COLA Task Force Meeting

September 10, 2026

FPPA

Today

- Co-Chairs: Don Lombardi and Bill Clayton
- Purpose of today's meeting:
  - Review Task Force's charge and objectives
  - Provide education
  - Preview future Task Force meetings and future opportunities for input and suggestions

Agenda

1. Welcome, introductions, and brief overview of meeting/speaker protocol
2. COLA Task Force Charter
3. Actuarial fundamentals, FPPA funding and Plan status
4. Plan history and current COLA policy
5. Task Force road map and goals

Mission

The Fire & Police Pension Association of Colorado is committed to our Members. We will prudently invest their retirement funds, administer benefits impartially, and efficiently provide high quality service.

Strategic Anchors: How Will We Succeed?

Proactive Risk Management

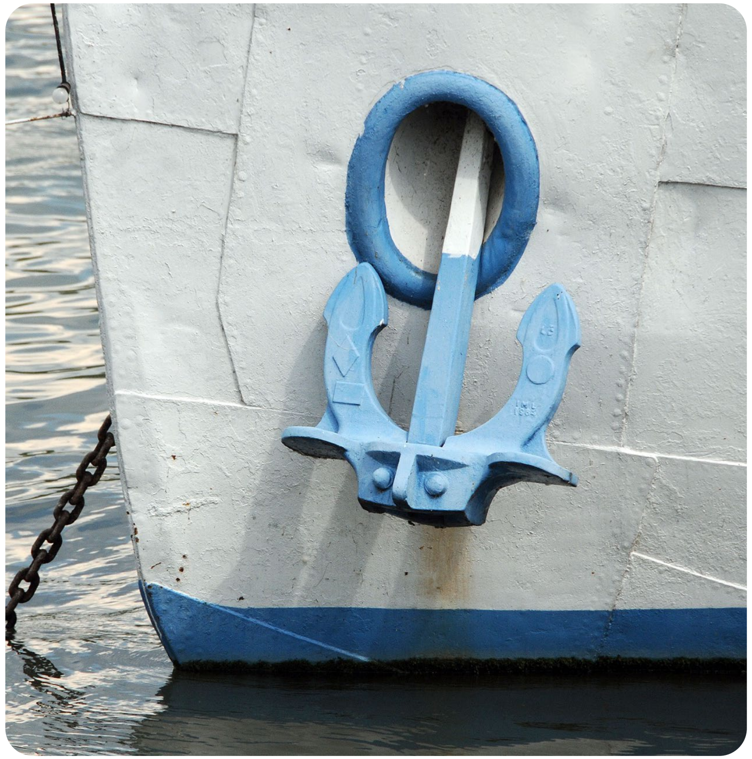
- Liability management, risk aware, thoughtful processes

Maintaining a Well-funded Status

- Investment returns & contributions, every dollar matters (prudent spending), funded status important, fair and stable benefits

Being Trustworthy

- Relationships with all of our stakeholders, reputation, high touch service, education and communications



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FPPA Membership

Defined Benefit System
- Active: 14,445
- Retired: 3,634

Statewide Death & Disability Plan
- Active: 14,713
- Retired: 1,608

Statewide Money Purchase Plan
- Active: 218
- Retired: 126

Volunteer Firefighter Plans
- Active: 2,207
- Retired: 3,883

Old Hire Plans
- Active: 0
- Retired: 2,250

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As of December 31, 2025

January 1, 2026 Valuation Results

Statewide Retirement Plan

103.5%	0.50%	2.10%
Funded Ratio, as of January 1	COLA, effective October 1	One-Time Lump Sum, effective October 1

Contribution Rates as of Jan. 1, 2026

- **Employer: 11%**
- **Member: 12%**

Contribution Rates History

- 8% for Members until 2015, where rate increased 0.5% each year until 2022
- 8% for Employers until 2021, where rate increases 0.5% each year until 2030 for a total of 13%

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Investments

As fiduciaries we manage risks

- Liabilities, contributions, funded status, liquidity

FPPA has strong governance and regularly undergoes a thorough **asset liability study** process to assess risks and determine an appropriate asset allocation and portfolio construction

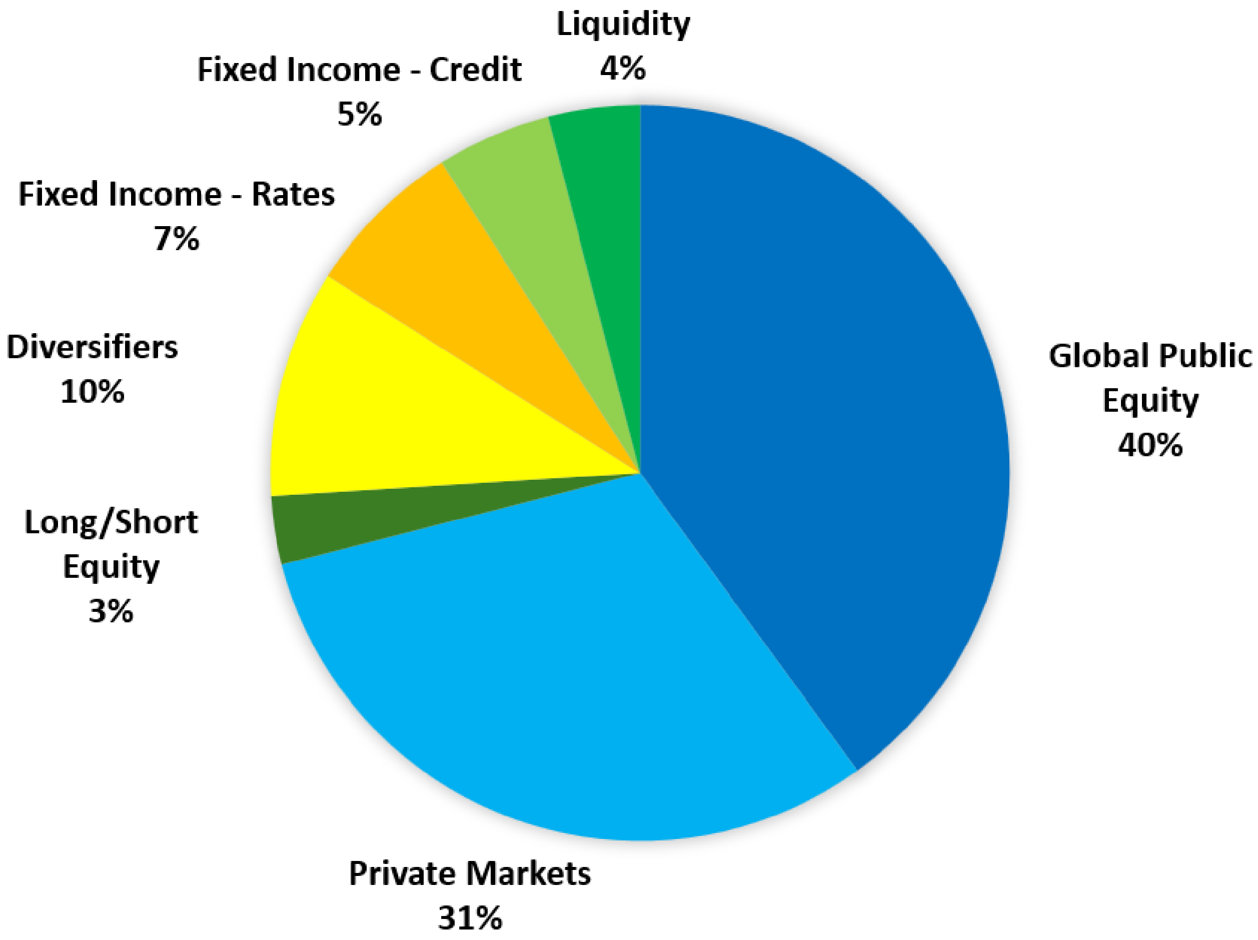
Resources utilized:

- Actuary (GRS)
- Investment Consultant (Cambridge Associates)
- FPPA Staff
- Board of Directors

Unique from most public pension plans, FPPA manages different investment pools to more appropriately match the risks of its underlying plans

Risks need to be considered when trying to achieve differentiated returns

Target Asset Allocation



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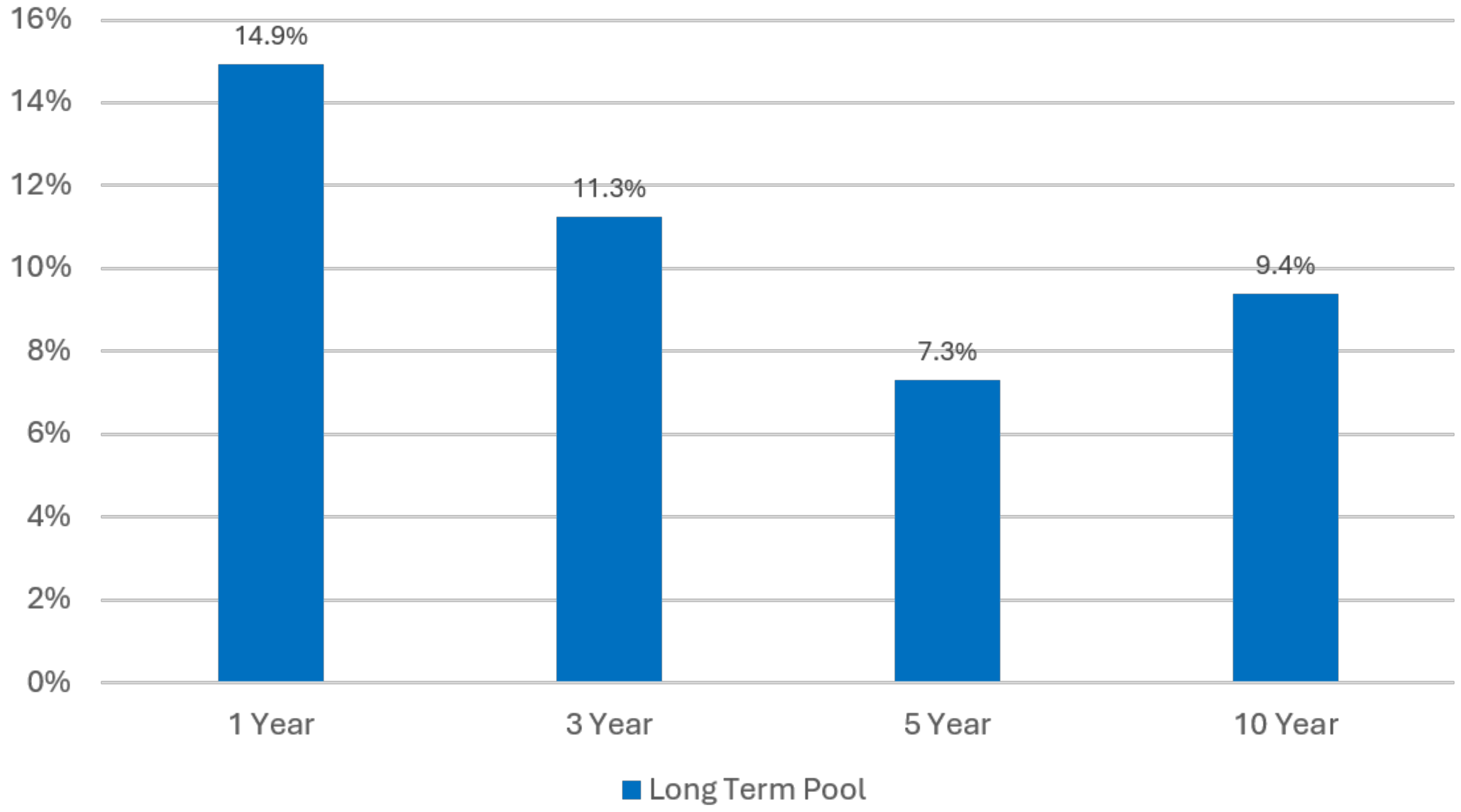
Performance

Long-Term Pool (net of fees)



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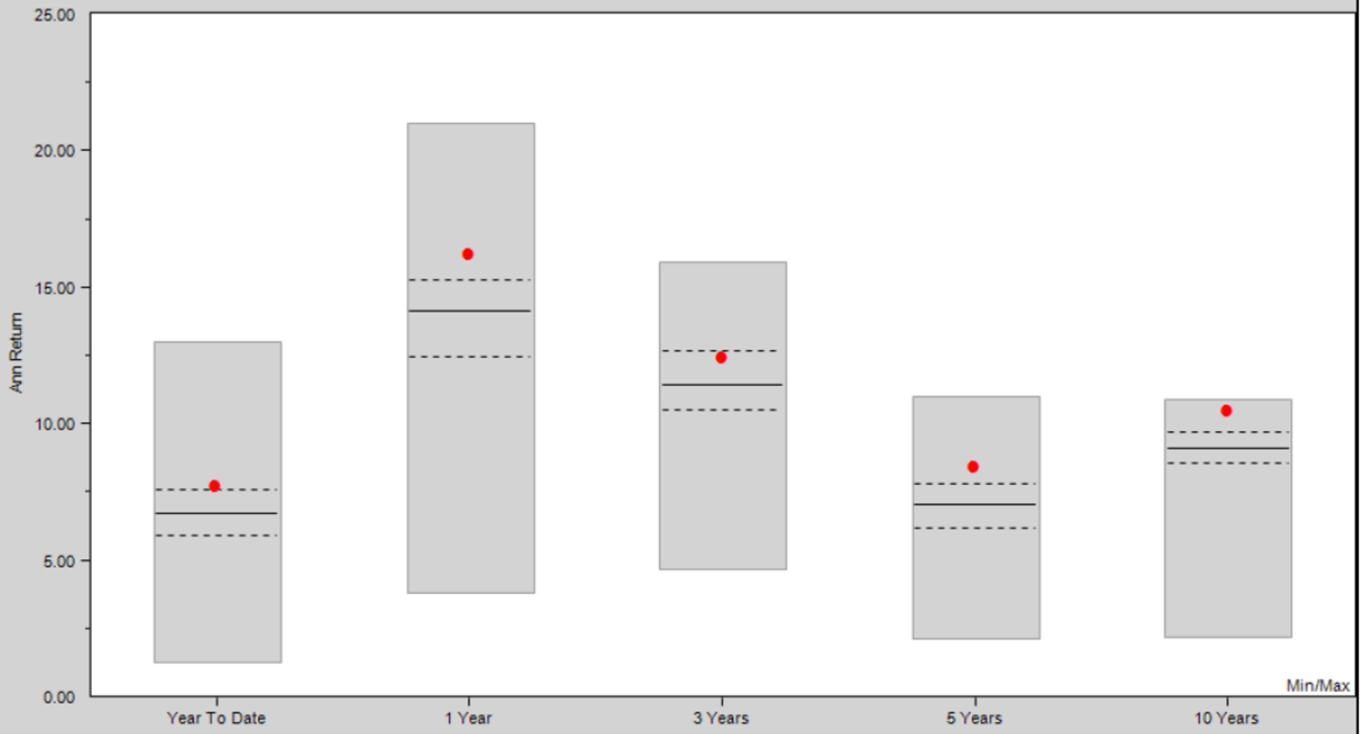
* As of June 30, 2026

Performance

Public > $1 Billion - Total Funds (USD) - Monthly
As of June 30, 2026
Quartile



	Year To Date Value	%Tile	Rank	1 Year Value	%Tile	Rank	3 Years Value	%Tile	Rank	5 Years Value	%Tile	Rank	10 Years Value	%Tile	Rank
Maximum	12.98			20.99			15.89			10.97			10.86		
25th Percentile	7.58			15.24			12.66			7.80			9.69		
Median Percentile	6.73			14.14			11.42			7.05			9.08		
75th Percentile	5.92			12.47			10.49			6.19			8.57		
Minimum	1.22			3.78			4.67			2.12			2.19		
# of Portfolios	67			66			63			63			61		
● **LTP with Overlay**	7.69	23	16	16.21	18	12	12.39	27	17	8.41	15	9	10.43	6	4

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

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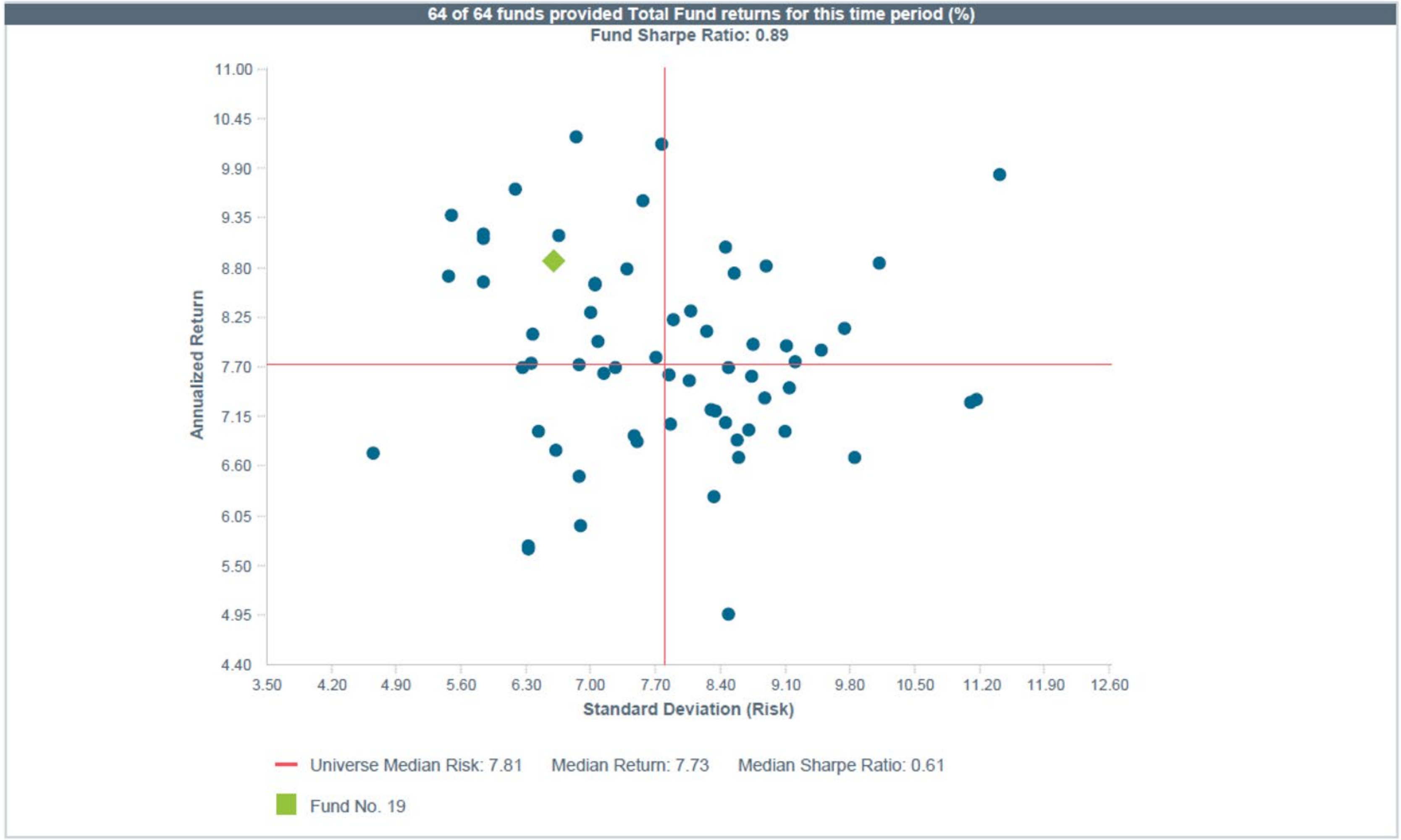
Risk vs. Return

Risk/Return Analysis
5 Year Annualized Total Fund Returns vs. Standard Deviation

As of December 31, 2025



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Plan Formula

Statewide Retirement Plan

Highest Average Salary (3 highest)	×	Years of Service	×	Multiplier (2% first 10 years, 2.5% thereafter)	=	Annual Benefit	÷	12 Monthly Payments
$87,500		25 years		57.5%		~$50k		12

$4,200 Monthly Benefit

+ ad hoc COLAs

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Actuarial Fundamentals

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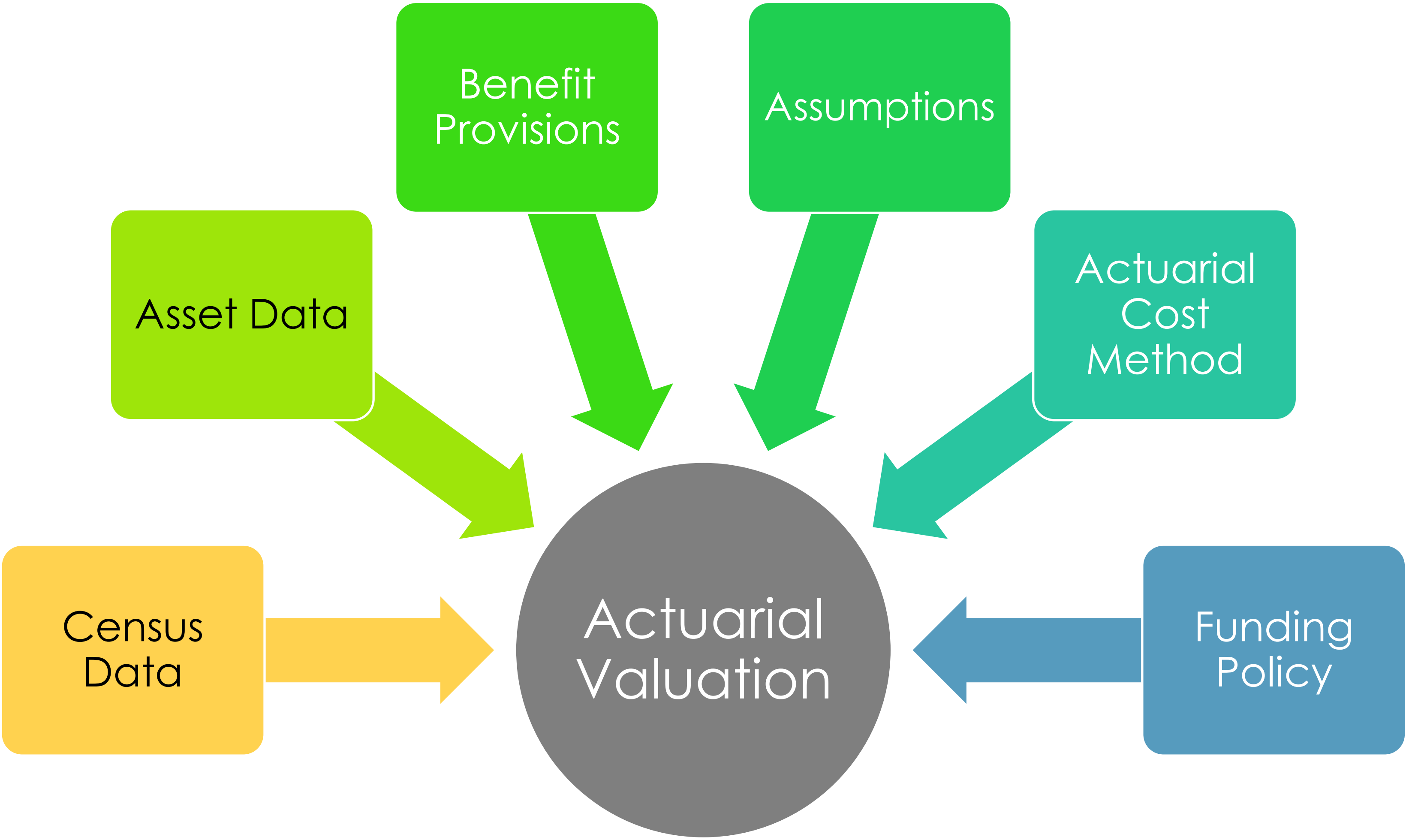
Fundamental Pension Funding Equation

$$C + I = E + B$$

Contributions	Investment Income	Expenses	Benefits
• Funding Policy	• Investment Strategy	• Administrative Policy	• Plan Design

"Money In = Money Out"

Annual Actuarial Valuation Process



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Purpose of a Valuation

1	Develop Decision Making Information Sufficiency of Contributions, Variable Benefits
2	Provide Actuarial Liabilities and Assets
3	Provide Funded Status of the Plan
4	Analyze Changes Over Time

Assumptions Used in a Valuation

What Are They?

Economic

- Inflation
- Investment Return
- Salary Increases
- Payroll Growth Rate

Demographic

- Retirement Rates
- Disability
- Turnover
- Mortality
- Various Other Assumptions for Pension and Retiree Medical Plans

Who Selects Them?

Economic

- Board
- Actuary
- Other Advisors

Demographic

- Mostly Actuary
- Board Approves

Actuarial Experience Study

What is it and why do we keep doing them?

- Recalibration of the funding equation
- Regularly scheduled review of assumptions and methods: FPPA = every 4 years
- Valuation calculations are based on a series of assumptions about future membership behavior and economic outcomes
  - Assumptions should occasionally change to reflect
    - New information and changing knowledge
    - Changing patterns of retirements, terminations, mortality, etc.
    - Demographic based heavily on plan actual experience
    - Economic based on plan asset allocation and forward-looking investment forecasts
- Why do we do it?
  - Plan sustainability will be based on <u>Actual</u> Contributions, <u>Actual</u> Investment Performance, <u>Actual</u> Expenses and <u>Actual</u> Benefits
  - Can't assume our way to better benefits or lower contributions

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Actuarial Definitions

- Actuarial Accrued Liability
  - The obligation, in present value terms, for benefits accrued to the measurement date
- Actuarial Value of Assets
  - A smoothed version of the asset amount in the trust on the measurement date
- Unfunded Accrued Liability / (Reserve)
  - Actuarial Accrued Liability – Actuarial Value of Assets
- Funded Ratio
  - Actuarial Value of Assets / Actuarial Accrued Liability
- Normal Cost
  - Cost of Newly Accruing Benefits
- Actuarially Determined Contribution
  - Amount to pay the Normal Cost + fund the Unfunded Accrued Liability over a set period of time

Statewide Retirement Plan Valuation Results

$ in Millions, With and Without Long-Term COLA Assumption

		2026 Base Benefits Only	2026 Include 2.5% Compound COLA
Funded Status ($ in millions)			
1.	Total actuarial accrued liability	$4,983.6	$6,438.7
2.	Actuarial value of assets	$5,156.0	$5,156.0
3.	Surplus/(Shortfall)	$172.4	($1,282.7)
4.	Funded ratio	103.5%	80.1%
Determination of Contribution Sufficiency			
5.	Normal cost (blended)	16.94%	21.92%
6.	Administrative expense	0.66%	0.66%
7.	Amount needed to amortize unfunded liabilities	N/A	7.35%
8.	Total actuarial determined contribution	17.60%	29.93%
9.	Expected blended contribution rate available during 2025	22.81%	22.81%
10.	Contribution sufficient to fund base benefits and assumed COLA for all members?	Yes	No

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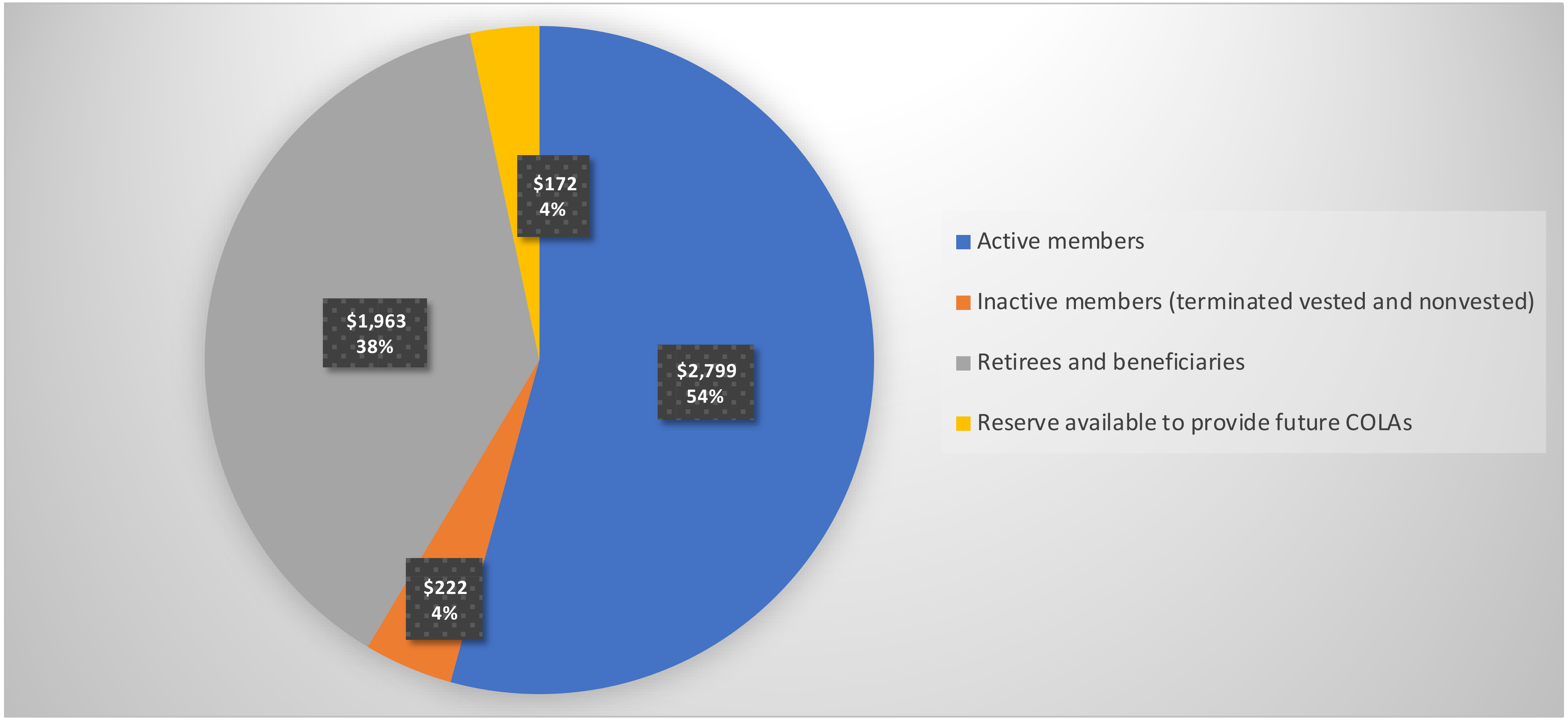
Statewide Retirement Plan Valuation Results

Allocation of Assets to Plan Obligations. Base Benefits Only (No Assumed COLA)



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SWDB/SRP: A Brief History

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SWDB: A Brief History

- Opened in 1978 as an answer to the underfunded old hire plans
- Specifically called "Defined Benefit" plan, but has many features that make it less "Defined" than some other plans
  1. Ad Hoc COLAs
  2. SRA: Stabilization Reserve Account
  3. Re-entry Group SRA: Separate Retirement Account
  4. Benefit Safeguards or "Rollbacks"

Ad Hoc COLAs

- Determination of Ad Hoc COLAs are discretionary, pursuant to the Board's fiduciary duty to all Members and are made pursuant to the Board's COLA Policy
  - Under Statute, the Board can grant from 0% up to max (CPI, 3%)
  - Historically, results through 2008 showed that the plan had the money needed to grant closer to the top end of the range
  - Was not a large expense to the plan as there were not many retirees in this young plan

SRA (Stabilization Reserve Account)

- At one time, the contributions thought to be needed to fund the SWDB Plan (including 3% target benefit adjustments) were less than the 16% coming in—there was an excess
- Implemented SRA in 1988
  - Excess contributions deposited in individual accounts
  - Forfeitable until retirement
  - Preferable to reducing contributions
- HB 20-1044 Converted SRA to self-directed investment accounts
  - Ended possibility of forfeiture

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Times Were Good

- For a long time, 16% less the required actuarial contribution (w/ 3% benefit adjustment) was deposited into Member accounts
  - Investment returns were good
  - Longevity expectations much less
  - Base benefit funded ratio near 200% at the end of the 80s
- Example (1998):
  - Base benefits 156% funded
  - ARC Base benefits 1998 = 2.79%
  - ARC 3% w/ COLA 1998 = 9.33%
  - Could afford to give CPI COLA *and* 6.5% SRA

Year	SRA granted	COLA granted
1988	5.0%	3.0%
1989	6.5%	3.0%
1990	6.0%	3.0%
1991	4.5%	3.0%
1992	5.5%	3.0%
1993	6.5%	2.9%
1994	6.0%	2.8%
1995	4.5%	2.5%
1996	6.5%	2.9%
1997	6.5%	2.9%
1998	6.50%	2.30%
1999	7.00%	1.30%

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Times Were So Good, Benefits Were Improved

- Improved benefits in 2000
    - Again, preferable to contribution reduction
- Improved multiplier
    - Was 2% per year with max 50%
    - Changed to 2% for first 10 years of service, 2.5% years over 10 years
    - Changes were made retroactively
- Like SRA, was also "forfeitable"—could pull back improvements if actuarial contribution (using 40-year amortization) for base benefits exceeded 16%
    - Normal Retirement age could also be pushed back to 60
- Called "benefit safeguards," but really contribution safeguards
- Ate up the asset cushion

Benefit Enhancements

Statewide Retirement Plan

Enhancement	Board Initiated	Member Election	Legislation Driven
Normal Retirement Age	☑	☐	☑
Vesting	☑	☐	☑
Benefit Multiplier	☑	☑	☐
Rule of 80	☑	☐	☑
Separate Retirement Accounts (SRA)	☑	☐	☑
Deferred Retirement Option Plan (DROP)	☑	☑	☐
Remove Cap on Service	☑	☑	☐
One-Time Lump Sum	☑	☐	☑

And Then, Compromises To Be Made

- **Three years of poor returns 2000-2002**
  - -4%, -7%, -8% (remember: measured from 8%)
  - Longevity expectations increasing
  - Base benefit funded ratio around 110% in 2004. 3% benefit becomes underfunded.
- Example (2004):
  - Base benefits 110% funded
  - ARC Base benefits 2004 = 9.99%
  - ARC w/ 3% COLA 2004 = 16.36%
  - Could no longer afford to give COLA and SRA
    - Chose COLA

Year	SRA granted	COLA granted
2000	3.0%	2.2%
2001	1.5%	3.0%
2002	0.5%	2.7%
2003	0.0%	1.4%
2004	0.0%	2.2%
2005	0.0%	2.6%
2006	0.4%	3.0%
2007	0.7%	3.0%
2008	0.0%	2.9%

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And Then There Was 2008

- **2008 Investment return: -30%, which dropped the Plan's funded ratio from 128% to 100%**
- **Experience study in 2011 showed need for increased longevity and lowered return expectations**
  - Assumed investment return 8% -> 7.5%
  - Generational mortality
  - Base benefit funded ratio around 96% in 2012.
- Example (2014):
  - Base benefits 101% funded
  - ARC Base benefits 2014 = 13.82%
  - ARC w/ 3% COLA 2014= 24.63%
  - Even if no SRA, can no longer afford to give full COLA
  - Must decide to do with extra 2.18%

Year	SRA granted	COLA granted
2009	0.0%	1.35%
2010	0.0%	0.00%
2011	0.0%	1.34%
2012	0.0%	0.43%
2013	0.0%	0.48%
2014	0.0%	0.61%

Evolution of the COLA Policy Since 2013/Member Task Force

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2013 Actuarial Valuation Results

- Base benefits: 97.9% funded
- COLA based on policy at the time: 0.48%
- Projections showed 16% contributions would be able to provide little more than that even if all went as expected
  - Meaningful risk of benefit rollbacks
- Formed Member task force to explore increased contributions

Going Into the 2013/2014 Member Task Force

- **COLA Policy at the time:**
  - Set long-term COLA assumption such that
    - Normal Cost + funding of unfunded liabilities over 30-years = 16%
- Ahead of its time in that it was variable and responded to Plan experience
  - But maxed out Plan funding with no provision for adverse experience

2013/2014 Member Task Force

- **Heard significant active Member concerns throughout Task Force**
  - Member contributions used to pay for current retirees' COLA
    - May never see the fruits of their contributions
  - Many Members thought SRA or deferred compensation would be preferable
- Despite these concerns, the Member vote passed
  - Member contribution increases started in 2015

GRS and the Board Respond To Active Member Concerns

2015

- GRS performed an intergenerational equity study, evaluating the COLA policy at the time
  - Proposed an alternative that somewhat ameliorated the equity issues to the extent possible
- Board adopted alternative policy
  - Allowed retirees to share in additional contributions already paid into the trust but did not borrow from future contributions to pay today's COLAs
  - Very similar to today's policy
    - What COLA assumption produces 100% funded ratio?

Statewide Retirement Plan COLA Policy

The policy estimates what COLA could be expected to be provided to all generations of current Members in the future, based on the current funded status of the Plan

- Basically, what long-term COLA assumption would produce a **100% funded ratio** today? This is the "Breakeven COLA"
- Another way to think about it…if both *benefit accruals* and *contributions* stopped today, and assumptions worked out perfectly, what COLA could be provided on the accrued benefits?

Add a One-Time Lump Sum payment

- If the breakeven COLA is <u>less than 1%</u> (*long-term focus remains on providing COLA, not one-time lump sums*), *and*
- The Long-Term Pool has achieved an <u>average return of 6.5% over the last five years</u>,
- Then pay a One-Time Lump Sum that equals

(CPI – breakeven COLA) * annual benefit

Total provided is the ongoing breakeven COLA plus a One-Time Lump Sum payment, both of which occur with the October benefit payment

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Who? What? When?

Born	1950	1960	1970	1980	1990	2000
Hired	1980	1990	2000	2010	2020	2030
Retired	2005	2015	2025	2035	2045	2055
Life Expectancy at Retirement	30.0	30.8	31.6	32.4	33.2	33.9
Average Employee Contribution	8.00%	8.00%	9.04%	10.64%	11.94%	12.00%
Average Contribution Returned as SRA	4.47%	2.62%	0.24%	0.00%	0.00%	0.00%
Average Net Employee Contribution	3.53%	5.38%	8.80%	10.64%	11.94%	12.00%
1st COLA during Retirement	3.00%	0.25%	0.50%	1.62%	2.22%	2.56%
11th COLA during Retirement	0.25%	0.50%	1.62%	2.22%	2.56%	2.65%
21st COLA during Retirement	0.50%	1.62%	2.22%	2.56%	2.65%	2.65%

Projected COLA amounts shown in patterned shading regions. Known COLA amounts in solid shading regions.

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Who? What? When? (1/4)

Boiled Down To a Single Comparable Metric

Total Value to Member at Retirement

Present Value of Annuity Benefit at Retirement

(Including adjustments for longevity improvement and expected benefit adjustments)

+

Value of SRA at Retirement

(Accounting for when SRA contributions were payable and SRA investment returns)

Total Value Provided by Member

Accumulated Contributions Up Through Retirement at 55

(Using specific contribution rates and 7% interest)

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Who? What? When? (2/4)

Boiled Down To a Single Comparable Metric

Hired	1980	1990	2000	2010	2020	2030
Retired	2005	2015	2025	2035	2045	2055
Accumulated Contributions at Retirement						
Employee Only	$564,301	$564,301	$627,895	$743,898	$842,443	$846,452
Employer + Employee	$1,128,602	$1,128,602	$1,203,802	$1,428,761	$1,678,027	$1,763,441
Annuity Benefit at Retirement	$126,064	$126,064	$126,064	$126,064	$126,064	$126,064
Present Value of Benefit at Retirement	$1,680,408	$1,587,903	$1,733,011	$1,922,756	$2,034,907	$2,096,639
SRA	$215,498	$199,601	$16,994	$0	$0	$0
Total Value	$1,895,905	$1,787,505	$1,750,005	$1,922,756	$2,034,907	$2,096,639
Ratio of Total Value to Total Contributions						
Employee Only	3.36	3.17	2.79	2.58	2.42	2.48
Employer + Employee	1.68	1.58	1.45	1.35	1.21	1.19

Uses valuation assumptions, pay at hire of $50,000

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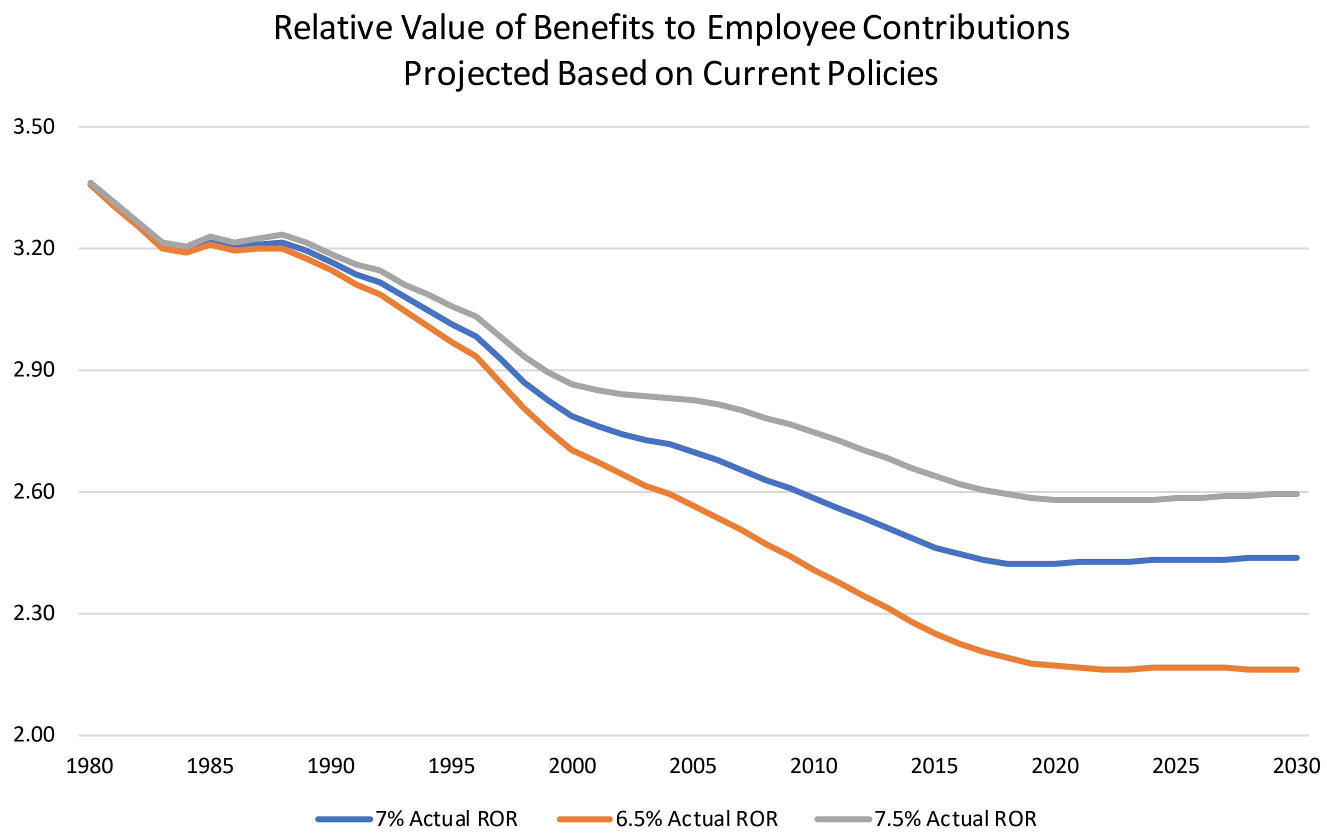
Who? What? When? (3/4)

Boiled Down To a Single Comparable Metric



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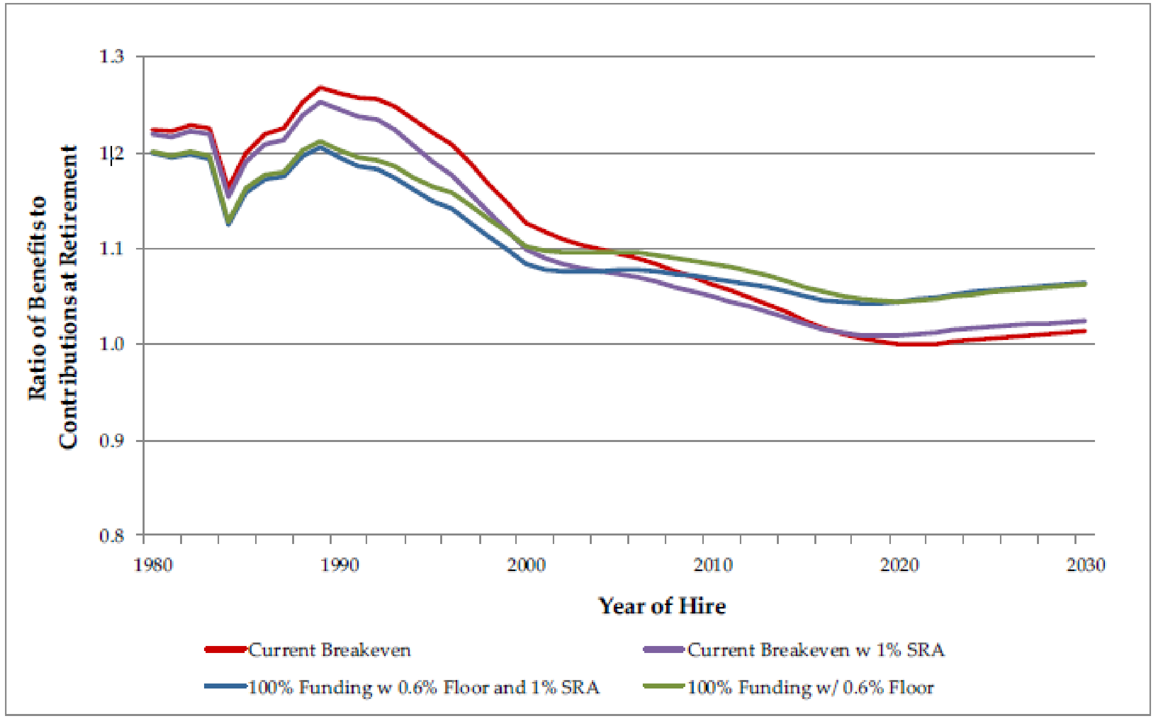
Who? What? When? (4/4)

Boiled Down To a Single Comparable Metric

- Similar exercise (total contributions) from 2015 Board Presentation: Consideration of New Policies
  - Red = Pre-election policy
  - Blue = 2015 adopted



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Other Relevant Events Since Then (1/3)

- 2015 Experience Study
  - Changed mortality table assumptions and a few other assumptions
- 2018 Experience Study
  - Moved from 7.5% investment return assumption to 7.0%
  - Went from $84M reserve to $32M unfunded
- 2020 House Bill 20-1044
  - Added Rule of 80
  - Increased Employer contributions by 0.5% for 10 years starting in 2021 (ultimate 13% in 2030)

Other Relevant Events Since Then (2/3)

- Anomalous Inflation
  - 2021 and 2022 depending on metric used 5-8% levels
  - A Member that retired in 2016 has lost 25% of their purchasing power
    - About 5% of that 25% loss is excess inflation above 2.5% expected
    - Future retirees also expected to lose purchasing power even if inflation is as expected
- Board added Supplemental Payments to Benefits Policy
  - Paid out extra $18 million over last three years in one-time payments

Other Relevant Events Since Then (1/3)

- Public Safety Salary Experience
  - Nationwide, not just FPPA
  - High inflation and increased hiring and retention issues
  - SRP salary losses
    - 2026: $47 million
    - 2025: $53 million
    - 2024: $25 million
    - 2023: $78 million
  - COLAs are the balancing item in current statutory setup, so adverse experience from any source, including salary increases to active employees, decreases the amount available to COLAs

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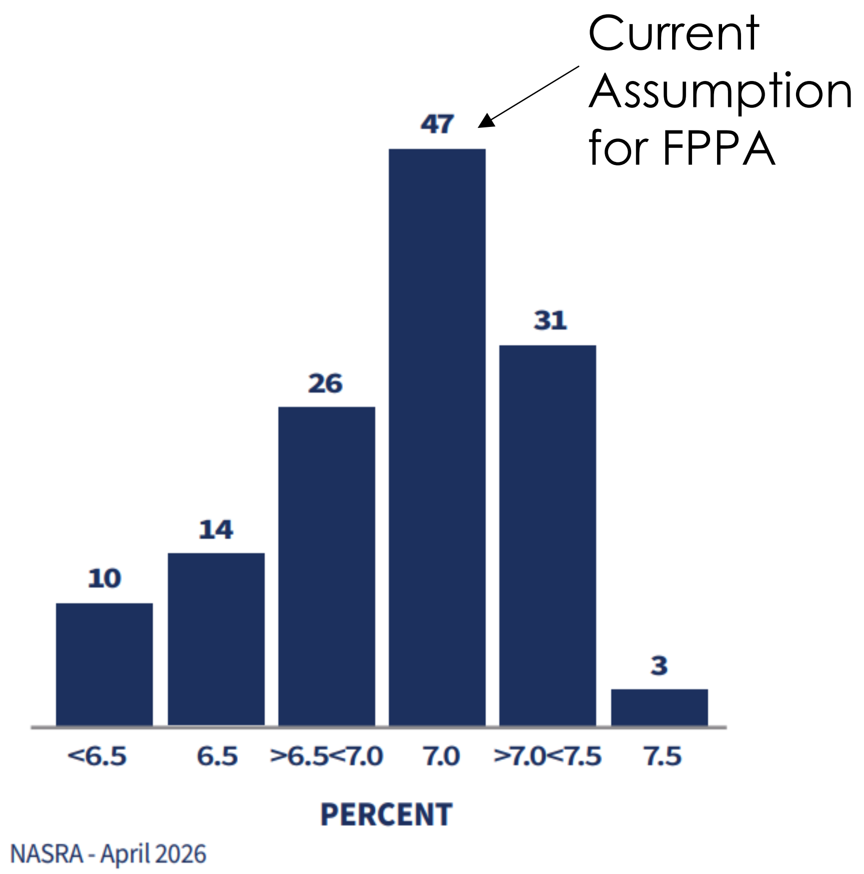
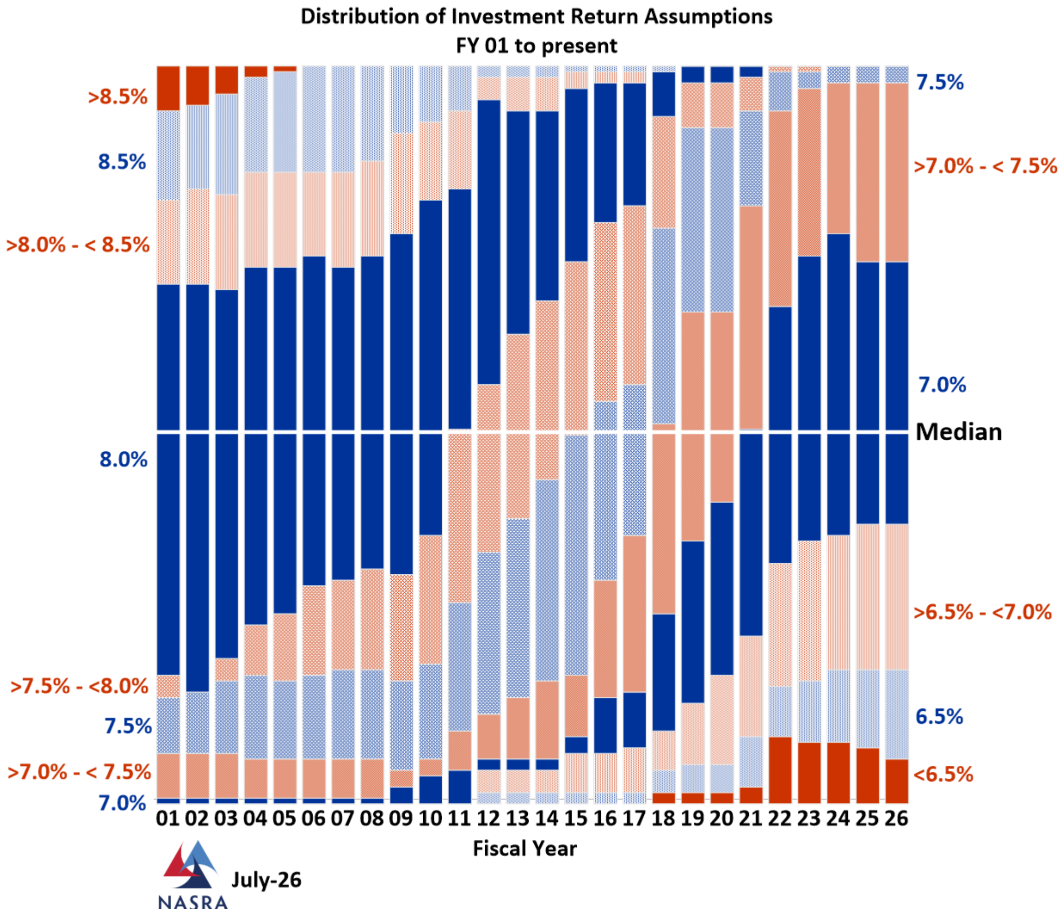
Investment Return Assumption: National Trends (2/2)



- 7% is currently used by approximately half of statewide plans
- 7% is the median assumption used and the mode of assumptions used
- However, there are more below 7.0% than above 7.0%

Investment Return Assumption: National Trends (2/2)



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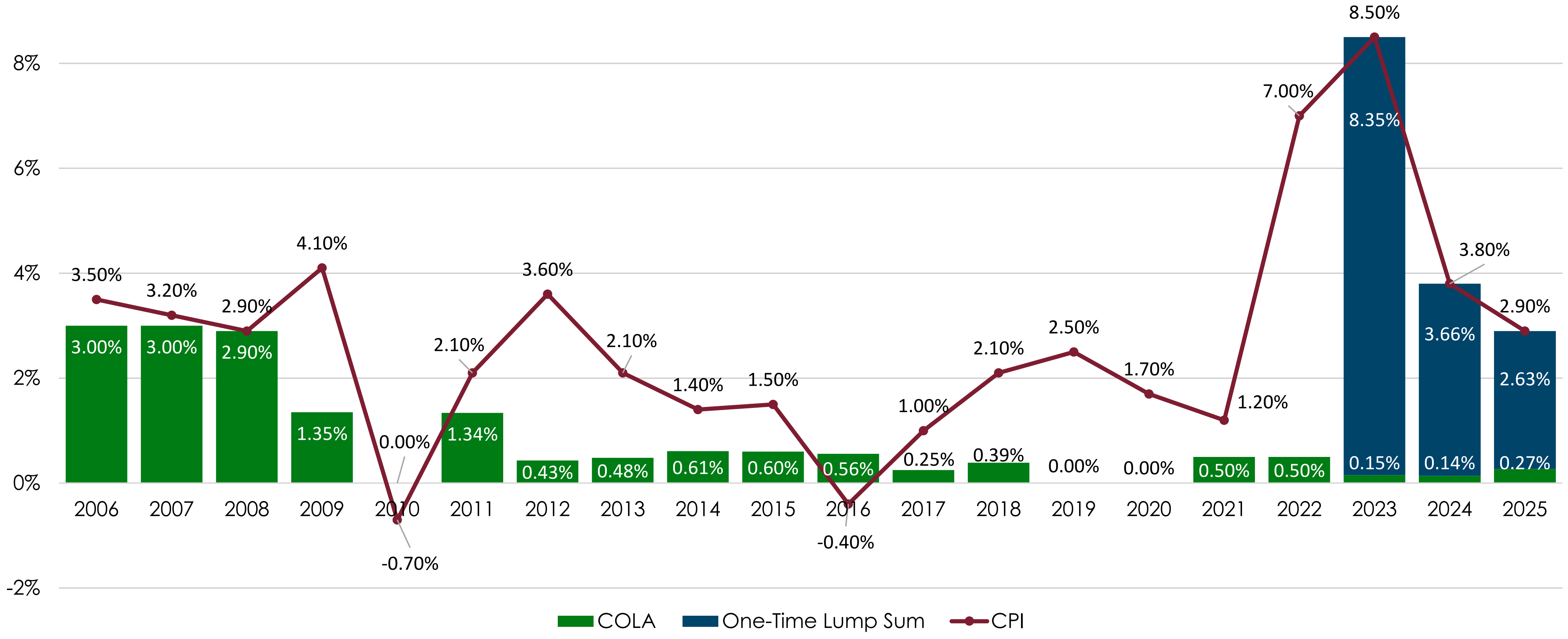
The End Result

Historical COLAs vs CPI-W

Statewide Retirement Plan



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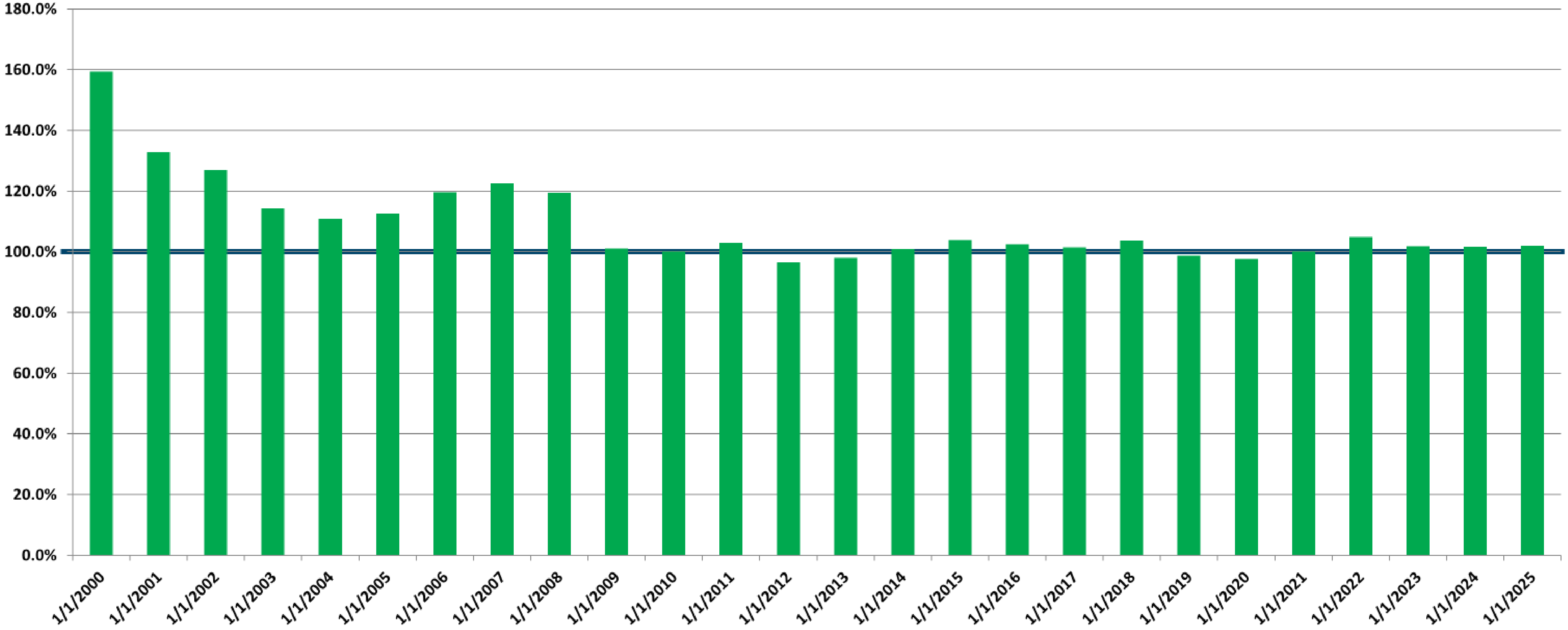
Historical Funded Status

Statewide Retirement Plan, as of January 1



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Allocation of Additional Contributions Since 2015

$ In Millions

Member Contributions in Excess of 8%	$264
Employer Contributions in Excess of 8%	$78
Needed Towards Base Normal cost	-$173
New Contributions towards Future	$169
Retiree COLA and Supplemental	-$52
Net Contributions Reserved for Future	$117

Outlook Today

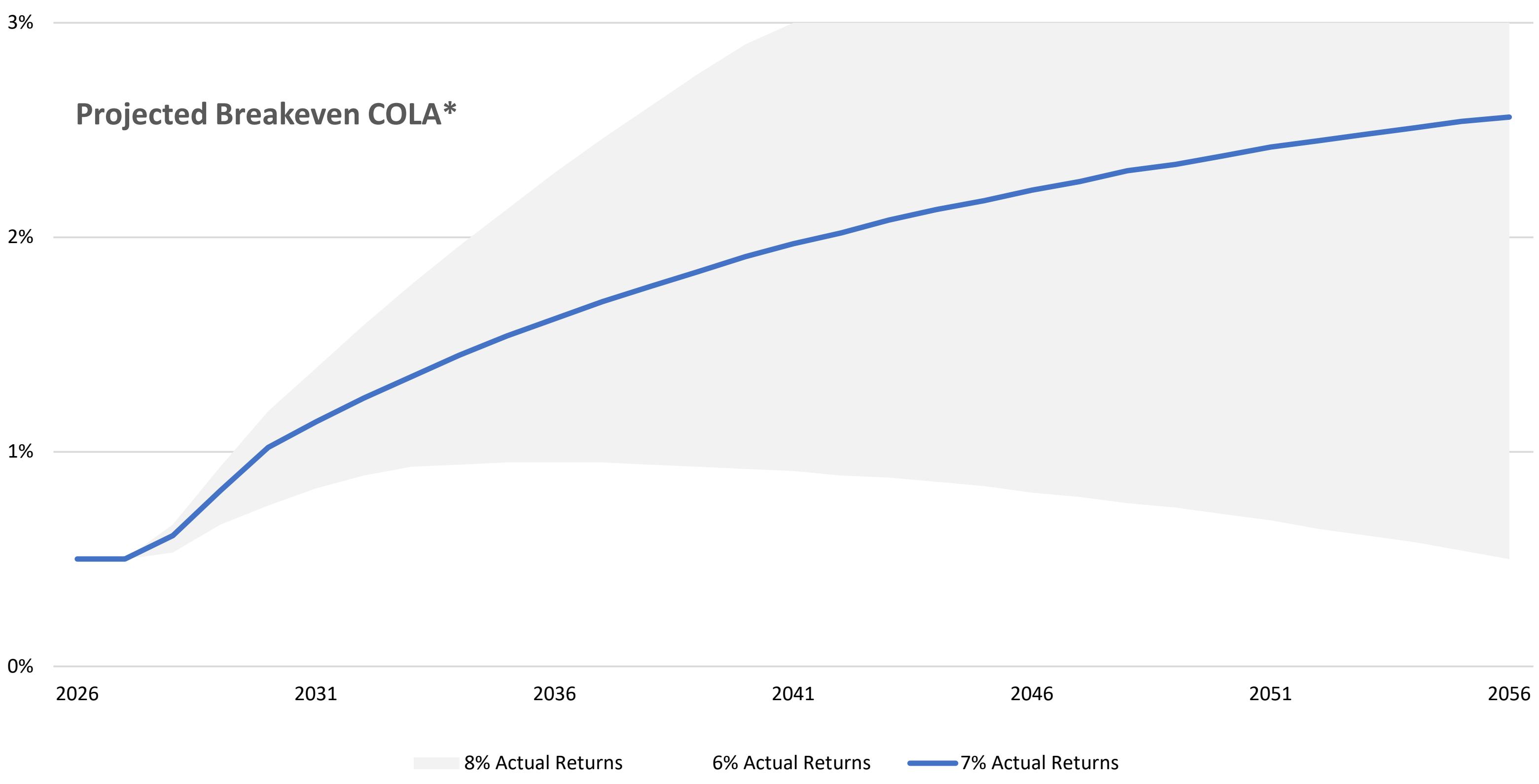
Current Projected Expectations Regarding COLA Growth

Statewide Retirement Plan

Shaded area denotes outcomes between 6% and 8% returns

Actual experience will cause variation from these projections.

We know from experience that expectations can change based on a changing reality.



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**If all demographic and economic assumptions are met, uses experience study assumptions*

Importance of Maintaining a Well-Funded Status

The Importance of Maintaining a Well-Funded Status

Being fully funded protects our membership from adverse experience and from changes to benefits and contributions.

What is meant by pension reform?

Increased Costs

- Increased contributions for both Employer and Employee

Benefit Reductions

- Eliminate even Ad Hoc COLAs, change multiplier, increased retirement age

Benefit Tiers

- New hires retire later, multipliers are lower, creates an inequity in membership

How Full Funding Protects Our Members

FPPA is one of the few plans in the country with a specific statute that provides what the Board may do if the fund became actuarially unsound.

- Actuarial soundness is defined as having a 40-year amortization period to pay off the unfunded liability

Examples of benefit changes the Board is may be required to make include:

- May terminate allocating surplus contributions to the Money Purchase Component
- May suspend making Cost of Living Adjustments
- May change the age and service combination for Normal Retirement
- May reduce benefit accrual from 2.5% to 2.0%

Task Force Roadmap and Timeline

September 10, 2026

First Task Force meeting focused on education

November 2026

Focused on COLA structures in public pension funds around the country- solicit input from Task Force Members

January/February 2027

Focus on modeling different COLA policy scenarios or anything that came out of the November meeting

May/June 2027

Present the findings from the actuarial review and/or asset liability study

July 2027 >>>>>

Further work with task force on actuarial review and asset liability study