

FPPA Pension CHECK

A review of your retirement benefits.

Fall 2014

From The Desk of Dan Slack

FPPA
Executive Director



As I mentioned the last time this column was published, FPPA takes its mission statement seriously. The mission statement reads:

The Fire & Police Pension Association of Colorado is committed to our members. We will prudently invest their retirement funds, administer benefits fairly, and provide superior, cost-effective service.

In reviewing the mission statement this summer, the Board of Directors instructed staff to focus in 2015 on the last part of our mission statement – providing superior, cost-effective service. FPPA staff is currently reviewing options that will allow us to objectively determine our service levels and to improve those levels if and where needed.

The big news at FPPA, however, is the recent Statewide Defined Benefit Plan member election on contribution rates. The lengthy process began in 2009 with a decision to seek legislative authority to conduct such an election, continued through the creation of task force of members to study the issue, the recommendation of the task force that a vote be held, an educational campaign, and the election itself. It came to a conclusion on August 22, 2014 – the deadline for employer ballots (employers also had to approve the measure). The law required the proposal to be approved by 65% of voting members and by a majority of voting employers. The proposal passed with 68% of voting members in favor of the proposal and 89% of voting employers in favor of the proposal.

FPPA Statewide Defined Benefit Plan Member Contributions Election

The members of the Statewide Defined Benefit Plan are to be commended for their positive vote on this election. The members have accomplished two key objectives with this vote: 1) to protect the plan against adverse experience that could otherwise require benefit rollbacks and other plan safeguards to be implemented; and 2) to increase the likelihood of a meaningful cost of living adjustment being provided to members in retirement.

As a result of the favorable election vote, the contribution rate for members will be increased by one-half of one percent of pay beginning January 1, 2015. Similar increases will take place on January 1 of the next seven years, until the contribution rate has increased by four percent of pay. (For members who participate in the SWDB-Supplemental Social Security Plan the rate change is ¼% per year over the same timeframe for a total increase of 2% when fully implemented in 2022.) This increased contribution rate will make an already strong plan even stronger for the police officers and fire fighters who participate in it.

With the election behind us, FPPA is turning to other projects which have been on hold during the election effort. At its September meeting, the FPPA board approved a “second choice” window for those persons in re-entry departments that initially chose to participate in FPPA’s Statewide Hybrid Plan – Money Purchase Only Component. The board set the overall window period at November 1, 2014, through April 30, 2015. Each re-entry department having employees who might be eligible for second choice will need to authorize or approve participation. Staff is working diligently to put together the details of the second choice window period and will soon be making further information available to those 17 employers and their members who qualify for this choice. **FPPA**

Comprehensive Annual Financial Report Highlights

For the Fiscal Year Ended December 31, 2013



Statement of Plan Net Assets*

Assets

Cash and Short Term Investments	\$ 388,864,611
Total Investments	4,010,323,155
Total Receivables	158,442,463
Properties and Equipment at Cost, Net of Accumulated Depreciation	4,927,185
Other Assets	175,975
TOTAL ASSETS	\$ 4,562,733,389

Liabilities

Payables, Pending Trades & Accrued Expenses	184,712,944
TOTAL LIABILITIES	\$ 184,712,944

<i>Net Assets Held in Trust for Pension Benefits/ Fund Balance Reserved for Withdrawals</i>	\$ 4,378,020,445
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Statement of Changes in Net Assets

From Investment Activities

Change in Net Assets Derived from Investment Activities	\$ 572,343,940
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From Participant Activities

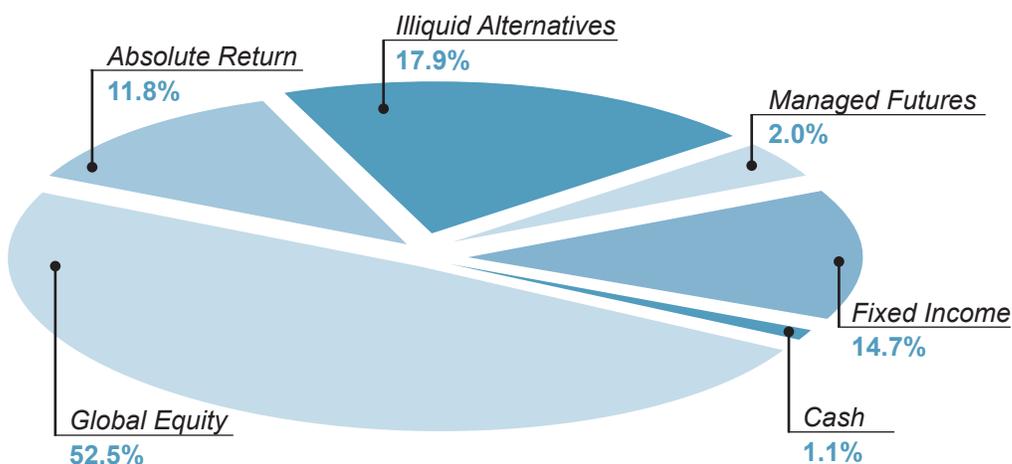
Funds Invested by Members & Employers	377,473,229
Funds Withdrawn by Members & Employers	(294,527,428)
Administrative Expenses	(8,635,199)
Net Increase in Plan Assets	\$ 646,654,542

Net Assets

Beginning of Year	\$ 3,731,365,903
End of Year	\$ 4,378,020,445

*The Statement of Plan Net Assets which certifies the financial condition of FPPA's benefit fund at the close of 2013 for all plans administered by FPPA is based on the official report on the fund audited by Clifton Larson Allen LLP.

Asset Allocation As Of December 31, 2013



FPPA Board of Directors

2014 - 2015

During the August 2014 board meeting the FPPA Board of Directors elected **Todd Bower** as Board Chair. Todd has been on the board since 2001 and is currently the Deputy Chief of the Denver Fire Department. He fills the position on the board to represent full-time paid firefighters. At the same board meeting **Jack Blumenthal** was chosen as FPPA Board Vice Chair. Jack fills the position on the board of someone experienced in personnel or corporate administration. He is currently a Principal with Causey Demgen & Moore P.C. and has been an FPPA Board member since 2009.



Todd Bower, Chair



Jack Blumenthal, Vice Chair

Joining Todd and Jack as current FPPA Board members are; **David L. Bomberger**, CFA (Chief Investment Officer, Pinnacol Assurance), **Sue Eaton** (Human Resources Director, City of Englewood), **Manuel A. Esquibel** (City Manager, City of Brighton), **Pamela M. Feely** (President, District IV - West Metro Fire Rescue Board of Directors), **Nick Nuanes** (Retired Chief, Denver Fire), **Clifford W. Stanton** (Director of Portfolio Research and Product Management, 361 Capital), and **Tyson Worrell** (Detective, Denver Police).



David Bomberger



Sue Eaton



Manuel A. Esquibel



Pamela M. Feely



Nick Nuanes



Cliff Stanton



Tyson Worrell

The FPPA Board of Directors conducts its regular meetings at our FPPA Greenwood Village offices. A current schedule of Board meetings can be accessed on our web site at FPPAco.org by clicking the Board of Directors link on the side of the page. There you will also find more information about the Board as well as minutes from previous Board meetings. **FPPA**

On September 25, 2014, FPPA held a public hearing to consider adoption of proposed amendments to certain FPPA Rules & Regulations and Plan Documents. While many of the changes are clerical and technical in nature, some of the proposed amendments may affect the membership.

A complete set of current and proposed rules and regulations and plan documents are available at FPPAco.org for viewing. (From the intro page of the web site click on the Rules & Statutes.) Or copies may be obtained by calling the FPPA office at (303) 770-3772 in the Denver Metro area or (800) 332-3772 toll free nationwide. Any questions concerning rules should be directed to Michael Sutherland, FPPA Benefits Counsel. **FPPA**

Proposed Amendments to Rules & Regulations and Plan Documents

Annual Rates Announced



Based on the results of recent annual actuarial valuations of FPPA Plans, the Board of Directors approved the following SRA, Contribution Rates and Benefit Adjustments.

Stabilization Reserve Account - SRA

FPPA Defined Benefit System

An SRA allocation may be made yearly depending on whether contributions payable to a plan within the FPPA Defined Benefit System (with the exception of the Statewide Hybrid Plan-see paragraph below) exceed the cost of funding the plan's defined benefits. Any excess may be allocated from employer contributions to an SRA account in each member's name. This account is in addition to a retirement pension. For more information on SRA accounts, please refer to FPPA's website or call FPPA.

- **Statewide Defined Benefit Plan - 0%** This SRA contribution rate went into effect July 1, 2014. The Board concluded that the entire required 16% combined contribution rate from members and employers should be allocated to the actuarial account in order to ensure appropriate funding of the Plan's defined benefits and to provide funding for future benefit adjustments.
- **Re-Entry Members to the Statewide Defined Benefit Plan - 3.60%** This SRA contribution rate went into effect July 1, 2014. The required 20% combined contribution rate from members and employers in this tier fully funded this plan with a total surplus of 3.60%.
- **Social Security Supplemental Retirement Plan - 0%**. This SRA contribution rate went into effect July 1, 2014.
- **Colorado Springs New Hire Pension Plan - Fire & Police Components - 0%**.
- **Statewide Hybrid Plan** - Excess contributions, if any, to the Statewide Hybrid Plan are made to the member's money purchase component account and therefore no SRA is awarded.

Contribution Rates

Statewide Death & Disability Plan

Based on the 2014 actuarial results the FPPA Board of Directors agreed to continue the 2.6% contribution rate effective through December 31, 2016. According to Colorado Revised Statute (C.R.S., 31-31-811(4)) contributions may be increased or decreased by 0.1% every two years as determined by the FPPA Board following an actuarial review.

The Statewide Defined Benefit System

- **Statewide Defined Benefit Plan** - This plan remains set at **16% combined contribution rate** from members (8%) and employers (8%). As a result of the Member Contributions Election, the member contribution rate will increase to 8.5% effective January 1, 2015.
- **Re-entry Members to the Statewide Defined Benefit Plan** - The contribution rate for members of a money purchase plan who re-entered the Statewide Defined Benefit System is set at **20% combined contribution rate** from members and employers. As a result of the Member Contributions Election, the member contribution rate will increase by 1/2% effective January 1, 2015.
- **Social Security Supplemental Retirement Plan** - This plan remains set at **8% combined contribution rate** from members (4%) and employers (4%). As a result of the Member Contributions Election, the member contribution rate will increase to 4.25% effective January 1, 2015.
- **Colorado Springs New Hire Pension Plan - Fire & Police Components** - Effective January 1, 2015, the **Police Component member contribution rate is 8.0%** of base salary and the employer remits the remainder of the \$10,203,704 annual required contribution. The **Fire Component member contribution rate is 10.0%** of base salary and the employer remits the remainder of the \$4,628,508 annual required contribution.
- **Statewide Hybrid Plan - Defined Benefit & Money Purchase Components**
 - **Defined Benefit Contribution Rate:** Effective July 1, 2014 **the contribution rate is set at 12.5%**. Each department in the Statewide Hybrid Plan establishes a total contribution rate.
 - **Money Purchase Component:** After the 12.5% is allocated to the Defined Benefit

Annual Rates Announced

Component, the remainder of the total contribution rate is then directed to the Money Purchase Component.

- **Statewide Hybrid Plan - Money Purchase Component (ONLY)** - The contribution rate for this component remains at 16% with the member and employer rates established by the employer's resolution.

The Statewide Money Purchase Plan

The mandatory combined contribution rate remains set at 16% (8% member and 8% employer).

Benefit Adjustments

Benefit Adjustment Defined: Colorado Revised Statutes provide that benefit adjustments to statewide plans administered by FPPA are to be determined by the FPPA Board of Directors each year (with the exception of Colorado Springs – see the last paragraph below). In the past this adjustment has been referred to as a cost of living adjustment or COLA.

Statewide Death & Disability Plan

Totally Disabled Members and their Beneficiaries

Under the Statewide Death & Disability Plan, totally disabled members and their beneficiaries are granted a fixed 3.0% benefit adjustment each year on October 1.

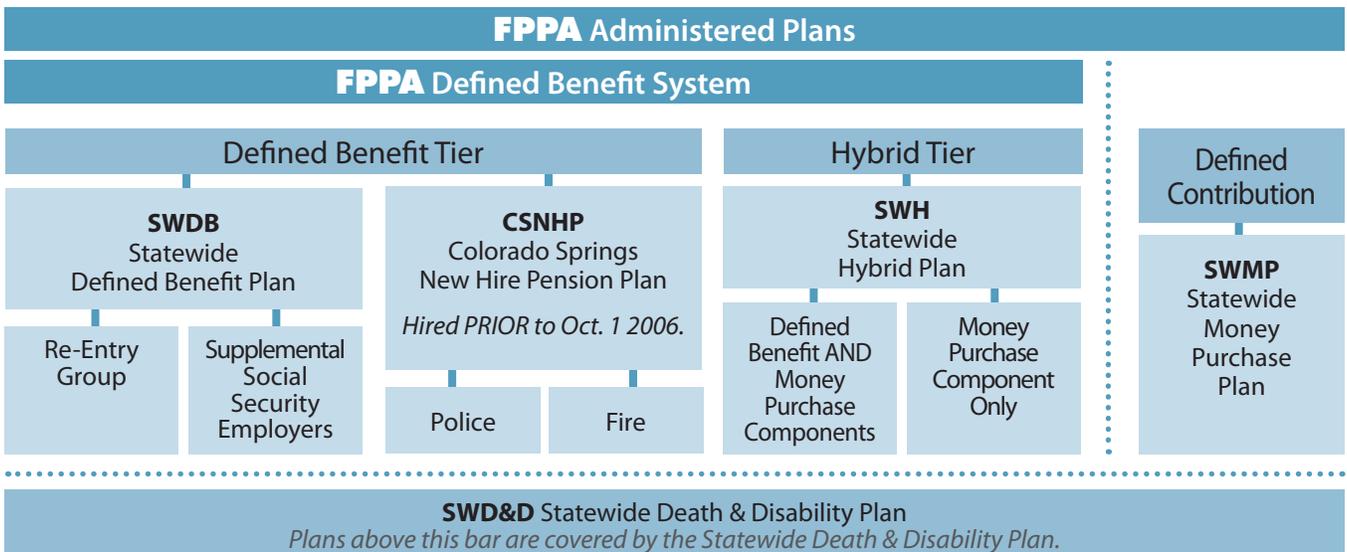
Occupationally Disabled Members and their Beneficiaries and Survivors of Active Duty Members The Board decided that occupationally disabled members their beneficiaries and survivors of active duty members will receive a 0.86% benefit adjustment in October 2014. Those who retired on or before October 1, 2013 will have their benefit adjusted by this percentage in their October retirement payment.

The Statewide Defined Benefit System

Statewide Defined Benefit Plan - The Board decided to grant a 0.61% benefit adjustment to the retirees and beneficiaries of the Statewide Defined Benefit Plan for October 2014. Those who retired on or before October 1, 2013 will have their benefit adjusted by this percentage in their October retirement payment.

Statewide Hybrid Plan - Defined Benefit Component - A 3.0% benefit adjustment was granted for all retirees and beneficiaries of the Statewide Hybrid Plan – Defined Benefit Component who were retired on or before October 1, 2013. The benefit will be adjusted in the October 2014 retirement payment.

Colorado Springs New Hire Pension Plan - Effective October 1, 2014 the following cost-of-living adjustments will be granted for certain retirees of the Colorado Springs New Hire Pension Plans: **Fire Component = 1.0%** and **Police Component = 1.5%**. **FPPA**



Retiree Insurance

The Pension Protection Act of 2006

FPPA Sponsored Insurance Plans

Upcoming Premium Rate Increases

The Pension Protection Act of 2006

The Healthcare Enhancement for Local Public Safety (HELPS) provision under the Pension Protection Act (PPA) of 2006 permits eligible retired public safety officers to exclude from federal income tax amounts paid directly from retirement plan distributions to cover the cost of qualified health and long-term care insurance premiums on behalf of the member, his or her spouse, or dependents. The maximum amount of the exclusion in any calendar year is the lesser of actual premiums paid or \$3,000.

Who Qualifies?

A public safety officer is defined as “an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, as a firefighter, as a chaplain, or as a member of a rescue squad or ambulance crew”.

Who Does Not Qualify for the Income Tax Exclusion?

- Retired administrative support personnel
- Retirees receiving an early retirement benefit prior to reaching the plan’s normal retirement age
- Members taking a vested retirement who, at the time of separation from service, have not reached the plan’s normal retirement age
- Beneficiaries

What Eligibility Requirements Apply?

The member must have retired at a normal retirement age or must be receiving a disability retirement. Additionally, the member’s benefit must be fully or partially taxable.

For more information on the PPA of 2006, please visit FPPA’s website. Click on the Retiree Insurance tab and look for the section titled “Premium Payments under The Pension Protection Act Provision”.

FPPA Sponsored Insurance Plans

FPPA offers several insurance programs for retirees, including healthcare and prescription drug plans for members who are Medicare Eligible, dental plans and vision plans. Premiums are deducted from the retiree’s monthly pension check, thereby allowing eligible retirees to take advantage of the Federal Income Tax exclusion discussed above. In general, premiums are prepaid one month in advance of the coverage month. So, for example, premiums withheld from your October pension check pay for insurance coverage during the month of November. Eyemed Vision Insurance is the only exception to this rule with premiums being withheld for current month coverage.

As a reminder, if you have a change in family status which would trigger a change in your health insurance coverage, please contact a FPPA Payroll Specialist immediately to get your insurance premium withholdings adjusted accordingly. For example, when your dependents reach age 26 or marry, they are no longer eligible to participate under your insurance plan. FPPA should be notified when these changes occur.

Additional information regarding the insurance programs offered through FPPA can be found at FPPAco.org under the Retiree Insurance tab, then click on the “FPPA Optional Insurance Programs” brochure.

Upcoming Premium Rate Increases

Periodically, our insurance plan providers must increase premiums to keep pace with the rising costs associated with administering these plans. Following is a list of insurance plans that will be implementing premium rate increases in the near future:

- continued on next page -

2014 Legislative Session

In 2014, two bills became law that are of interest to FPPA. SB014-024 clarifies the responsibilities of FPPA and of the local pension board with regard to the administration of volunteer firefighter pension plans. SB14-031 amends the old hire statutes in light of the fact that the state paid its remaining obligations to old hire plans in 2013.

2015 Proposed Legislation Summary

FPPA has obtained approval of four bills from the Pension Reform Commission to be introduced to the Legislature in 2015. Bill 1 will simplify the requirements for service credit purchases when a member is using pension plan assets from previous employment. Bill 2 grants authority to the Board to establish rules regarding interest on late contribution payments. It also authorizes the Board to assess employers with certain costs attributable to employers as a result of regulatory requirements, such as the Governmental Accounting Standards Board (GASB) statements. Bill 3 clarifies that members that join the Statewide Defined Benefit System as a result of a merger would be treated as if they had re-entered the plan from a local money purchase plan. Bill 4 establishes pension requirements for certain departments that participate in the Social Security Supplemental Statewide Death and Disability Plan. It also establishes pension requirements for Department Chiefs who opt out of the Statewide Defined Benefit System.

The Pension Reform Commission also approved a bill that would provide for a study of the Volunteer Firefighter Pension authority in Colorado. Initially, a law firm will be engaged to look at the existing authority and outline other options available to provide volunteers with post-service benefits. The Pension Reform Commission will then review the information and consider public input regarding the issues raised.

The 2015 proposed legislation may be found at:
www.colorado.gov/lcs/PoliceandFirefightersPensionReform

Legislative News



Retiree Insurance

Continued from previous page.

UnitedHealthcare Medicare Advantage Plan (Medicare Complete HMO)

Premium Tier	Current Premium	New Premium	Increase Per Month	Withholding Effective Date
Single	\$437.66	\$450.79	\$13.13	December 2014
Two Party	\$875.32	\$901.58	\$26.26	December 2014

Humana Medicare Advantage Plan (PPO)

Premium Tier	Current Premium	New Premium	Increase Per Month	Withholding Effective Date
Colorado Single*	\$72.00	\$78.00	\$6.00	December 2014

**Note: Premium amounts are dependent on state residency. Therefore, if you live in a State other than Colorado, your monthly premium amounts will differ. Humana will communicate your premium amounts directly with you. Please call FPPA if you have additional questions.*

EyeMed Vision Care Plan

Premium Tier	Current Premium	New Premium	Increase Per Month	Withholding Effective Date
Retiree Only	\$ 9.08	\$ 9.35	\$.27	November 2014
Retiree + Child	\$18.12	\$18.66	\$.54	November 2014
Retiree + Spouse	\$17.24	\$17.76	\$.52	November 2014
Retiree + Family	\$26.64	\$27.44	\$.80	November 2014

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Who's Your Beneficiary Now?

Have you recently married or gone through a divorce? Started a family or celebrated your child's entrance into adulthood? Or experienced the death of a loved one? Any of these life events could mean that your beneficiary designation form is no longer up to date. And that could create a big headache for those you leave behind.

"Beneficiary-designation forms are easy to complete, even easier to forget, but so important in keeping your financial assets in order," says William L. Anthes, of the Colorado-based National Endowment for Financial Education®. A good rule is to review your beneficiary information at least every two years to ensure that all circumstances are accounted for properly. In addition to reviewing your beneficiary information associated with financial institutions and insurance companies - remember to update your information with FPPA as well.

For active members of the Statewide Defined Benefit Plan or the Statewide Hybrid Plan - Defined Benefit Component.

To learn who you have currently listed as your primary beneficiary, please login to your Member Account Portal on FPPA's website. If you wish to update your beneficiary information, please complete a new Membership Form. Turning in this information will better serve any active member who dies and leaves no surviving spouse or dependent children who are eligible for benefits under the Statewide Death & Disability Plan.

To receive the form mentioned above call the FPPA office at (303) 770-3772 in the Denver Metro area or toll free statewide at (800) 332-3772. The form is also available on our web site at FPPAco.org. The link to the form is on the first page of the web site under "Recent News" If you have questions when completing this form, please contact the FPPA Benefits Division.

For members having money purchase, SRA, DROP or 457 Deferred Compensation assets held at Fidelity Investments.

To learn who you have currently listed as your beneficiary, or wish to update your beneficiary information - please contact Fidelity Investments® at (800) 343-0860. **FPPA**