

PEYTON FIRE PROTECTION DISTRICT
PENSION BOARD MEETING

Administrative Offices

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Lakewood, Colorado 80228-1898
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NOTICE OF REGULAR MEETING AND AGENDA

<u>Board of Directors:</u>	<u>Office:</u>	<u>Term/Expires:</u>
Clayton Miller	Director	2027/May 2027
Amy Turner	Treasurer	2025/May 2025
David Rolenc	President	2027/May 2025
Ryan Orness	Director	2025/May 2025
Victoria Markowski	Director	2025/May 2025
Jeff Turner	Fire Chief	
Eric Markowski	Secretary	

DATE: October 10, 2023 (Tuesday)

TIME: 6:30 p.m.

PLACE: **Physical Location**
Peyton Fire Protection District
13665 Railroad Street
Peyton, CO 80831

Zoom Meeting
<https://us02web.zoom.us/j/5469119353?pwd=SmtlcHJETFhCQUZEcVBBOGZVU3Fqdz09>

Phone Number: 1 (253) 215-8782

Meeting ID: 546 911 9353

Passcode: 912873

I. ADMINISTRATIVE MATTERS

A. Present Disclosures of Potential Conflicts of Interest.

B. Approve Agenda.

C. Review and approve the Minutes from the July 11, 2023 Pension Board Meeting (enclosure).

II. PUBLIC COMMENT

A. _____

III. CORRESPONDENCE

A. _____

IV. UNFINISHED BUSINESS

A. _____

V. NEW BUSINESS

A. Review and accept 2023 Second Quarter Financial Report (enclosures).

VI. OTHER BUSINESS

A. _____

VII. ADJOURNMENT

**RECONVENE TO THE PEYTON FIRE PROTECTION
DISTRICT BOARD MEETING.**

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PEYTON FIRE PROTECTION DISTRICT PENSION BOARD MEETING HELD JULY 11, 2023

A Regular Meeting of the Board of Directors of the Peyton Fire Protection District Pension Board (referred to hereafter as “Board”) was held on Tuesday, the 11th day of July, 2023 at 6:30 p.m. at the Peyton Fire Protection District Fire Station, 13665 Railroad Street, Peyton, Colorado 80831 and was also held by conference call. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Amy Turner
David Rolenc
Ryan Orness
Jeff Turner
Clayton Miller
Victoria Markowski

Also In Attendance Were:

David Solin; Special District Management Services, Inc. (“SDMS”)

Jack Reutzell, Esq.; Fairfield & Woods, P.C.

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board of Directors and to the Secretary of State. Mr. Solin noted that there were no new conflicts of interest raised.

ADMINISTRATIVE MATTERS

Agenda: Mr. Solin reviewed the proposed agenda for the Pension Board’s Regular Meeting.

Following discussion, upon motion duly made by Director A. Turner, seconded by Director Rolenc and, upon vote, unanimously carried, the Agenda was approved, as amended.

RECORD OF PROCEEDINGS

Minutes: The Board reviewed Minutes from the April 11, 2023 Pension Board Meeting.

Following discussion, upon motion duly made by Director Rolenc, seconded by Director Markowski and, upon vote, unanimously carried, the Minutes of the April 11, 2023 Pension Board Meeting were approved, as presented.

Resignation of Director: The Board acknowledged the resignation of Director Michael Dell' Ario, as he has retired from the department.

Appointment of Director: The Board considered the appointment of Eric Markowski to fill the vacancy created by the resignation of Michael Dell' Ario.

Following discussion, upon motion duly made by Director Rolenc, seconded by Director Markowski and, upon vote, unanimously carried, Eric Markowski was appointed to fill the vacancy created by the resignation of Michael Dell' Ario.

PUBLIC COMMENT There were no public comments.

CORRESPONDENCE There was no correspondence.

UNFINISHED BUSINESS There was no unfinished business.

NEW BUSINESS **2023 First Quarter Financial Report:** The Board reviewed the 2023 first quarter financial report.

Following discussion, upon motion duly made by Director Miller, seconded by Director J. Turner and, upon vote, unanimously carried, the Board approved the 2023 first quarter financial report.

OTHER BUSINESS There was no other business.

ADJOURNMENT There being no further business to come before the Board at this time, upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned.

PEYTON FIRE PROTECTION DISTRICT
PENSION TRUST FUND
BALANCE SHEET
AUGUST 31, 2023

<u>ASSETS</u>			
4-118	FPPA PENSION FUND	98,027.51	
	TOTAL ASSETS		<u>98,027.51</u>
<u>LIABILITIES AND EQUITY</u>			
<u>FUND EQUITY</u>			
4-450	FUND BALANCE	154,361.14	
UNAPPROPRIATED FUND BALANCE:			
4-497	CURRENT EARNINGS	(60,318.84)	
	REVENUE OVER EXPENDITURES - YTD	<u>3,985.21</u>	
	BALANCE - CURRENT DATE	<u>(56,333.63)</u>	
	TOTAL FUND EQUITY		<u>98,027.51</u>
	TOTAL LIABILITIES AND EQUITY		<u>98,027.51</u>

PEYTON FIRE PROTECTION DISTRICT
PENSION TRUST FUND
STATEMENT OF REVENUE AND EXPENDITURES COMPARED TO BUDGET
FOR THE 8 MONTHS ENDING AUGUST 31, 2023

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	VARIANCE	PCNT
<u>REVENUE</u>					
4-560 INVESTMENT INCOME	311.71	548.17	.00	(548.17)	.0
4-561 UNREALIZED GAIN OR (LOSS)	1,483.05	5,224.46	.00	(5,224.46)	.0
4-565 REALIIZED GAIN OR (LOSS)	900.60	671.03	.00	(671.03)	.0
4-570 ACCRUED INCOME	2.41	34.58	.00	(34.58)	.0
4-575 OTHER INCOME (LOSS)	55.83	35.97	.00	(35.97)	.0
TOTAL REVENUE	2,753.60	6,514.21	.00	(6,514.21)	.0
<u>EXPENSES</u>					
4-610 PENSION FUND EXPENSES	1,245.07	2,529.00	.00	(2,529.00)	.0
TOTAL EXPENSES	1,245.07	2,529.00	.00	(2,529.00)	.0
EXCESS REVENUE OVER (UNDER) EXPENDITURES	1,508.53	3,985.21	.00	(3,985.21)	.0
FUND BALANCE - ENDING	1,508.53	3,985.21	.00	(3,985.21)	.0

**Fire and Police Pension Association
Peyton FPD Volunteers 7281-5
For the Six Months Ending June 30, 2023**

Beginning Balance	\$94,042.30
Plan Direct Inflows and Outflows	
Member Contributions	
Employer Contributions	
Contributions from the SWDD Plan	
Refunds	
Affiliations/(Disaffiliations)	
Plan Transfers	
Net Benefits	
Plan Directed Expenses	
State Funding	
Plan Direct Inflows and Outflows Sub-Total	\$0.00
Allocated Income and Expense	
Interest	\$319.15
Dividends	\$229.02
Other Income	\$35.97
Net Change Accrued Income	\$34.58
Unrealized Gain/Loss	\$5,224.46
Realized Gain/Loss	\$671.03
Defined Contribution Earnings (Net)	
Investment Expenses	(\$316.79)
Direct Expense Allocation	(\$655.52)
Other Expenses	(\$1,556.69)
Allocated Income and Expense Sub-Total	\$3,985.21
Ending Balance	\$98,027.51

MEMORANDUM

To: Affiliated Volunteer Pension Plan Employers
From: Peggy Job, Senior Accountant
Re: Six months ended June 30, 2023
 Allocation Report, Annual Contributions Received & Direct Expense Allocation Summary
Date: July 27, 2023

Allocation Report

Investment Performance

Your plan assets are commingled for investment purposes in the Members' Benefit Investment Fund – Long Term Pool ("Pool"). Returns for the Pool are as follows (returns for periods longer than one year are annualized):

As of 06/30/2023	Quarter	Year to Date	1 Year	3 Years	5 Years
Total Pool Net of Investment Expense*	2.73%	6.78%	8.92%	9.47%	7.81%

*FPPA Administrative Expenses are not included in the Total Pool Net of Investment Expense percentages.

The table below summarizes expenses as a percentage of net assets for the Pool:

Year	FPPA Administrative Expense*	Investment Management Expense	Total Expense Ratio
Q2-2023	0.08%	0.33%	0.41%
2022	0.14%	0.80%	0.94%
2021	0.12%	0.81%	0.93%
2020	0.13%	0.79%	0.92%
2019	0.13%	0.80%	0.93%
2018	0.16%	0.88%	1.04%
2017	0.23%	0.89%	1.12%
2016	0.24%	0.79%	1.03%

How to Calculate Your Plan Specific Expense Ratio

Your Allocation Report may reflect expenses specific to your plan such as actuarial expense and legal fees as well as expenses you directed FPPA to pay from your plan assets. These expenses are reflected in the line items *Plan Directed Expenses* and *Direct Expense Allocation*. As such, your plan's administrative expenses may differ from the Pool. In order to calculate your plan's administrative expense ratio, you will need to add the line items *Plan Directed Expenses*, *Direct Expense Allocation* and *Allocated Fees & Expenses* and divide by the *Ending Balance*.

Allocation Methodology

Investment Expenses and *Allocated Fees & Expenses* are separately allocated and separately reported in the Allocation Report. The *Investment Expenses* are allocated to each plan based on the plan's proportion of total assets. The *Allocated Fees & Expenses* are allocated based on the plan's proportion of total membership, including active, inactive and retired members as of December 31 of the prior year as defined by the guidelines within the Annual Comprehensive Financial Report. Member counts may be adjusted during the year for plan affiliation, disaffiliation, or reentry.

Review of the Report

Review the items *Member Contributions, Employer Contributions, Refunds, Affiliations, Net Benefits, Plan Directed Expenses and State Funding* and confirm that these amounts are correct year-to-date. **If any amount is not correct, please send a written response to FPPA by September 15 2023. If FPPA does not receive a response by September 15 2023, you are confirming that these report items are correct.**

Annual Contributions Received

FPPA provides a schedule of your 2023 contributions received by FPPA year to date. This schedule compares contributions received in the current year to the actuarial required contributions for 2023. **Please be aware that this report shows contributions based on the date received by FPPA and does not consider if contributions relate to a prior year.**

Direct Expense Allocation Summary

Direct Expense Allocation

FPPA provides a summary of expenses directly allocated to your plan, payments received related to these expenses and the related annual budgeted amounts. These costs are identified as direct plan expenses and are charged directly to the plan as a reduction of plan assets. They are reflected in the *Direct Expense Allocation* row of your Allocation Report. You may contact me to request a detailed summary of these allocated expenses.

The direct expense allocation is comprised of costs for audit and actuarial services. The audit services relate to the SOC 1 Type 2 report over the operating effectiveness of FPPA's controls for processing data and transactions related to your plan. The SOC 1 Type 2 report has been provided since 2014 to assist employers in reporting in accordance with Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*. Actuarial services include the biennial funding valuation report (issued in odd years for Volunteer Firefighter plans and even years for Old Hire plans) and the annual GASB 68 report. Actuarial services are provided by Gabriel Roeder Smith & Co. Audit services are provided by Eide Bailly LLP.

Payment of Settlor Expenses

Please discuss these direct plan expenses with your legal counsel to determine if they are a "settlor" expense. The Department of Labor believes that the employer should bear the cost of settlor expenses. If you agree, you should reimburse the plan for these expenses. This payment is in addition to any employer contributions made to the plan or as determined by the actuary (the actuarially determined contribution).

To reimburse the plan for these costs, please send payment via ACH or wire to FPPA. These payments need to be identified separately from your actuarial required contribution in order to net out the expense. Please contact FPPA for ACH or wire Instructions.

If you have any questions regarding your allocation report or the direct allocated plan expenses, please call me at 303-770-3772 in Metro Denver or 800-332-3772 or email me at pjob@fppaco.org.

Allocation Report Descriptions

This report provides the beginning of year plan balance, year-to-date totals, and an ending plan balance as of the report date

Beginning Balance	Plan assets at the beginning of the year
Plan Direct Inflows and Outflows	
Member Contributions	Member Contributions made to the plan
Employer Contributions	Employer Contributions made to the plan
Contributions from the SWDD Plan	Contributions received for a member on disability rolling to a normal retirement
Refunds	Member withdrawal of funds from the plan
Affiliations/(Disaffiliations)	Plan affiliation or disaffiliation or idle funds distribution (typically a Volunteer Fire Plan matter)
Net Benefits	Benefits paid to retired members
Plan Directed Expenses	Payments from plan assets directed by the department Examples: legal, actuarial, and insurance expense
State Funding	State funding for volunteer plans
Plan Direct Inflows and Outflows Sub-Total	Sub-Total of the above activity
Allocated Income and Expense	
Interest*	Interest on investments
Dividends*	Dividends on investments
Other Income*	Other investment income
Net Change Accrued Income*	Change in accrued earnings for interest and dividends
Unrealized Gain/Loss*	Unrealized Gain/Loss on investments
Realized Gain/Loss*	Realized Gain/Loss on investments
Defined Contribution Earnings (Net)	Not applicable for Defined Benefit plans
Investment Expenses	Allocated share of FPPA investment expense
Direct Expense Allocation	Expenses directly allocated to the plan Examples: actuarial and audit fees
Other Expenses	Allocated share of FPPA administrative expense
Allocated Income and Expense Sub-Total	Sub-Total of the above activity
Ending Balance	Plan assets at period end

** Allocated from the Fire & Police Members' Benefit Investment Fund – Long Term Pool.*

Fire and Police Pension Association

Volunteer Fire Pension Plan Contributions PEYTON FPD 7281-5

For the Reporting Period: 01/01/2023 through 06/30/2023

Deposit Date	Employer Contributions	State Matching Funds	Total Remittance
No deposits received for the reporting period			
Total Remittance			\$0.00
Calculated Contribution per the 01/01/2021 Actuarial Study			\$4,079.00
Difference Over/(Under)			\$(4,079.00)

Note: The Calculated Contribution amount is due to FPPA before 12/31/2023

**Fire and Police Pension Association
 Direct Expense Allocation Summary
 Peyton FPD Volunteers 7281-5
 For the Six Months Ending June 30, 2023**

Type of Expense	2023 Budget	Year-to-Date Expenses	Payment of 2023 Expenses
Actuarial Expenses	\$1,188.48	\$495.20	
Audit Expenses	\$160.32	\$160.32	
Other Asset Allocation Study Expenses			
Total Direct Allocated Expenses & Payments	\$1,348.80	\$655.52	

Actuarial expenses may exceed the budget related to asset allocation studies and implementation.

Contact Peggy Job at 720-479-2345 to obtain a detailed expense listing.

Statewide Defined Benefit Plan

GASB Statement No. 68

Schedule of Employer Contributions and
Schedule of Collective Pension Amounts

For the Measurement Period Ending December 31, 2020
and Employer Reporting Period Ending December 31, 2021

FPPA

Fire & Police Pension Association of Colorado





Independent Auditor's Report

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

Report on Schedule of Allocations and Net Pension Amounts by Employer

We have audited the accompanying schedule of employer contributions of the Fire and Police Pension Association of Colorado – Statewide Defined Benefit Plan as of and for the year ended December 31, 2020 and related notes. We have also audited the rows titled net pension liability / (asset), total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension plan expense (income) as of and for the year ended December 31, 2020 (specified row amounts) included in the accompanying schedule of collective pension amounts (collectively the Schedules) of the Fire and Police Pension Association of Colorado – Statewide Defined Benefit Plan, and related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer contributions and specified row amounts included in the schedule of collective pension amounts 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 schedule of employer contributions and specified row amounts included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer contributions and specified row amounts included in the schedule of collective pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer contributions and specified row amounts included in the schedule of collective pension amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer contributions and specified row amounts included in the schedule of collective pension amounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer contributions and specified row amounts included in the schedule of collective pension amounts.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

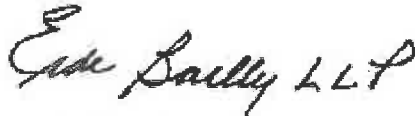
In our opinion, the Schedules referred to above present fairly, in all material respects, the employer contributions as of and for the year ended December 31, 2020, the net pension liability / (asset), total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and total pension expense (income) for the Fire and Police Pension Association of Colorado – Statewide Defined Benefit Plan as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Fire and Police Pension Association of Colorado as of and for the year ended December 31, 2020, and our report thereon, dated May 14, 2021, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the Fire and Police Pension Association of Colorado (FPPA) management and Board of Directors, FPPA employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eric Bailey LLP". The signature is written in a cursive, flowing style.

Denver, Colorado
September 1, 2021

Fire & Police Pension Association of Colorado**Schedule of Employer Contributions****Statewide Defined Benefit Plan**

Employer Fire and Police Department	Employer Contributions As of and for the year ended December 31, 2020
ADAMS COUNTY FPD	\$729,690
ALMA POLICE	6,951
ANTONITO POLICE	6,288
ARVADA FPD	1,308,050
ASPEN FPD	45,180
AULT FPD	23,675
AULT POLICE	21,140
AURORA FIRE	2,712,980
BASALT POLICE	59,518
BAYFIELD POLICE	30,164
BENNETT FPD #7	119,689
BERTHOUD FPD	195,742
BEULAH FIRE PROTECTION & AMBULANCE DISTRICT	7,460
BIG SANDY FPD	3,200
BLACK FOREST FIRE RESCUE	115,176
BLACK HAWK FIRE	143,289
BLANCA POLICE	3,419
BOULDER MOUNTAIN FPD	23,389
BOULDER RURAL FPD	142,848
BRIGGS DALE FPD	4,660
BRIGHTON (GREATER) FPD	541,740
BRIGHTON POLICE	544,673
BROADMOOR FPD	25,808
BROOMFIELD POLICE	1,367,205
BRUSH POLICE	44,859
BUENA VISTA FIRE	16,343
BUENA VISTA POLICE	38,507
BYERS FPD #9	6,010
CALHAN FPD	5,022
CANON CITY POLICE	141,802
CARBONDALE & RURAL FPD	170,768
CASTLE ROCK FIRE	713,149
CENTER POLICE	17,141
CENTRAL CITY FIRE	3,719
CHAFFEE COUNTY FPD	25,007
CIMARRON HILLS FPD	92,340
CLEAR CREEK FIRE AUTHORITY	12,746
CLIFTON FPD	104,553
COAL CREEK CANYON FPD	5,808
COLLBRAN MARSHALS	3,476
COLORADO RIVER FPD	226,148

Fire & Police Pension Association of Colorado**Schedule of Employer Contributions****Statewide Defined Benefit Plan**

Employer Fire and Police Department	Employer Contributions
	As of and for the year ended
	December 31, 2020
COLORADO SPRINGS FIRE	\$2,512,192
COLORADO SPRINGS POLICE	3,049,605
COLUMBINE VALLEY POLICE	30,766
CORTEZ FPD	50,232
CRESTED BUTTE FPD	104,857
CRIPPLE CREEK FIRE	60,386
DACONO POLICE	89,281
DEBEQUE FPD	43,918
DEBEQUE POLICE	10,529
DELTA COUNTY FPD #1	8,874
DENVER FIRE	7,756,838
DENVER POLICE	11,769,768
DILLON POLICE	41,768
DINOSAUR POLICE	10,235
DONALD WESCOTT FPD	128,572
DURANGO FPD	416,596
EAST GRAND FPD #4	31,085
EATON FPD	95,705
EDGEWATER POLICE	124,649
ELIZABETH POLICE	34,587
ELK CREEK FPD	63,067
EMPIRE POLICE	6,019
ENGLEWOOD POLICE	537,946
ERIE POLICE	246,421
ESTES VALLEY FPD	25,057
EVANS FPD	113,113
EVANS POLICE	26,071
EVERGREEN FPD	43,068
FAIRMOUNT FPD	144,603
FAIRPLAY MARSHALLS POLICE	14,936
FALCON FPD	257,154
FEDERAL HEIGHTS FIRE	70,403
FEDERAL HEIGHTS POLICE	135,777
FIRESTONE POLICE	198,686
FLORENCE POLICE	43,185
FOOTHILLS FIRE & RESCUE	19,280
FORT LEWIS MESA FPD	10,333
FORT LUPTON FPD	162,938
FOUNTAIN FIRE	157,216
FOUNTAIN POLICE	324,517
FOWLER POLICE	9,641

Fire & Police Pension Association of Colorado**Schedule of Employer Contributions****Statewide Defined Benefit Plan**

Employer Fire and Police Department	Employer Contributions
	As of and for the year ended December 31, 2020
FRANKTOWN FPD	\$106,112
FREDERICK FIRESTONE FPD	370,070
FREDERICK POLICE	75,854
FRISCO POLICE	61,035
FRONT RANGE FIRE RESCUE FPD	209,416
GALETON FPD	18,541
GARDEN CITY POLICE	19,003
GATEWAY-UNAWEEP FPD	4,231
GENESEE FPD	14,320
GEORGETOWN POLICE	16,212
GRAND FPD #1	16,746
GRAND JUNCTION FIRE	617,550
GRAND LAKE FPD	82,964
GRAND VALLEY FPD	94,478
GREATER EAGLE FPD	76,749
GREELEY FIRE	827,620
GYPSUM FPD	41,972
HARTSEL FPD	6,054
HAXTUN POLICE	4,838
HOLYOKE POLICE	7,285
HUDSON FPD	166,849
HUDSON MARSHAL	9,780
HUGO POLICE	5,662
IDAHO SPRINGS POLICE	44,752
IGNACIO POLICE	36,739
INTER-CANYON FPD	21,588
JEFFERSON-COMO FPD	23,305
JOHNSTOWN POLICE	67,538
KERSEY POLICE	9,850
KIOWA FPD	14,492
KREMMLING FPD	4,005
KREMMLING POLICE	5,241
LA JARA POLICE	9,884
LA SALLE FPD	67,587
LA SALLE POLICE	29,429
LA VETA POLICE	5,582
LAFAYETTE FIRE	208,755
LAFAYETTE POLICE	277,537
LAKE GEORGE FPD	6,696
LAKESIDE POLICE	18,317
LARKSPUR FPD	83,418

Fire & Police Pension Association of Colorado**Schedule of Employer Contributions****Statewide Defined Benefit Plan**

Employer Fire and Police Department	Employer Contributions
	As of and for the year ended December 31, 2020
LEADVILLE FIRE	\$52,186
LEADVILLE POLICE	30,569
LEFTHAND FPD	19,833
LITTLETON POLICE	485,924
LOCHBUIE POLICE	58,160
LOG LANE VILLAGE POLICE	7,204
LONE TREE POLICE	365,287
LOS PINOS FPD	104,252
LOWER VALLEY FPD	74,709
LYONS FPD	14,415
MANITOU SPRINGS FIRE	36,725
MANITOU SPRINGS POLICE	85,847
MEAD POLICE	50,897
MILLIKEN POLICE	60,856
MONTE VISTA POLICE	27,628
MONTROSE FPD	210,598
MONTROSE POLICE	286,739
MONUMENT POLICE	49,317
MOUNTAIN VIEW FPD	735,198
MOUNTAIN VIEW POLICE	47,595
NEDERLAND FPD	20,214
NORTH FORK FPD	5,707
NORTH METRO FIRE RESCUE	1,097,288
NORTH ROUTT FPD	10,925
NORTHEAST TELLER COUNTY FPD	79,459
NORTH-WEST FPD	57,139
NUNN POLICE	11,319
OAK CREEK FPD	24,904
OAK CREEK POLICE	6,428
OLATHE FPD ADMIN	5,179
OLATHE POLICE	20,274
PAGOSA FPD	61,024
PAGOSA SPRINGS POLICE	31,889
PALISADE FIRE	9,686
PALISADE POLICE	41,138
PALMER LAKE FIRE	14,753
PALMER LAKE POLICE	10,153
PAONIA POLICE	16,018
PARACHUTE POLICE	22,801
PARKER POLICE	510,577
PEYTON FPD	2,711

Fire & Police Pension Association of Colorado**Schedule of Employer Contributions****Statewide Defined Benefit Plan**

Employer Fire and Police Department	Employer Contributions As of and for the year ended December 31, 2020
PLATEAU VALLEY FPD	\$33,137
PLATTE CANYON FPD	91,431
PLATTE VALLEY FPD	153,416
PLATTEVILLE POLICE	41,674
PLATTEVILLE/GILCREST FPD	213,408
PLEASANT VIEW METRO FIRE DISTRICT	28,698
POUDRE FIRE AUTHORITY	836,712
PUEBLO FIRE	822,076
PUEBLO POLICE	1,214,600
PUEBLO RURAL FPD	120,980
PUEBLO WEST METRO FPD	115,678
RATTLESNAKE FPD	20,215
RED WHITE & BLUE FPD	377,366
ROARING FORK FRA	182,927
ROCKY MOUNTAIN FPD	349,876
RYE FPD	20,824
SABLE ALTURA FPD	23,246
SALIDA FIRE	72,162
SALIDA POLICE	90,479
SECURITY FPD	164,244
SEVERANCE POLICE	31,202
SHERIDAN POLICE	195,994
SILT POLICE	27,955
SOUTH ADAMS COUNTY FPD	611,204
SOUTH FORK FPD	24,579
SOUTH FORK POLICE	9,813
SOUTH METRO FIRE RESCUE FPD	1,679,084
SOUTHEAST WELD FPD	125,128
SOUTHERN PARK COUNTY FPD	3,811
SPRINGFIELD POLICE	4,464
STEAMBOAT SPRINGS FIRE	173,307
STERLING FIRE	85,575
STERLING POLICE	93,432
STRASBURG FPD #8	12,879
STRATMOOR HILLS FPD	27,550
SUMMIT FIRE & EMS AUTHORITY	351,913
TELLURIDE FPD	59,821
THORNTON FIRE	777,382
THORNTON POLICE	1,701,451
TIMBERLINE FPD	25,667
TRI-LAKES MONUMENT FPD	352,171

Fire & Police Pension Association of Colorado

Schedule of Employer Contributions

Statewide Defined Benefit Plan

Employer Fire and Police Department	Employer Contributions
	As of and for the year ended December 31, 2020
TRINIDAD FIRE	\$73,984
UPPER PINE RIVER FPD	142,093
WELLINGTON FPD	167,407
WEST DOUGLAS COUNTY FPD	7,820
WEST METRO FPD	2,197,381
WEST ROUTT FPD	22,934
WESTMINSTER FIRE	962,128
WESTMINSTER POLICE	1,426,509
WIGGINS POLICE	8,029
WINDSOR POLICE	119,203
WINDSOR SEVERANCE FPD	286,125
WRAY POLICE	21,439
YUMA POLICE	33,335
TOTAL, ALL EMPLOYER CONTRIBUTIONS	\$64,256,705

Fire & Police Pension Association of Colorado**Schedule of Collective Pension Amounts****Statewide Defined Benefit Plan**

	As of and for the year ended December 31, 2020
Net Pension Liability/(Asset)	<u><u>\$(217,100,397)</u></u>
Deferred Outflows of Resources	
Differences Between Actual and Expected Experience	\$184,122,482
Changes of Assumptions**	92,336,060
Net Difference Between Projected and Actual Investment Earnings	0
Total Deferred Outflows Excluding Employer Specific Amounts*	<u><u>\$276,458,542</u></u>
Deferred Inflows of Resources	
Differences Between Actual and Expected Experience	\$863,501
Changes of Assumptions**	0
Net Difference Between Projected and Actual Investment Earnings	222,993,333
Total Deferred Inflows Excluding Employer Specific Amounts*	<u><u>\$223,856,834</u></u>
Pension Plan Expense/(Income)	<u><u>\$59,901,319</u></u>

* Employer specific amounts exclude two additional types of deferred outflows of resources and deferred inflows of resources. These amounts relate to (1) the net impact by employer from changes in proportion (that is, the allocation percentage) between reporting periods; and (2) differences between actual contributions made by an employer and their proportionate share of total contributions calculated based on the allocation percentage.

** Changes in Assumptions are recorded as Deferred Outflows or Deferred Inflows in the year changes are enacted and amortized over the average remaining expected service life in place during the initial year of the assumption change (see Note 11). Changes in assumptions were last made as a result of the Actuarial Experience Study in 2018.

Note 1: Plan Description

The Statewide Defined Benefit Plan (SWDB) is a cost-sharing multiple-employer 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 5, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980.

The Plan assets are included in the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Separate Retirement Account assets from eligible retired members).

The Plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.FPPAco.org>.

Note 2: Description of Benefits

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members covered under Statewide Defined Benefit Social Security Component will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefit adjustments paid to retired members are evaluated annually and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent 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 remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Note 3: Contributions

Through December 31, 2020, contribution rates for the SWDB plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions are 8.0 percent and 8.50 percent in 2020 and 2021, respectively. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13.0 percent of pensionable earnings. In 2020, members of the SWDB plan and their employers are contributing at the rate of 11.0 percent and 8.0 percent, respectively, of pensionable earnings for a total contribution rate of 19.0 percent.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 23.0 percent and 23.5 percent of pensionable earnings in 2020 and 2021, respectively. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. The member and employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4 percent contribution, to reflect the actual cost of reentry

by department, to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the plan in accordance with their most recent FPPA Board of Directors approved resolution.

The contribution rate for members and employers of affiliated social security employers is 5.5 percent and 4 percent, respectively, of pensionable earnings for a total contribution rate of 9.50 percent in 2020 and 9.75 percent in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of pensionable earnings. Employer contributions are 4.0 percent and 4.25 percent in 2020 and 2021, respectively. Employer contributions will increase 0.25 percent annually beginning in 2021 through 2030 to a total of 6.5 percent of pensionable earnings.

Note 4: Basis of Presentation

The underlying financial information used to prepare the Schedule of Employer Contributions and Schedule of Collective Pension Amounts is based on FPPA’s financial statements. FPPA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of FPPA.

Employer contributions received and processed within the year ended December 31, 2020 are used as the basis for reporting within the Schedule of Employer Contributions. As reported in FPPA’s Other Supplementary Schedule of Fiduciary Net Position by Participating Employer in the December 31, 2020 Annual Report, employer contributions to the SWDB plan were \$64,276,546 compared to total employer contributions of \$64,256,705 on the Schedule of Employer Contributions. Adjustments were made to reduce employer contributions to zero for departments that had no remaining members at year end and for known significant adjustments of non-recurring amounts.

The Schedule of Collective Pension Amounts represents total pension amounts for the SWDB plan. This schedule excludes employer-specific deferral amounts that may need to be recognized to comply with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Specifically, this schedule excludes deferral amounts arising from the changes in employer proportion, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date.

Note 5: Actuarial Valuation Dates

The collective total pension liability as of December 31, 2020 is based upon the January 1, 2021 actuarial valuation. The actuarially determined contributions as of December 31, 2020 are based upon the January 1, 2020 actuarial valuation.

Note 6: Collective Net Pension Liability/(Asset)

The components of the calculation of the net pension liability/(asset) of the SWDB plan for participating departments as of December 31, 2020 are shown in the following table:

	Measurement Date
	December 31, 2020
Total Pension Liability (A)	\$3,230,485,701
Plan Fiduciary Net Position (B)	3,447,586,098
Employers’ Net Pension Liability /(Asset) (A-B)	(217,100,397)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	106.7%

Note 7: Actuarial Assumptions

The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2020. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarial Determined Contributions
Actuarial Valuation Date	January 1, 2021	January 1, 2020
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 Years
Long-term Investment Rate of Return, net*	7.0%	7.0%
Projected Salary Increases*	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
*Includes Inflation at	2.5%	2.5%

For determining the total pension liability and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income - Rates	10%	4.01%
Fixed Income - Credit	5%	5.25%
Absolute Return	10%	5.60%
Cash	2%	2.32%
Total	100%	

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future

benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8: Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 2.00 percent (based on the weekly rate closest to but not later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting single discount rate is 7.00 percent.

Regarding the sensitivity of the net pension liability/(asset) to changes in the single discount rate, the following presents the plan’s net pension liability/(asset), calculated using a single discount rate of 7.00 percent, as well as what the plan’s net pension liability/(asset) would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

1% Decrease	Single Discount Rate Assumption	1% Increase
6.00%	7.00%	8.00%
\$218,477,475	\$(217,100,397)	\$(577,813,278)

Note 9: Reconciliation of Collective Deferred Outflows and Inflows of Resources

The following tables present the SWDB collective deferral reconciliations showing beginning deferrals as of December 31, 2019 adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending December 31, 2020 collective deferral amounts:

Deferred Outflows of Resources			
	Difference Between Actual and Expected Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings
Beginning Deferral Amounts as of Measurement Date, December 31, 2019	\$191,397,045	\$107,388,489	\$0
Deferral Amounts Added	21,663,668	0	0
Total Amortization Amounts Recognized in Pension Expense	(28,938,231)	(15,052,429)	0
Outstanding Deferral Amounts as of Measurement Date, December 31, 2020	\$184,122,482	\$92,336,060	\$0

Deferred Inflows of Resources			
	Difference Between Actual and Expected Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings
Beginning Deferral Amounts as of Measurement Date, December 31, 2019	\$1,107,057	\$0	\$88,907,940
Deferral Amounts Added	0	0	194,525,537
Total Amortization Amounts Recognized in Pension Expense	(243,556)	0	(60,440,144)
Outstanding Deferral Amounts as of Measurement Date, December 31, 2020	\$863,501	\$0	\$222,993,333

Note 10: Net Amount of Collective Deferred Inflows and Outflows of Resources Recognized in the Collective Net Pension Expense in Subsequent Years

The following table presents the SWDB plan net amount of collective deferred inflows and outflows of resources that will be recognized in the collective pension expense for each of the subsequent five years and in the aggregate thereafter:

For the Plan Year Ended December 31,	Amounts Recognized in Collective Pension Expense
2021	\$(24,392,666)
2022	4,530,925
2023	(32,985,171)
2024	4,952,718
2025	39,836,549
Thereafter	60,659,353

Note 11: Average Remaining Expected Service Life

The average of the expected remaining service lives of all members in the plan, including active and inactive members, is 9.1879 years determined as of the beginning of the December 31, 2020 measurement period.

Note 12: Collective Pension Expense

Collective Pension Expense/(Income)	For the Plan Year Ended December 31, 2020
Service Cost	\$126,524,662
Interest on the Total Pension Liability	209,013,917
Current-Period Benefit Changes	52,639,342
IRC 414(h)(2) Employer-paid Member Contributions	(87,753,101)
Member Purchases of Service Credit	(17,220,349)
Projected Earnings on Plan Investments	(210,642,365)
Pension Plan Administrative Expense	4,032,253
Other Changes in Plan Fiduciary Net Position	0
Recognition of Outflow of Resources due to Liabilities	43,747,104
Recognition of Outflow of Resources due to Assets	(60,440,144)
Total Pension Plan Expense/(Income)	\$59,901,319

Note 13: Components of Schedule of Collective Pension Amounts*Net Pension Liability/(Asset)*

The collective net pension liability/(asset) is the total pension liability less the fiduciary net position for the SWDB.

Difference Between Actual and Expected Experience

The difference between actual and expected experience with regard to economic and demographic factors is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first year amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Net Difference Between Actual and Projected Investment Earnings on Pension Plan Investments

The difference between the actual earnings on pension plan investments compared to the SWDB's expected rate of return of 7.0 percent is amortized over a closed period of five years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first year amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

Total Deferred Outflows Excluding Employer Specific Amounts

The total deferred outflows excluding employer specific amounts resulting from the difference between actual and expected experience, the net difference between projected and actual investment earnings on pension plan investments, and the changes in assumptions.

Total Deferred Inflows Excluding Employer Specific Amounts

The total deferred inflows excluding employer specific amounts resulting from the difference between actual and expected experience and the changes in assumptions.

Collective Pension Plan Expense/(Income)

Collective pension plan expense/(income) includes changes in the collective net pension liability/(asset), projected earnings on pension plan investments, and the amortization of deferred outflows and inflows of resources in the current period. Pension income should be reported as a credit in pension expense.

Note 14: Subsequent Event

During 2020, legislation was passed effective January 1, 2021 that amended the Statewide Defined Benefit Plan. Amendments to the related contribution rates and benefits of this plan are described in Notes 2 and 3 above. Additionally, the stabilization reserve accounts (SRA) of the Defined Benefit System became self-directed accounts with assets of \$123.6 million transferred to the FPPA Members' Self-Directed Investment Fund after the January 1, 2021 actuarial valuation date. This transfer does not impact the net pension liability/(asset) of the plan as the transfer of assets will reduce both the total pension liability and the plan fiduciary net position.



SOC 1, Type II Examination

Report of Fire and Police Pension Association of Colorado's Description of its Administration of Local Defined Benefit Pension Services for Police Officers and Firefighters Hired Prior to April 8, 1978, and for Affiliated Volunteer Firefighter Plans System and Related IT General Controls and on the Suitability of the Design and Operating Effectiveness of its Controls for the Period January 1, 2022 to December 31, 2022

Fire and Police Pension Association of Colorado

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January 1, 2022 to December 31, 2022

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Section I

Independent Service Auditor's Report



Independent Service Auditor's Report

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

Scope

We have examined Fire and Police Pension Association of Colorado's description of its administration of local defined benefit pension plan services for police officers and firefighters hired prior to April 8, 1978 (Old Hire Plans) and for affiliated volunteer firefighter plans (Volunteer Plans) system and supporting General IT Controls (system) for processing user entities' transactions throughout the period January 1, 2022 to December 31, 2022 (description) and the suitability of the design and operating effectiveness of controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in Fire and Police Pension Association of Colorado Assertion (assertion). The controls and control objectives included in the description are those that management of Fire and Police Pension Association of Colorado believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the system that are not likely to be relevant to user entities' internal control over financial reporting.

The information included in Section V, "Other Information Provided by Fire and Police Pension Association of Colorado," is presented by management of Fire and Police Pension Association of Colorado to provide additional information and is not a part of Fire and Police Pension Association of Colorado's description of its system and supporting General IT Controls system made available to user entities during the period January 1, 2022, to December 31, 2022. Information about Fire and Police Pension Association of Colorado's Management's response to testing exceptions has not been subjected to the procedures applied in the examination of the description of the system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the system and, accordingly, we express no opinion on it.

Fire and Police Pension Association of Colorado uses various subservice organizations to provide treasury management, custodial, network security and monitoring, colocation services for internet connectivity, data backup and disaster recovery, portfolio administration, actuarial, and death monitoring services. The description of the system in section III of this report includes only the control objectives and related controls of Fire and Police Pension Association of Colorado and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified by Fire and Police Pension Association of Colorado can be achieved only if complementary subservice organization controls assumed in the design of Fire and Police Pension Association of Colorado's controls are suitably designed and operating effectively, along with related controls at Fire and Police Pension Association of Colorado. Our examination did not extend to controls at the subservice organizations and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of Fire and Police Pension Association of Colorado's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user controls and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Service Organization's Responsibilities

In Section II, Fire and Police Pension Association of Colorado has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. Fire and Police Pension Association of Colorado is responsible for preparing the description and assertion, including the completeness, accuracy, and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period January 1, 2022 to December 31, 2022. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involves:

- Performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related objectives stated in the description, based on the criteria in management's assertion;
- Assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description;
- Testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved; and

- Evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Inherent Limitations

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become ineffective.

Description of Tests of Controls

The specific controls tested and the nature, timing, and results of those tests are presented in Section IV of this report.

Opinion

In our opinion, in all material respects, based on the criteria described in Fire and Police Pension Association of Colorado's assertion in Section II:

- a. The description fairly presents the system that was designed and implemented throughout the period January 1, 2022 to December 31, 2022.
- b. The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period January 1, 2022 to December 31, 2022, and user entities and subservice organizations applied the complementary controls assumed in the design of Fire and Police Pension Association of Colorado's controls throughout the period January 1, 2022 to December 31, 2022.
- c. The controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period January 1, 2022 to December 31, 2022 if complementary subservice organization and user entity controls assumed in the design of the Fire and Police Pension Association of Colorado's controls operated effectively throughout the period January 1, 2022 to December 31, 2022.

Restricted Use

This report, including the description of tests of controls and results thereof in Section IV, is intended solely for the information and use of management of Fire and Police Pension Association of Colorado, user entities of Fire and Police Pension Association of Colorado's system during some or all of the period January 1, 2022 to December 31, 2022, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Minneapolis, Minnesota
February 28, 2023



Section II

Management's Assertion provided by

Fire and Police Pension Association of Colorado

Fire & Police Pension Association of Colorado's Assertion

We have prepared the description of Fire and Police Pension Association of Colorado's pension system entitled administration of local defined benefit pension plan services for police officers and firefighters hired prior to April 8, 1978 (Old Hire Plans) and for affiliated volunteer firefighter plans (Volunteer Plans) system and supporting General IT Controls for processing user entities' transactions throughout the period January 1, 2022 to December 31, 2022 (description), for user entities of the system during some or all of the period January 1, 2022 to December 31, 2022, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by subservice organizations and user entities of the systems themselves, when assessing the risks of material misstatements of user entities' financial statements.

Fire and Police Pension Association of Colorado uses several subservice organizations to provide treasury management, custodial, network security and monitoring, colocation services for internet connectivity, data backup and disaster recovery, portfolio administration, actuarial, and death monitoring services. The description includes only the control objectives and related controls of Fire and Police Pension Association of Colorado and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organization controls assumed in the design of our controls are suitably designed and operating effectively, along with the related controls at Fire and Police Pension Association of Colorado. The description does not extend to controls of the subservice organizations.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of Fire and Police Pension Association of Colorado's controls are suitably designed and operating effectively, along with related controls at the service organization. The description does not extend to controls of the user entities.

We confirm, to the best of our knowledge and belief, that:

1. The description fairly presents the administration of local defined benefit pension plan services for police officers and firefighters hired prior to April 8, 1978 (Old Hire Plans) and for affiliated volunteer firefighter plans (Volunteer Plans) system made available to user entities of the system during some or all of the period January 1, 2022 to December 31, 2022, for processing their transactions as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the description:
 - a. Presents how the system made available to user entities of the system was designed and implemented to process relevant user entity transactions, including, if applicable:
 - i. The types of services provided including, as appropriate, the classes of transactions processed.

- ii. The procedures, within both automated and manual systems, by which those services are provided, including as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the system.
 - iii. The information used in the performance of the procedures, including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.
 - iv. How the system captures and addresses significant events and conditions other than transactions.
 - v. The process used to prepare reports and other information for user entities.
 - vi. Services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them.
 - vii. The specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls.
 - viii. Other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.
 - b. Includes relevant details of changes to the service organization's system during the period covered by the description.
 - c. Does not omit or distort information relevant to the service organization's system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the administration of local defined benefit pension plan services for police officers and firefighters hired prior to April 8, 1978 (Old Hire Plans) and for affiliated volunteer firefighter plans (Volunteer Plans) system that each individual user entity of the system and its auditor may consider important in its own particular environment.
2. The controls related to the control objectives stated in the description were suitably designed and operated effectively throughout the period January 1, 2022 to December 31, 2022, to achieve those control objectives if subservice organizations and user entities applied the complementary controls assumed in the design of Fire and Police Pension Association of Colorado's controls throughout the period January 1, 2022 to December 31, 2022. The criteria we used in making this assertion were that:
- a. The risks that threaten the achievement of the control objectives stated in the description have been identified by management of the service organization;
 - b. The controls identified in the description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved; and
 - c. The controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.



Section III

Description of Fire and Police Pension Association of Colorado's System

Overview of Services Provided

About FPPA

The Fire and Police Pension Association of Colorado (FPPA or the Association) was established January 1, 1980, pursuant to the Colorado Revised Statutes of 1973, as amended. FPPA administers a statewide multiple-employer public employee retirement system providing defined benefit plan coverage (Defined Benefit System) for police officers and firefighters throughout the State of Colorado (the State). 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 (Old Hire Plans) and for volunteer fire defined benefit plans (Volunteer Plans). FPPA also administers two funds: the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund. The Fire & Police Members' Benefit Investment Fund includes the assets of those plans that fall under the complete investment authority of the FPPA Board of Directors. This fund includes the assets of the Defined Benefit System, numerous separate Old Hire and Volunteer Plans, and other FPPA administered plans.

The controls described in this section are related to the local defined benefit pension funds for police officers and firefighters hired prior to April 8, 1978, (Old Hire Plans) whose employers have elected to affiliate with the Association and for volunteer fire defined benefit plans (Volunteer Plans) whose employers have elected to affiliate with the Association. When combined, these plans are referred to as the Affiliated Local Plans.

Plan Information

The Affiliated Local Plans are plans for which FPPA has been asked to and has undertaken investment and recordkeeping responsibility but are not plans for which FPPA has determined or set the benefits or set the funding policy. Benefit and funding decisions are made by each plan's Board and executed by FPPA. Each of the pension plans mentioned above has its assets pooled for investment purposes. All transactions that are specific to each plan (contributions, retirement benefit payments, refunds, etc.) are accounted for by plan. The Old Hire and Volunteer Plans that have chosen to affiliate with FPPA for investment and administrative purposes are still governed by their local plan document or by the Colorado statutes and local pension board, and each has a separate actuarial valuation completed every two years.

Volunteer Plan participants are not compensated and do not contribute to their plan. These plans are mostly funded by a partial mill levy tax base. Many of these plans receive State matching funds if they contribute to their Volunteer Plan. The retirement benefit is generally based on the total assets in the plan. The Colorado State Controller has opined on March 2014 that the State contribution to volunteer firefighter's plans will continue to be treated as a supplemental discretionary payment and will not result in Governmental Accounting Standards Board Statement No. 68 (GASB 68) reporting to the State as a special funding situation.

FPPA's Organizational Structure

FPPA utilizes a functional organizational structure in which functions are segregated into five divisions according to the type of services to be provided. The divisions are Legal, Benefits, Operations, Information Technology and Investments. The organization is managed by the Executive Director, General Counsel, Chief Benefits Officer, Chief Operations Officer and Chief Investments Officer. These positions constitute the management team that retains overall responsibility for the daily operations.



Oversight Responsibility

By State statute, the management of the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund (the Funds) is vested in the Board of Directors of the Fire and Police Pension Association of Colorado. The nine Board members are appointed by the Governor and confirmed by the Senate. The Board is responsible for appointing the Executive Director who is FPPA's chief administrative officer.

Specific duties of the Board include investing and managing the Funds, disbursing money from the Funds, setting required contribution levels, and determining the award of disability and survivor benefits within the Statewide Death & Disability Plan. The FPPA Board of Directors accomplishes its business at regular meetings, held throughout the year at the Association's offices, virtually or other conference locations as determined by the Board. The management team reports to the Board at each of the Board's meetings.

Control Environment, Risk Assessment Process and Monitoring Controls

Control Environment Information

FPPA's Management is responsible for establishing and maintaining the system of internal controls. These controls are designed to comply with Colorado Statutes, Federal requirements and the requirements identified in the pension plan documents. These requirements have been identified and codified in the FPPA Rules & Regulations January 1, 2022, codification. All employees are required to sign a Code of Conduct which defines FPPA's commitment to integrity and ethical values.

Risk Assessment Controls

The Board is responsible for measuring and determining the risks associated with the overall operations of FPPA. For the Affiliated Local Plans, the Board concentrates primarily on investment and actuarial risks. These risks are determined by the internal auditor using a risk assessment process based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. The internal auditor determines the entity level controls risk annually and completes a fraud risk assessment every two to three years.

The investment risks are monitored by the Investment Department. The Board has adopted investment policies that outline the level and type of investment risks that are allowed. The Board has also created an Investment Committee whose membership consists of at least three Board members. The Investment Committee assists the Board in monitoring the implementation of the investment program and ensuring compliance with the investment policies and objectives of the Fund. Investment staff will recommend specific investments based upon an FPPA approved investment policy. Investment staff recommendations will be reviewed by an Internal Investment Committee and a third-party consultant for compliance with FPPA processes and policies.

Actuarial risks are managed through the employment of an independent actuary hired through a competitive bid process. The actuary, Gabriel, Roeder, Smith & Company, performs biennial valuations on Affiliated Local Plans that monitor actuarial experiences and compares them to expected funding levels. Management reviews these reports.

Control Activities

FPPA has policies and procedures that define specific control activities covering participant records, investment activities, financial transactions, reporting, and information technology general controls. These controls are described in detail in Section IV.

Monitoring Controls

On a day-to-day basis, the monitoring of the Association's controls is the responsibility of the management team. Formal checklists exist that detail most of the overall operational controls. All data entry efforts are reviewed by a supervisor or peer. An example of a data entry effort would be new retiree pension payments that are only setup after the completed approved pension form has been received. The benefit setup in the Pension System (Advanced System Pension Network – ASPEN) is confirmed by another employee. The evidence of this review is maintained in ASPEN. Staff reviews all changes to pension benefits, payments, plans, accounts payable invoices, journal entries, bank deposits, reconciliations, time sheets, and wires before final processing occurs. Additionally, employee performance evaluations are used to ensure managerial control of quality and consistent product delivery.

Audits

The FPPA recordkeeping services are subject to periodic internal audits by an independent third-party internal audit and advisory firm. The internal audits are determined and conducted using a risk assessment process based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

Additionally, an independent financial statements audit, awarded on a competitively bid basis, is conducted annually.

Information and Communication

The flow of information and communications within the Association tends to be a balance between formal and informal. Because of the small size of FPPA, communications can be handled quickly and easily via a face-to-face meeting or email as opposed to a written policy directive.

Personnel Controls

FPPA has established procedures covering all critical aspects of employment services including hiring, training, development, performance appraisals, and termination. In addition, all new employees are issued a job description that identifies the various procedural items applicable to their employment duties. Based on the sensitivity of the underlying job, various levels of background checks are performed on applicants prior to their employment. Employees are hired only after their skill sets have been reviewed and deemed sufficient to meet FPPA's requirements. Employee's job performance is reviewed at least annually, and corrective actions are taken if performance lapses are noted.

Ethics

FPPA has annual ethics training for all employees in addition to its code of conduct. The Board has established the following mission statement:

“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.”

Management sets the tone at the top by stressing the importance of the Association's mission. This is communicated to staff and members in the way FPPA does business.

Plan Initiation/Modifications

New Plan Initiation and Mergers

Plan administration begins with the request from a new eligible entity. The Board reviews and approves any new local plan affiliation agreements. Once the agreement has been approved by the Board, the details for eligibility, level of service, and benefits are entered into ASPEN, the pension management system for FPPA. These details are reviewed and approved before any transactions take place. New plans are setup in Microsoft Dynamics GP System and in the allocation report. Setup is reviewed by an Accounting Manager on posted journal entries. FPPA will obtain a separate Pension Authorization Form from the participating entity which indicates the name, title, and contact information of the individuals who are authorized to make changes or approve plan transactions. FPPA is not responsible for setting the funding or benefits for these plans as they only act as the plan administrator with the Local Plan Board retaining all funding and benefit authority.

One or more affiliated Volunteer Fire Plans may be merged together to create a new volunteer fire plan for the merged entity. The merged entity will submit a resolution or documentation within the minutes of the board meeting to continue affiliation of the pension plan with FPPA. FPPA will obtain a separate Pension Authorization Form from the merged entity which indicates the name, title, and contact information of the individuals who are authorized to make changes or approve plan transactions. FPPA is not responsible for setting the funding or benefits for these plans as they only act as the plan administrator with the Local Plan Board retaining all funding and benefit authority.

Plan Modifications

Plan modifications for affiliated Volunteer Fire Plans may include benefit improvements and vesting changes. Plan modifications for affiliated Old Hire Plans may include benefit improvements and ad-hoc Cost-of-Living Adjustments. The affiliated plan's Board of Directors requests the change either by resolution or documentation within the minutes of the board meeting. FPPA Operations and Accounting staff uses a checklist to control the process for confirming and processing all requested plan modifications. All plan changes must be submitted to FPPA by an authorized representative of the participating entity. Any change to pension payment amounts are confirmed with the employer by a Payroll team member after the first payroll run after changes. Per the Colorado statutes, plan amendments for Old Hire Plans have additional requirements that include permission by the FPPA Board of Directors. All approved changes are then entered into ASPEN, if applicable. These changes are reviewed for accuracy and approved before retiree payroll is processed, if applicable.

Plan Termination and Disaffiliation

Plan termination for Old Hire Plans begins when FPPA or the local board determine that there are no longer any participating members or beneficiaries in the plan. The local plan board and management follow the State statutes to authorize FPPA to distribute the Old Hire Plan assets. Once proper authorization is obtained, including a notice of publication and a plan resolution to distribute the funds, FPPA will calculate and distribute the final plan net asset balance.

Plan disaffiliation for Volunteer Plans begins when FPPA receives a local board resolution of intent to disaffiliate from FPPA. FPPA must receive the resolution at least 60 days prior to the effective date. FPPA will calculate and distribute the final plan net assets within 30 days of the effective date of the disaffiliation. Final calculation of Volunteer Plan net assets to be distributed upon disaffiliation is approved by the COO prior to distribution.

Participant Records

Participant Accounts

For each participant enrolled in an Old Hire Plan, a participant account is maintained in ASPEN. The information maintained in the participant account includes:

- participant's name
- social security number
- address
- hire date
- birth date
- gender
- beneficiary – spouse
- contribution history
- service credits

For each participant enrolled in a Volunteer Plan, a participant account is maintained in ASPEN. There are no participant contributions received for the Volunteer Plans. Pensionable service years are only earned with the completion of a required 36 hours of training each year as established by Colorado statute. Each Volunteer Plan employer is responsible for tracking and reporting the eligibility for all participants to FPPA. The information maintained in the participant account includes:

- participant's name
- social security number
- address (optional)
- hire date
- birth date
- gender
- beneficiary - spouse
- pensionable years of service

Key participant record details are confirmed at least annually with the participating plan management as discussed in further detail below as part of the Annual Review of Participant Records.

Participant Additions and Modifications

Within each Affiliated Local Plan, new participants may be added, and modifications may be made to an existing participant's record based on authorized written instructions from the participant or authorized plan contact person. The addition of new participants and the modification of participant data is documented primarily through the web using the FPPA Employer Portal or via other acceptable, written, and verifiable communications. Other changes may be reported on standardized forms such as Change of Address Form, or via the web using the FPPA Employer Portal or the Member Account Portal. The authorized plan contact or the participant is responsible for submitting the necessary forms or correspondence in a timely manner to FPPA. Additionally, FPPA receives death notifications from third-party vendors, Pension Benefit Information (PBI) from Longevity and Lexis Nexis, and reviews against FPPA participant records. These death notifications are either in the form of notices confirmed by the Social Security Administration or State death records, or obituaries published in media outlets. If discrepancies are noted, FPPA will contact the employer to resolve the differences and modify participant records accordingly.

Upon receipt of the above listed forms or other correspondence from the authorized plan contact or participant, FPPA Contributions or Payroll Team staff makes the requested changes. All changes made by FPPA staff are reviewed and approved by another team staff member to ensure the accuracy of the change. The review and approval process are performed in ASPEN for changes made directly in ASPEN such as a change in benefit amounts while other changes such as a change in the plan document are reviewed and approved outside of ASPEN.

Annual Review of Participant Records

Individual plan management is notified by FPPA to review the participant records at least annually. The review or modification of participant records can be completed via the web using the FPPA Employer Portal connection into ASPEN or via other acceptable, written, and verifiable communications. After the review period is completed, the participant records are compiled into a spreadsheet. The participant records spreadsheet is reviewed by FPPA Operations staff and unusual or significant changes from prior periods are questioned as part of preparing the participant data package sent to the actuary annually for analysis.

Upon receipt of modification of participant records via other communications, FPPA Contributions or Payroll Team staff makes the requested changes in ASPEN. All changes made by FPPA Contributions or Payroll Team staff are reviewed and approved by another FPPA Contributions or Payroll Team staff member to ensure the accuracy of the change.

If the participant records are modified by an employer using the FPPA Employer Portal, the details on the modified record are stored in ASPEN and are reviewable by the FPPA Contributions or Payroll Team. Changes made that satisfy the rules within ASPEN will be processed immediately within the system without review by FPPA staff members. Modified records that do not satisfy the rules within ASPEN are reviewed by Contributions or Payroll Team staff and if acceptable will be modified manually in ASPEN by the Contributions or Payroll Team staff. All changes made by FPPA Contributions or Payroll Team staff are reviewed and approved by another FPPA Contributions or Payroll Team staff member to ensure the accuracy of the change. Examples of modifications that would not satisfy the rules within ASPEN include adding a participant that is already retired in the same plan or adding a participant that may have portable volunteer service in another plan or is active in another volunteer plan.

This review and approval by Contributions or Payroll team staff is documented electronically in the ASPEN system for changes made in ASPEN or as a manual signoff for changes that are made outside of ASPEN. An example of a change in ASPEN would be changing the pensionable years of service for a volunteer firefighter. An example of a change outside of ASPEN would be updating the details of the participants that would be sent to the actuary to account for known future changes such as retirement dates that have not yet occurred but have been submitted prior to providing the data to the actuary.

Membership Services Records

Individual account information is maintained for each participant for both the Old Hire Plans and Volunteer Plans. Activity posted to these member accounts and for the individual plans includes contributions (State and employer), benefit payments, plan direct expenses, and allocated revenue and expenses. FPPA also provides participant and plan reporting.

Contributions – Old Hire and Volunteer Plans

Contributions for the Old Hire and Volunteer Plans come from the employer as a wire or ACH payment. Wires are sent directly into FPPA's deposit bank. ACH payments are initiated by Contributions team members to be pulled directly from the employer's bank after receiving notification that the employer has authorized the ACH payment via the FPPA Employer Portal. Each contribution received is entered into ASPEN by the employer via the FPPA Employer Portal or a Contributions team member with a deposit record for the total contribution received with the detail of the source of the contribution, the employer or the State. The contribution report records will match to the deposit record in total and the records cannot be processed until they balance. The contributions record in ASPEN is reviewed and approved by a Contributions team member. Monthly, contributions are reconciled by the Senior Accountant between ASPEN totals, the totals in the Microsoft Dynamics GP General Ledger, and the deposit bank. Any discrepancies are researched and corrected generally within the same month. This reconciliation is reviewed and approved by an Accounting team member.

Contributions – Volunteer Plans State Matching Funds

Volunteer Plans may also receive matching funds from the State. Annually, the State sends funds to FPPA on behalf of the Volunteer Plans via Electronic Funds Transfer (EFT). The payment remittance detail indicates the amounts paid to FPPA as State Funds by employer department or municipality. A Contributions team member inputs these annual payment amounts into a tracking spreadsheet as well as enters the contributions to the employer departments in ASPEN, which are reviewed and approved by another member of the Contributions team. Upon approval of the deposit, the Staff Accountant or Senior Accountant will send an email to the plan notifying them of the contribution they have received from the State. The deposit details (such as amount, department, deposit date, etc.) are compared to the tracking spreadsheet.

The Colorado State Controller opined in March 2014 that the State matching funds contribution to volunteer firefighter's plans will continue to be treated as a supplemental discretionary payment and will not result in GASB 68 reporting to the State as a special funding situation.

Benefit Payments

Benefit payments begin when a participant applies for benefits after all eligibility requirements have been met. The participant will notify their plan management of the decision to receive retirement benefits. The plan will then submit a retirement application form to FPPA. The retirement application is a standard FPPA form, with one specifically designed for use by all Old Hire plans and another designed for use by all Volunteer plans. The retirement application includes the participant name, volunteer pensionable years of service or Old Hire service credit, and the monthly benefit that the participant is eligible to receive, as determined by the plan benefit structure. The retirement application will be signed by the participant and an authorized representative of the plan. Notice of retirement can also be provided to FPPA electronically by the Old Hire or Volunteer plan authorized representative on the FPPA Employer Portal. The same participant information is provided electronically as contained on the retirement application form. Payroll team members will review the submitted retirement application and confirm that the information agrees with FPPA's records. This review, performed by a Payroll team member, includes comparing the volunteer pensionable years of service or the Old Hire service credit, and the expected benefit payment from the retirement application to the amounts recorded in ASPEN. Any differences are investigated and resolved by a Payroll team member before the retirement application is processed. Once the details of the retirement application are confirmed, a Payroll team member will enter the participant retirement information into ASPEN. This setup is then reviewed by another Payroll team member before it is made active. These reviews are documented electronically in ASPEN. Once all new participant benefit payments are setup, the monthly benefit payroll is generated by a payroll staff member.

The Accounting Manager compares the check advice and deposit advice totals on the final payroll balancing report from ASPEN to the payroll dashboard report which contains a summary of the information contained within the payment file to be uploaded to the Deposit Bank and to Microsoft Dynamics GP integration file. An Accounting Manager will review the payroll and, if no errors are noted, approve the payroll run. Most payments are made via direct deposit with a limited number of physical checks being issued. Additionally, the Deposit Bank sends an acknowledgement file listing all the payments it will make on behalf of FPPA via check or direct deposit. Upon receipt of this file, a Payroll team member compares the payment totals to the Payroll Dashboard Report to verify accuracy and completeness of the payments processed. FPPA uses a positive pay system requiring an Accounting Manager or Chief Operations Officer to send a file to the deposit bank with the details of the issued checks/direct deposits. The deposit bank uses this file to confirm each transaction as it is received by the deposit bank for payment. The deposit bank account is reconciled monthly by an Accounting team member to confirm the accuracy of the payments issued.

Direct Plan Expenses

Direct plan expenses are those costs that apply only to a specific plan. These are normally payments requested by an authorized plan administrator to be paid directly by FPPA from plan assets. Once it has been confirmed that the person requesting the payment is an authorized plan administrator, an Accounting team member will sign off that this verification has occurred and designate the correct General Ledger code for the specific plan. Subsequently, an Accounting Manager will approve the invoice or letter of request. If there are no issues, these expenses are processed the same as direct plan allocated expenses as described below.

Direct Plan Allocated Expenses

FPPA identifies plan expenses that can be attributed to a specific plan or set of plans. Vendors are paid via ACH or check. Purchase orders are used primarily for IT equipment and software purchases. Expenses may be incurred through third-party vendors or by FPPA employees through expense reports. FPPA Staff must complete a travel and expense report in compliance with the FPPA Travel and Expense policy. Expense reports and invoices are entered by an FPPA employee into a cloud-based system called Concur which utilizes digital workflow. The employee assigns the appropriate General Ledger account code and the expense is then routed to their designated approver. These expenses are reviewed and approved by an appropriate Executive team member or their designee for budget availability and reasonableness. Once the invoice or expense report has been approved by the appropriate staff member, it is routed to an Accounting Manager to review the General Ledger account coding. If there are no issues, an Accounting Manager will approve the invoice and add it to the accounts payable items to be paid. If the expense is payable to a new vendor, an Accounts Payable team member will set up the vendor in Microsoft Dynamics GP and another Accounts Payable team member will approve and sign off on the setup after reviewing the applicable vendor information. If the vendor chooses payment via ACH, an Accounting Manager will enter the vendor ACH payment details into the vendor master file and another Accounting Manager or Chief Operations Officer will review and sign off on this setup. An Accounting Manager or Accounts Payable team member will extract the invoice or expense report data from Concur and integrate it into Microsoft Dynamics GP for payment. The Invoice Batch Approval Report is generated in Concur to provide a list and total of the invoices to be paid. The report also provides evidence of the manager and Accounting Manager approval of all invoices. This report total is compared to the invoice batch total in Microsoft Dynamics GP to ensure that no invoices are missed when expense data is transferred between the two systems, with any discrepancies investigated and corrected before payments are released. If the expense originated through a Purchase Order, an FPPA employee creates a purchase request within Concur and assigns the General Ledger account coding. The purchase request is then routed to the appropriate department manager for approval. Next, an Accounting Manager will review the General Ledger account coding on the purchase request and provide approval. After approvals are received, the FPPA employee generates the Purchase Order in Concur and transmits it via email to the vendor for fulfillment. Once the equipment or services have been received and an invoice is presented by the Vendor, the FPPA employee will enter the invoice into Concur, which matches the invoice against the Purchase Order. Any discrepancies are resolved by the employee and the invoice is sent to an Accounting Manager for review and approval. Upon approval, the invoice is included with all other invoices for payment. The accounts payable checks and EFT Payment Register are generated and compared to the list of total accounts payable invoices to be paid. Differences are reviewed and corrected before payments are released. This reconciliation is reviewed by an Accounting Manager or a designated individual. Once the list and payment registers are reconciled, the payment package is given to an authorized signer for approval. The authorized check signer reviews the payment package which consists of the check or ACH Remittance Form and the approved invoice.

The authorized check signer will sign the check or the ACH Remittance Form if the payment is approved. Approved checks are mailed, and approved ACH payments are sent to the bank for processing. FPPA uses a positive pay system requiring an Accounting Manager or Accounts Payable team member to send a file to the deposit bank with the details of the issued checks. The deposit bank uses this file to confirm each transaction as it is received by the deposit bank for payment.

If there are any differences noted between the positive pay file and the check being processed, the bank will stop processing and contact FPPA for further instructions. An FPPA Accounting Manager or Accounting team member will review the transaction and determine whether to reject or process the check in question. The deposit bank account is reconciled monthly by an Accounting team member to confirm the accuracy of the payments issued.

Allocated Expenses and Investment Revenues

For each investment pool, the investment related expenses and revenues are allocated to each plan within the pool in proportion to their individual asset base.

All other allocated expenses are allocated to each plan in proportion to their total membership base.

Allocated expenses are general expenses that are for the administration of all pooled plan assets. Investment management fees are paid directly from the custodial bank assets. These fee invoices are reviewed for reasonableness and assigned an expense code within the custodial bank system. These fees are submitted for payment and approved for payment by an authorized approver within the custodial bank web access system. These fees are recorded by the Investment Accountant in the General Ledger on a monthly basis through the custodial bank reconciliation and reviewed for accuracy. All other allocated expenses are reviewed and approved by an Executive team member or their designee for budget availability and reasonableness and assigned a General Ledger account code. Once approved, an Accounting team member will review the General Ledger account coding. If there are no issues, these expenses are processed for payment through Accounts Payable.

Investment revenue is recorded by the Investment Accountant when earned and posted to the General Ledger. Monthly the investment accounts are reconciled by the third-party managers to the custodial bank to verify the accuracy of the investment activity recorded. The reconciliations are reviewed and approved by Investment personnel.

The monthly allocation of expenses and investment revenue is calculated by a stored procedure in Microsoft Dynamics GP General Ledger. This procedure begins by calculating the Asset Allocation Balance based upon the plan direct total monthly activity plus the prior month ending plan asset balance. The report lists the plan specific activity for the month:

- Beginning Net Asset Balance
- Member Contributions (not applicable to Affiliated Local Plans)
- Service Purchases (not applicable to Affiliated Local Plans)
- Employer Contributions
- Service Reinstatement (not applicable to Affiliated Local Plans)
- State Funding
- Affiliations/Disaffiliations
- Refunds
- Net Benefit Payments
- Plan Directed Expenses
- Direct Allocated Plan Expense/Income
- Over/Under Contributions
- Period Sub-Total (monthly total plan direct revenues and expenses)

The Allocation Report then totals to the Asset Allocation Balance (this is the net assets directly attributed to each plan from the Period Sub-Total and Beginning Net Asset Balance) and the Asset Allocation Percent. The Asset Allocation Percent is the individual plan's Asset Allocation Balance divided by the total of the investment pooled net assets and is used to calculate the allocation of investment related expenses and revenues to each plan for each investment pool.

After the plan direct activity and allocation details total to the Asset Allocation Balance, the Allocation Report lists the allocated pooled plan investment revenues and expenses. As part of the stored procedure for the allocation, the monthly amount that applies to individual plans is derived from the total for each category listed below for each investment pool multiplied by the individual plan's Asset Allocation Percent.

- Interest
- Dividends
- Other Income
- Net Change in Accrued Income
- Unrealized Gain/Loss
- Unrealized Gain/Loss on Securities Lending
- Realized Gain/Loss
- Asset Based Fees
- Investment Department Expenses

After the plan investment expenses and revenues are reported, the Member Headcount and Member Allocation Percent are used to allocate all other expenses. Member Headcount is the total of each plan's active, inactive and retired members. The Member Allocation Percent is the individual plan's Member Headcount divided by the total FPPA pooled headcount (shown on the last page of the Allocation Report).

As part of the stored procedure for the allocation of other expenses, the monthly allocated fees and expenses that apply to individual plans is derived from the total other expenses multiplied by the individual plan's Member Headcount Percent. As a final calculation, the allocated monthly expenses and investment revenue are subtotaled and then added to the Asset Allocation Balance to determine the plan's month-end asset balance as shown below:

- Fees and Expenses
- Period Sub-Total
- Total Ending Balance

These allocated amounts are then posted directly to the individual plan accounts in the Microsoft Dynamics GP accounting system via a journal entry, which are reviewed by an Accounting Manager or other Accounting team member.

Participant and Plan Reporting

Participants are able to review their account details via the FPPA Member Account Portal.

FPPA uploads the plan specific Allocation Reports to the FPPA Employer Portal for authorized plan contacts to download. The authorized plan contact is requested to review the report and communicate any errors or discrepancies to FPPA in a timely manner.

Annual Report

At year end, the Accounting staff produces the Association's financial statements. These statements are audited by a certified public accounting firm. Financial information needed to prepare these statements is generated from the Microsoft Dynamics GP accounting system and custodial bank reporting system.

Investments

The FPPA Board has established investment policies and objectives to define acceptable levels of risk, asset allocation targets, asset class guidelines, investment performance objectives, and other guidelines governing the management of the investments. The Members' Benefit Investment Fund investments are allocated among three investment pools: the Long-Term Pool, Glide-Path Pool and Short-Term Pool. The Old Hire Plans are allocated among the Glide-Path Pool and Short-Term Pool. All other Plans, including the Volunteer Plans, are allocated to the Long-Term Pool. Investments are chosen based upon Board policy. The Investment staff is responsible for researching and recommending new investment opportunities based upon the resources available and the current investment allocation targets.

General Computer Controls

User Access Administration — New Hires, Terminations, & Transfers

Requests for changes to users' logical access including setting up a new user or a change to an existing user's access rights are made by HR or management via email or other verifiable written communication. The request will include the specific access rights requested which may be in the form of a request to mirror an existing user's access or by using a job title template. Changes to users' logical access, including creating, changing or terminating access is completed once an approved user access request is received by the IT department. FPPA uses role-based security and follows a least access approach to granting user access. Access to deposit and custodial bank accounts is limited to only the staff authorized to perform banking duties.

The human resources department will notify the IT department of all terminations. Upon receiving notice of termination, the IT department will inactivate and remove the terminated user's access to FPPA's IT systems by following the termination procedure. The Chief Operations Officer will remove the terminated user's access to banking systems, if applicable.

User access and the processing roles within FPPA's systems is initiated and managed by IT staff. It is then reviewed at least annually and approved by the user's manager.

Password & Account Lockout Configurations — FPPA Network & ASPEN

Password and account lockout settings have been configured and implemented to restrict access to the network and ASPEN, and Microsoft Dynamics GP applications.

Passwords are required to have fourteen characters minimum (sixteen characters is recommended) except in cases where systems do not support fourteen characters. In cases where systems can only support passwords with less than the FPPA required number of characters, the maximum number of characters allowed by the system is required. Password complexity will be enforced and shall contain at least three of the following: upper case characters, lower case characters, numbers, or special characters except in cases where systems do not support complex passwords.

Initial/temporary passwords are single-use and are required to be changed upon initial/next user logon. Accounts are locked-out after five invalid logon attempts (where supported). Passwords are changed within 90 days of the last password change. Passwords for active contractor and temporary employee accounts are set to expire every 90 days or to the term of the statement of work. Passwords for shared accounts are changed in a timely fashion following the separation of service of anyone with access to the shared account. Generic/shared accounts to vendor portals that do not have a direct impact to FPPA business can be changed annually with a password length of sixteen characters or more. Passwords cannot be the same as the previous five passwords.

All production level System Administrator passwords are documented in the IT password vault. All generic/shared accounts and service account passwords are documented in the IT password vault. Master passwords for password vaults are changed every 90 days.

FPPA employees' access is based on the Windows Active Directory (AD) password and account lockout group policy settings described above.

Administrative Access

Network administrative access to FPPA systems is restricted to IT staff. The list of network administrators is reviewed and approved quarterly by the Chief Information Officer.

Administrative functions within ASPEN, FPPA's pension administration system, including the ability to create users and assign user access based on roles, is limited to the Chief Information Officer and the internal IT development staff. Administrative access to ASPEN is reviewed at least annually as part of the User Access Administration discussed above.

Administrative functions within Microsoft Dynamics GP, FPPA's General Ledger system, including the ability to create users and assign access based on roles, is limited to the IT staff.

Administrative access to Microsoft Dynamics GP is reviewed at least annually as part of the User Access Administration discussed above.

Administrative functions within the FPPA staff payroll system including the ability to create users and assign user access based on roles, is limited to the Human Resources Director and backup. Administrative access to the FPPA staff payroll system is reviewed at least annually as part of the User Access Administration discussed above.

Access to the production databases that support the ASPEN and Microsoft Dynamics GP systems are restricted to IT staff.

Administrative functions within banking systems including the ability to set up modify or remove user accounts and access based on roles is limited to specific approved users. The Chief Operations Officer and the Chief Information Officer are administrators of the Wells Fargo Bank system with dual authorization controls. The Executive Director, Chief Operations Officer, and the Chief Investment Officer are administrators of the Bank of New York Mellon (BNY) system. Administrative access to the banking systems is reviewed at least annually as part of the User Access Administration discussed above.

Change Management

A software-based change management system called SCOUT manages the change management process for ASPEN. Using SCOUT allows application users to submit tickets for known issues and requested enhancements through the ASPEN application. These tickets are known as Problem Incident Reports or PIRs in SCOUT. Following the change management process steps, PIRs are reviewed, evaluated, prioritized and approved for processing by the Chief Information Officer or Applications Manager. After the request is approved, resources as well as a projected start date for the work are assigned. This review is designed to prevent unauthorized changes from being introduced.

The development prompted by the change requests is executed and tested by the IT development staff. At the point where the development staff is creating solution changes and checking them into the Team Foundation Services (TFS) code management solution to be part of the code build, all members of the ASPEN development team are able to see the changes as highlighted differences and review them through code reviews to understand the changes and vet the coding for accuracy. The code reviews also allow IT development staff to review for unauthorized changes. Any changes that are discovered that would be deemed as unauthorized can be removed altogether or further refined to be within scope of the driving PIR. If code changes are being introduced that do not correspond to the assigned PIR or are being developed at a point in time not congruent with the ticket, the changes would be identified and resolved through corrective actions during the code reviews. An action plan is established with the Chief Information Officer or the Applications Manager to make and execute the necessary corrections.

The approved development changes are elevated to the user test environment and are then tested by the user(s) requesting the change. A series of solution builds and rounds of testing help further validate the solution before a final build is created. Once the changes are approved by the user(s), the change is incorporated into the production build.

The final build is performed by one of the on-site IT development staff. The final build is then stored in a secure location. Each build document includes all the approved changes and is reviewed and approved for promotion to production by an IT Manager prior to deployment. During the pre-determined down-time window, the updated solution is deployed by the assigned FPPA developer. The ability to implement ASPEN application changes within the Production environment is restricted to two IT development staff. This ensures that the updated solution being deployed to the production servers is the approved solution that was built by FPPA staff.

Builds are generally deployed to production on a monthly basis. However, changes may be promoted to production between the monthly packages or changes may wait for more than a month to be promoted depending on the urgency of the issue being corrected.

FPPA does not have access to the source code for Microsoft Dynamics GP. Changes made to this system includes vendor supplied patches, configuration of new features or new/changed reporting functionality. All changes are reviewed by an Accounting Manager and applied by FPPA IT staff.

FPPA also contracts with a third-party service to perform an annual security assessment and penetration test. During this test, various aspects of network security are tested and assessed. Deficiencies and recommendations are supplied in a final report that is summarized and presented to the FPPA Audit Committee. The FPPA IT staff reviews these recommendations and an IT Manager determines if there are other mitigating controls that protect the identified vulnerabilities, or if the recommendations will be either resolved, or if future projects will be required for mitigation. These accepted recommendations are logged in a spreadsheet and tracked as they are remediated.

Independent third-party security assessment and penetration testing is performed annually. Deficiencies and recommendations resulting from the assessment are presented to the FPPA Audit Committee and are tracked by the Chief Information Officer for remediation.

Other security controls that FPPA deploys include the use of perimeter firewalls, web application firewalls, intrusion prevention systems, server monitoring and log aggregation for 24x7 review by Arctic Wolf which is a Managed Security Service Provider (MSSP). Patch deployment is managed through an enterprise-wide patch management system. Vulnerabilities from missing patches are reported on a weekly cycle from a vulnerability scanner in order to prioritize patching and remediation efforts.

Backup and Recovery

FPPA has two separate backup processes. The first backup process leverages a removable media system. This backup captures any changes to the servers since the previous backup. Backups can be weekly, daily or every few hours depending on the volatility of the data on each server. Servers that house data with daily or more frequent change rates are backed up at least nightly. The removable media is located at the colocation facility for secure storage. A new set of removable storage media is rotated into service weekly. Five sets of removable media are maintained. The second backup process is an online replication of all mission critical servers by taking a Storage Area Network (SAN) level image which includes the ASPEN and Microsoft Dynamics GP data sets. These replications are scheduled to occur daily, with more volatile data being captured every two hours. These SAN images are replicated to redundant equipment at a secondary site. Backups are tested at least annually to confirm they are working and systems can be recovered.

Physical Access

Through June 30, 2022, FPPA was located in Greenwood Village, Colorado. Upon entering the facility, there were seven entrances into the FPPA office suite. The front desk area had a receptionist on duty during normal office hours and monitored all visitors. Visitor access to the FPPA suite was only granted with the approval of an FPPA staff member. Visitors were issued a "VISITOR" badge which was worn while in the FPPA office. The remaining entrances to the office space beyond the receptionist were locked. Five of the doors were electronic key card controlled access doors. These doors could only be opened with a valid electronic key card issued to current FPPA staff and contractors. The remaining two doors were not used for incoming traffic and remained locked.

During June 2022, FPPA moved into temporary office space in Denver, Colorado. There were two entrances into the suite. The main entrance remained locked, and visitors could be admitted by an FPPA staff member during normal business hours. The other door was locked and available only to FPPA staff for entrance. FPPA vacated this space on October 31, 2022.

Effective October 31, 2022, FPPA moved into permanent office space in Denver, Colorado. Visitors enter this space through the main reception area. There are 3 public meeting spaces in the reception area to accommodate visitors. FPPA staff and contractors may enter the space through five electronic key card controlled access doors. IT Operations staff, only, may also enter through a separate electronic key card controlled door into their IT workroom.

The FPPA production servers reside at a colocation facility in Centennial, Colorado owned by Flexential. All physical access is controlled by on-site security controls provided by the colocation vendor. Environmental protections, electrical service and networking are all provided by the vendor. Redundant equipment maintained for disaster recovery is also located at a different physical colocation facility owned by the same provider. Only IT staff is authorized to access the colocations. Other vendors, contractors or other unauthorized staff must be accompanied by an IT staff member to be allowed access.

Subservice Organizations

FPPA utilizes subservice organizations to perform certain functions to improve operating and administrative effectiveness. The subservice organizations are carved out; therefore, the accompanying description includes only policies, procedures, and control objectives of FPPA and does not include policies, procedures, and control objectives at the various service organizations described below. The examination of the independent service auditors did not extend to policies and procedures at these subservice organizations. The most significant subservice organizations used by FPPA are shown below.

The achievement of certain FPPA control objectives is dependent upon whether certain controls at the subservice organizations were suitably designed and operating effectively throughout the period. As such, the following list represents the controls performed at the subservice organizations which are anticipated in the design of FPPA’s system and for which are needed to meet certain control objectives:

Type of Services Provided	Subservice Organization Name	Complementary Subservice Organization Controls	Relevant Control Objectives
FPPA relies on Wells Fargo Bank’s treasury management services for transaction clearing house services, wire transfers, controlled disbursement account, desktop deposit, and payment and receivables manager.	Wells Fargo Treasury Management	1. Controls in place for all logical and physical access to Wells Fargo Treasury Managements system. 2. Controls in place to ensure that transaction clearing house services, wire transfers, and disbursements are processed accurately, completely and timely.	Control Objective 2 - Contributions. Control Objective 3 - Disbursements. Control Objective 6 - Retirement Plan Cash Movements
FPPA relies on Arctic Wolf, Inc. for network security and monitoring including perimeter firewalls, web application firewalls, intrusion prevention systems, server monitoring, and log aggregation and vulnerability management.	Arctic Wolf, Inc.	1. Controls in place to provide reasonable assurance that logical access to programs, data, and computer resources is restricted to authorized and appropriate individuals and appropriately documented. 2. Controls in place to provide reasonable assurance that application changes are appropriately documented, tested, and approved.	Control Objective 8 - Logical Access Controls. Control Objective 9 - Configuration Management.

Fire and Police Pension Association of Colorado

Description of System

January 1, 2022 to December 31, 2022

Type of Services Provided	Subservice Organization Name	Complementary Subservice Organization Controls	Relevant Control Objectives
<p>FPPA relies on Flexential Corporation for co-location services including hosting servers, providing internet connectivity, and data backup and disaster recovery.</p>	<p>Flexential Corporation</p>	<p>Controls in place for all physical access to their location.</p>	<p>Control Objective 11 - Physical Access</p>
<p>FPPA relies on BNY Mellon Bank for investment processing, accounting and asset custodial services for the investments in the Fire & Police Members’ Benefit Investment Fund, and for portfolio administration services including effectuating capital calls.</p>	<p>Bank of New York Mellon</p>	<ol style="list-style-type: none"> 1. Controls in place to provide reasonable assurance that trades and other cash movements are processed in a complete, accurate and timely manner. 2. Controls in place to provide reasonable assurance prices and net asset values are received from an authorized source and are recorded in a complete, accurate, and timely manner. 3. Controls in place to provide reasonable assurance reconciliations between plan records and trust records are performed in a complete, accurate, and timely manner. 4. Controls in place to provide reasonable assurance that capital calls are effectuated completely, accurately, and timely. 	<p>Control Objective 4 - Retirement Plan Income and Expense Allocations. Control Objective 6 - Retirement Plan Cash Movements</p>

Fire and Police Pension Association of Colorado

Description of System

January 1, 2022 to December 31, 2022

Type of Services Provided	Subservice Organization Name	Complementary Subservice Organization Controls	Relevant Control Objectives
FPPA relies on Hamilton Lane for portfolio administration services including reporting on private markets investment strategy assets.	Hamilton Lane	1. Controls in place to provide reasonable assurance that private markets investment strategy assets are reported on completely, accurately, and timely.	Control Objective 4 - Retirement Plan Income and Expense Allocations. Control Objective 6 - Retirement Plan Cash Movements
FPPA relies on Gabriel, Roeder Smith & Company (GRS) for actuarial services related to biennial actuarial valuations for Affiliated Local Plans that report the actuarial determined contribution plan experience and plan funded status. GRS also provides annual GASB 68 reports for Affiliated Local Plans that provide accounting schedules required under GASB Statement No. 68 "Employer Reporting for Pension Plans".	GRS & Company	1. Controls in place to provide reasonable assurance that the actuarial information provided is complete, accurate and timely. 2. Controls in place to provide reasonable assurance that the annual GASB 68 reports provided are complete and accurate.	Control Objective 7 - Annual Review of Participant Records
FPPA relies on Pension Benefit Information from Longevity and LexisNexis for death monitoring activities.	Pension Benefit Information (PBI) from Longevity LexisNexis	1. Controls in place to provide reasonable assurance that death monitoring reports provided are complete and accurate.	Control Objective 5 - Participant Record Changes Changes

FPPA relies on GRS as a management expert providing actuarial services. GRS provides a certification letter with each of the reports on the Affiliated Local Plans. For all other subservice organizations, FPPA annually obtains and reviews the issued Service Organization Controls reports noting any exceptions reported for the control objectives or trust criteria. If any significant exceptions are noted related to FPPA contracted services, FPPA staff will follow up with the service organization to determine if any other mitigating controls or processes were completed and to assess if FPPA staff needs to perform any additional mitigating processes. FPPA also evaluates the listed complementary user entity controls within these Service Organization Controls reports to ensure FPPA is properly managing and reviewing the services provided. In general, complementary user controls include proper user access updates and review, proper data backup and recovery procedures, and review of provided output reports for completeness and accuracy.

These types of controls are part of FPPA's general processes and are described above as well as included as part of the Tests of Operating Effectiveness of Controls. To the extent any additional specific complementary user entity controls related to these services is considered a key control to meet the control objectives listed below, FPPA has included the control to be tested as part of the Tests of Operating Effectiveness of Controls.

Complementary User Entity Controls

FPPA controls were designed with the assumption that certain controls would be implemented at the plan level by participating employers. In certain situations, the application of specific controls at the employer level is necessary to achieve the identified control objectives listed within this report. In such instances, the required employer level controls are identified under the control objective in Section IV of this report.

This section describes additional controls that should be in operation at the Old Hire Plan and Volunteer Plan level to complement the controls in operation at FPPA. User auditors should consider whether the following controls have been placed in operation at the plan level:

Control Objective 1 - Plan Setup and Administration

- The Board of Volunteer Plans is responsible for reviewing and approving the plan details including changes to plan benefits.
- The Board of Volunteer Plans is responsible for designating the individuals who can review and approve changes to the plan, submit participant retirement requests and confirm pensionable years of service and compliance with participant eligibility requirements.
- The Board of the Old Hire Plans is responsible for reviewing and approving the plan details including changes to plan benefits.
- The Board of Old Hire Plans is responsible for designating the individuals who can review and approve changes to the plan, submit participant retirement requests and confirm service and compliance with participant eligibility requirements.

Control Objective 2 - Contributions

- Municipalities/Districts or the Board of Old Hire Plans and Volunteer Plans are responsible to meet the financial obligations set forth by their plan documents and any required financial reporting.
- Municipalities/Districts or the Board of Old Hire Plans and Volunteer Plans are responsible for reviewing and completing contribution amounts or participant service data on an individual or group basis in a timely manner when requested by FPPA.
- Authorized plan contacts are responsible for submitting contributions reports through the FPPA Employer Portal.

Control Objective 3 - Disbursements

- Authorized plan contacts are responsible for reviewing and approving the retirement application before a withdrawal or retirement disbursement is processed by FPPA.
- Participants are responsible for reviewing FPPA notification and retirement letters and communicating any discrepancies or concerns to FPPA.

- Authorized plan contacts are responsible for reviewing financial information and individual participant statements used in the completion of their financial statements for reasonableness and notifying FPPA of any errors.
- Authorized plan contacts are responsible for reviewing and approving any plan specific expenses submitted to FPPA for payment.

Control Objective 4 – Retirement Plan Income and Expense Allocations

- Authorized plan contacts are responsible for reviewing financial information and individual participant statements used in the completion of their financial statements for reasonableness and notifying FPPA of any errors.

Control Objective 5 – Participant Record Changes

- Participants are responsible for reviewing FPPA notification and retirement letters and communicating any discrepancies or concerns to FPPA in a timely manner.
- Authorized plan contacts are responsible for reviewing financial information and individual participant statements used in the completion of their financial statements for reasonableness and notifying FPPA of any errors.
- Municipalities/Districts or the Board of Old Hire Plans and Volunteer Plans are responsible for maintaining up to date membership data and communicating changes to FPPA including, but not limited to, changes in spouse, remarriage of survivors and member or survivor death.
- Municipalities/Districts or the Board of Old Hire Plans and Volunteer Plans are responsible for designating an authorized plan contact and notifying FPPA of plan contact changes.

Control Objective 6 – Retirement Plan Cash Movements

- Authorized plan contacts are responsible for reviewing financial information and individual participant statements used in the completion of their financial statements for reasonableness and notifying FPPA of any errors.

Control Objective 7 – Annual Review of Participant Records

- Authorized plan contacts are responsible for reviewing FPPA participant records and communicating any discrepancies or concerns to FPPA in a timely manner.

Control Objective 8 – Logical access controls

- Municipalities of Old Hire Plans are responsible for designating an authorized plan contact that can access FPPA systems and notifying FPPA of any changes required in user access including removal of access in a timely manner.

The list of Old Hire Plan and Volunteer Plan level entity controls presented above and those presented with certain specified control objectives do not represent a comprehensive set of all of the controls that should be employed by Municipalities/Districts or Boards. Other controls may be required at the municipal or volunteer plan level.



Section IV

Control Objectives and Related Controls, Tests of Operating Effectiveness and Results of Tests

Provided by the Independent Service Auditor and Fire and Police Pension Association of Colorado

Purpose and Objectives of the Independent Service Auditor's Examination

This report on the controls placed in operation and tests of operating effectiveness applicable to Fire and Police Pension Association of Colorado is intended to provide interested parties with information sufficient to obtain an understanding of those aspects of Fire and Police Pension Association of Colorado's controls that may be relevant to a user entity's internal controls over financial reporting. This report, when coupled with an understanding of internal controls in place at user entities and subservice organizations, is intended to assist in the assessment of the total internal controls applicable to the transactions processed by Fire and Police Pension Association of Colorado for user entities.

Our examination was restricted to the selected services, control objectives and related procedures specified by Fire and Police Pension Association of Colorado in the controls and testing in Section IV, and were not extended to procedures in effect at user entities and subservice organizations. Fire and Police Pension Association of Colorado specified its control objectives and is responsible for identifying its controls to meet those objectives.

The examination was conducted in accordance with the Statements on Standards for Attestation Engagements, Reporting on Controls at a Service Organization (Type 2), of the American Institute of Certified Public Accountants. It is each interested party's responsibility to evaluate this information in relation to internal controls in place at each user entity to obtain an overall understanding of internal controls to assess control risk. The user entity and Fire and Police Pension Association of Colorado's portions of the control structure must be evaluated together. If effective user entity internal controls are not in place, Fire and Police Pension Association of Colorado's controls may not compensate for such weaknesses.

A system of internal control is intended to provide reasonable, but not absolute, assurance that the control objectives are achieved. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits expected to be derived and also recognizes that the evaluation of the cost-benefit relationship requires estimates and judgments by management.

Our tests of the effectiveness of controls included such tests as were considered necessary in the circumstances to evaluate whether those controls, and the extent of compliance with them, were sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved throughout the period from January 1, 2022 to December 31, 2022. Our tests of the operational effectiveness of controls were designed to cover a representative number of events for each of the controls listed in Section IV which are designed to achieve the specific control objectives, also listed in Section IV. In selecting particular tests of the operational effectiveness of controls, we considered (a) the nature of the items tested, (b) the types and competence of available evidential matter, (c) the nature of the audit objectives to be achieved, (d) the assessed level of control risk and (e) the expected efficiency and effectiveness of the test.

Description of Testing Procedures

Test procedures performed in connection with determining the operational effectiveness of controls detailed in the matrices in Section IV are described below:

Test	Description
Inquiry	<p>Inquired of appropriate personnel to ascertain their knowledge and understanding of the compliance of the controls.</p> <p>Inquiries were performed on all controls. However, the test is not listed individually for every control shown in the accompanying matrices.</p>
Observation	Observed application of specific control activity.
Inspection	Inspected documents and reports indicating performance of the specific control activity.
Reperformance	Reperformed application of the specific control activity.

Within the testing procedures, sampling refers to non-statistical sampling methods and techniques. Likewise, when referring to a selection of items, such selection was not based on sampling methods and techniques.

Exceptions, if any, noted by Eide Bailly LLP, regarding the adequacy of the controls identified to achieve the stated objective or the level of compliance with the controls are presented in this section under the caption "Results of Testing".

In certain situations, the application of specific controls at the user entity and subservice organizations are necessary to achieve certain control objectives included in this report.

1. Plan Setup and Administration

Controls provide reasonable assurance that new retirement plans, changes to, or dissolution of existing retirement plans are established accurately and completely and are properly authorized.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
1.1	New pension plan affiliations must be approved by the FPPA Board.	1. Inspected supporting documentation for a sample of new pension plan affiliations to evidence that new pension plan affiliations must be approved by the FPPA Board.	Note: No occurrences were noted during the testing period. Eide Bailly LLP inquired about the new pension plan affiliation approval process to gain an understanding of how the control would work had there been an occurrence.
1.2	Volunteer Plans - New plan setup and changes of plan details are made in ASPEN by the Office Coordinator. All new plans details are reviewed to ensure accuracy of the setup by the Senior Accountant.	1. Inspected supporting documentation for a sample of new volunteer plans to evidence that new plan setups are made in ASPEN by the Office Coordinator and that all new plans details are reviewed to ensure accuracy of the setup by the Senior Accountant. 2. Inspected supporting documentation for a sample of changes to volunteer plan details to evidence that changes of plan details are made in ASPEN by the Office Coordinator and that all new plans details are reviewed to ensure accuracy of the setup by the Senior Accountant.	Testing Step 1: Note: No occurrences were noted during the testing period. Eide Bailly LLP inquired about the new plan setup process to gain an understanding of how the control would work had there been an occurrence. Testing Step 2: No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
1.3	Volunteer Plans – Merged plans submit a resolution or documentation within the minutes of the board meeting electing to remain affiliated with FPPA.	1. Inspected supporting documentation for Volunteer Plan mergers in the current year to evidence that continued affiliation with FPPA of the Volunteer Plan is approved by the Plan’s Board.	Note: No plans were merged during the audit period which would be subjected to testing. Eide Bailly LLP inquired about the process to merge plans to gain an understanding of how the controls would work had there been a merged plan during the period.
1.4	Plan modifications including benefit improvements and ad-hoc cost-of-living adjustments to Old Hire plans and benefit improvements and vesting changes to Volunteer Plan pension benefits are approved by the appropriate Board.	1. Inspected supporting documentation for a sample of Old Hire Plan modifications to evidence that plan modifications including benefit improvements and ad-hoc cost-of-living adjustments to Old Hire pension benefits are approved by the Plan’s Board. 2. Inspected supporting documentation for a sample of Volunteer Plan modifications to evidence that plan modifications including benefit improvements and vesting changes to Volunteer Plans pension benefits are approved by the Plan’s Board.	No exceptions noted.
1.5	New plan is setup in Microsoft Dynamics GP System and in the allocation report. Setup is reviewed by an Accounting Manager.	1. Inspected supporting documentation for a sample of new plans to evidence that the new plan is setup in the Microsoft Dynamics GP System and in the allocation report and that the setup is reviewed by an Accounting Manager.	Note: No occurrences were noted during the testing period. Eide Bailly LLP inquired about the new pension plan process to gain an understanding of how the control would work had there been an occurrence.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
1.6	FPPA will distribute net assets as directed by the Old Hire Plan local board and per State Statutes when the plan is determined to no longer have participating members or beneficiaries.	1. Inspected supporting documentation for all Old Hire Plans that were determined to no longer have participating members or beneficiaries to evidence that FPPA will distribute net assets as directed by the Old Hire Plan local board and per State Statutes.	Note: No occurrences were noted during the testing period. Eide Bailly LLP inquired about the distribution of Old Hire Plan net assets process to gain an understanding of how the control would work had there been an occurrence.
1.7	FPPA will distribute Volunteer Plan net assets within 30 days of the effective date of a resolution by the local board to disaffiliate from FPPA. Final calculation of Volunteer Plan net assets to be distributed upon disaffiliation is approved by the COO prior to distribution.	1. Inspected supporting documentation for all Volunteer Plans that disaffiliated from FPPA to evidence that FPPA will distribute Volunteer Plan net assets within 30 days of the effective date of a resolution by the local board to disaffiliate from FPPA and the final calculation of Volunteer Plan net assets to be distributed upon disaffiliation is approved by the COO prior to distribution.	Note: No occurrences were noted during the testing period. Eide Bailly LLP inquired about the distribution of Volunteer Plan net assets process to gain an understanding of how the control would work had there been an occurrence.

2. Contributions

Controls provide reasonable assurance that plan contributions are processed accurately and completely.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
2.1	Contributions are received by wire or preauthorized ACH. On a daily basis, contributions entered by the employer in the Employer Portal are reviewed and approved by a Contribution team member to ensure accuracy.	1. Inspected approvals for a sample of contribution deposits to evidence that contributions entered into the system are reviewed and approved by a Contribution team member.	No exceptions noted.
2.2	Volunteer Plans - State Department of Local Affairs (DOLA) will send payments with remittance detail of the amounts that they are paying for each local pension plan. Contribution amounts are entered by a member of the Accounting team which is reviewed and approved by another member of the Accounting team. Upon approval of the deposit, the Senior Accountant will send a confirmation email to the plan notifying them of receipt of state matching funds posted to the plan.	1. Inspected supporting documentation for a sample of state matching contributions to evidence that contribution amounts are entered by a member of the accounting team which is reviewed and approved by another member of the accounting team. 2. Inspected supporting documentation for a sample of state matching contributions to evidence that the senior accountant sends a confirmation email to the plan notifying them of receipt of state matching funds posted to the plan.	No exceptions noted.
2.3	The Senior Accountant performs a monthly reconciliation of the total deposits from all sources to the bank and Microsoft Dynamics GP System. This reconciliation is reviewed and approved by an Accounting Manager.	1. Inspected a sample of months to evidence that the Senior Accountant performs a monthly reconciliation of the total deposits from all sources to the bank and Microsoft Dynamics GP System and that the reconciliation is reviewed and approved by an Accounting Manager.	No exceptions noted.
2.4	Contribution journal entries into the General Ledger are reviewed and approved by an Accounting Manager.	1. Inspected Contribution Journal entries for a sample of months to evidence that Contribution Journal entries are reviewed and approved by an Accounting Manager.	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
2.5	FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	1. Inspected SOC reports and management monitoring documentation to evidence that management receives the SOC reports from subservice organizations annually, and reviews the reports for opinion modification, exceptions and complementary user entity controls to identify any follow up procedures needed.	No exceptions noted.

3. Disbursements

Controls provide reasonable assurance that retirement plan disbursements are processed accurately and completely, and are properly authorized.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
3.1	New retiree pension payments are only setup by a Payroll team member in ASPEN once the completed approved pension form has been received. The benefit setup is approved by a separate Payroll team member in ASPEN.	<p>1. Inspected supporting documentation for a sample of new pension payments to evidence that the new retiree pension payments are only setup by a Payroll team member in ASPEN once the completed approved pension form has been received.</p> <p>2. Inspected supporting documentation for a sample of new pension payments to evidence that the benefit setup is approved by a separate Payroll team member in ASPEN.</p>	No exceptions noted.
3.2	Staff completes a monthly payroll checklist detailing the required process steps and review and reconciliation controls of key steps. The monthly payroll checklist incorporates action and related sign offs by Payroll team members and Accounting Managers. An Accounting Manager or Chief Operations Officer reviews and approves retiree payroll before it is processed.	<p>1. Inspected the payroll checklists for a sample of months to evidence that staff completes a monthly payroll checklist detailing the required process steps and review and reconciliation controls of key steps.</p> <p>2. Inspected the payroll checklists for a sample of months to evidence that an Accounting Manager reviews and approves retiree payroll before it is processed by signing the payroll checklist.</p>	No exceptions noted.
3.3	After the payroll is authorized, payments are created. Payments are generated in ASPEN by a Payroll team member and approved by an Accounting Manager or Chief Operations Officer.	1. Inspected the payroll checklists for a sample of months to evidence that payments are generated in ASPEN by a Payroll team member and approved by an Accounting Manager or Chief Operations Officer.	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
3.4	<p>Monthly, an Accounting Manager or Chief Operations Officer compares the check advice and deposit advice totals on the final payroll balancing report from ASPEN to the payroll dashboard. Any discrepancies are reviewed and resolved before the payment file is transmitted to the Deposit Bank. The Deposit Bank sends an acknowledgement file listing all the payments it will make on behalf of FPPA and a Payroll team member compares the payment totals to the payroll dashboard report to verify accuracy and completeness of the payments processed.</p>	<p>1. Inspected the payroll checklists for a sample of months to evidence that an Accounting Manager or Chief Operations Officer compares the check advice and deposit advice totals on the final payroll balancing report from ASPEN to the payroll dashboard report and any discrepancies are reviewed and resolved before the ACH and Check files are transmitted to the Deposit Bank.</p> <p>2. Inspected the payroll checklists for a sample of months to evidence that a payroll team member compares payment totals on the acknowledgement file from the Deposit Bank to the payroll dashboard report to verify accuracy and completeness of the payments processed.</p>	No exceptions noted.
3.5	<p>Monthly, a Payroll team member integrates the payroll journal entry from ASPEN to the Microsoft Dynamics GP system using the payroll clearing account. The bank file is posted to the Microsoft Dynamics GP system using the payroll clearing account. The zeroing out of the payroll clearing account demonstrates that the payroll activity has been posted completely. An Accounting Manager reviews this process, with any differences investigated and corrected, then approved.</p>	<p>1. Inspected reconciliations for a sample of months to evidence that the payroll clearing account is zeroed out.</p> <p>2. Inspected reconciliations for a sample of months to evidence that an Accounting Manager reviews this process, with any differences investigated and corrected, then approved.</p>	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
3.6	Invoices are approved by relevant department managers before they are paid. If the purchase is initiated through a Purchase Order, the relevant department manager approves the Purchase Order and approves the appropriate General Ledger account coding before it is sent to the Vendor for fulfillment.	1. Inspected supporting documentation for a sample of payments to evidence that invoices are approved by relevant department managers before they are paid and if the purchase is initiated through a Purchase Order, the relevant department manager approves the Purchase Order and approves the appropriate General Ledger account coding before it is sent to the Vendor for fulfillment.	No exceptions noted.
3.7	New vendor setups are entered by an AP team member and reviewed and approved by another AP team member. Vendor ACH payment details are entered by an Accounting Manager and reviewed by another Accounting Manager or Chief operations Officer.	1. Inspected the vendor checklists for a sample of new vendors to evidence that new vendor setups are entered by an AP team member and reviewed and approved by another AP team member. 2. Inspected the vendor checklists for a sample of new ACH vendors to evidence that ACH payment details are entered by an Accounting Manager and reviewed by another Accounting Manager or Chief Operations Officer.	No exceptions noted.
3.8	An Accounting Manager reviews and approves the GL coding of all AP transactions before they are processed in Microsoft Dynamics GP System.	1. Inspected the Invoice Batch Approval Report for a sample of direct and allocated expense payment dates to evidence that an Accounting Manager reviews and approves the GL coding of all AP transactions before they are processed for payment in the Microsoft Dynamics GP System.	No exceptions noted.
3.9	Once the approved invoices have been integrated into the Microsoft Dynamics GP System from Concur, an Invoice Batch Approval report is generated to compare the total of the AP invoices entered in Concur to the total payments to be issued from Microsoft Dynamics GP. The report comparison is performed by an AP team member and reviewed by another AP team member.	1. Inspected AP Processing Checklists for a sample of direct and allocated expense payment dates to evidence that the Invoice Batch Approval Report is created to compare the total of the AP invoices entered in Concur to the invoice amounts integrated into Microsoft Dynamics GP and processed for payment. The report comparison is performed by an AP team member and reviewed by another AP team member.	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
3.10	After AP checks are printed and the EFT Payment Register is generated, an AP team member compares the payment registers to the report of the total invoices from above control. Differences are reviewed and corrected before payments are released. This reconciliation is reviewed by an Accounting Manager or a designated Accounts Payable team member.	<p>1. Inspected AP Processing Checklists for a sample of direct and allocated expense payment dates to evidence that an AP team member compares payment registers to the report of the total invoices.</p> <p>2. Inspected AP Processing Checklists for a sample of direct and allocated expense payment dates to evidence that differences in the payment register reconciliation are reviewed and corrected before payments are released and the reconciliation is reviewed by an Accounting Manager or a designated Accounts Payable team member.</p>	No exceptions noted.
3.11	Authorized check signer reviews the payment package which consists of the check or ACH Remittance Form and the approved invoice. The authorized check signer will sign the check or the ACH Remittance Form if the payment is approved. Approved checks are mailed and approved ACH payments are sent to the bank for processing.	<p>1. Inspected AP Processing Checklists for a sample of direct and allocated expense payment dates to evidence that the authorized check signer reviews the payment package which consists of the check or ACH Remittance Form and approved invoice.</p> <p>2. Inspected AP Processing Checklists for a sample of direct and allocated expense payment dates to evidence that the authorized check signer will sign the check or the ACH Remittance Form if the payment is approved.</p> <p>3. Inspected AP Processing Checklists for a sample of direct and allocated expense payment dates to evidence that approved checks are mailed and approved ACH payments are sent to the bank for processing.</p>	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
3.12	FPPA uses positive pay with the Deposit Bank. Once checks are issued, an Accounting Manager or another Accounts Payable team member verifies the upload detail to the checks issued and transmits the file to the bank. The file details the check amounts and numbers.	1. Inspected AP Processing Checklists for a sample of direct and allocated expense payment dates to evidence that FPPA uses positive pay with the Deposit Bank and once checks are issued, an Accounting Manager or another Accounts Payable team member verifies the upload detail to the checks issued and transmits the file to the bank and that the file details the check amounts and numbers.	No exceptions noted.
3.13	Employee travel related expenses or employee reimbursable expenses are submitted electronically using an expense report through Concur. Each report is approved by the employee's manager. FPPA Staff must complete a travel and expense report in compliance with the FPPA Travel and Expense policy.	1. Inspected expense reports and the travel and expense policy for a sample of employee incurred expenses to evidence that: A) Employee travel related expenses or employee reimbursable expenses reports are completed in compliance with the FPPA Travel and Expense policy; B) Each report is approved by the employee's manager and FPPA Staff must complete a travel expense report in compliance with the FPPA Travel and Expense policy.	No exceptions noted.
3.14	FPPA Staff Payroll and Retiree Payroll Journal Entries are reviewed and approved by an Accounting Manager or another Accounting team member.	1. Inspected FPPA Staff Payroll and Retiree Payroll Journal Entries for a sample of months to evidence that the FPPA Staff Payroll and Retiree Payroll Journal Entries are reviewed and approved by an Accounting Manager or another Accounting team member.	No exceptions noted.
3.15	FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	1. Inspected SOC reports and management monitoring documentation to evidence that FPPA management receives Service Organization Control reports from subservice organizations and that FPPA management reviews these reports for areas of concern and complementary user entity controls.	No exceptions noted.

4. Retirement Plan Income and Expense Allocations

Controls provide reasonable assurance that retirement plan income and expense allocations are processed accurately and completely.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
4.1	Monthly allocations of income and expense are calculated based on plans' percentage of assets and membership headcount. The income and expense allocation report is reconciled to the month end trial balance retained earnings. Reconciliations are reviewed and approved by an Accounting Manager or Accounting team member.	<p>1. Inspected supporting documentation for a sample of plans and months to evidence that the allocation is based on plans percentage of assets and plan headcount.</p> <p>2. Inspected supporting documentation for a sample of months to evidence that the monthly reconciliation of income and expense allocations to the month end trial balance is reviewed and approved by an Accounting Manager or Accounting team member.</p>	No exceptions noted.
4.2	An Accounting Manager or Accounting team member, using the approved reconciled income and expense allocation report (see 4.1), generates a journal entry to record the allocated income and expense. The journal entry is reviewed by a separate Accounting Manager or Accounting team member.	<p>1. Inspected supporting documentation for sample of plans and months to evidence that the monthly income and expense allocations are correctly recorded in the monthly allocation journal entry.</p> <p>2. Inspected supporting documentation for a sample of months to evidence the monthly allocation journal entry is reviewed and approved by a separate Accounting Manager or Accounting team member.</p>	No exceptions noted.
4.3	The ending trial balance is reconciled to the income and expense allocation report monthly. The reconciliation is reviewed by a separate Accounting Manager or Accounting team member.	1. Inspected supporting documentation for a sample of months to evidence that the monthly reconciliation of the ending trial balance and the income and expense allocation report is reviewed and approved by a separate Accounting Manager or Accounting team member.	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
4.4	FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	1. Inspected SOC reports and management monitoring documentation to evidence that management receives the SOC reports from subservice organizations annually, and reviews the reports for opinion modification, exceptions and complementary user entity controls to identify any follow up procedures needed.	No exceptions noted.

5. Participant Record Changes

Controls provide reasonable assurance that changes to retirement participant records are processed accurately and completely, are properly authorized.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
5.1	Participant records modified using the FPPA Employer Portal that do not satisfy ASPEN processing rules, are stopped and reviewed by a Contribution or Payroll team member.	<p>1. Observed the ASPEN processing rules to evidence that rules are in place to ensure complete and accurate processing of participant records.</p> <p>2. Observed a plan modification being held for participant modifications that do not satisfy ASPEN processing rules to evidence that Participant records modified using the FPPA Employer Portal that do not satisfy ASPEN processing rules are stopped.</p> <p>3. Inspected supporting documentation for a sample of participant record changes that did not require manual modification to evidence that participant records modified using the FPPA Employer Portal that do not satisfy ASPEN processing rules, are stopped and reviewed by a Contribution or Payroll team member.</p> <p>4. Inspected supporting documentation for a sample of member account changes that were manually entered or modified by a contribution or payroll team member to evidence that participant records modified using the FPPA Employer Portal that do not satisfy ASPEN processing rules, are stopped and reviewed by a Contribution or Payroll team member.</p>	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
5.2	All participant record changes that are manually entered or modified by the Contribution or Payroll team members are reviewed and approved prior to final processing.	<p>1. Inspected supporting documentation for a sample of member account changes that were manually entered or modified by a contribution or payroll team member to evidence that they were reviewed and approved prior to final processing.</p> <p>2. Inspected supporting documentation for a sample of payee account changes that were manually entered or modified by a contribution or payroll team member to evidence that they were reviewed and approved prior to final processing.</p>	No exceptions noted.
5.3	Changes of pension payment amounts require plan authorization prior to changes being made. All changes in pension payment amounts are confirmed with the employer by a Payroll team member after first payroll run after changes.	<p>1. Inspected a sample of changes to pension payment amounts to evidence that changes of pension payment amounts require plan authorization prior to changes being made.</p> <p>2. Inspected a sample of changes to pension payment amounts to evidence that all changes in pension payment amounts are confirmed with the employer by a Payroll team member after next payroll run.</p>	No exception noted.
5.4	A payroll team member completes the proper Checklist for authorized changes, and changes in ASPEN to pension payments are reviewed by a second Payroll team member.	1. Inspected a sample of changes to pension payment amounts to evidence that the proper Checklist is completed and reviewed by a second payroll team member.	No exception noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
5.5	New retiree pension payments are only setup by a Payroll team member in ASPEN once the completed approved pension form or electronic authorization has been received. The benefit setup is confirmed by a separate Payroll team member in ASPEN.	<p>1. Inspected supporting documentation for a sample of new pension payments to evidence that the pension payments are only setup by a Payroll team member in ASPEN once the completed approved pension form or electronic authorization has been received.</p> <p>2. Inspected supporting documentation for a sample of new pension payments to evidence that the benefit setup is confirmed by a separate Payroll team member in ASPEN.</p>	No exception noted.
5.6	Third-Party death notices, provided by Pension Benefit Information (PBI) or Lexis Nexis, vendors, are reviewed by a Payroll team member. Any discrepancies are communicated to the Employer for resolution.	1. Inspected third party death notices, which are received from Pension Benefit Information (PBI) or Lexis Nexis, for a sample of participant deaths to evidence that death notification form agrees and any differences are resolved.	No exceptions noted.
5.7	FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	1. Inspected SOC reports and management monitoring documentation to evidence that FPPA management receives Service Organization Control reports from subservice organizations and that FPPA management reviews these reports for areas of concern and complementary user entity controls.	No exceptions noted.

6. Retirement Plan Cash Movements

Controls provide reasonable assurance that retirement plan cash movements are processed accurately, completely, timely, and are properly authorized.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
6.1	Third-party investment managers reconcile monthly investment activity to BNY Mellon records. The reconciliations are reviewed and approved by Investment personnel.	1. Inspected supporting documentation for a sample of months to evidence that FPPA management reviews the third-party investment manager's monthly reconciliations to BNY Mellon.	No exceptions noted.
6.2	Monthly journal entries to record portfolio investment income are reviewed and approved by an Accounting Manager.	1. Inspected supporting documentation for a sample of months to evidence that monthly journal entries to record portfolio investment income are reviewed and approved by an Accounting Manager.	No exceptions noted.
6.3	Monthly asset based fee reimbursement wires and non-capital call wires are reviewed and authorized prior to payment by the Chief Investment Officer, Chief Operations Officer, or Executive Director.	1. Inspected supporting documentation for a sample of months to evidence the monthly asset based fee reimbursement wires are reviewed and authorized prior to payment. 2. Inspected supporting documentation for a non-recurring non-capital call wire to evidence that the wire is reviewed and authorized prior to payment.	No exceptions noted.
6.4	Investment account activity is reconciled between the BNY Mellon and Microsoft Dynamics GP System by the Investment Accountant and reviewed monthly by an Accounting Manager.	1. Inspected supporting documentation for a sample of months to evidence that the monthly investment activity reconciliation is performed between BNY Mellon and Microsoft Dynamics GP by the Investment Accountant and reviewed monthly by an Accounting Manager.	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
6.5	FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	1. Inspected SOC reports and management monitoring documentation to evidence that management receives the SOC reports from subservice organizations annually, and reviews the reports for opinion modification, exceptions and complementary user entity controls to identify any follow up procedures needed.	No exceptions noted.

7. Annual Review of Participant Records

Controls provide reasonable assurance that plan participant records are transmitted accurately and completely to the actuary.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
7.1	Individual plan management is notified by FPPA to review the participant records at least annually.	1. Inspected the annual memo sent to plan management to evidence that plan management is notified at least annually to review participant records.	No exceptions noted.
7.2	Participant records modified using the FPPA Employer Portal that do not satisfy ASPEN processing rules, are stopped and reviewed by a Contribution or Payroll team member.	<p>1. Observed the ASPEN processing rules to evidence that rules are in place to ensure complete and accurate processing of participant records.</p> <p>2. Observed a plan modification being held for participant modifications that do not satisfy ASPEN processing rules to evidence that Participant records modified using the FPPA Employer Portal that do not satisfy ASPEN processing rules are stopped.</p> <p>3. Inspected supporting documentation for a sample of participant record changes that did not require manual modification to evidence that participant records modified using the FPPA Employer Portal that do not satisfy ASPEN processing rules, are stopped and reviewed by a Contribution or Payroll team member.</p> <p>4. Inspected supporting documentation for a sample of participant record changes that did require manual modification to evidence that participant records modified using the FPPA Employer Portal that do not satisfy ASPEN processing rules, are stopped and reviewed by a Contribution or Payroll team member.</p>	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
7.3	All participant record changes that are manually entered or modified by the Contribution or Payroll team members are reviewed and approved prior to final processing.	<p>1. Inspected supporting documentation for a sample of member account changes that were manually entered or modified by a contribution or payroll team member to evidence that they were reviewed and approved prior to final processing.</p> <p>2. Inspected supporting documentation for a sample of payee account changes that were manually entered or modified by a contribution or payroll team member to evidence that they were reviewed and approved prior to final processing.</p>	No exceptions noted.
7.4	Annually, the compiled census data for Old Hire and Volunteer Plans is reviewed for significant or unusual variances from the prior year, which are documented for consideration during actuarial processing.	1. Inspected the population of compiled census data spreadsheets for Old Hire and Volunteer plans to evidence that the data is reviewed for significant or unusual variances.	No exceptions noted.
7.5	FPPA management reviews and monitors the actuarial subservice organization.	1. Inspected supporting documentation to evidence that management monitors the actuarial subservice organization.	No exceptions noted.

8. Logical Access Controls

Controls provide reasonable assurance that logical access to programs, data, and computer resources is restricted to authorized and appropriate individuals and appropriately documented.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
8.1	<p>Access to the network, ASPEN, and Microsoft Dynamics GP System applications are restricted via the following password and account lockout settings:</p> <ul style="list-style-type: none"> • 14 character minimum. • Complexity enabled requiring upper and lower case, number, or special characters • Account locked after 5 invalid attempts • Password change interval of 90 days (annually for service accounts) • Contractor or temporary employee force password expiration every 90 days or to the term of statement of work, whichever is more restrictive 	<p>1. Inspected evidence that service accounts, contractors or temporary employees passwords to access ASPEN, Microsoft Dynamics GP and the FPPA Network is maintained in accordance with the FPPA IT password policy.</p>	<p>Exception noted.</p> <p>One service account was identified that was not updated in greater than one year.</p> <p>See section V for Management's response to exception.</p>
8.2	<p>Network administrative access to FPPA systems is restricted to FPPA IT staff. The list of network administrators is reviewed and approved annually by the IT Operations Manager.</p>	<p>1. Inspected evidence that Network administrative access to FPPA systems is restricted to FPPA IT staff and that it is reviewed annually.</p>	<p>No exceptions noted.</p>
8.3	<p>Administrative functions within ASPEN, FPPA's pension administration system, including the ability to create users and assign user access based on roles, is limited to the Chief Information Officer and the internal IT development staff. Administrative access to ASPEN is reviewed at least annually as part of the User Access Administration discussed above.</p>	<p>1. Inspected evidence that administrative functions within ASPEN, FPPA's pension administration system, including the ability to create users and assign user access based on roles, is limited to the Chief Information Officer and the internal IT development staff. Administrative access to ASPEN is reviewed at least annually as part of the User Access Administration discussed above.</p>	<p>No exceptions noted.</p>

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
8.4	<p>Administrative functions within Microsoft Dynamics GP, FPPA's General Ledger system, including the ability to create users and assign access based on roles, is limited to the IT staff.</p> <p>Administrative access to Microsoft Dynamics GP is reviewed at least annually as part of the User Access Administration discussed above.</p>	<p>1. Inspected documentation to evidence that administrative functions within Microsoft Dynamics GP, FPPA's General Ledger system, including the ability to create users and assign access based on roles, is limited to the IT staff.</p> <p>Administrative access to Microsoft Dynamics GP is reviewed at least annually as part of the User Access Administration discussed above.</p>	No exceptions noted.
8.5	<p>Administrative functions within the FPPA staff payroll system, including the ability to create users and assign user access based on roles, is limited to the People and Culture Officer and designated backup.</p> <p>Administrative access to the FPPA staff payroll system is reviewed at least annually as part of the User Access Administration.</p>	<p>1. Inspected evidence that administrative functions within the FPPA staff payroll system including the ability to create users and assign user access based on roles, is limited to the People and Culture Officer and designated backup.</p> <p>2. Inspected evidence that FPPA staff payroll system is reviewed at least annually as part of the User Access Administration.</p>	No exceptions noted.
8.6	<p>Administrative functions within banking systems including the ability to set up, modify, or remove user accounts and access based on roles is limited to specific approved users. The Chief Operations Officer and the IT Operations Manager are administrators of the Wells Fargo Bank system with dual authorization controls. The Executive Director, Chief Operations Officer, and the Chief Investment Officer are administrators of the Bank of New York Mellon (BNY) system. Administrative access to the banking systems is reviewed at least annually as part of the User Access Administration discussed above.</p>	<p>1. Inspected evidence that administrative functions in the Wells Fargo Bank system is limited to the Chief Operations Officer and the IT Operations Manager and that it is reviewed annually.</p> <p>2. Inspected evidence that administrative functions in the BNY Mellon Bank system is limited to the Executive Director, Chief Operations Officer, and the Chief Investment Officer and that it is reviewed annually.</p>	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
8.7	Requests for changes to users' logical access including setting up a new user or a change to an existing user's access rights are made by HR or management via email or other verifiable written communication. The request will include the specific access rights requested which may be in the form of a request to mirror an existing user's access or by using a job title template.	1. Inspected a sample of new users to evidence that requests for changes to users' logical access including setting up a new user or a change to an existing user's access rights are made by HR or management via email or other verifiable written communication. The request will include the specific access rights requested which may be in the form of a request to mirror an existing user's access or by using a job title template.	No exceptions noted.
8.8	The human resources department will notify the IT department of all terminations. The IT department will inactivate and remove terminated user's access to FPPA's IT system following the termination procedure, then notify the Chief Operations Officer to direct the removal of the terminated user's access to banking systems, if needed.	1. Inspected service tickets for a sample of terminated employees for evidence that HR notified IT of their termination date and that their access was removed from IT systems and banking systems if applicable.	No exceptions noted.
8.9	User access and the processing roles within FPPA's systems is initiated and managed by IT staff. It is then reviewed at least annually and approved by the user's manager.	1. Inspected documentation of user access and processing role reviews during the period to evidence that the review was completed and approved. 2. Inspected access and termination requests to evidence that user access and the processing roles within FPPA's systems is initiated and managed by IT staff.	No exceptions noted.
8.10	Access to the production databases supporting ASPEN and Microsoft Dynamics GP System is restricted to IT staff.	1. Inspected user access to the production databases for ASPEN and Microsoft Dynamics GP and reviewed their access with the IT Operations Manager to determine whether it is appropriate.	No exceptions noted.
8.11	Security monitoring is performed over the FPPA network by a third party (Arctic Wolf). Issues are documented and tracked to remediation.	1. Inspected evidence that monitoring over FPPA's network is performed by Arctic Wolf and that issues are documented and tracked to remediation.	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
8.12	FPPA management receives SOC reports from subservice organizations. They review the reports for areas of concern and complementary user entity controls.	1. Inspected SOC reports and management monitoring documentation to evidence that FPPA management receives SOC reports from subservice organizations. They review the reports for areas of concern and complementary user entity controls.	No exceptions noted.

9. Configuration Management

Controls provide reasonable assurance that application changes to Pension System & General Ledger System are appropriately documented, tested, and approved.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
9.1	ASPEN users enter problem incident reports (PIRs) into SCOUT to notify IT staff of issues or enhancements. These PIRs are reviewed, evaluated, prioritized and approved for processing by the Chief Information Officer, Applications Manager or the ASPEN Change Control Board.	<p>1 Inspected the SCOUT system as evidence that ASPEN users can enter system issues or enhancements.</p> <p>2. Inspected evidence that Problem Incident Reports (PIRs) are reviewed, evaluated, prioritized and approved for processing by the Chief Information Officer, Applications Manager or the ASPEN Change Control Board.</p>	No exceptions noted.
9.2	When development changes to ASPEN are in progress, all members of the ASPEN development team are able to see the coding changes as highlighted differences and review them through code reviews to understand the changes and vet the coding for accuracy.	<p>1. Inspected evidence within Team Foundation Services (TFS) that ASPEN development team members are able to see the coding changes.</p> <p>2. Inspected evidence that TFS tracks changes made to the code by highlighting difference and that the changes can then be checked for accuracy.</p>	No exceptions noted.
9.3	ASPEN development changes are tested and approved by the users in a test environment. Once approved by the users, the changes are added to the production build.	1. Inspected change documentation for a sample of ASPEN development changes to determine whether changes were tested and approved.	No exceptions noted.
9.4	Once the production build document is approved by an IT Manager, a final ASPEN build is performed and deployed by one of the on-site IT development staff.	1. Inspected the full population of build email correspondences as evidence that the production build document was approved by an IT manager and deployed by on-site development staff.	No exceptions noted.
9.5	Microsoft Dynamics GP system application changes implemented in production are restricted to IT staff members.	1. Inspected evidence that Microsoft Dynamics GP system application changes implemented in production are restricted to IT staff members.	No exceptions noted.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
9.6	Microsoft Dynamics GP System changes are tested and approved by an Accounting Manager. Once approved, the changes are implemented by IT staff.	1. Inspected change documentation for a Microsoft Dynamics GP System change to evidence that Microsoft Dynamics GP System changes are tested and approved by an Accounting Manager. Once approved, the changes are implemented by IT staff.	No exceptions noted.
9.7	Patch deployment is managed through an enterprise-wide patch management system. Vulnerabilities from missing patches are reported on a weekly cycle from a vulnerability scanner in order to prioritize patching and remediation efforts.	1. Inspected patch deployment console to evidence that patch deployment is managed through an enterprise-wide patch management system. 2. Inspected the vulnerability scanner to evidence that vulnerabilities from missing patches are reported on a weekly cycle from a vulnerability scanner in order to prioritize patching and remediation efforts.	No exceptions noted.
9.8	Independent third-party security assessment and penetration testing is performed annually. Deficiencies and recommendations resulting from the assessment are presented to the FPPA Audit Committee and are tracked by the IT Operations Manager for remediation.	1. Inspected evidence that an external security assessment and penetration test was performed. 2. Inspected a meeting agenda to evidence that deficiencies and recommendations resulting from the assessment are presented to the FPPA Audit Committee. 3. Inspected evidence that findings and recommendations were being tracked and addressed.	No exceptions noted.
9.9	FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	1. Inspected SOC reports and management monitoring documentation to evidence that FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	No exceptions noted.

10. Service Continuity

Controls provide reasonable assurance that Pension System & General Ledger program data is regularly and completely backed up.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
10.1	ASPEN and Microsoft Dynamics GP System production data and applications are backed up daily off-site and replicated daily to a secondary location. Additional off-line backups are rotated weekly.	<p>1. Inspected backup logs and configuration settings to evidence that backups of ASPEN and Microsoft Dynamics GP system data files are backed up off-site at least daily.</p> <p>2. Inspected backup logs and configuration settings to evidence that backups of ASPEN and Microsoft Dynamics GP system data files are replicated offsite at least daily.</p> <p>3. Inspected reoccurring appointment to rotate off-line backups weekly.</p>	No exceptions noted.
10.2	FPPA backups are tested at least annually to confirm that they are working and that systems can be recovered.	1. Inspected evidence that backups are tested annually.	No exceptions noted.
10.3	FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	1. Inspected SOC reports and management monitoring documentation to evidence that FPPA management receives Service Organization Control reports from subservice organizations. FPPA management reviews these reports for areas of concern and complementary user entity controls.	No exceptions noted.

11. Physical Access Controls

Controls provide reasonable assurance that physical access to FPPA offices and sensitive areas is restricted to authorized and appropriate individuals.

Controls Specified by Management		Testing Performed by Eide Bailly LLP	Results of Testing
11.1	The FPPA office space has controlled access via key cards and the network closet has a lock that restrict unauthorized physical access.	<p>1. Observed card readers on all doors to access the FPPA offices to evidence that the FPPA office space has controlled access via key cards.</p> <p>2. Observed a lock on the network closet to evidence that the network closet has a lock that restricts unauthorized physical access.</p>	No exceptions noted.
11.2	The FPPA office has staff at front desk during normal office hours and monitors all visitors.	1. Observed how visitor access was controlled to the FPPA office during normal business hours.	No exceptions noted.
11.3	Access to the FPPA office is only granted with approval of an FPPA staff member.	1. Observed how visitor access was controlled to evidence that access to the FPPA office is only granted with approval of an FPPA staff member.	No exceptions noted.
11.4	Access to the FPPA colocation server racks are only granted to FPPA IT staff and authorized managed service providers.	1. Inspected the Flexential data center access list to evidence that access to the FPPA colocation server racks are only granted to FPPA IT staff and authorized managed service providers.	No exceptions noted.
11.5	Management reviews the SOC 2 Type II examination for Flexential on an annual basis to verify that access to the FPPA colocation server racks for vendors, contractors or other unauthorized staff must be accompanied by a Flexential employee or customer escort.	1. Inspected management's review of a SOC report to evidence that management reviews the SOC 2 Type II examination for Flexential on an annual basis to verify that Access to the FPPA colocation server racks for vendors, contractors or other unauthorized staff must be accompanied by a Flexential employee or customer escort.	No exceptions noted.
11.6	Management reviews the SOC 2 Type II examination for Flexential on an annual basis to verify that datacenter power is backed up by a UPS system.	1. Inspected management's review of a SOC report to evidence that management reviews the SOC 2 Type II examination for Flexential on an annual basis to verify that datacenter power is backed up by a UPS system.	No exceptions noted.



Section V

Other Information

Provided by Fire and Police Pension Association of Colorado

The information included in Section V is presented to provide additional information to user entities and is not a part of the Fire and Police Pension Association of Colorado's description of the system. The information in Section V has not been subjected to the procedures applied in the examination of the aforementioned description of the Fire and Police Pension Association of Colorado's system and, accordingly, Eide Bailly LLP expresses no opinion on the information contained here within Section V.

Management Response to Testing Exceptions

A. Control objective 8, control 8.1

Report Exception:

- One service account was identified that was not updated in greater than one year.

Management's Response:

The identified service account password was not timely changed due to an administrative change in personnel combined with the timing of a system upgrade. The password for the service account was reset promptly following the completion of the system upgrade.

**FIRE AND POLICE PENSION ASSOCIATION
PEYTON FIRE PROTECTION DISTRICT
VOLUNTEER PENSION FUND**

ACTUARIAL VALUATION REPORT AS OF JANUARY 1, 2023





To: Administrative Heads and Finance Officers of Peyton Fire Protection District;
administered by FPPA

Date: July 2023

Subject: **Actuarial Valuation Results as of January 1, 2023**

This report contains the actuarial valuation results as of January 1, 2023 for your department as determined by Gabriel, Roeder, Smith & Company (GRS), actuary for the Fire and Police Pension Association (FPPA). Questions about this report should be directed to FPPA, rather than to Gabriel, Roeder, Smith & Company.

Financing Objectives

This valuation was prepared to determine if the current annual assumed contributions of \$6,080 are adequate for funding the current benefits provided by the department. Contributions into the pension fund can come from two sources: contributions directly from the department and contributions from the State based on assessed property values and other formulas. The "Assumed Contribution" referred to throughout this report is the sum of the contributions from the aforementioned two sources. The plan is currently overfunded. Additional contributions above the normal cost and administrative expenses will continue to add to the surplus.

The calculated annual contribution shown in Table 3 is the sum of the normal cost, an amount available to amortize the Unfunded Actuarial Accrued Liability (UAAL), and any ongoing administrative and miscellaneous expenses that are paid out of the pension fund. The minimum contribution the department must pay is the calculated annual contribution, but not less than \$0.

Benefit Provisions

This actuarial valuation reflects the provisions that were applicable to the Peyton Fire Protection District Volunteer Pension Fund as of the valuation date. The details of the actuarial calculations, based on the current benefit provisions, are described in this report. Departments are allowed to model three alternative benefit packages, if desired. If alternatives were requested, a summary of the actuarial results based on those packages is shown in Table 16. A summary of the alternatives requested is shown in Table 15. If an alternative is adopted that increases the calculated annual contribution, the new calculated annual contribution will become effective beginning January 1, 2024.

This actuarial valuation is based upon coverage data given in the required checklist, which was completed by the department, returned to FPPA, and supplied to GRS. Any changes in coverage adopted but not included in the required checklist are not reflected in the current results. Once the adopted coverage data is provided, subsequent valuation results will be reflective of the change in coverage.

Actuarial Assumptions and Methods

This actuarial valuation uses the assumptions and methods that were adopted by the Board of Directors of FPPA based upon the actuary's analysis and recommendations resulting from the 2022 Experience Study and first effective in the January 1, 2023 valuations. A summary of those assumptions and methods can be found in Table 14. The mortality assumptions were updated to use the Pub-2010 Public Safety Mortality tables, projected with the ultimate rates of the MP-2020 projection scale.

Liabilities were determined under the Entry Age Normal actuarial cost method. This is the same funding method that has been used in prior years.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated annual contribution and funding periods. The actuarial calculations are intended to provide information for rational decision making.

This report is prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report does not include a detailed assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment.

The calculated employer contribution consists of the sum of three pieces: the normal cost, the amortization of the Unfunded Actuarial Accrued Liability (UAAL), and any administrative and other ongoing expenses to be paid out of the pension fund (e.g. insurance contracts). The calculated annual contribution is shown in Table 3, Item 9. The normal cost (shown in detail in Table 3, Item 1) can be viewed as the regular, ongoing cost of the plan. The UAAL is the amount by which the actuarial value of assets falls short of, or exceeds, the actuarial accrued liability for this plan. The UAAL has been amortized under a level dollar method over 20 years. The required payment to amortize the UAAL in 20 years is shown in Table 3, Item 7.

Assets

Table 10, Item 2 shows the market and actuarial values of assets for this department. The actuarial value is an adjusted market value. It reflects only a portion of the excess (or shortfall) between recent investment returns and the corresponding expected returns based on the annual investment return assumption. The actuarial value recognizes 20% of the difference between the projected actuarial value and the market value at the valuation date. This smoothed average approach dampens the year-to-year fluctuations in the calculated annual contribution.



Member Data

Member data as of January 1, 2023 was supplied by FPPA, as verified by the department. GRS did not subject the data to any auditing procedures but reviewed it and tested it for reasonableness and consistency. The member count is shown in Table 10, Item 1. This count includes members who have worked for this employer at one time, but who are now active at another employer. Your share of the benefits for such former employees is reflected in the liabilities and in the contribution calculation. The number of retirees shown includes those who retired from this employer, as well as those who retired from another employer but has service attributed to this employer. The liabilities take into account your share of the benefits for these former, active members.

Experience

Many employers experienced a decrease in their calculated annual contribution between the 2021 actuarial valuation and this valuation. This was mainly due to actuarial gains from investment experience. The recognition of the outstanding asset gains at the prior valuation, in combination with good investment experience during 2021, was enough to offset the partial recognition of the poor investment experience during 2022 for overall investment gains on the actuarial value of assets. Table 5 details the changes in the UAAL and the calculated annual contribution since the prior valuation.

Actuarial experience is measured by comparing the expected valuation results with the actual valuation results at the valuation date. The expected valuation results are calculated as if all of the actuarial assumptions had been met.

- A Gain/(Loss) attributable to Investment Experience is realized when the pension fund assets earn over/(under) the actuarial assumed earnings rate.
- A Gain/(Loss) attributable to Membership Changes is realized when the pension fund liabilities are less/(greater) than the actuarial assumptions predicted (e.g. higher terminations, members remaining after eligible for normal retirement benefits, members not living as long as expected). See Table 14 for a description of the actuarial assumptions.
- A Gain/(Loss) attributable to Benefit Improvements is realized when benefit level improvements have been adopted since the prior valuation.

GASB Accounting

The Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* (Issued 6/2012), replaced the requirements under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* (Issued 11/1994), effective for financial statements for fiscal years beginning after June 15, 2013. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (Issued 6/2012), replaced GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* (Issued 11/1994), effective for fiscal years beginning after June 15, 2014. Employer reporting information for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is provided in a separate report.



Tables

This report includes one executive summary and up to sixteen tables.

- The executive summary includes a condensed summary of the demographic, financial, and actuarial data.
- Table 1 is a comparison of the actuarial results of the report based on the current benefit provisions and the state match calculation if requested.
- Table 2 is a summary of the current benefit provisions and the state match calculation if requested.
- Table 3 provides the details of the development of the required contribution.
- Table 4 shows the actuarial present value of future benefits, broken down by membership category and type of benefit.
- Table 5 shows the sources of change in the calculated annual contribution since the prior valuation.
- Table 6 provides information that used to be required under the Governmental Accounting Standards Board Statement No. 25 (GASB 25) and No. 27 (GASB 27). These statements have been replaced by GASB 67 and GASB 68 and results under those standards will be provided in a separate report.
- Tables 7 thru 9 show the development of the financial information.
- Tables 10 and 11 show historical actuarial and demographic data for the department.
- Table 12 shows the current distribution of the membership by age and service.
- Table 13 shows the risks associated with measuring the accrued liability and actuarially determined contribution.
- Table 14 shows the actuarial assumptions and methods used to calculate the liabilities.
- Table 15 is a summary of the alternative benefit provisions requested, if any.
- Table 16 is a comparison of the actuarial results of the report based on the alternative benefit provisions requested, if any.
- Appendix provides definitions of several terms used throughout the report.

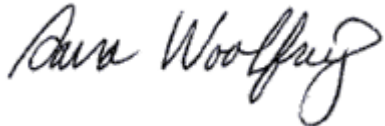
Certification

We certify that the information included herein and contained in the 2023 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Peyton Fire Protection District Volunteer Pension Fund as of January 1, 2023.

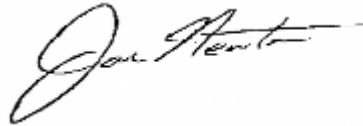
All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the State of Colorado statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. All are members of the American Academy of Actuaries, and are also Enrolled Actuaries. All are experienced in performing valuations for public retirement systems.



Respectfully submitted,
Gabriel Roeder Smith & Company



Dana Woolfrey, FSA, EA, MAAA
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Bill Detweiler, ASA, EA, MAAA
Consultant



Executive Summary

Item	Valuation as of January 1, 2023	Valuation as of January 1, 2021
Membership <ul style="list-style-type: none"> • Number of: <ul style="list-style-type: none"> - Active members 20 - Retired Members 0 - Disabled members 0 - Beneficiaries 0 - Terminated vested members 1 - Terminated members active in another fund 0 - Total 21 		20 1 0 0 1 0 22
Assets <ul style="list-style-type: none"> • Market value \$ 94,042 • Actuarial value 99,065 • Employer contribution for prior year 4,079 • Employer contribution for prior year minus 1 0 • Ratio of actuarial value to market value 105% 		\$ 86,027 81,830 9,200 0 95%
Actuarial Information <ul style="list-style-type: none"> • Employer normal cost \$ 2,770 • Normal cost per active member 139 • Unfunded actuarial accrued liability / (Surplus) (24,550) • Calculated annual contribution 3,921 • Assumed contribution from department 3,200 • Assumed contribution from state 2,880 • Funding period based on assumed contributions 0 years • Funded ratio 133% • Funded ratio based on market value 126% • Is current level of contributions adequate Yes 		\$ 2,731 137 (19,181) 4,079 3,000 8,280 0 years 131% 137% Yes



Table 1 - Comparison of Actuarial Results Based on Alternate Benefit Levels

	<u>Current Plan</u> (1)	<u>State Match Calc</u> (2)
1. Normal Retirement Benefit	\$ 150.00	\$ 300.00
2. Normal Cost	2,770	9,801
3. Present Value of Future Benefits	89,901	267,626
4. Actuarial Accrued Liability	74,515	216,712
5. Unfunded Accrued Liability / (Surplus)	(24,550)	117,647
6. Administrative and other ongoing expenses	3,583	3,583
7. Total Annual Calculated Contribution	3,921	25,873
8. Assumed Contribution	6,080	6,080
9. Funding Period Based on Assumed Contribution	0 years	Never
10. Funded Ratio	133%	46%



Table 2 - Actuarial Valuation Information Checklist

	Current Plan	State Match Calc	Maximum Per State Statute
1. Normal Retirement Benefit (monthly):			
a. Regular	\$150.00	\$300.00	None
b. Extended Service Amount Per Year of Service	\$0.00	\$0.00	5% of Regular, for 10 Additional years
2. Vested Retirement Benefit (monthly):			
a. With 10 to 20 Years of Service Amount Per Year of Service per Minimum Vesting Years	\$7.50	\$15.00	Pro rata Share of Regular
b. Minimum Vesting Years	20	10	20 Years
3. Disability Retirement Benefit (monthly):			
a. Short Term Disability for line of duty injury Amount payable for not more than 1 year	\$75.00	\$150.00	½ of Regular or \$225, whichever is greater
b. Long Term Disability for line of duty injury Lifetime Benefit	\$150.00	\$300.00	Regular or \$450 whichever is greater
4. Survivor Benefits (monthly):			
a. Following Death before Retirement Eligible; Due to death in the line of duty as a volunteer firefighter	\$0.00	\$150.00	½ of Regular or \$225, whichever is greater
b. Following Death after Normal Retirement	\$0.00	\$150.00	50% of Regular
c. Following Death after Normal Retirement with Extended Service Amount Per Year of Service	\$0.00	\$0.00	50% of Extended
d. Following Death after Vested Retirement with 10 to 20 Years of Service Amount Per Year of Service per Minimum Vesting Years	\$0.00	\$7.50	50% of Vested
e. Following Death after Disability Retirement	\$0.00	\$150.00	50% of Long Term
f. Optional Survivor Benefits in lieu of 4a-e Following Death before or after Retirement Eligible due to death on or off duty as a volunteer firefighter (Purchase of Life Insurance Required)	\$0.00	\$0.00	100% of Regular
5. Funeral Benefit (Required Benefit):			
a. Funeral Benefit Lump Sum, one time only	\$150.00	\$100.00	2 times Regular



Table 3 - Development of Annual Required Contribution

	Valuation as of 01/01/2023 <u>(1)</u>	Valuation as of 01/01/2021 <u>(2)</u>
1. Total normal cost	\$ 2,770	\$ 2,731
2. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	\$ 70,082	\$ 49,112
b. Less: present value of future normal costs	<u>(15,386)</u>	<u>(14,944)</u>
c. Actuarial accrued liability	\$ 54,696	\$ 34,168
3. Total actuarial accrued liability for:		
a. Retirees and beneficiaries members	\$ 0	\$ 8,283
b. Inactive members	19,819	20,198
c. Active members (Item 2c)	<u>54,696</u>	<u>34,168</u>
d. Total	\$ 74,515	\$ 62,649
4. Actuarial value of assets	\$ 99,065	\$ 81,830
5. Unfunded actuarial accrued liability / (Surplus) (Item 3 - Item 4)	\$ (24,550)	\$ (19,181)
6. Funded Ratio*	133%	131%
7. Required Payment to amortize the UAAL over the next 20 years	\$ (2,432)	\$ (2,387)
8. Administrative and other ongoing expenses	\$ 3,583	\$ 3,735
9. Calculated annual contribution (Item 1 + Item 7 + Item 8)	\$ 3,921	\$ 4,079
10. Assumed contribution		
a. Budgeted department contribution	\$ 3,200	\$ 3,000
b. Expected state funding	<u>2,880</u>	<u>8,280</u>
c. Total assumed contribution	\$ 6,080	\$ 11,280
11. Funding period based on assumed contribution	0 years	0 years

* The funded status measure may be appropriate for assessing the need for future contributions. The funded status is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.



Table 4 - Actuarial Present Value of Future Benefits

	Valuation as of 01/01/2023	Valuation as of 01/01/2021
	(1)	(2)
1. Active members		
a. Retirement benefits	\$ 65,737	\$ 45,055
b. Vested retirement benefits	0	0
c. Death benefits	9	5
d. Disability benefits	4,336	4,052
e. Total	\$ 70,082	\$ 49,112
2. Retired members		
a. Service retirements	\$ 0	\$ 8,283
b. Disability retirements	0	0
c. Beneficiaries	0	0
d. Total	\$ 0	\$ 8,283
3. Terminated vested members*	\$ 19,819	\$ 20,198
4. Total actuarial present value of future benefits	\$ 89,901	\$ 77,593

* Includes members active in another fund that have 'portable benefits' per the Colorado statutory requirements, if applicable.



Table 5 - Actuarial Experience

Change in UAAL

1. Unfunded actuarial accrued liability (UAAL) as of January 1 of prior valuation year	\$	(19,181)
2. Total normal cost and administrative expenses for FY2021 & FY2022		12,627
3. Contributions during FY2021		(8,280)
4. Contributions during FY2022		(4,079)
5. Interest at 7.00%		<u>(2,893)</u>
6. Expected UAAL as of this valuation (1. + 2. + 3. + 4. + 5.)	\$	(21,806)
7. Actual UAAL at end of period	\$	(24,550)
8. Actuarial gain/(loss) for the period (6. - 7.)	\$	2,744
<u>SOURCE OF GAINS/(LOSSES)</u>		
9. Asset gain/(loss)	\$	1,343
10. Benefit changes		0
11. Assumption changes		(1,197)
12. Net liability gain/(loss) for the period (8. - 9. - 10. - 11.)	\$	2,598

Change in Calculated Annual Contribution

1. Calculated annual contribution 2021		\$	4,079
2. Expected changes (Contributions, Interest, etc)	\$		74
3. Benefit changes			0
4. Assumption/method changes			120
5. Investment experience			(134)
6. Change in normal cost			39
7. Other experience			<u>(257)</u>
8. Total change	\$		(158)
9. Calculated annual contribution 2023		\$	3,921



Table 6 - History of Employer Contributions

The calculated annual contribution is the sum of the normal cost, the amortization of the UAAL, and the administrative expenses.

The following exhibit shows a history of the calculated annual contributions and the actual contributions made to the Plan.

Fiscal Year Ending	Calculated Annual Contribution*	Actual Contribution	Percent
(1)	(2)	(3)	(4)
December 31, 2015	\$ 8,700	\$ 8,700	100%
December 31, 2016	\$ 3,000	\$ 3,000	100%
December 31, 2017	\$ 8,400	\$ 8,400	100%
December 31, 2018	\$ 2,700	\$ 2,700	100%
December 31, 2019	\$ 0	\$ 0	N/A
December 31, 2020	\$ 9,200	\$ 9,200	100%
December 31, 2021	\$ 8,280	\$ 8,280	100%
December 31, 2022	\$ 4,079	\$ 4,079	100%
December 31, 2023	\$ 6,080	N/A	

* Based on the greater of the actual/assumed contribution and the calculated annual contribution. If the actual contributions are different, this exhibit will need to be adjusted.



Table 7 - Reconciliation of Net Plan Assets

	Year Ending	
	12/31/2022 (1)	12/31/2021 (2)
1. Market value of assets at beginning of year	\$ 101,466	\$ 86,027
2. Revenue for the year		
a. Plan direct inflows		
i. Employer contributions	\$ 4,079	\$ 0
ii. State funding	0	8,280
iii. Affiliations	0	0
iv. Plan directed expenses	0	0
v. Total	<u>\$ 4,079</u>	<u>\$ 8,280</u>
b. Allocated income		
i. Interest	\$ 347	\$ 245
ii. Dividends	481	440
iii. Other income	243	274
iv. Net change accrued income	39	(2)
v. Unrealized gain/(loss)	(10,012)	5,178
vi. Realized gain/(loss)	1,461	7,127
vii. Total	<u>\$ (7,441)</u>	<u>\$ 13,262</u>
c. Total Revenue (Item 2a + Item 2b)	\$ (3,362)	\$ 21,542
3. Expenditures for the year		
a. Net benefits	\$ 0	\$ 1,500
b. Allocated expense		
i. Investment expenses	\$ 754	\$ 746
ii. Direct expense allocation	463	1,274
iii. Allocated fees and expenses	2,845	2,583
iv. Total allocated expenditures	<u>\$ 4,062</u>	<u>\$ 4,603</u>
4. Increase/(Decrease) in net assets (Item 2c - Item 3a - Item 3b)	\$ (7,424)	\$ 15,439
5. Market value of assets at end of year (Item 1 + Item 4)	\$ 94,042	\$ 101,466



Table 8 - Development of Actuarial Value of Assets

	Year Ending	
	12/31/2022	12/31/2021
	(1)	(2)
1. Actuarial value of assets at beginning of year	\$ 93,012	\$ 81,830
2. Cash flow for the year		
a. Contributions	\$ 4,079	\$ 0
b. State funding	0	8,280
c. Affiliation contributions	0	0
d. Net benefits	0	(1,500)
e. Administrative and other ongoing expenses	(3,308)	(3,857)
f. Net cash flow	\$ 771	\$ 2,923
3. Expected investment earnings	\$ 6,538	\$ 5,830
4. Expected actuarial value of assets at end of year	\$ 100,321	\$ 90,583
5. Actual market value of assets at end of year	\$ 94,042	\$ 101,466
6. Excess earnings/(shortfall)	\$ (6,279)	\$ 10,883
7. Excess earnings/(shortfall) recognized (Table 9, Item 6)	\$ (1,256)	\$ 2,429
8. Final actuarial value of assets (Item 4 + Item 7)	\$ 99,065	\$ 93,012



Table 9 - Development of Amounts to be Recognized in the Actuarial Value of Assets

	Year Ending	
	12/31/2022 <u>(1)</u>	12/31/2021 <u>(2)</u>
1. Remaining deferrals of excess (shortfall) of investment income from prior years		
a. Current year - 4	\$ 0	\$ 0
b. Current year - 3	343	0
c. Current year - 2	2,762	515
d. Current year - 1	5,349	3,682
e. Total	<u>\$ 8,454</u>	<u>\$ 4,197</u>
2. Current year (Table 8, Item 6 - Table 9, Item 1)	\$ (14,733)	\$ 6,686
3. Amounts to be immediately recognized due to an offsetting experience		
a. Current year - 4	\$ 0	\$ 0
b. Current year - 3	(343)	0
c. Current year - 2	(2,762)	0
d. Current year - 1	(5,349)	0
e. Current year	8,454	0
f. Total	<u>\$ 0</u>	<u>\$ 0</u>
4. Remaining prior year deferrals		
a. Current year - 4	\$ 0	\$ 0
b. Current year - 3	0	0
c. Current year - 2	0	515
d. Current year - 1	0	3,682
e. Current year	(6,279)	6,686
f. Total	<u>\$ (6,279)</u>	<u>\$ 10,883</u>
5. Deferral of excess (shortfall) of investment income for:		
a. Current year - 4	\$ 0	\$ 0
b. Current year - 3	0	0
c. Current year - 2	0	343
d. Current year - 1	0	2,762
e. Current year	(5,023)	5,349
f. Total	<u>\$ (5,023)</u>	<u>\$ 8,454</u>
6. Total amount recognized in actuarial value of assets (Item 3.f + Item 4.f. - Item 5.f.)	\$ (1,256)	\$ 2,429



Table 10 - Historical Summary

	Valuation as of 01/01/2023	Valuation as of 01/01/2021	Valuation as of 01/01/2019
	(1)	(2)	(3)
1. Member Data			
a. Active Members	20	20	8
b. Retired Members	0	1	1
c. Disabled Members	0	0	0
d. Beneficiaries	0	0	0
e. Terminated Vested Members	1	1	1
f. Terminated Members Active in Another Fund	0	0	0
g. Total Members	21	22	10
h. Average Age – Actives Only	36.1	34.1	41.1
i. Average Service – Actives Only	7.0	5.0	5.9
2. Financial Data			
a. Market Value of Assets	\$ 94,042	\$ 86,027	\$ 67,580
b. Actuarial Value of Assets	\$ 99,065	\$ 81,830	\$ 71,330
3. Actuarial Data			
a. Accrued Liability	\$ 74,515	\$ 62,649	\$ 30,988
b. Unfunded Accrued Liability / (Surplus)	\$ (24,550)	\$ (19,181)	\$ (40,342)
c. Normal Cost			
i. Total Amount	\$ 2,770	\$ 2,731	\$ 933
ii. Amount per Active Member	139	137	117
d. Amortization Contribution			
i. Total Amount	\$ (2,432)	\$ (2,387)	\$ (3,657)
ii. Amount per Active Member	(122)	(119)	(457)
e. Administrative and Ongoing Expenses			
i. Total Amount	\$ 3,583	\$ 3,735	\$ 3,020
ii. Amount per Active Member	179	187	378
f. Calculated Annual Contribution			
i. Total Amount	\$ 3,921	\$ 4,079	\$ 296
ii. Amount per Active Member	196	204	37



Table 11 - Membership Data

	01/01/2023	01/01/2021	01/01/2019
	(1)	(2)	(3)
1. Active members			
a. Number	20	20	8
b. Average age	36.1	34.1	41.1
c. Average service	7.0	5.0	5.9
2. Service retirees			
a. Number	0	1	1
b. Total annual benefits	\$ 0	\$ 1,800	\$ 1,200
c. Average annual benefit	\$ 0	\$ 1,800	\$ 1,200
d. Average age		87.0	85.0
3. Disabled retirees			
a. Number	0	0	0
b. Total annual benefits	\$ 0	\$ 0	\$ 0
c. Average annual benefit	\$ 0	\$ 0	\$ 0
d. Average age			
4. Beneficiaries and spouses			
a. Number	0	0	0
b. Total annual benefits	\$ 0	\$ 0	\$ 0
c. Average annual benefit	\$ 0	\$ 0	\$ 0
d. Average age			
5. Terminated vested members			
a. Number	1	1	1
b. Average age	64.0	62.0	60.0
6. Terminated members active in another fund	0	0	0
7. Total number of members	21	22	10



Table 12 - Distribution of Membership by Age and Service

Attained Age	Years of Service to Valuation Date							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
Under 20								0
20-29	4	6						10
30-39	1	2	1					4
40-49		1	1	1				3
50-59		1						1
Over 60			2					2
Totals	5	10	4	1	0	0	0	20

Table 13 - Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability that results from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees or other relevant contribution base;
4. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.



Table 13 - Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution (Continued)

Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of retirees and beneficiaries and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	<u>01/01/2023</u>	<u>01/01/2021</u>	<u>01/01/2019</u>
Ratio of actives to retirees and beneficiaries	N/A	20.0	8.0
Ratio of net cash flows to market value of assets	1%	6%	-2%
Duration of the actuarial accrued liability	18.4	15.8	12.9

Ratio of Actives to Retirees and Beneficiaries

A ratio of actives to retirees and beneficiaries less than 1 typically indicates an older plan.

Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions (see Table 8).

Duration of Actuarial Accrued Liability

The duration of the actuarial accrued liability may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, duration of 10 indicates that the liability would increase approximately 10% if the assumed rate of return were lowered 1%.

Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.



Table 14 - Summary for Actuarial Assumptions, Methods, and Changes

The calculations set forth in this report are based on the following assumptions:

1. Investment Return Rate 7.0% per annum (net of investment expenses), compounded annually

2. Rates of Decrement due to:

a) Retirement Age 50 and 20 years of service.

<u>Age</u>	<u>Annual Rate Per 100</u>
50	50
55	50
60	50
65	100

b) Disability

<u>Age</u>	<u>Annual Rate Per 1,000</u>
20	0.10
25	0.16
30	0.26
35	0.45
40	0.97
45	3.50
50	6.50
55	8.10

c) Pre-Retirement Mortality

Pub-2010 Public Safety Healthy Employee Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale, 60% multiplier.

<u>Age</u>	<u>Annual Rate Per 1,000</u> <u>(for 2023)</u>	
	<u>Males</u>	<u>Females</u>
20	0.206	0.080
25	0.186	0.101
30	0.206	0.136
35	0.236	0.181
40	0.297	0.246
45	0.412	0.337
50	0.603	0.458
55	0.880	0.618



Table 14 - Summary for Actuarial Assumptions, Methods, and Changes (Continued)

d) Withdrawal (any reason other than retirement, death, or disability)

Annual Rate Per 1,000 Withdrawals			
Service	Rates	Service	Rates
1	182.37	11	83.96
2	169.99	12	77.23
3	158.17	13	71.06
4	146.92	14	65.45
5	136.21	15	60.41
6	126.12	16	55.94
7	116.56	17	52.02
8	107.56	18	48.68
9	99.13	19	45.89
10	91.27		

Twenty percent (20%) of members age 50 and eligible for a terminated vested benefit which would commence immediately are assumed to withdraw each year.

3. Post-Retirement Mortality

a) Healthy Retirees and Beneficiaries

Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, projected with the ultimate values of the MP-2020 projection scale.

Age	Annual Rate Per 1,000 (for 2023)	
	Males	Females
50	1.609	1.249
55	2.564	2.162
60	4.257	3.738
65	7.422	6.487
70	13.332	11.300
75	24.251	19.694
80	44.195	34.314



Table 14 - Summary for Actuarial Assumptions, Methods, and Changes (Continued)

b) Disabled Retirees

Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, set forward five years projected with the MP-2020 Ultimate projection scale, with minimum probability of 3.5% for males and 2.5% for females.

<u>Age</u>	<u>Annual Rate Per 1,000 (for 2023)</u>	
	<u>Males</u>	<u>Females</u>
50	35.000	25.000
55	35.000	25.000
60	35.000	25.000
65	35.000	25.000
70	35.000	25.000
75	43.791	33.999
80	79.115	59.256

4. Administrative Expenses

An explicit administrative expense equal to the average of the actual expenses for the two prior years.

5. Marital Status

a) Percent married

90% male and female

b) Age difference

Males are assumed to be two years older than females

6. Changes in Actuarial Assumptions

The global assumption set for plans administered by FPPA was changed in the 2022 Experience Study and effective as of January 1, 2023. This is the first valuation for this plan with the new assumptions. The mortality assumptions were updated to use the Pub-2010 Public Safety Mortality tables projected with the ultimate rates of the MP-2020 projection scale.

Table 14 - Summary for Actuarial Assumptions, Methods, and Changes (Continued)

7. Actuarial Cost Method

Under the entry age actuarial cost method, the Normal Cost is computed as the level dollar amount which, if paid from the earliest time each member would have been eligible to join the plan if it then existed (thus, entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the plan. The normal cost for the plan is determined by summing the normal cost of all members.

The Actuarial Accrued Liability under this method at any point in time is the theoretical amount of the fund that should have been accumulated had annual contributions been made in prior years equaling to the normal cost. The Unfunded Actuarial Accrued Liability/(Surplus) is the excess of the actuarial accrued liability over the actuarial value of the plan assets as of the valuation date.

The contribution requirements determined by this valuation will not be effective until one year later, and the determination of the calculated annual contribution reflects this deferral by amortizing the expected Unfunded Actuarial Accrued Liability/(Surplus) one year after the valuation date. It is assumed that there will be no change in the normal cost due to the deferral, and it is assumed that payments are made in the middle of the year.

Under this method, experience gains and losses (i.e. decreases or increases in accrued liabilities), attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

8. Asset Valuation Method

The asset valuation method is based on a comparison of expected and actual asset values. The actuarial value of assets is equal to the market value of assets less a five-year phase in of the Excess (Shortfall) between expected investment return and actual income determined as follows:

- At the beginning of each plan year, an expected actuarial asset value is calculated as the sum of the previous year's actuarial value increased with a year's interest at the Plan valuation rate plus net cash flow (excluding expenses) adjusted for interest (at the same rate) to the end of the previous plan year.
- The difference between the expected actuarial value and the actual market value is the investment gain or loss for the previous plan year.
- If the current year's difference is the opposite sign of any of the prior years' deferred Excesses/(Shortfalls), then the prior years' bases (starting with the oldest) are reduced dollar for dollar along with the current year's base. Any remaining bases are then recognized over five years (20% per year) from their initial creation.



Appendix - Definition of Terms

1. Actuarial Cost Method

A method for determining the actuarial present value of future benefits and allocating such value to time periods in the form of a normal cost and an actuarial accrued liability.

2. Present Value of Future Benefits

This is computed by projecting the total future benefit cash flow from the Plan, using actuarial assumptions, and then discounting the cash flow to the valuation date.

3. Normal Cost

Computed differently under different actuarial cost methods, the normal cost generally represents the value of the portion of the participant's anticipated retirement, termination, and/or death and disability benefits accrued during a year.

4. Actuarial Accrued Liability

Computed differently under different actuarial cost methods. Generally actuarial accrued liability represents the value of the portion of the participant's anticipated retirement, termination, and/or death and disability benefits accrued as of the valuation date.

5. Entry Age Actuarial Cost Method

A method under which a participant's actuarial present value of future benefits is allocated on a level basis over the earnings of the participant between his/her entry into the Plan and his/her assumed exit.

6. Unfunded Actuarial Accrued Liability

The difference between total actuarial present value of future benefits over the sum of the tangible assets of the Plan and the actuarial present value of the members' future normal costs. The Plan is underfunded if the difference is positive and overfunded if the difference is negative.

7. Actuarial Value of Assets

The value of cash, investments, and other property belonging to the Plan, as valued by the actuary for purposes of the actuarial valuation.

8. Actuarial Gain or Loss

From one valuation to the next, if the experience of the plan differs from that anticipated by the actuarial assumptions, an actuarial gain or loss occurs. For example, an actuarial gain would occur if the assets in the trust had a yield of 12% based on actuarial value, while the assumed yield on the actuarial value of assets was 7.00%.



MEMORANDUM

To: Affiliated Volunteer Fire Department Employers
Sent via email to FPPA Actuarial Contact

From: FPPA

Re: Volunteer Fire Department Actuarial Valuation Results as of January 1, 2023

Date: Summer 2023

The actuarial valuation report as of January 1, 2023 for your volunteer fire department pension plan is available on the FPPA Employer Portal.

The actuarial valuation report has always played an important role as the basic source document for information regarding actuarially determined contributions and the funded status of pension plans. The Government Finance Officers Association (GFOA) recommends that state and local government finance officials and others with decision-making authority carefully review and understand their actuarial valuation report and use the information it contains to make policy decisions that ensure that pension benefits are funded in a sustainable manner. The purpose of an actuarial valuation is: 1) to determine the amount of actuarially determined contributions (i.e., an amount that, if contributed consistently and combined with investment earnings, would be sufficient to pay promised benefits in full over the long-term) and 2) to measure the plan's funding progress.

To assist you in your budgeting process for 2024 and 2025 on your volunteer fire department pension plan, please refer to the Calculated Annual Contribution amount within the Executive Summary of this report. The contribution may be achieved with a combination of your department contribution and state matching funds. However, your department is ultimately responsible for funding the plan appropriately.

FPPA's actuarial firm (Gabriel Roeder Smith) has created video presentations to assist the employer and the Volunteer Fire Pension Board in understanding the volunteer fire actuarial valuation report. You will find the video presentations on FPPA's website under the Employer Portal tab at:
<http://www.FPPAco.org/volunteers.html>

Please share this report and the video presentations with your Volunteer Fire Pension Board.

If you have any questions concerning this report, please contact FPPA at 303-770-3772 or 800-332-3772.

Note: If your Calculated Annual Contribution is \$0, you may contribute your budgeted contribution to the volunteer fire department pension plan.