DIVISION TRUST FUNDS—PENSION

Automatic Adjustment Provision

The primary intent of the AAP is to gauge the adequacy of the contributions coming into the pension trust fund against the amount required, and if determined necessary, to initiate automatic changes to member and employer contribution rates, the AI cap, and, under certain circumstances, the direct distribution from the State of Colorado, to better insure achievement of the targeted 30-year funding goal, as delineated in SB 18-200. Pursuant to C.R.S. § 24-51-413, this assessment commenced with the December 31, 2018, actuarial valuation and is performed annually thereafter.

The AAP assessment compares two blended rates, weighted across all five Division Trust Funds, defined as: the "Blended Total Contribution Amount" (employer contribution rate + member contribution rate + direct distribution as a rate of pay) divided by the "Blended Total Required Contribution" (ADC Rate + member contribution rate), determining a resulting ratio. If the resulting ratio falls within an acceptable corridor (98% to 119%), no adjustments are made. If the resulting ratio does not achieve a minimum benchmark (is less than 98%) or exceeds a maximum benchmark (is 120% or greater), adjustments are applied in an equitable manner of impact.

The following table shows the results of the AAP assessment which was conducted to determine if adjustments are necessary as of July 1, 2025:

Elements of Test Ratio (Shown as a percentage of pay)	2025 Input Percentages	Resulting Ratio	Adjustments, if Necessary (Effective July 1, 2025)	Revised Resulting Ratio
2025 Blended Total Contribution Amount[1]	32.34%	(Equals) 106.52%	N/A	N/A
(Divided by):	*(Divided by):*			
2025 Blended Total Required Contribution[1]	30.36%			

[1] The blended rates are based on the 2025 contribution rates shown on page 171, weighted based on the UAAL of each Division Trust Fund and are not appropriate for any other use.

A summary of the AAP guidelines, found in C.R.S. § 24-51-413, is as follows:

An automatic adjustment will occur under the following conditions:

- If the resulting ratio is less than 98%, there will be adjustments of equitable impact, increasing each of the employer and member contribution rates, decreasing the AI cap, and increasing the direct distribution (if permitted).
- If the resulting ratio is greater than or equal to 120%, there will be adjustments of equitable impact, decreasing each of the employer and member contribution rates, increasing the AI cap, and decreasing the direct distribution.

The AAP defines the limited amounts of total adjustment available in each category, and the increments of adjustments that can occur in any year. Multiple steps over multiple years are allowed for a required adjustment as necessary, but cannot exceed the ultimate limits as set forth in statute, detailed as follows:

- Adjustment (increase or decrease) to each of the employer and member contribution rates cannot exceed 0.50% in any one year, and
  - Cannot exceed 2.00% above the contribution rates reflecting SB 18-200 statutory reforms.
  - Cannot fall below the contribution rates in effect immediately prior to the passage of SB 18-200.
- Adjustment (increase or decrease) to the AI rate cannot exceed 0.25% in any one year, and
  - Cannot exceed a 2.00% AI cap maximum.
  - Cannot fall below a 0.50% AI cap minimum.
- Adjustment to the direct distribution cannot exceed $20 million in any one year, and
  - Cannot exceed the initial $225 million amount.
  - Can be reduced to $0.
- Adjustments required because:
  - Funding is below the 98% threshold, will be made to an extent that will bring the revised ratio to 103% following the corrective efforts, but in no event can the adjustments in one year be greater than the limit described above.
  - Funding has reached the 120% threshold, must not cause the ratio to fall below 103%.

DIVISION TRUST FUNDS—PENSION

AAP ASSESSMENT HISTORY

Assessment	Information Based on Valuation Date	Compare Contribution Rates for Plan Year	Triggered Adjustments?	Adjustments to be Made	Effective Date for Adjustments
2018	December 31, 2018	2020	Yes	0.50% increase to member rate 0.50% increase to employer rate 0.25% decrease to AI cap No change to $225M direct distribution[1]	July 1, 2020
2019	December 31, 2019	2021	No	N/A	N/A
2020	December 31, 2020	2022	Yes	0.50% increase to member rate 0.50% increase to employer rate 0.25% decrease to AI cap No change to $225M direct distribution	July 1, 2022
2021	December 31, 2021	2023	No	N/A	N/A
2022	December 31, 2022	2024	No	N/A	N/A
2023	December 31, 2023	2025	No	N/A	N/A

[1] Pursuant to HB 20-1379, the direct distribution, payable July 1, 2020, was suspended.

Funded Ratio

(Dollars in Thousands)

The funded ratio for the plan is determined by dividing the actuarial value of assets by the AAL. The actuarial value of assets is not the current fair value but a market-related value, which recognizes the differences between actual and expected investment experience for each year in equal amounts over a four-year period. The actuarial value of the assets as of December 31, 2023, was $62,941,200 compared to a fair value of assets of $60,014,087, and to the AAL of $90,465,876. The funded ratio for each of the funds, based on the actuarial value of assets, at December 31 for each of the last five years is as follows:

Trust Fund	2019	2020	2021	2022	2023
State Division	58.0%	59.1%	64.0%	66.5%	**66.2%**
School Division	59.9%	60.6%	65.3%	67.0%	**66.7%**
Local Government Division	80.7%	82.4%	88.6%	91.0%	**90.7%**
Judicial Division	74.0%	78.7%	85.9%	88.5%	**89.2%**
DPS Division	80.0%	81.2%	86.9%	90.3%	**89.6%**
All Division Trust Funds[1]	**61.9%**	**62.8%**	**67.8%**	**69.9%**	**69.6%**

[1] The data in this table is aggregated for informational purposes. The assets of each trust fund are for the sole purpose of its members and cannot be used by another fund.

The Board's pension funding policy states that the targeted actuarial funded ratio is greater than or equal to 110% on a combined Division Trust Fund basis. The funded ratios listed give an indication of progress made toward achieving the stated objective. A larger funded ratio indicates a plan is better funded. As an example, in actual dollars, for every $1.00 of the actuarially determined benefits earned for the School Division Trust Fund as of December 31, 2023, approximately $0.67 of assets are available for payment based on the actuarial value of assets. These benefits earned will be payable over the life span of members after their retirement and therefore, it is not imperative the AAL equal the actuarial value of assets at any given moment in time.