunteer Fire (Volunteer)	333,060
Dove Creek Fire (Volunteer)	144,710
Durango Police	2,661,377
Durango Police - DROP	1,187,446
Durango Fire	1,867,222
Durango Firce - DROP	508,718
Durango Fire & Rescue Authority	5,511,911
Eads Volunteer Fire Department (Volunteer)	129,218
Eaton Volunteer Fire Department (Volunteer)	907,834
Eckley Fire (Volunteer)	21,329
Elbert Fire (Volunteer)	94,458
Eldorado Fire Department (Volunteer)	166,495
Elizabeth Fire Protection District (Volunteer)	1,241,954
Englewood Police	7,465,553
Englewood Fire Department	12,153,116
Englewood Fire Department (Volunteer)	267,700
Evans Volunteer Fire Department (Volunteer)	426,253
Evergreen Fire (Volunteer)	3,868,920
Falcon Fire Protection District (Volunteer)	736,303
Federal Heights Volunteer Fire Department (Volunteer)	1,937,329
Firestone Marshalls Police	43,836
Fisher's Peak Fire (Volunteer)	71,422
Florence Fire (Volunteer)	746,894
Foothills Fire Protection District (Volunteer)	1,160,267
Fort Morgan Fire (Volunteer)	1,322,914
Fort Morgan Rural Fire (Volunteer)	492,054
Fort Morgan Police	885,214
Franktown Fire Protection District (Volunteer)	1,768,105
Frederick Area Fire Protection District (Volunteer)	217,496
Galeton Fire (Volunteer)	313,097
Genesee Fire Protection District (Volunteer)	1,027,450
Glacier View Fire (Volunteer)	91,318
Glendale Volunteer Fire Department (Volunteer)	247,750
Glenwood Springs Fire Department (Volunteer)	987,465
Golden Volunteer Fire Department (Volunteer)	3,257,503
Golden Gate Fire Protection District (Volunteer)	230,200
Grand Fire Protection District (Volunteer)	1,254,973
Grand Junction Fire	12,964,608
Grand Junction Police	2,954,505
Grand Lake Fire (Volunteer)	1,580,969
Grand Valley Fire (Volunteer)	1,409,716
Greeley Police	1,733,659
Green Mountain Falls-Chipita Park Fire Protection District (Volunteer)	220,678
Gypsum Fire (Volunteer)	452,050
Hartsel Fire Protection District (Volunteer)	410,357
Haxtun Volunteer Fire Department (Volunteer)	149,502
Haxtun Police	236,417
High Country Fire Protection District (Volunteer)	1,328,696
Hillrose Rural Fire (Volunteer)	129,203
Holyoke (City) Volunteer Fire Department (Volunteer)	156,614
Holyoke Fire Protection District (Volunteer)	280,069
Hot Sulphur Springs-Parshall Fire Protection District (Volunteer)	$141,306

See the accompanying independent auditor's report.

Net Assets by Participant — December 31, 2006 (continued)

Hygiene Fire (Volunteer)	$643,038
Indian Hills Fire Protection District (Volunteer)	343,272
Inter-Canyon Fire Protection District (Volunteer)	1,022,832
Jackson 105 Fire Protection District (Volunteer)	209,098
Jefferson-Como Fire Protection District (Volunteer)	679,136
Kiowa Fire Protection District (Volunteer)	506,171
Kremmling Fire Protection District (Volunteer)	415,891
La Junta Police	1,225,643
La Junta Fire	1,139,023
La Junta Rural Fire Protection District (Volunteer)	429,723
Lafayette Volunteer Fire Department (Volunteer)	1,251,973
Lake City Fire (Volunteer)	32,285
Lake Dillon Fire (Volunteer)	3,690,465
Lake George Fire Protection District (Volunteer)	195,056
Lakewood Fire Protection District	9,009,070
Lakewood Fire Protection District-Rank Escalation	7,663,422
Lamar Fire	848,861
**Lamar Police	0
Lamar Fire Protection District (Volunteer)	385,734
Larkspur Fire Protection District (Volunteer)	1,470,408
Las Animas Police	624,204
La Salle Police	760,701
La Salle Fire Protection District (Volunteer)	1,972,676
Leadville Fire	308,058
Left Hand Fire Protection District (Volunteer)	856,713
Lewis-Arriola Fire Protection District (Volunteer)	1,011,477
Limon Fire Department (Volunteer)	352,390
Livermore Fire Protection District (Volunteer)	72,029
Log Hill Mesa Fire Protection District (Volunteer)	96,309
Lower Valley Fire Protection District (Volunteer)	547,922
Mancos Fire Protection District (Volunteer)	483,445
Manitou Springs Fire	488,382
Manitou Springs Volunteer Fire Department (Volunteer)	458,019
Manzanola Rural Fire Protection District (Volunteer)	106,855
Milliken Fire Protection District (Volunteer)	653,237
Montrose Fire Protection District	197,822
Montrose Fire Protection District (Volunteer)	670,643
Mountain View Fire Protection District	545,431
Mountain View Fire Protection District (Volunteer)	2,663,610
Nederland Fire Protection District (Volunteer)	336,590
New Raymer-Stoneham Fire (Volunteer)	72,556
North Fork Fire Protection District (Volunteer)	141,388
North Routt Fire Protection District (Volunteer)	144,077
North Washington Fire Protection District	3,992,354
North Washington Fire Protection District-Rank Escalation	447,193
North Washington Fire Protection District (Volunteer)	198,378
North Washington Fire Protection District - DROP	434,690
Northeast Teller County Fire Protection District (Volunteer)	555,863
Northwest Fire Protection District (Volunteer)	391,902
Northwest Conejos Fire Protection District (Volunteer)	432,618
Norwood Fire Protection District (Volunteer)	142,470
Nucla-Naturita Fire (Volunteer)	398,151
Nunn Fire Protection District (Volunteer)	471,471
Oak Creek Fire Protection District (Volunteer)	200,848
Olathe Fire Protection District (Volunteer)	$411,122

See the accompanying independent auditor's report.

Net Assets by Participant — December 31, 2006 (continued)

Olney Springs Volunteer Fire Department (Volunteer)	$173,245
Ordway Fire (Volunteer)	172,638
Ouray Volunteer Fire Department (Volunteer)	200,192
Palisade Volunteer Fire Department (Volunteer)	353,221
Palmer Lake Volunteer Fire Department (Volunteer)	16,822
Parker Fire Protection District (Volunteer)	721,079
Pawnee Fire (Volunteer)	68,760
Pinewood Springs Fire (Volunteer)	62,989
Plateau Valley Fire (Volunteer)	232,510
Platte Canyon Fire Protection District (Volunteer)	1,142,075
Platte Valley Fire Protection District (Volunteer)	2,477,385
Platteville/Gilcrest Fire Protection District (Volunteer)	2,304,703
Pleasant View Fire Protection District (Volunteer)	269,138
Pleasant View Metro Fire Protection District (Volunteer)	1,337,525
Poudre Valley Fire (Volunteer)	148,747
Pueblo Fire	39,023,375
Pueblo Fire-Rank Escalation	4,186,109
Pueblo Fire - DROP	7,142,613
Pueblo Police	53,177,666
Pueblo Police-Rank Escalation	14,637,136
Pueblo Rural Fire Protection District	2,598,431
Pueblo Rural Fire Protection District-Rank Escalation	503,765
Rangeley Rural Fire (Volunteer)	600,014
Rattlesnake Fire Protection District (Volunteer)	600,057
Red Feather Lakes Fire Protection District (Volunteer)	208,034
* Red, White & Blue Fire Protection District (Volunteer)	1,436,304
Ridgway Fire (Volunteer)	396,874
Rio Blanco Fire Protection District (Volunteer)	1,402,211
Rifle Fire (Volunteer)	2,016,100
Rocky Ford Police	545,803
Rocky Ford Fire	332,535
Rocky Ford Volunteer Fire Department (Volunteer)	46,808
Sable Altura Fire Protection District (Volunteer)	594,395
Salida Fire	307,397
Salida Police	1,076,205
Sheridan Fire (Volunteer)	597,575
Silverton Fire (Volunteer)	161,588
South Adams County Fire Protection District	633,304
South Adams County Fire Protection District (Volunteer)	4,231,876
South Arkansas Fire Protection District (Volunteer)	259,366
South Conejos Fire Protection District (Volunteer)	198,902
South Metro Fire Rescue (Volunteer)	482,622
Springfield Police	594,395
Springfield Fire (Volunteer)	114,264
Steamboat Springs Volunteer Fire Department (Volunteer)	1,298,073
Sterling Fire	927,432
Sterling Volunteer Fire Department (Volunteer)	399,499
Sterling Police	1,401,627
Stonewall Fire (Volunteer)	168,998
Stratton Fire Protection District (Volunteer)	79,200
Sugar City Fire Department (Volunteer)	109,352
Sugarloaf Fire Protection District (Volunteer)	397,194
SW Washington Fire (Volunteer)	55,646
Telluride Fire Protection District (Volunteer)	853,295
Thornton Fire	$9,297,220

See the accompanying independent auditor's report.

Net Assets by Participant — December 31, 2006 (continued)

Thornton Fire DROP STIF	$560,531
Trinidad Fire	593,974
Trinidad Fire-Rank Escalation	91,949
Trinidad Police	180,098
Union Colony Fire	10,535,473
Walsenburg Police	27,924
Walsh Fire (Volunteer)	30,488
Wellington Fire Protection District (Volunteer)	918,972
West Cheyenne Fire Protection District (Volunteer)	94,665
West Douglas County Fire Protection District (Volunteer)	592,319
West Metro Fire (Volunteer)	886,936
West Routt Fire Protection District (Volunteer)	2,054,348
Westminster Fire (Volunteer)	3,357,862
Wet Mountain Fire (Volunteer)	960,784
Wiggins Fire (Volunteer)	577,905
Wiley Rural Fire Protection District (Volunteer)	106,971
Windsor Severance (Volunteer)	2,516,408
Yampa Fire Protection District (Volunteer)	407,260
Yuma Fire (Volunteer)	364,041
Sub-Total Affiliated Local Plans Net Assets	**$1,822,919,091**
Contributions Receivable at 12/31/06	972,001
Total Affiliated Local Plans Net Assets	**$1,823,891,092**
Statewide Death & Disability Plan - Fire/Police	$286,240,191
Contributions Receivable at 12/31/06	369,025
Total Statewide Death & Disability Plan Net Assets	**$286,609,216**
Defined Benefit System	$832,800,023
Defined Benefit System - Exempt Fire/Police	269,374,935
Statewide Hybrid Plan	10,056,739
FPPA Staff Healthcare Subsidy	115,264
Sub-Total Defined Benefit System Net Assets	**$1,112,346,962**
Contributions Receivable at 12/31/06	2,064,720
Total Defined Benefit System Net Assets	**$1,114,411,682**
Total Net Assets - Members' Benefit Investment Fund	**$3,224,911,990**

Statewide Fire/Police Money Purchase Plan	$4,643,978
Contributions Receivable at 12/31/06	24,868
Total Statewide Money Purchase Plan Net Assets	**$4,668,846**
Cañon City Money Purchase Plan	$5,191,531
Dacono Police Money Purchase Plan	585,516
Sub-Total Local Money Purchase Net Assets	**$5,777,047**
Contributions Receivable at 12/31/06	6,180
Total Local Money Purchase Net Assets	**$5,783,227**

See the accompanying independent auditor's report.

Net Assets by Participant — December 31, 2006 (continued)

Statewide Hybrid Money Purchase Plan	$20,590,150
Statewide DROP Plan	5,790,629
Statewide Hybrid DROP Plan	55,280
Aurora Police - DROP	6,476,179
Aurora Fire - DROP	4,451,957
Colorado Springs Police - DROP	3,062,121
Colorado Springs Fire - DROP	2,143,133
Colorado Springs Police - NH Police DROP	3,129,736
Colorado Springs Police - NH Fire DROP	616,935
Denver Fire - DROP	15,442,476
Denver Police - DROP	21,455,528
Englewood Police - DROP	415,710
Englewood Fire - DROP	574,401
Sub-Total Affiliated Local & DB System Net Assets	**$84,204,235**
Contributions Receivable at 12/31/06	61,258
Total Affiliated Local & DB System Net Assets	**$84,265,493**
IRC 457 Deferred Compensation Plans	$40,882,484
Contributions Receivable at 12/31/06	$184,925
Total IRC 457 Deferred Compensation Net Assets	**$41,067,409**
Total Net Assets - Members' Self-Directed Investment Fund	**$135,784,975**
Grand Total - FPPA Net Assets	**$3,360,696,965**

** New Affiliation in 2006*

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

See the accompanying independent auditor's report.

Payments to Consultants — December 31, 2006

ACTUARIAL CONSULTANTS	
Gabriel Roeder Smith & Co.	$253,000
AUDITORS	
BONDI & Co. LLC	34,000
INVESTMENT COUNSEL	
Pension Consulting Alliance	168,000
The Townsend Group	100,000
Institutional Shareholder Services	32,500
Abel/Noser Corporation	10,000
LEGAL AND LEGISLATIVE COUNSELS	
Lombard & Clayton	40,000
Ice Miller	24,941
Bingham Mccutchen LLP	20,239
Dechert LLP	15,377
Sutherland, Tarler & Laugesen PC	2,140
Bull & Davies PC	1,342
Pitney Hardin LLP	1,145
MANAGEMENT CONSULTANTS	
ENNISKNUPP	39,110
MEDICAL CONSULTANT	
Roderic Gottula, M.D/ Correctional MED/LEGAL Consultants	43,140
Total Payments To Consultants	**$784,934**

See the accompanying independent auditor's report.

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES — December 31, 2006

(With Comparative Totals for 9 Prior Years)

Expense Group	*2006*	*2005*	*2004*	*2003*
PROFESSIONAL CONTRACTS				
Actuarial Contract	$253,000	$230,216	$345,098	$148,500
Audit Fees	34,000	33,000	33,000	33,210
Computer Maintenance & Lease	224,101	177,215	176,420	107,532
Insurance & Bonding	126,489	114,209	109,290	104,251
Legal & Legislative Counsel	105,183	80,646	60,698	111,631
Management Consulting	33,860	25,000	0	0
Medical Exam Fees	117,279	120,110	119,446	142,455
Hearing Officers - D&D	8,573	6,623	8,345	5,375
Outside Svcs/Contract Help	51,887	27,471	49,947	10,781
Records Management	6,488	4,808	5,370	3,852
Total Professional Contracts	*960,860*	*819,298*	*907,614*	*667,587*
PERSONNEL SERVICES				
Salaries	2,006,777	1,820,739	1,730,359	1,629,422
Employee Benefits	514,013	451,140	413,205	370,754
Employment Programs	18,952	12,050	9,454	7,494
Total Personnel Services	*2,539,742*	*2,283,929*	*2,153,018*	*2,007,670*
STAFF EDUCATION				
Tuition Assistance Program	6,754	15,914	21,981	15,348
Conferences & Seminars	22,645	31,970	26,545	24,948
Total Staff Education	*$29,399*	*$47,884*	*$48,526*	*$40,296*

See the accompanying independent auditor's report.

2002	2001	2000	1999	1998	1997
$174,885	$141,547	$141,352	$197,700	$130,000	$107,707
31,225	30,000	29,000	28,000	27,000	28,000
92,150	140,483	67,494	87,602	120,653	72,047
91,770	87,394	84,942	79,516	91,889	73,702
109,660	77,946	92,500	100,000	90,301	95,046
4,720	30,000	2,500	20,000	37,492	17,241
130,642	117,717	150,100	154,214	133,500	84,734
3,947	6,980	4,274	2,966	5,215	18,349
16,931	8,277	3,144	4,934	1,296	949
5,254	5,701	6,313	51,400	4,289	4,417
661,184	*646,045*	*581,619*	*726,332*	*641,635*	*502,192*
1,581,473	1,572,031	1,426,576	1,373,899	1,254,737	1,038,733
350,602	258,869	300,238	330,316	287,588	250,929
9,562	14,624	15,553	10,883	7,268	28,025
1,941,637	*1,845,524*	*1,742,367*	*1,715,098*	*1,549,593*	*1,317,687*
14,088	8,691	16,466	11,192	12,165	9,765
28,599	28,241	32,762	28,570	30,133	24,672
$42,687	*$36,932*	*$49,228*	*$39,762*	*$42,298*	*$34,437*

See the accompanying independent auditor's report.

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES — December 31, 2006 (cont'd)

(With Comparative Totals for 9 Prior Years)

Expense Group	*2006*	*2005*	*2004*	*2003*
OTHER OPERATING EXPENSES				
Company Vehicles	$4,966	$5,582	$2,779	$4,439
Board Expenses	63,881	68,315	56,747	44,439
Data Processing Supplies	107,313	23,847	12,604	11,544
Equipment Rental & Maint.	32,501	42,919	38,995	37,406
Meetings & Travel	24,683	25,569	29,335	27,281
Operating Exp. Two DTC	69,834	(60,599)	25,812	(15,441)
Other (Misc.)	0	0	699	28
Postage	57,476	55,494	52,097	66,909
Printing & Mailing	82,062	118,476	109,470	145,465
Retirement Services	9,177	10,626	9,148	8,870
Staff Expense	5,413	4,426	3,138	3,797
Subscriptions & Dues	11,975	11,673	10,432	10,805
Supplies	82,624	30,587	26,959	24,305
Telephone	17,820	15,636	20,207	20,434
Total Other Operating Expense	*569,725*	*352,551*	*398,422*	*390,281*
TOTAL OPERATING EXPENSE	4,099,726	3,503,662	3,507,580	3,105,834
Depreciation Expense	103,831	194,536	147,257	43,980
TOTAL ADMINISTRATIVE EXPENSE	4,203,557	3,698,198	3,654,837	3,149,814
CAPITAL EXPENDITURES	42,615	42,507	74,800	48,797
TOTAL ADMINISTRATIVE EXPENSE AND CAPITAL	**$4,246,172**	**$3,740,705**	**$3,729,637**	**$3,198,611**

INVESTMENT FEES				
Investment Counsel	$310,500	$180,001	$234,916	$186,003
Investment Mgmt. Fees	14,689,108	12,825,394	10,167,622	5,491,021
Alternative Investment Legal Fees	142,182	35,196	61,843	28,224
Real Estate Mgmt. Fees	0	0	0	0
Bank/Security Lending Fees	759,789	726,617	332,650	374,755
Total Investment Fees	*$15,901,579*	*$13,767,208*	*$10,797,031*	*$6,080,003*

See the accompanying independent auditor's report.

2002	*2001*	*2000*	*1999*	*1998*	*1997*
$3,931	$7,251	$7,200	$7,017	$2,202	$2,336
74,379	78,343	84,492	86,765	80,390	68,401
15,182	13,396	13,151	13,198	10,467	8,288
36,644	39,495	37,524	19,755	21,353	13,531
28,172	24,584	24,659	28,138	21,296	10,031
88,742	8,913	13,418	0	25,930	5,057
984	1,299	2,200	1,368	3,932	2,329
63,744	62,590	55,414	50,605	42,781	38,937
143,412	137,942	131,646	88,099	90,916	54,837
14,197	14,246	8,862	16,619	4,562	9,383
4,960	5,323	5,255	5,227	4,716	3,477
8,674	15,092	16,000	15,858	14,088	13,828
30,507	35,732	54,249	38,592	46,164	41,267
20,981	23,219	17,282	18,815	18,557	17,315
534,509	*467,425*	*471,352*	*390,056*	*387,354*	*289,017*
3,180,017	2,995,926	2,844,566	2,871,248	2,620,880	2,143,333
140,759	126,085	155,555	127,967	131,092	129,996
3,320,776	3,122,011	3,000,121	2,999,215	2,751,972	2,273,329
55,386	223,543	21,471	71,113	53,638	105,886
$3,376,162	**$3,345,554**	**$3,021,592**	**$3,070,328**	**$2,805,610**	**$2,379,215**
$175,000	$177,499	$142,501	$90,000	$90,000	$90,305
5,028,068	4,422,092	4,925,713	4,814,483	4,209,531	3,487,427
14,457	46,277	21,230	48,777	68,272	0
0	0	0	0	0	72,722
371,514	379,146	384,146	206,506	204,324	221,456
$5,589,039	*$5,025,014*	*$5,473,590*	*$5,159,766*	*$4,572,127*	*$3,871,910*

See the accompanying independent auditor's report.

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

William 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 $3.361 billion in market value as of December 31, 2006. Specifically, the Association is responsible for administering two separate funds: the Fire & Police Members' Benefit Investment Fund ($3.225 billion) and the Fire & Police Members' Self-Directed Investment Fund ($135.785 million).

The Members' Benefit Investment 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. In contrast, The Members' Self-Directed Investment Fund includes the assets of various defined contribution plans and self-directed DROP plan assets. 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 Members' Self-Directed Investment Fund also includes the assets of IRC 457 deferred compensation plans which permit 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 contributions 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, deferred compensation and self-directed DROP 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 Investment 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 CFA Institute (CFAI). 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 Investment Fund

Summary of Investment Objectives

The Board, in developing investment objectives, asset allocation, and investment guidelines, recognizes that the Members' Benefit Investment 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 (Private Equity) 12%.

FPPA's investment objectives and policies are reviewed at least annually. Return targets are expected to be achieved "over time," meaning over successive 3-5 year periods. 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. 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.

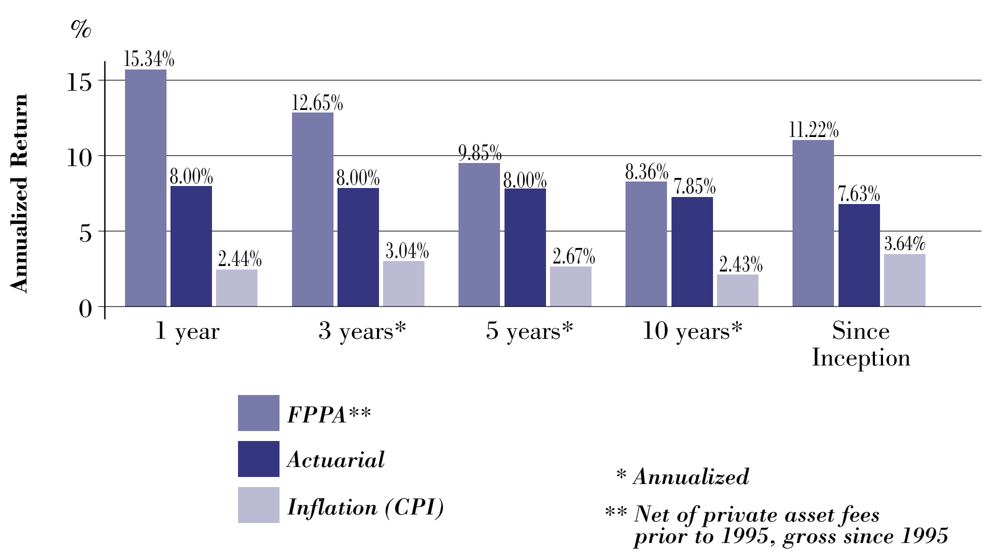
Cash held by an investment manager is invested on a daily basis in the custodian bank's short-term investment fund. In addition, unless agreed to between the Board and the manager, equity managers should hold no more than 10% of FPPA's accounts in cash or cash equivalents. Securities that are assets 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 peers, 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.

Members Benefit Investment Fund Return vs. Inflation and Actuarial Requirements (inception - 2006)



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

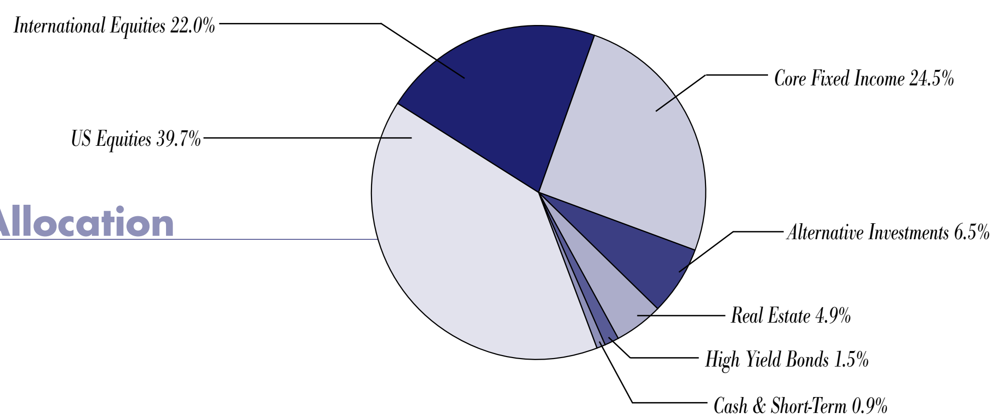
The Board is conscious of the need to evaluate the risk in the investment program and uses several gauges to monitor risk. They include, but are not limited to, variation in the asset mix from the policy, variability of returns, relative performance results, diversification measures, financial characteristics 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 (private equity) 9%. Pending the ability to fully fund the allocation to private equity investments, the Board has set interim annual targets of 6% for 2005, 7% for 2006, 8% for 2007 and 9% for 2008.

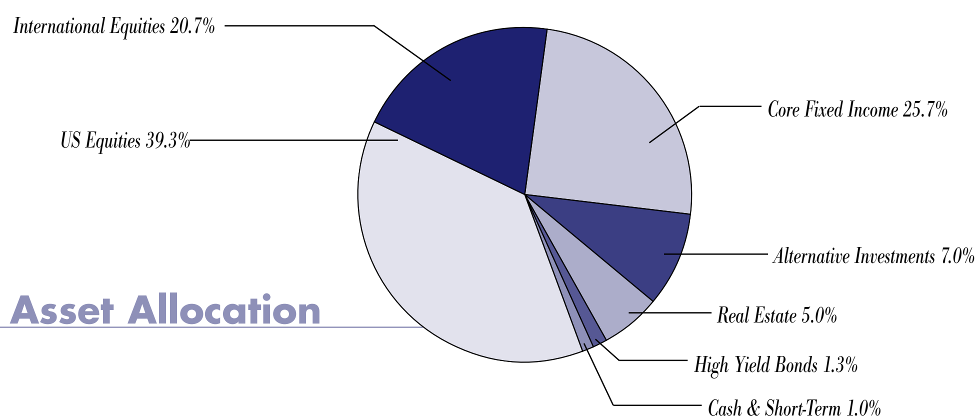
The Association has established relationships with investment management firms with a diversity of management approaches. The managers have discretionary authority in the selection and retention of individual investments, subject to state statutory restrictions and the Association's investment policy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

2006 Asset Allocation



2006 Target Asset Allocation



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 Investment Fund, as of December 31, 2006, the Association employed the external investment managers listed in the table on page 66.

Members' Self-Directed Investment Fund

Summary of the Fund's Objectives

The Members' Self-Directed Investment Fund ("the Fund"), includes the assets of the Statewide Money Purchase Plan, affiliated local money purchase plans, self-directed DROP plans and IRC 457 deferred compensation plans ("the plans"). Members of the plans direct their 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 Fund's 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, Money Market, Domestic Bond, Domestic Equity, International Equity, and Target Retirement Date Balanced Funds.

FPPA selected Fidelity Investments® to provide recordkeeping and investment management services for FPPA's 457 Deferred Compensation Plan, Statewide Money Purchase Plan, self-directed DROP plans 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 investment 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	$182,668,487	5.68%
Investment Grade Corporate	127,094,001	3.95%
Mortgage Backed Securities	379,544,198	11.80%
High Yield Corporate	55,136,778	1.71%
Municipal Bonds	7,068,625	0.22%
International Bonds	60,423,544	1.88%
Total fixed income	*$811,935,633*	*25.24%*
Domestic Stocks		
Consumer Discretionary	$191,328,599	5.95%
Consumer Staples	53,982,639	1.68%
Energy	67,757,783	2.11%
Financials	227,162,113	7.06%
Health Care	139,189,761	4.33%
Industrials	115,611,367	3.59%
Information Technology	218,181,674	6.78%
Materials	24,339,754	0.76%
Telecommunications	52,919,133	1.65%
Utilities	40,404,170	1.26%
Total common stock	*$1,130,876,993*	*35.16%*
International Stocks		
Developed Country	$555,528,829	17.27%
Emerging Markets	132,212,899	4.11%
Total International Stocks	*$687,741,728*	*21.38%*
Hedge Funds		
Diversified Funds of Hedge Funds	$113,255,809	3.52%
Alternative investments		
Real Estate	$144,716,464	4.50%
Timberlands	12,499,348	0.39%
Venture Capital & Private Equity	209,181,519	6.50%
Total alternative investments	*$366,397,331*	*11.39%*
Short-term investments		
Temporary Investment Fund	$83,415,816	2.59%
Government and agency issues	9,024,358	0.28%
Commercial paper	25,584,973	0.80%
Other cash & cash equivalents	13,952,078	0.43%
Net pending trades	(25,538,536)	-0.79%
Total short-term investments	*$106,438,689*	*3.31%*
TOTAL	***$3,216,646,182.35***	***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	$147,267		$46,809,707	1.46%
SSGA Russell 1000 Index	Russell 1000 Index	25,860		538,810,592	16.75%
Brandywine	Small Cap Value	301,027		48,149,133	1.50%
Fiduciary Asset Management	Large Cap Core	465,155		175,668,379	5.46%
Legg Mason	Large Cap Core	1,106,425		288,498,812	8.97%
Cortina Asset Management	Small Cap Growth	433,358		47,573,597	1.48%
Fairfield Investment Fund	Fund of Hedge Funds	616,484		53,891,416	1.68%
Gottex Market Neutral	Fund of Hedge Funds	842,398		59,364,393	1.85%
S&P 500 Futures	S&P 500 Futures	122,802		17,099,612	0.53%
Total Domestic Equities		*$4,060,775*		*$1,275,865,640*	*39.66%*
Domestic Fixed Income					
Trust Company of the West	High Yield	$194,133		$46,679,797	1.45%
PIMCO	Active	1,022,341		390,674,952	12.15%
Western Asset Mgmt	Active	723,493		397,941,740	12.37%
Total Domestic Fixed		*$1,939,967*		*$835,296,489*	*25.97%*
International Equities					
Baillie Gifford Overseas Ltd.	Active Emerging Markets	$338,793		$44,134,389	1.37%
Julius Baer	Active EAFE	1,023,246		237,170,667	7.37%
LSV Asset Management	Active EAFE	1,186,847		241,478,734	7.51%
Morgan Stanley	Active/Passive EAFE	333,228		134,227,827	4.17%
Rexiter Capital Management	Active Emerging Markets	405,521		51,755,483	1.61%
Total International Equities		*$3,287,634*		*$708,767,100*	*22.03%*
Real Estate					
Apollo RE	Opportunistic	$71,436	*	$6,058,177	0.19%
Blackstone RE	Opportunistic	24,695	*	938,046	0.03%
Dune Real Estate	Opportunistic	0	*	1,799,999	0.06%
Hancock Timber	Timberlands	105,256	*	12,499,348	0.39%
JP Morgan Fleming	Core	434,083	*	51,677,007	1.61%
Morgan Stanley	Core	0	*	10,424,610	0.32%
PRISA & PRISA II	Core & Core +	273,188	*	28,892,112	0.90%
RREEF	Core	179,796	*	44,926,614	1.40%
Total Real Estate		*$1,088,455*		*$157,215,912*	*4.89%*
Alternative Investments					
ABS Capital Partners II		$22,053	*	$337,820	0.01%
Apollo Investment Fund IV		42,229	*	5,487,833	0.17%
Apollo Investment Fund VI		71,193	*	1,695,840	0.05%
ARCH Venture Fund V		106,223	*	2,069,225	0.06%
Aurora Equity Partners II		24,623	*	9,506,561	0.30%
Aurora Equity Partners III		110,050	*	3,156,823	0.10%
Avenue Special Situations Fund IV		45,405	*	9,181,887	0.29%
Avenue Special Situations III		50,583	*	796,338	0.02%
Birch Hill Equity Partners (US) III		79,757	*	1,641,431	0.05%
Blackstone Capital Partners III		16,676	*	4,804,078	0.15%
Blackstone Capital Partners IV		793	*	4,317,041	0.13%
Blackstone Capital Partners V		90,492	*	3,263,609	0.10%
Boston Ventures V		24,151	*	3,449,389	0.11%
Catterton Partners V		87,277	*	3,436,056	0.11%
Catterton Partners VI		0	*	795,771	0.02%
Centennial Fund VI		60,064	*	893,384	0.03%
Centennial Fund VII		99,424	*	2,230,860	0.07%
Chisholm Partners III		46,985	*	2,099,363	0.07%
Chisholm Partners IV		212,076	*	7,979,302	0.25%
Coller International Partners IV		$212,739	*	$2,992,470	0.09%

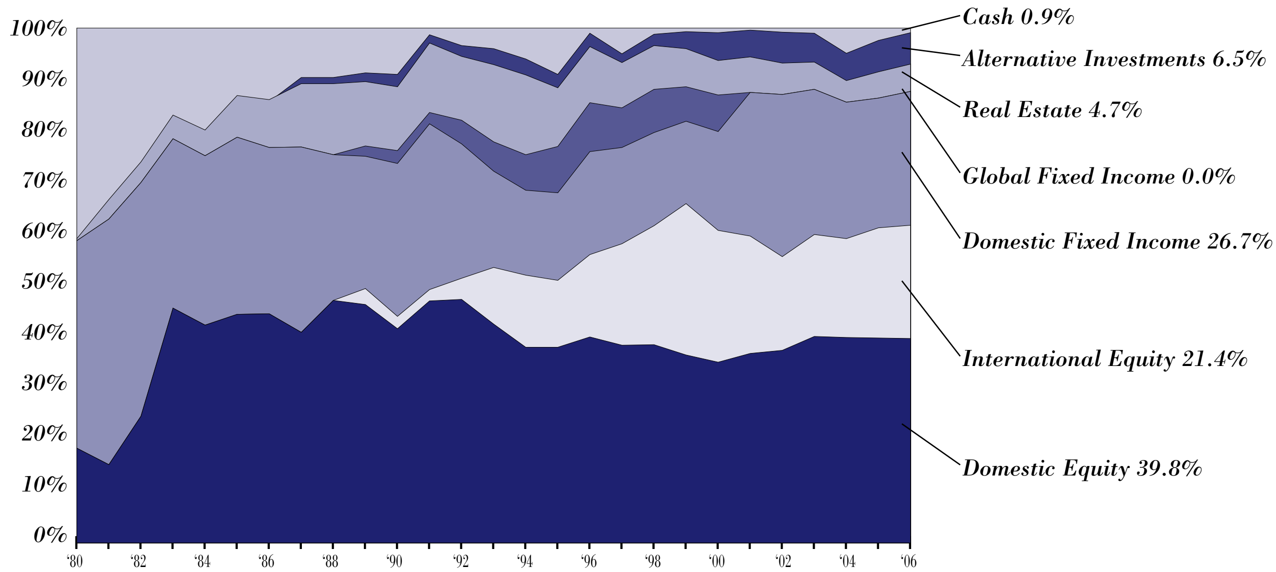
Asset Allocation by Category and Investment Manager (continued)

ASSET CLASS MANAGER	Investment Style	Management Fees		TOTAL ASSETS	% of Total Fund Assets
Coller International Partners V		$ 0	*	$375,000	0.01%
CVC European Equity Partners III		0	*	6,466,419	0.20%
CVC European Equity Partners IV		110,817	*	2,144,606	0.07%
Doughty Hanson Fund II		4,989	*	244,854	0.01%
Doughty Hanson Fund III		28,146	*	1,962,379	0.06%
Endeavour Capital Fund IV		68,832	*	4,591,618	0.14%
Falcon Ventrures		0	*	397,462	0.01%
First Reserve Fund IX		34,341	*	2,085,039	0.06%
First Reserve Fund VIII		76,287	*	4,748,790	0.15%
First Reserve Fund X		232,788	*	7,024,691	0.22%
First Reserve Fund XI		0	*	235,027	0.01%
Focus Ventures III		0	*	562,953	0.02%
Granite Global Ventures II		166,383	*	5,228,519	0.16%
Granite Global Ventures III		0	*	750,000	0.02%
Green Equity Investors IV		14,699	*	3,825,262	0.12%
Harbour Vest International		0	*	186,166	0.01%
Harvest Partners III		44,623	*	1,308,577	0.04%
Harvest Partners IV		0	*	4,198,433	0.13%
Heritage Fund II		17,653	*	170,642	0.01%
Heritage Fund III		48,660	*	338,449	0.01%
JMI Equity Fund V		152,512	*	4,867,403	0.15%
Kayne Anderson Energy Fund III		176,597	*	2,907,701	0.09%
Larimer Ventures		0	*	179,456	0.01%
Leapfrog Ventures II		113,120	*	1,418,032	0.04%
Lighthouse Capital Partners V		75,000	*	3,311,476	0.10%
LNK Partners		102,622	*	1,006,080	0.03%
MatlinPatterson Global Opps Fund		35,783	*	4,466,680	0.14%
MHR Institutional Partners III		0	*	209,688	0.01%
Nautic Partners V		40,791	*	3,217,434	0.10%
Nordic Capital Fund III		42,146	*	2,840,834	0.09%
Nordic Capital Fund V		80,710	*	6,819,725	0.21%
Nordic Capital Fund VI		106,573	*	550,236	0.02%
Oxford Bioscience Partners IV		124,535	*	3,498,026	0.11%
Oxford Bioscience Partners V		20,678	*	1,141,705	0.04%
Permira Europe IV		0	*	820,622	0.03%
Providence Equity Partners V		0	*	6,988,750	0.22%
SKM Equity Fund II		15,203	*	1,010,107	0.03%
Sprout Capital IX		50,588	*	838,071	0.03%
Sprout Capital VIII, L.P.		12,920	*	2,290,929	0.07%
Thomas H. Lee Equity Fund IV		13,891	*	4,560,316	0.14%
Thomas H. Lee Equity Fund V		0	*	1,306,586	0.04%
Thomas McNerney & Partners		221,598	*	5,495,074	0.17%
Thomas, McNerney & Partners II		0	*	1,000,000	0.03%
TPG Partners II		21,574	*	4,073,435	0.13%
TPG Partners III		0	*	5,227,454	0.16%
TPG Partners IV		28,313	*	7,352,281	0.23%
TPG Partners V		0	*	1,169,392	0.04%
Vestar Capital Partners III		99,816	*	1,548,960	0.05%
Vestar Capital Partners IV		33,566	*	2,864,233	0.09%
Vestar Capital Partners V-A		33,234	*	1,299,419	0.04%
W Capital Partners		141,193	*	6,600,144	0.21%
Willis Stein & Partners		6,310	*	1,161,328	0.04%
Closed Funds		11,993	*	0	0.00%
Pacific Corporate Group (consultant)		300,000		0	0.00%
Total Alternative Investments		*$4,312,277*		*$209,021,543*	*6.50%*
Cash Held at Mellon Bank				**$30,479,499**	**0.95%**
TOTAL FEES & ASSETS		**$14,689,108**		**$3,216,646,182**	**100.00%**

* *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.*

The total market value of the Members' Benefit Investment Fund does not include physical assets of the Association, Assets in the Association's Funding Account, receivable and payables of the Association, and assets held as securities lending collateral.

FPPA Asset Allocation 1980-2006 — Members' Benefit Fund



"Top 20" Equity Holdings

Company	*Market Value*
UNITED HEALTH GROUP INC COM	$17,751,102
AES CORP	$15,284,740
TYCO INTL LTD NEW COM	$14,771,360
SPRINT NEXTEL	$14,411,181
CITIGROUP INC	$13,642,323
GOOGLE INC	$12,663,200
QWEST COMMUNICATIONS INTL	$12,573,414
AMAZON.COM INC	$12,564,064
JPMORGAN CHASE & CO	$12,210,240
AMERICAN INTL GROUP INC	$11,651,916
YAHOO INC	$11,334,014
SEARS	$11,133,759
GENERAL ELEC CO	$9,857,301
COUNTRYWIDE FINANCIAL CORP	$9,716,805
TOTAL SA	$9,593,478
AETNA INC	$9,452,102
DIRECTTV GROUP	$9,172,932
IAC/INTERACTIVE	$8,531,936
PFIZER INC	$8,295,252
EASTMAN KODAK CO	$8,028,960

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 POOL 6.500%	January 1, 2037	$41,770,800
FEDERAL NATL MTG ASSN POOL 5.500%	September 1, 2034	$33,064,502
FEDERAL NATL MTG ASSN POOL 6.000%	January 1, 2037	$22,145,200
U S TREASURY NOTES 4.625%	November 15, 2016	$19,297,654
FEDERAL NATL MTG ASSN POOL 5.000%	February 1, 2036	$19,170,719
U S TREASURY NOTES 4.875%	August 15, 2016	$18,150,539
FEDERAL NATL MTG ASSN POOL 5.500%	February 1, 2035	$18,022,645
U S TREASURY INFLATION INDEX BD 3.625%	January 15, 2008	$17,681,967
U S TREASURY NOTES 4.375%	November 15, 2008	$16,963,028
FEDERAL NATL MTG ASSN POOL 5.500%	January 1, 2037	$11,857,200
U S TREASURY BONDS 5.375%	February 15, 2031	$10,179,868
US TREASURY CPI INFLATION INDEX 0.875%	April 15, 2010	$10,104,254
FEDERAL NATL MTG ASSN POOL 6.000%	October 1, 2036	$9,969,112
US TREASURY CPI INFLATION INDEX 3.375%	January 15, 2007	$8,777,767
U S TREASURY NOTES 3.875%	September 15, 2010	$7,993,128
U S TREASURY BONDS 4.500%	February 15, 2036	$6,562,674
FEDERAL HOME LOAN BANK RAR RT	July 25, 2044	$6,371,747
US TREASURY CPI INFLATION INDEX 2.375%	April 15, 2011	$6,139,432
CONOCOPHILLIPS AUSTRALIA VAR RT	April 9, 2009	$5,504,290
FEDERAL HOME LOAN BANK 5.000%	July 15, 2034	$4,985,818

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, 2006

Series Name Benchmark Indices	1 Year Return %	3 year Annualized Return %	5 year Annualized Return %
FPPA Total Fund - Gross of Fees	15.33	12.65	9.85
FPPA Total Fund - Net of Fees	14.78	12.16	9.37
Custom Total Fund Benchmark[1]	15.42	12.49	9.53
Public Fund Median (Callan Associates)	13.88	11.01	8.87
Domestic Equity Accounts - Gross of Fees	13.39	10.49	7.33
Domestic Equity Accounts - Net of Fees	13.01	10.21	7.09
Russell 3000 Stock Index	15.72	11.19	7.17
International Equity Accounts - Gross of Fees	30.61	23.10	16.56
International Equity Accounts - Net of Fees	30.11	22.62	16.08
MSCI All Country World Ex US Index	27.16	21.81	16.87
Domestic Fixed Income Accounts - Gross of Fees	5.50	5.06	6.55
Domestic Fixed Income Accounts - Net of Fees	5.26	4.83	6.29
Lehman Brothers Aggregate Index	4.33	3.70	5.06
Lehman Brothers Universal Index	4.97	4.21	5.64
All Real Estate Accounts - Gross of Fees[2]	18.37	19.54	13.29
All Real Estate Accounts - Net of Fees[2]	17.51	18.41	12.25
NCREIF ODCE Index[2]	16.32	16.88	12.99
All Alternative Accounts - Gross of Fees[3]	19.92	24.88	15.52
All Alternative Accounts - Net of Fees[3]	16.82	21.95	12.79
Russell 3000 Index plus 400 basis points	19.72	15.19	11.17
Cambridge Custom Benchmark[4]	21.17	23.58	12.25

NOTES:
1. Composite of the index benchmark returns of each asset class multiplied by their target asset allocations.
2. Real estate accounts and NCRIEF ODCE 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
BEAR STEARNS SEC CORP, BROOKLYN	$31,949.56	2,598,108	$0.012
INVESTMENT TECHNOLOGY GROUPS, NEW YORK	21,515.79	1,434,376	0.015
PIPER JAFFRAY & CO, MINNEAPOLIS	13,068.36	1,033,713	0.013
INSTINET CORP, NY	11,622.81	946,264	0.012
CITIGROUP GBL MKTS INC, NEW YORK	36,950.23	942,046	0.039
LYNCH JONES & RYAN INC, HOUSTON	32,263.53	848,263	0.038
BNY CONVERGEX EXECUTION SOLUTIONS, NY	8,666.21	705,154	0.012
B TRADE SVCS LLC, NEW YORK	11,980.27	479,210	0.025
LIQUIDNET INC, BROOKLYN	15,010.32	456,819	0.033
LEHMAN BROS INC, NEW YORK	11,677.67	456,231	0.026
SIDOTI & CO LLC, NEW YORK	12,350.23	389,605	0.032
PIPER JAFFRAY & CO, MINNEAPOLIS	16,793.55	369,486	0.045
LYNCH JONES & RYAN INC, HOUSTON	17,645.00	352,900	0.050
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	14,619.08	335,602	0.044
FRANK RUSSELL SECURITIES, JERSEY CITY	11,876.00	299,500	0.040
S G COWEN & CO LLC, NEW YORK	10,311.19	263,939	0.039
LYNCH JONES & RYAN INC, HOUSTON	9,897.50	248,100	0.040
THOMAS WEISEL PARTNERS, SAN FRANCISCO	8,974.64	219,192	0.041
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	2,658.35	218,735	0.012
NEEDHAM & CO, NEW YORK	9,137.41	208,074	0.044
FIRST ALBANY CAPITAL INC, ALBANY	8,972.86	207,398	0.043
CIBC WORLD MARKETS CORP, NEW YORK	8,448.69	191,635	0.044
B TRADE SVCS LLC, NEW YORK	3,699.88	184,994	0.020
WACHOVIA CAPITAL MARKETS LLC, CHARLOTTE	8,038.82	171,625	0.047
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	6,748.00	168,700	0.040
JEFFERIES & CO INC, NEW YORK	7,128.50	168,532	0.042
MORGAN KEEGAN & CO INC, MEMPHIS	7,013.25	162,839	0.043
BNY CONVERGEX EXECUTION SOLUTIONS, NY	8,036.50	161,510	0.050
PIPELINE TRADING SYSTEMS LLC, NEW YORK	3,180.04	159,002	0.020
BAIRD, ROBERT W & CO INC, MILWAUKEE	7,800.53	158,350	0.049
SUNTRUST CAPITAL MARKETS INC, ATLANTA	7,057.60	155,291	0.045
MORGAN STANLEY & CO INC, NY	2,809.00	155,200	0.018
BREAN MURRAY FOSTER INC, NEW YORK	6,869.51	154,164	0.045
JONES & ASSOCIATES INC, WESTLAKE VILLAGE	4,508.66	147,489	0.031
CAP INSTL SVCS INC-EQUITIES, DALLAS	$ 7,001.95	140,039	$0.050

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

Broker Name	Commission	Shares	Per Share
WR HAMBRECHT & CO, SAN FRANCISCO	$ 6,099.05	137,286	$0.044
FRIEDMAN BILLINGS, WASHINGTON DC	5,586.45	134,363	0.042
STERNE AGEE & LEACH INC	6,669.10	133,382	0.050
BEAR STEARNS SEC CORP, BROOKLYN	5,670.83	133,001	0.043
C E UNTERBERG TOWBIN, WEEHAWKEN	6,274.87	131,901	0.048
PRUDENTIAL EQUITY GROUP, NEW YORK	6,163.71	127,812	0.048
JONES & ASSOCIATES INC, WESTLAKE VILLAGE	3,728.82	124,494	0.030
MORGAN J P SECS INC, NEW YORK	5,073.14	123,300	0.041
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	5,166.45	121,453	0.043
BERNSTEIN SANFORD C & CO, NEW YORK	4,756.00	118,900	0.040
LIQUIDNET INC, BROOKLYN	2,340.00	117,000	0.020
DEUTSCHE BK SECS INC, NY (NWSCUS33)	5,719.80	116,047	0.049
SCOTT STRINGFELLOW INC, RICHMOND	5,323.00	110,900	0.048
HOWARD WEIL LABOUISSE FRIEDRICHS, NEW OR	5,200.00	107,700	0.048
ISI GROUP INC, NY	4,952.48	106,740	0.046
All Other Brokers	$189,134.95	4,582,421	$0.041
Total	$674,140.14	21,718,785	$0.031

GRS

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December 22, 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 certain 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 2.6%, the maximum rate currently permitted by statute. The D&D contribution rate may only be changed every two years by statute.

Board of Directors, Fire and Police Pension Association
December 22, 2006
Page 2

The statewide plans and affiliated local old and new hire plans were last valued as of January 1, 2006. The volunteer firefighter plans were valued as of January 1, 2005.

The valuations were performed based on data provided by FPPA's administrative staff, with an examination of the data for reasonableness. The actuarial methods and assumptions used are in full compliance with all the parameters established by GASB Statements No. 25 & No. 27 and meet the parameters set for the disclosures presented in the financial section by GASB Statement No. 25.

The supporting schedules in this actuarial section were generally prepared by the Actuary from information in the annual actuarial reports. Certain of these tables, however, were prepared by FPPA utilizing information from this report. When those tables were prepared by FPPA from our report, they are so noted. To the best of our knowledge, the supporting schedules fully and fairly disclose the actuarial conditions of the plans.

Sincerely,
Gabriel, Roeder, Smith & Company

WB Fornia

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

Joe Newton

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

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

Gabriel Roeder Smith & Company

General Information

As of December 31, 2006 the Fire & Police Members' Benefit Investment Fund of the Fire and Police Pension Association is comprised of the following individual plans: the Statewide Defined Benefit Plan, the Statewide Death & Disability Plan, the Statewide Hybrid Plan, 2 exempt plans, 52 local paid pension plans, and 171 volunteer firefighters pension plans. An independent actuarial firm is hired by the Association to perform annual valuations on the three statewide plans and the exempt plans, and to perform bi-annual valuations on the local paid and volunteer plans. In 2006 the independent actuarial valuations were performed by Gabriel, Roeder, Smith & Company.

In addition, FPPA administers two local money purchase plans and the Statewide Money Purchase Plan within the Fire & Police Members' Self-Directed Investment 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 (2007, 2009, 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 multi-tiered plan that is comprised of the Statewide Defined Benefit Plan, the Statewide Hybrid Plan, and the exempt plans. The statewide 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, 2006, 188 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, 2006, 13 departments throughout the state were participating in the Plan.

Two exempt plans joined the Defined Benefit System as of October 1, 2006. They are defined benefit plans for fire and police employees hired on and after April 8, 1978. The plans are closed to new members as of October 1, 2006

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, 2006, 357 departments were participating in this plan.

The valuation for the Statewide Defined Benefit Plan and exempt plans are 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 Plan and Statewide Hybrid Plan - Defined Benefit Component:
Service Retirement: Age 55 and 5 years of service, or current age and service, if greater.

Defined Benefit System — Statewide Defined Benefit Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Covered Payroll*	Annual Average Pay	% Increase in Average Pay
1/1/06	4,302	$239,642,543	$55,705	3.75%
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%
1/1/98	2,328	$91,488,829	$39,299	7.52%
1/1/97	2,202	$80,484,109	$36,550	5.14%

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

Gain/(Loss) on Actuarial Value of Assets

	Valuation as of January 1, 2006	Valuation as of January 1, 2005
Actuarial assets, prior valuation	$557,949,693	$473,006,658
Total Contributions since prior valuation	$56,453,043	$42,708,036
Benefits and refunds since prior valuation	($6,018,529)	($3,781,975)
Assumed net investment income at 8%		
Beginning assets	$44,635,975	$37,840,533
Contributions	$2,214,680	$1,675,457
Benefits and refunds paid	($236,110)	($148,369)
Total	$46,614,545	$39,367,621
Expected actuarial assets	$654,998,752	$551,300,340
Actual actuarial assets, this valuation	$681,193,087	$557,949,693
Preliminary asset gain/(loss)	$26,194,335	$6,649,353
Excess Return on SRA	$1,181,838	$3,501,548
Net asset gain (loss) since prior valuation	$25,012,497 Gain	$3,147,805 Gain

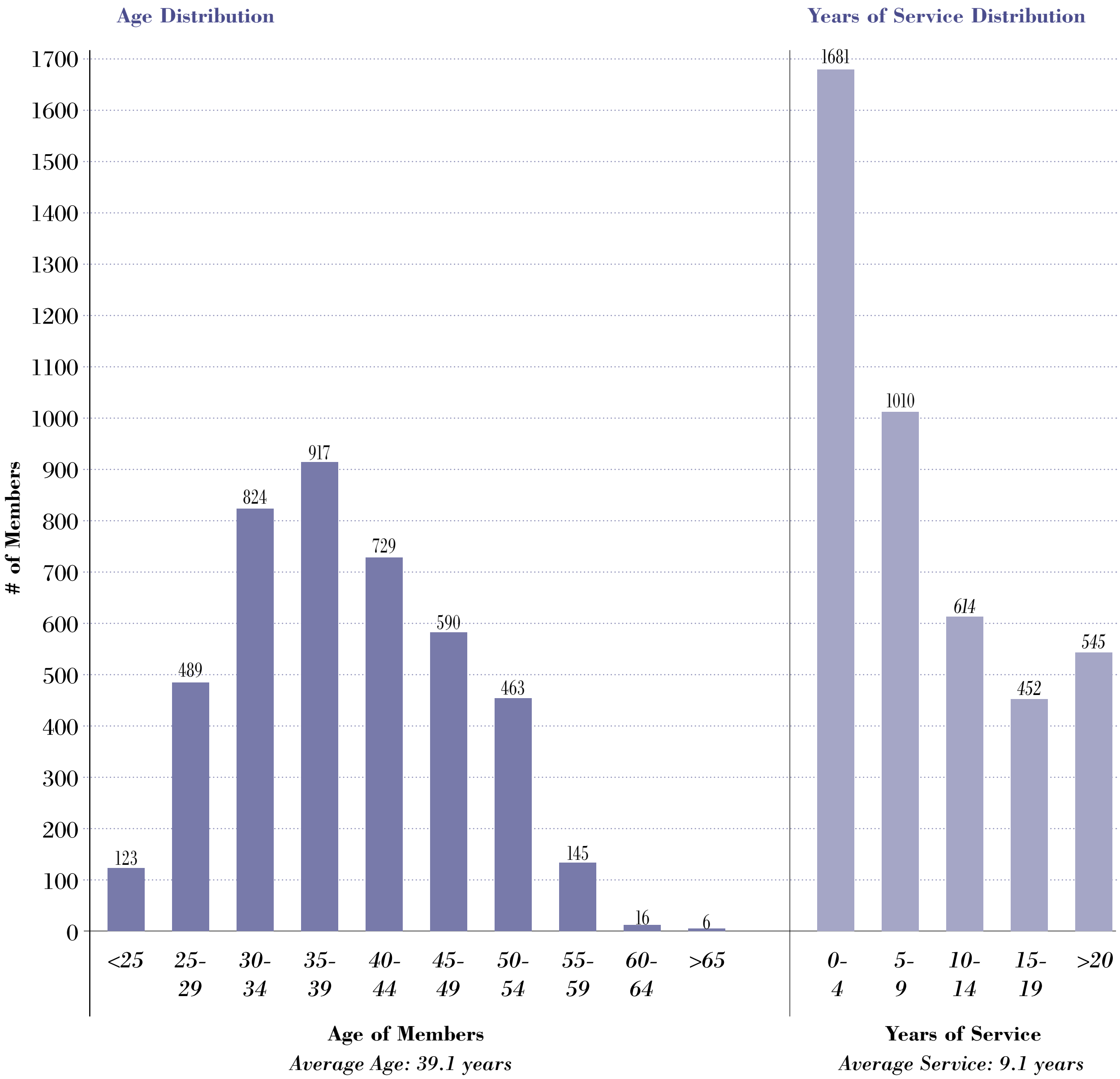
Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll*

	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
1/1/06	51	$1,458,446	2	$22,713	159	$3,941,893	57.29%	$24,792
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	$ 3,697	47	$735,257	107.97%	$15,644
1/1/01	5	$50,774	1	$15,482	32	$353,534	13.35%	$11,048
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
1/1/98	2	$22,218	1	$568	20	$156,512	13.72%	$7,826
1/1/97	8	$54,955	1	$568	19	$137,627	53.59%	$7,244

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

Defined Benefit System — 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.

Defined Benefit 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:			*Funded Percentages*		
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)*	*(1)*	*(2)*	*(3)*
1/1/06	$681,193	$161,665	$57,780	$350,374	100%	100%	100%
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	$19,925	$255,301	100%	100%	100%
1/1/02	$428,389	$85,368	$15,946	$236,078	100%	100%	100%
1/1/01	$405,599	$75,909	$9,134	$220,457	100%	100%	100%
1/1/00	$367,004	$66,204	$7,716	$156,503	100%	100%	100%
1/1/99	$311,057	$58,232	$6,413	$138,360	100%	100%	100%
1/1/98	$261,509	$51,092	$4,895	$115,161	100%	100%	100%
1/1/97	$217,454	$47,439	$3,796	$87,807	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 enforcement 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 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 the social security income the member receives annually for social security benefits accrued prior to 2007.

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 for social security benefits accrued prior to 2007.

Defined Benefit System — 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 service is vested. A vested member who does not withdraw their contributions from the fund is eligible for a deferred termination benefit. The monthly benefit is based on the retirement formula described above. Both the salary and service are determined at the time the member leaves active employment. Benefits may commence at age 55.

The benefit for members of affiliated social security employers will be reduced by the amount of social security income the member receives annually for social security benefits accrued prior to 2007.

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.

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.

Contributions 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. The contribution rate for members and employers will be 4% each effective 1/1/2007.

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

Members under the social security provision will have the social security offset calculated and applied at age 62.

Changes in Actuarial Assumptions

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

Defined Benefit System — 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	Covered Payroll*	Annual Average Pay	% Increase in Average Pay
1/1/06	67	$3,967,889	$59,222	(16.76%)
1/1/05	36	$2,561,203	$71,145	0.00%

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

Gain/(Loss) on Actuarial Value of Assets

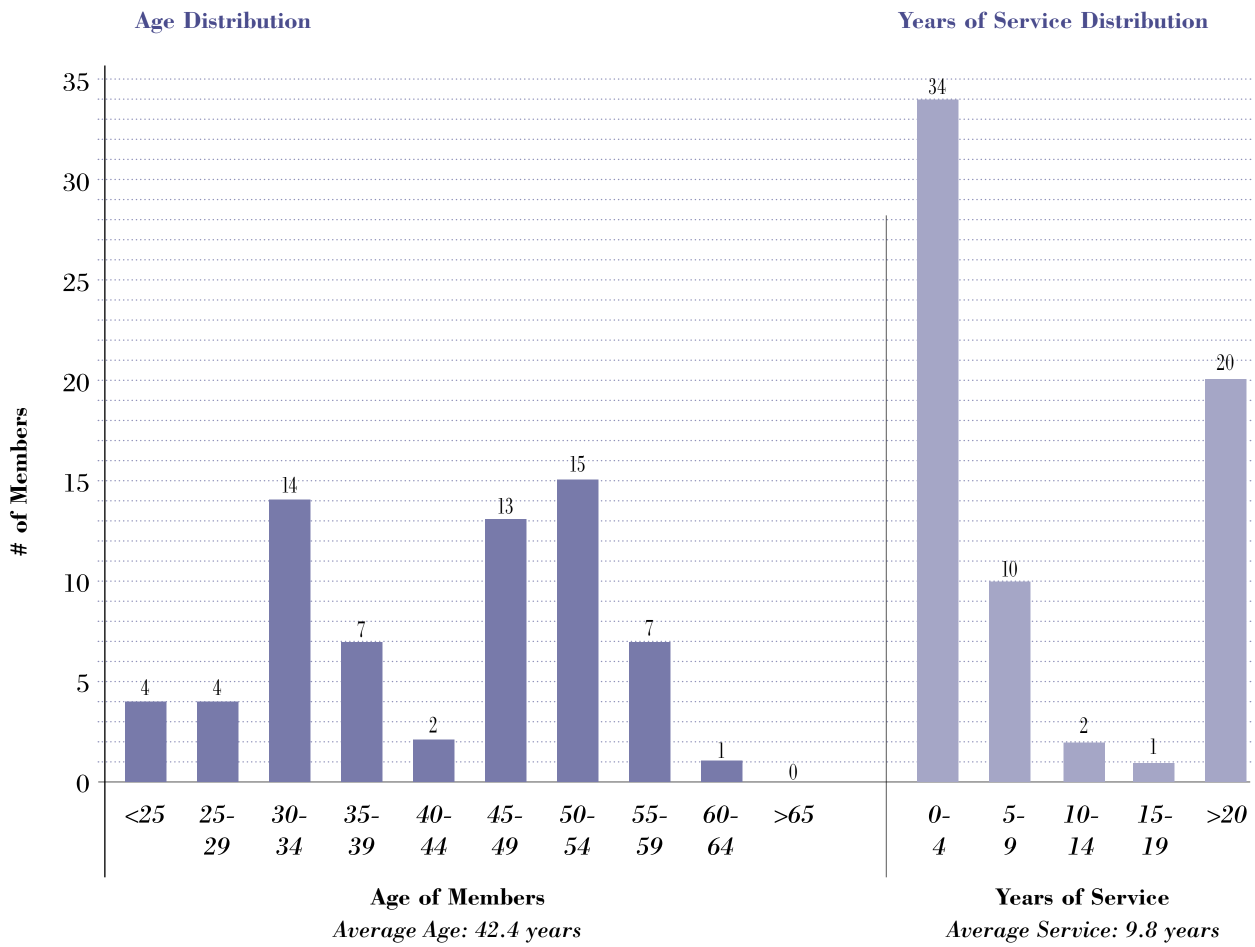
	Valuation as of January 1, 2006	Valuation as of January 1, 2005
Actuarial assets, prior valuation	$5,040,067	$0
Total Contributions since prior valuation	$2,384,615	$4,796,245
Benefits and refunds since prior valuation	($36,779)	$0
Assumed net investment income at 8%		
Beginning assets	$403,205	$0
Contributions	$93,550	$188,159
Benefits and refunds paid	($1,443)	$0
Total	$495,312	$188,159
Expected actuarial assets	$7,883,215	$4,984,404
Actual actuarial assets, this valuation	$7,998,356	$5,040,067
Net asset gain (loss) since prior valuation	$115,141 Gain	$55,663 Gain

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
1/1/06	0	$0	0	$0	0	$0	N/A	$0
1/1/05	0	$0	0	$0	0	$0	N/A	$0

Defined Benefit System — 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. Contribution rates are actuarially determined each year as the sum of the normal cost and the amortization of the unfunded accrued liability over a period of 30 years from the current valuation date. The Board of Directors then certifies the rates allocated to the Defined Benefit component of the Hybrid Plan such that the rates will remain relatively stable over time and that will meet this financing objective. As of January 1, 2006, this rate was 12.5%. Effective August 2006, the Board certified a contribution rate of 11%.

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 following schedule illustrates the progress in funding the various liability measures. As can be seen by the funded percentages, the

Defined Benefit System — Statewide Hybrid Plan

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 - Solvency Test

		Aggregate Accrued Liabilities For:			Funded Percentages		
Valuation Date	Valuation Assets	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employee Financed Portion)	(1)	(2)	(3)
1/1/06	$7,998,356	$6,565,089	$0	($1,198,177)	100%	100%	100%
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 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.

Defined Benefit System — Statewide Hybrid Plan

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. In addition, upon termination, the vested account balance within the Money Purchase component is available to the employee.

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 1/1/06 actuarial study, was 12.5%. Effective 8/1/2006, the amount decreased to 11%.

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.

Defined Benefit System — Exempt Plans

Two exempt plans joined the Defined Benefit System as of October 1, 2006. They are defined benefit plans for fire and police employees hired on and after April 8, 1978. The plans are closed to new members as of October 1, 2006.

NOTE: The first actuarial valuation completed on the Exempt Plans within the Defined Benefit System will be in 2007.

SUMMARY OF PLAN PROVISIONS — Exempt Plans

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 within each of the exempt plans. At the present time, both employers and employees are required to contribute 8.5% of the employees' salary for the one exempt fire plan. The employer contribution is 8.558% and the employee portion is 8.0% of the employees' salary for the one exempt police plan.

Police Component

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 50 years, if the member has at least 25 years of service.

The annual normal pension shall be 2% of the member's final average salary (past 18 months) for each full year of credited service up to ten years plus 2.75% for each full year thereafter with a maximum benefit of 75%. Cost-of-living-adjustments begin on October 1 immediately prior to the retired police officer turning age 60 or 10 years after benefits payment commence, whichever is earlier. The amount of the COLA cannot exceed 3% per year subject to limitations linked to the consumer price index.

In addition, upon retirement a participant may receive additional benefits credited to the participant's "Separate Retirement" account. 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. Effective October 1, 2006, the Separate Retirement Account contribution rate for members of the Police Component was set at 0%.

A member shall be eligible for an early retirement benefit after completion of 20 years of service and attainment of age 45. The early retirement benefit is reduced by 7.5% for each year that the member is less than age 50.

Upon termination, an employee may elect to have all contributions, along with 5% per annum, as interest, returned as a lump sum distribution. Alternatively, a member with at least 10 years of accredited service may leave contributions with the Plan and continue to be eligible for a retirement pension at age 50 equal to 2% of the member's final average salary (past 18 months) for each full year of credited service up to ten years plus 2.75% for each full year thereafter with a maximum benefit of 75%.

Fire Component

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 shall be 2% of the member's final average salary (past 18 months) for each full year of credited service up to ten years plus 2.85% for each full year thereafter with a maximum benefit of 77%. Cost-of-living-adjustments begin on October 1 immediately prior to the retired firefighter turning age 65 or 10 years after benefits payment commence, whichever is earlier. The amount of the COLA cannot exceed 3% per year subject to limitations linked to the consumer price index.

In addition, upon retirement a participant may receive additional benefits credited to the participant's "Separate Retirement" account. 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. Effective October 1, 2006, the Separate Retirement Account contribution rate for members of the Fire Component was set at 0%.

A member shall be eligible for an early retirement benefit after completion of 20 years of service and attainment of age 50. The early retirement benefit is reduced by 4.615% for each year that the member is less than age 55.

Upon termination, an employee may elect to have all contributions, along with 5% per annum, as interest, returned as a lump sum distribution. Alternatively, a member with at least 10 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 final average salary (past 18 months) for each full year of credited service up to ten years plus 2.85% for each full year thereafter with a maximum benefit of 77%.

Statewide Death & Disability Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	% Increase in Average Pay
1/1/06	10,338	$596,231	$57,674	3.28%
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	3.38%
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%
1/1/98	8,374	$363,820	$43,446	6.01%
1/1/97	8,310	$340,587	$40,985	3.64%

Gain/(Loss) on Actuarial Value of Assets

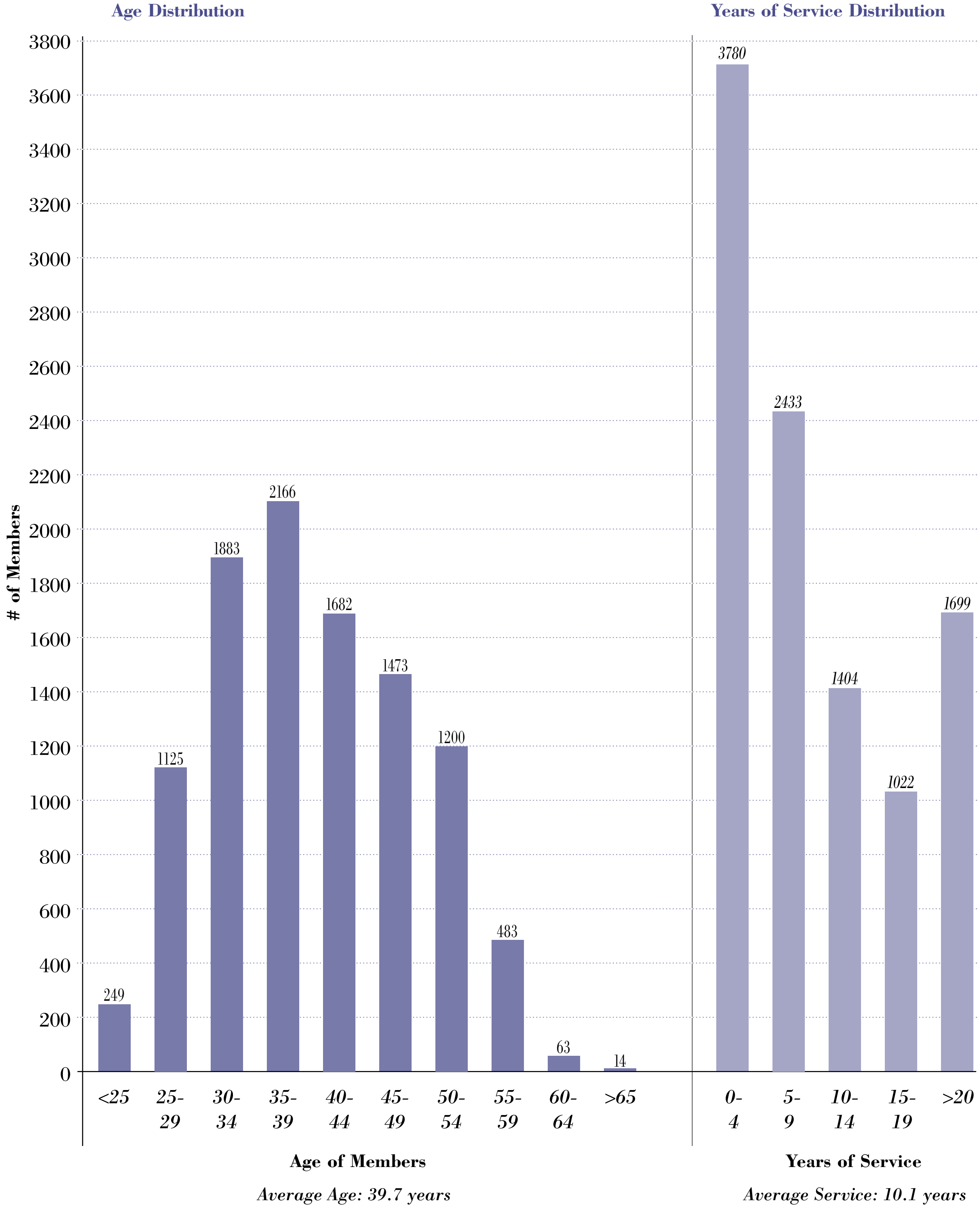
	Valuation as of January 1, 2006	Valuation as of January 1, 2005
Actuarial assets, prior valuation	$223,389,097	$212,273,124
Total Contributions since prior valuation	$7,092,718	$5,866,130
Benefits since prior valuation	($11,856,134)	($11,115,526)
Assumed net investment income at 8%		
Beginning assets	$17,871,128	$16,981,850
Contributions	$278,251	$230,131
Benefits and refunds paid	($465,122)	($436,067)
Total	$17,684,257	$16,775,914
Expected actuarial assets	$236,309,938	$223,799,642
Actual actuarial assets, this valuation	$249,299,172	$223,389,097
Asset gain/(loss) since prior valuation	$12,989,234 Gain	($410,545) Loss

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

	Added to Payroll		Removed from Payroll		Payroll		% Increase	Average
Valuation Date	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit	in Annual Benefit	Annual Benefit
1/1/06	49	$1,349,934	17	$270,411	689	$12,516,017	9.44%	$18,165
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
1/1/98	31	$419,000	12	$152,000	418	$5,754,726	9.17%	$13,767
1/1/97	58	$542,000	24	$364,000	399	$5,271,191	8.77%	$13,211

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 are not 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)*
1/1/06	$249,299	$0	$135,159	$123,568	100%	100%	92%
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	$113,476	$147,657	100%	100%	71%
1/1/02	$239,456	$0	$104,431	$135,363	100%	100%	100%
1/1/01	$240,576	$0	$94,161	$115,073	100%	100%	100%
1/1/00	$229,537	$0	$80,439	$101,830	100%	100%	100%
1/1/99	$212,357	$0	$79,661	$100,293	100%	100%	100%
1/1/98	$193,630	$0	$71,957	$75,942	100%	100%	100%
1/1/97	$175,364	$0	$67,734	$73,781	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.

Statewide Death & Disability Plan

Pre-Retirement Death Benefits

If a member dies prior to retirement while off-duty, the surviving spouse shall receive a benefit (including 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 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 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 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. Effective 1/1/2007, the rate increases to 2.6%.

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
1/1/06	221	4,949	$75,130,892	$63,295	5.98%
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 1/1/2006 actuarial valuations.**

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

Valuation Date	Added to Payroll		Removed from Payroll		Payroll		% Increase in Annual Benefit	Average Annual Benefit
	Number	Annual Benefit	Number	Annual Benefit	Number	Annual Benefit		
1/1/06	N/A	N/A	N/A	N/A	5,808	$143,788,489	N/A	$24,757
1/1/04	N/A	N/A	N/A	N/A	5,516	$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 1/1/02 actuarial valuation.**

Affiliated Local Plans - Solvency Test

Valuation Date	Valuation Assets (000's)	Aggregate Accrued Liabilities For: (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion) (000's)*	Funded Percentages (1)	(2)	(3)
1/1/06	$1,818,994	*	*	$2,246,573	N/A	N/A	81%
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 two 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 the 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 - $1,000 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

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

The Statistical Section of the FPPA annual report contains a variety of information concerning FPPA's operations including legislation, 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.

2006 FPPA Legislative Matters

In 2006, three pieces of legislation important to FPPA were passed. As the statewide plans administered by FPPA have evolved, some restructuring was required to simplify reporting of financial information and maintain compliance with IRS requirements. FPPA also modernized its social security supplemental plan. Finally, legislation allowing partial entry into the FPPA defined benefit system was enacted.

House Bill 06-1059

FPPA Structure Legislation

Concerning the structure of trust funds and investment funds in the administration of assets for the benefit of firefighters and police officers.

Bill Highlights

- Statutory amendments are necessary to align FPPA defined benefit system with current IRS requirements and pending approvals.
- Separates assets into trust funds and investments funds for simplified financial reporting.

House Bill 06-1068

FPPA Social Security Supplemental Plan Legislation

Concerning the creation of a Social Security supplemental plan by the Board of Directors of the Fire and Police Pension Association that will allow employers that cover employees under the Federal "Social Security Act" to provide a defined benefit retirement plan.

Bill Highlights

- Converts current Social Security supplemental plan into a more modern defined benefit plan.
- Eliminates Social Security offset. Provides for 1⁄2 of the standard Statewide Defined Benefit Plan (SWDB) benefit based on 1⁄2 of the SWDB contribution rate.
- Reduces staff and actuarial costs in calculating individual benefits.
- Benefits become calculable for members prior to retirement.
- Existing members vest in benefits earned prior to conversion. Existing members receive a combination of old and new benefits at retirement.
- Contribution rates for employers and members become fixed and predictable from year to year.
- Contribution rates and benefits do not change based on any future changes made to Social Security.

Senate Bill 06-039

FPPA Hybrid Plan Partial Entry Legislation

Concerning the partial entry into the Fire and Police Pension Association Defined Benefit System by members of Money Purchase Plans where all future eligible employees are required to participate in the Defined Benefit System.

Bill Highlights

- Allows a department with a local money purchase plan to put members hired after effective date in either the Statewide Hybrid Plan or the Statewide Defined Benefit plan and allows existing members in the local money purchase plan to individually elect participation either the local money purchase plan or the FPPA Defined Benefit System.
- The option to remain in a local money purchase plan is offered at the discretion of the Employer.

2006 Distribution of Funds Directly Received by the State of Colorado

State Funds Allocated to Local Plans to Reduce Unfunded Liabilities

	1997	1998	1999	2000	2001
Aurora Fire	$0	$0	$0	$0	$0
Aurora Police	1,014,624	1,032,476	1,032,476	0	0
Colo Spgs Fire	437,820	0	0	0	0
Colo Spgs Police	635,127	646,302	646,302	0	0
Denver Fire	9,013,527	9,172,120	9,172,120	9,827,860	9,960,439
Denver Police	11,403,843	11,604,493	11,604,493	12,434,131	12,601,870
Grand Jct Fire	309,112	314,551	314,551	337,039	0
Grand Jct Police	261,284	265,881	265,881	284,890	288,733
Greeley Fire (Union Colony)	595,560	606,039	606,039	649,366	658,126
Greeley Police	0	0	0	0	0
Pueblo Fire	875,110	890,508	890,508	954,172	967,044
Pueblo Police	0	0	0	0	0
Rocky Ford Fire	10,525	10,710	10,710	0	0
Rocky Ford Police	0	0	0	0	0
Lakewood FPD	614,795	625,612	625,612	670,339	679,382
Lamar Fire	0	0	0	0	0
Leadville Fire	0	0	0	0	0
N. Washington FPD	141,933	144,430	144,430	154,756	156,844
All Other	7,819	7,957	7,957	8,526	8,641
Total	**$25,321,079**	**$25,321,079**	**$25,321,079**	**$25,321,079**	**$25,321,079**

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

2002	2003	2004	2005	2006	Total (1980-2006)
$0	$0	$0	$0	$0	$2,502,878
0	0	0	0	0	9,175,314
0	0	0	0	0	9,947,115
0	0	0	0	0	11,496,947
9,960,439	0	0	0	9,960,439	164,548,234
12,601,870	0	0	0	12,601,870	216,857,608
0	0	0	0	0	4,589,087
288,733	0	0	0	288,733	4,774,819
658,126	0	0	0	658,126	8,460,027
0	0	0	0	0	192,075
967,044	0	0	0	967,044	17,445,177
0	0	0	0	0	1,699,753
0	0	0	0	0	131,044
0	0	0	0	0	14,005
679,382	0	0	0	679,382	10,263,950
0	0	0	0	0	23,293
0	0	0	0	0	44,719
156,844	0	0	0	156,844	2,176,935
8,641	0	0	0	8,641	4,413,438
$25,321,079	**$0**	**$0**	**$0**	**$25,321,079**	**$468,756,418**

Revenues by Source — All Plans

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Investment Earnings	$235,801,497	$250,900,298	$396,262,695	$(95,430,184)	$(163,249,147)	$(207,542,363)	$440,600,246	$289,287,550	$269,026,972	$426,845,802
State Funding	65,595,405	26,989,691	27,114,921	27,141,938	27,432,188	28,060,171	2,425,586	1,962,294	2,628,849	27,970,106
Employers	49,516,051	58,500,005	49,636,327	51,028,118	53,003,474	55,686,872	58,278,401	67,491,499	85,341,786	86,508,062
Employees	16,552,238	12,991,623	32,428,830	38,011,053	44,873,291	47,292,635	49,414,320	61,505,739	53,119,943	57,931,399
Affiliations	6,141,898	9,324,380	25,807,791	1,426,317	10,679,999	364,746	3,545,138	21,758,372	12,576,166	5,986,434
Total	*$373,607,089*	*$358,705,997*	*$531,250,564*	*$22,177,242*	*$(27,260,195)*	*$(76,137,939)*	*$554,263,691*	*$442,005,454*	*$422,693,716*	*$605,241,803*

Revenue Allocation — All Plans

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Additions to Fund Balance	$289,565,825	$263,184,561	$412,447,619	$(114,127,155)	$(172,154,282)	$(232,373,436)	$387,708,585	$247,094,343	$211,727,492	$401,908,001
Benefit Payments	73,393,878	82,533,683	101,496,836	112,283,281	125,003,556	133,970,296	142,466,923	150,284,940	156,721,164	164,846,096
Administrative Expense	2,494,785	3,024,568	3,254,498	3,426,968	3,168,290	3,320,776	3,149,814	3,654,837	3,698,198	4,203,557
Refunds & Withdrawals	8,152,601	9,963,185	14,051,611	20,594,148	17,813,389	19,823,566	21,399,602	41,615,028	51,759,693	35,509,514
Total	*$373,607,089*	*$358,705,997*	*$531,250,564*	*$22,177,242*	*$(26,169,047)*	*$(75,258,798)*	*$554,724,924*	*$442,649,148*	*$423,906,547*	*$606,467,168*

Expenses by Type — All Plans

	Benefit Payments	Refunds	Administrative Expenses	Capital Expense	Total Expense
2006	$164,846,096	$35,509,514	$4,203,557	$42,615	$204,601,782
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
1998	$82,533,683	$9,963,185	$2,820,244	$53,638	$95,370,750
1997	$73,393,878	$8,152,601	$2,273,329	$105,886	$83,925,694

Affiliated Volunteer Fire Departments

Alamosa VFD
Allenspark FPD
Aspen FPD
Ault FPD
Basalt & Rural FPD
Bennett FPD #7
Berthoud FPD
Big Sandy FPD
Big Thompson VFD
Black Forest FPD
Blanca VFD
Boone VFD
Boulder Mountain 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
Crested Butte FPD
Cripple Creek
Crowley FD
Crystal Lakes FPD
Del Norte FPD
Divide VFD
Donald Wescott FPD
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 VFD
Fort Morgan Rural VFD
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 VFD
La Salle FPD
Lafayette VFD
Lake City Area FPD
Lake Dillon FPD
Lake George FPD
Lamar VFD
Larkspur FPD
Left Hand FPD
Lewis-Arriola FPD
Limon VFD
Livermore FPD
Log Hill Mesa FPD
Loveland & Rural Consol. VFD
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 VFD
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 VFD
Palisade VFD
Palmer Lake VFD
Parker FPD*
Pawnee FPD
Pinewood Springs VFD
Plateau Valley VFD
Platte Canyon FPD
Platte Valley FPD
Platteville/Gilcrest FPD
Pleasant View FPD
Pleasant View Metro VFD
Poudre FA
Rangely Rural FPD
Rattlesnake FPD
Red Feather Lakes VFD
Red, White & Blue FPD
Ridgway FPD
Rifle FPD
Rio Blanco FPD
Rocky Ford VFD
Sable-Altura FPD
Sheridan VPD
Silverton 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 Police
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
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 Statewide Defined Benefit 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
Monument 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
Carbondale & Rural FPD
Castle Rock, Town of (Fire)
Cherryvale FPD
Cimarron Hills FPD
Clear Creek Fire Authority*
Clifton FPD*
Colorado Springs, City of (Police & Fire)
Columbine Valley, Town of (Police)*
Cripple Creek, City of (Police & Fire)
Cunningham FPD
Donald Wescott FPD
Durango Fire & Rescue Authority
East Grand FPD No. 4
Eaton FPD
Elizabeth FPD
Elk Creek FPD
Federal Heights, City of (Police & Fire)
Firestone, Town of (Police)
Foothills FPD
Fort Collins, City of (Police)
Fort Lupton FPD
Frederick-Firestone FPD
Genesee FPD
Glendale, City of (Police & Fire)
Granada, Town of (Police)*
Grand Valley FPD
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)
Larkspur FPD
Lochbuie, Town of (Police)
Lone Tree, City 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*
South Adams County FPD
Southern Park 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
Big Sandy FPD
Black Forest FPD
Black Hawk Fire
Blanca Police
Blue River Police*
Boulder Mountain FA
Boulder Rural FPD
Bowmar Police*
Brighton Police
Greater Brighton FPD
Brush Police
Carbondale & Rural FPD
Castle Rock Fire
Center Police
Central City Fire*
Chaffee County FPD
Cherryvale FPD
Cimarron Hills FPD
Clear Creek FA
Clifton FPD
Collbran Marshalls Police
Colorado Springs Police & Fire
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 Authority
Eads Police
East Grand FPD #4
Eaton FPD
Elizabeth Police
Elk Creek FPD
Empire Police
Englewood Fire
Erie Police
Evans Fire
Fairmount FPD
Fairplay Marshalls
Falcon FPD
Federal Heights Police & Fire
Firestone Marshalls Police
Florence Police
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*
Hudson FPD
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 Police & Fire
Lake Dillon FPD
Lake George FPD*
Lakeside Police
Larkspur FPD
Las Animas Police
Leadville Police and Fire
Lefthand FPD*
Lochbuie Police & Fire (*Fire is Inactive)
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
Nederland FPD*
Northeast Teller County FPD
North Fork Fire
North Metro Fire Rescue
North Routt County 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
Platte Valley 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 FPD
Montrose FPD
North Metro Fire Rescue
Trinidad Fire
Union Colony Fire Rescue
Westminster Fire

Employers of Statewide Money Purchase Plan Members

Blackhawk Fire*
Greater Brighton FPD*
Central City Police and Fire
Cherryvale FPD
Clear Creek FA
Cripple Creek Fire*
Eaton FPD
Elizabeth FPD
Elizabeth Police
Elk Creek FPD*
Erie Police
Fairmont FPD
Falcon FPD
Gilcrest Police
Grand Valley FPD
Jefferson-Como FPD
Kiowa FPD*
Kremmling FPD
Lake George FPD
Las Animas Police*
Leadville Fire*
Mountain View FPD*
Mountain Village Police
Nederland FPD
Palisade Police
Parker Police*
Salida Fire
Upper Pine River FPD
Wheat Ridge FPD

** Currently inactive, with no active members*

Schedule of Average Retirement Benefits Payable

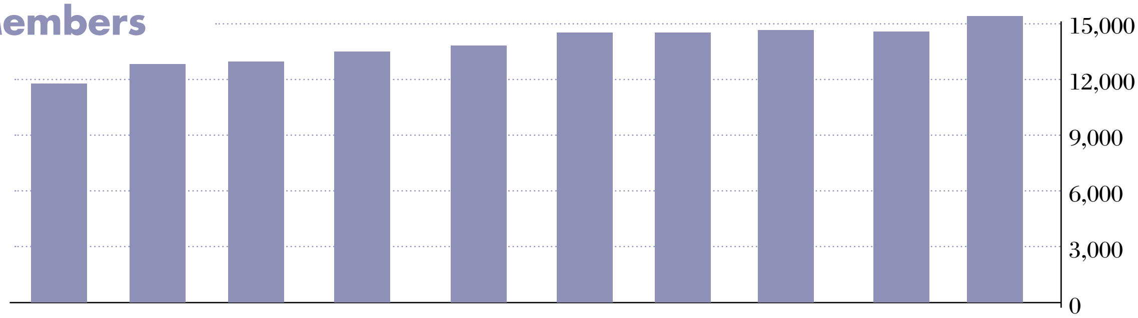
Year Ended	Average Monthly Benefit	Average Age at Retirement	Average Current Age of Retirees	Average Years of Service at Retirement
12/31/2006	$1,810	52.3	64.4	24.9
12/31/2005	$1,777	52.2	64.1	24.8
12/31/2004	$1,762	52.2	63.9	24.8
12/31/2003	$1,682	52.1	63.8	24.6
12/31/2002	$1,668	52.1	63.9	24.3
12/31/2001	$1,544	52.0	63.8	24.2

Schedule of Benefit Disbursements by Type

Year Ended	Benefit Payments	Refunds of Contributions	Total
2006	$164,846,096	$35,509,514	$200,355,610
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
1998	$82,533,683	$9,963,185	$92,496,868
1997	$73,393,878	$8,152,601	$81,546,479

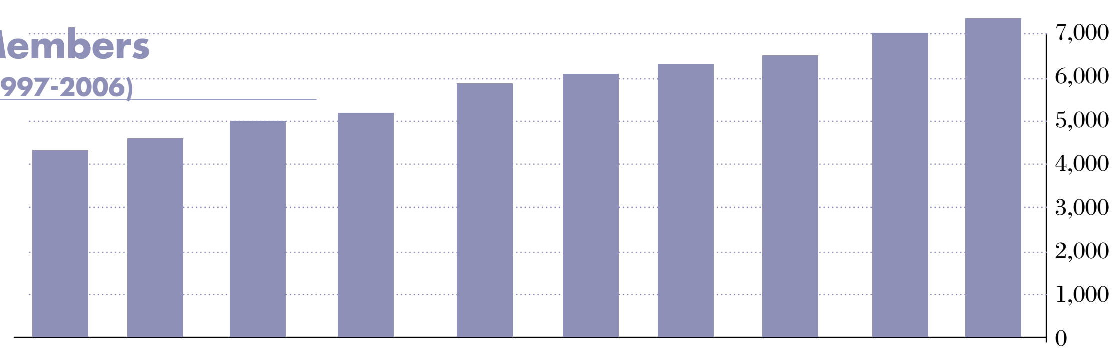
***Note:** Additional detail by type of disbursement not available.*

FPPA Active Members by Plan Type (1997-2006)



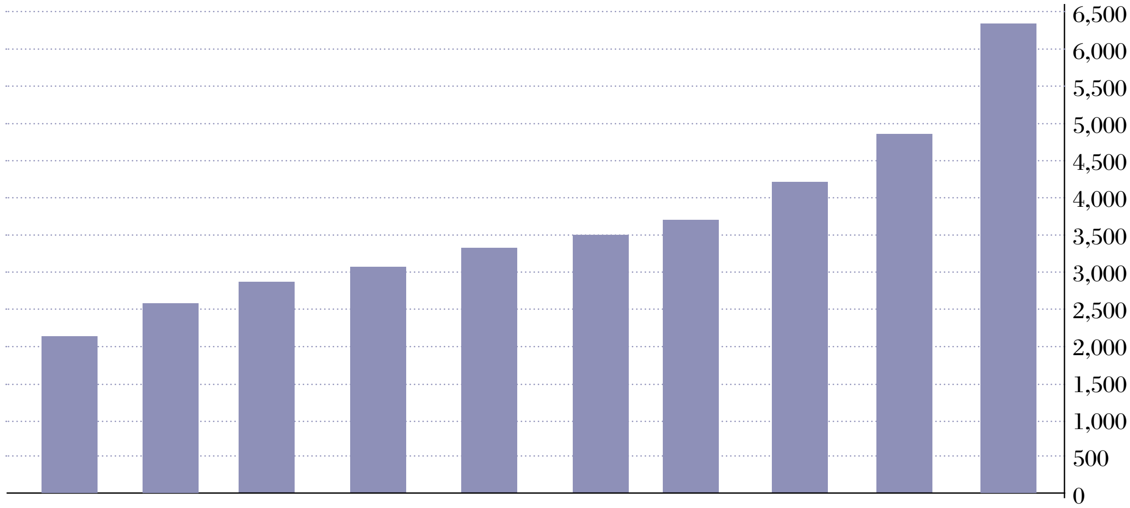
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Local Money Purchase	90	99	101	114	125	126	131	125	42	44
Statewide Money Purchase	60	61	75	78	88	92	94	96	62	66
Death & Disability Only	3,865	4,066	4,193	4,383	4,598	4,756	4,874	4,787	4,747	4,917
Volunteer Firefighters	3,093	3,540	3,600	3,827	3,798	4,294	4,178	4,273	4,010	4,163
Statewide Defined Benefit Plan	2,359	2,531	2,768	2,975	3,181	3,348	3,461	3,913	4,308	4,546
Statewide Defined Benefit Plan DROP	0	0	1	2	6	10	23	32	48	71
Statewide Hybrid Plan	0	0	0	0	0	0	0	56	114	112
Statewide Hybrid Plan DROP	0	0	0	0	0	0	0	0	0	3
Exempt New Hires	729	765	810	872	890	955	971	1,032	1,066	1,052
Exempt New Hire DROP	0	0	0	0	0	0	5	16	24	46
Local Old Hire Plans	1,426	1,075	844	616	440	311	217	171	126	103
Local Old Hire Plans with DROP	0	253	397	487	524	490	424	336	251	200
TOTAL MEMBERS	**11,622**	**12,390**	**12,789**	**13,354**	**13,650**	**14,382**	**14,378**	**14,837**	**14,798**	**15,323**

FPPA Retired Members by Plan Type (1997-2006)



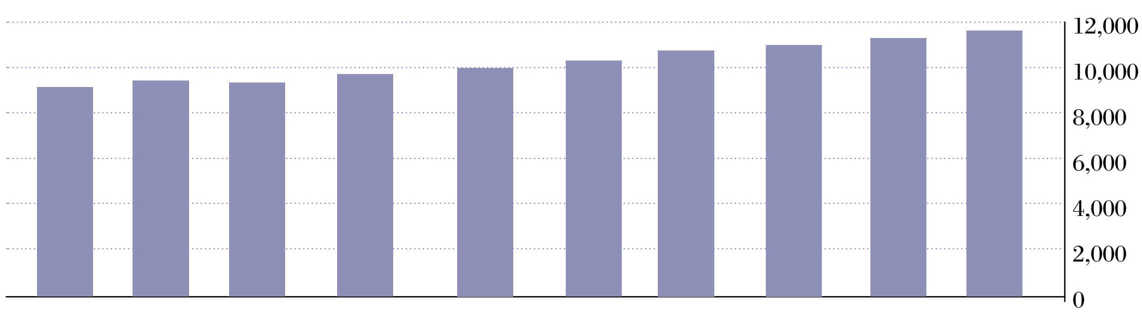
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
D&D Retirees	429	455	495	528	567	594	629	667	700	733
Volunteers	1,135	1,399	1,561	1,693	2,035	2,105	2,307	2,370	2,529	2,642
Statewide Defined Benefit Plan	63	90	104	117	146	160	193	252	265	311
Statewide Hybrid Plan	0	0	0	0	0	0	0	20	73	92
Exempt New Hires	*Data in 'All Local Plans' prior to 2006.*									111
All Local Plans	2,664	2,760	2,833	2,914	2,989	3,128	3,207	3,339	3,418	3,339
All Money Purchase Plans	4	5	4	10	46	42	55	49	33	37
TOTAL MEMBERS	**4,295**	**4,709**	**4,997**	**5,262**	**5,783**	**6,029**	**6,391**	**6,697**	**7,018**	**7,265**

Defined Benefit System Membership by Status (1997-2006)



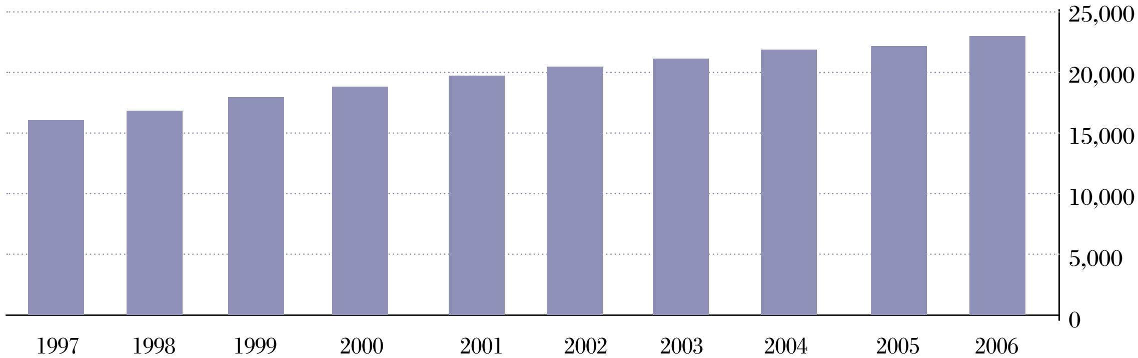
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Statewide Defined Benefit Plan:										
Terminated Vested	44	67	76	87	103	111	134	176	157	162
Retired & Beneficiaries	19	23	28	30	43	49	59	76	108	149
Non-vested Actives	1,407	1,614	1,771	1,866	1,986	2,089	1,370	1,547	1,742	1,721
Partially Vested Actives	795	896	995	1,103	1,156	1,213	2,000	2,189	2,350	2,604
Fully Vested Actives	0	1	2	6	45	46	91	177	216	221
DROP Actives	0	0	0	2	6	10	23	32	48	71
Statewide Hybrid Plan:										
Retired, Beneficiaries, & Terminated Vested	0	0	0	0	0	0	0	20	73	92
Non-vested Actives	0	0	0	0	0	0	0	48	0	7
Partially Vested Actives	0	0	0	0	0	0	0	5	100	52
Fully Vested Actives	0	0	0	0	0	0	0	3	14	53
DROP Actives	0	0	0	0	0	0	0	0	0	3
Exempt Plans	Affiliated with the Defined Benefit System in 2006; Data not available prior to 2006.									
Retired, Beneficiaries, & Terminated Vested										111
Non-vested Actives										613
Partially Vested Actives										370
Fully Vested Actives										69
DROP Actives										46
TOTAL MEMBERS	2,265	2,601	2,872	3,094	3,339	3,518	3,677	4,273	4,808	6,344

Death & Disability Plan Membership by Status (1997-2006)



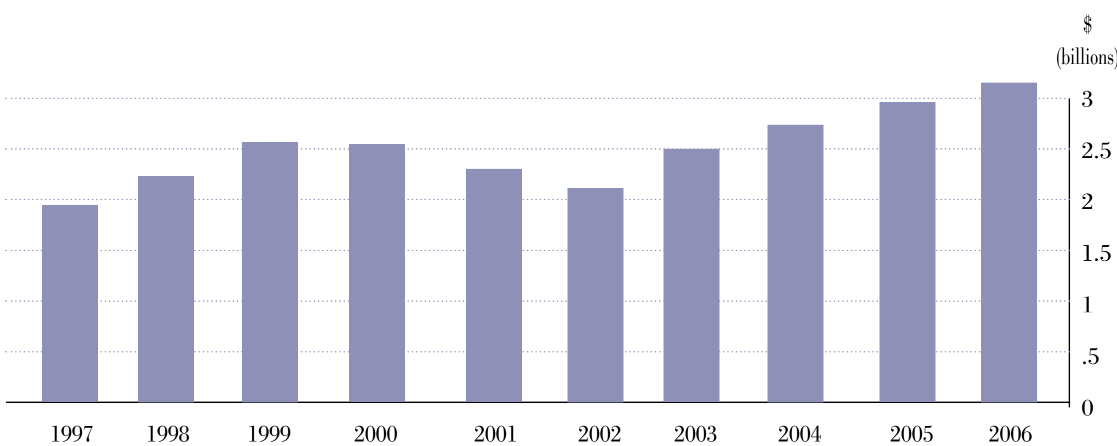
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Disabled Retirees	302	331	372	402	430	462	486	512	537	566
Beneficiaries	127	124	123	126	137	132	143	155	163	167
Non-vested Actives	8,529	8,850	8,739	9,038	9,322	9,585	9,744	10,180	10,465	10,840
TOTAL MEMBERS	8,958	9,305	9,234	9,566	9,889	10,179	10,373	10,847	11,165	11,573

FPPA Active and Retired Members by Occupation (1997-2006)



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Retired Firefighters	2,618	2,921	3,152	3,312	3,777	3,943	4,158	4,291	4,570	4,740
Active Firefighters	6,583	7,228	7,479	7,909	8,065	8,748	8,732	9,031	8,857	9,163
Retired Police	1,677	1,788	1,936	1,976	2,047	2,133	2,232	2,337	2,448	2,525
Active Police	5,039	5,162	5,310	5,445	5,585	5,634	5,639	5,801	5,915	6,129
Retired Administrative	0	0	0	0	0	0	1	0	0	0
Active Administrative	0	0	0	0	0	0	7	5	26	31
TOTAL MEMBERS	15,917	17,099	17,877	18,642	19,474	20,458	20,769	21,465	21,816	22,588

Growth of Total Pension Fund Assets (1997-2006)



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues/Inflows	137,806	109,598	137,132	119,947	138,556	131,404	113,663	152,717	153,667	178,396
Withdrawals/Outflows	(84,041)	(95,993)	(119,567)	(138,654)	(146,623)	(157,291)	(167,016)	(195,555)	(212,179)	(204,559)
Return on Investments	235,801	252,996	401,043	(97,194)	(165,345)	(206,487)	441,061	289,932	270,240	428,071
Beginning Assets	1,649,552	1,948,736	2,215,337	2,633,945	2,518,044	2,344,632	2,112,259	2,499,967	2,747,061	2,958,789
Total $ in thousands (000's)	1,939,117	2,215,337	2,633,945	2,518,044	2,344,632	2,112,258	2,499,967	2,747,061	2,958,789	3,360,697

Schedule of Retired Members by Type of Benefit as of December 31, 2006

	Monthly Benefit Amount						
	<$500	$501-1000	$1001-1500	$1501-2000	$2001-2500	>$2501	Total
Statewide Death & Disability Plan							
Occupational Disability	31	81	172	144	70	14	512
Occupational Disability-Survivor	16	6	4	0	0	0	26
Total Disability	1	0	4	7	17	25	54
Total Disability-Survivor	3	8	10	6	7	2	36
Survivor of Active	6	12	21	40	16	10	105
****Money Purchase Plans***	N/A	N/A	N/A	N/A	N/A	N/A	37
Statewide Defined Benefit Plan							
Retired	12	33	16	15	23	46	145
Vested	19	68	34	17	11	11	160
Retiree-Survivor	0	5	1	0	0	0	6
Statewide Hybrid Plan							
*Money Purchase Only	N/A	N/A	N/A	N/A	N/A	N/A	92
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
Exempt Plans							
Retired	0	3	17	13	18	33	84
Vested	0	6	13	3	2	2	26
Retiree-Survivor	0	1	0	0	0	0	1
Local Plans							
Disability Retirement	8	11	5	1	21	814	860
Disability-Survivor	4	9	10	177	95	44	339
Retired	1,762	368	31	48	134	1,588	3,931
Vested	215	29	0	0	0	0	244
Retiree-Survivor	299	51	29	97	72	59	607
Totals	2,376	691	367	568	486	2,648	7,265

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