Public Employees' Retirement Association of Colorado

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2000

Whether it is practicing due diligence

to protect PERA's assets,

preparing financial statements,

or effectively communicating benefit information,

PERA's staff is committed

to working efficiently and effectively to serve its membership.

2000 STATISTICAL HIGHLIGHTS*

The Public Employees' Retirement Association of Colorado provides retirement and survivor benefits for the employees of 379 state, school, and local government entities in Colorado.

Benefit Recipients	55,147
Contributing Members	162,106
Service Retirements	3,562
Disability Retirements	177
Survivor Benefits Started	49
Benefit Payments	$1,171,111,000
Refunds Paid	$184,393,000
Net Assets Available for Benefits*	$30,850,991,000
Investment Income	($46,384,000)
2000 Investment Rate of Return**	0.2%
Three–Year Annualized Rate of Return**	11.3%
Five–Year Annualized Rate of Return**	13.5%
Ten–Year Annualized Rate of Return**	13.3%
Employer Contributions	$507,466,000
Member Contributions	$476,192,000

* *Includes the 401(k) Plan, Health Care and Pension Trust Funds*
** *Excludes the 401(k) Plan*

Public Employees' Retirement Association of Colorado

Comprehensive Annual Financial Report

For The Fiscal Year Ended December 31, 2000

Public Employees' Retirement Association of Colorado
1300 Logan Street
Denver, Colorado 80203
303 . 832 . 9550
www.copera.org

Prepared by the PERA Staff

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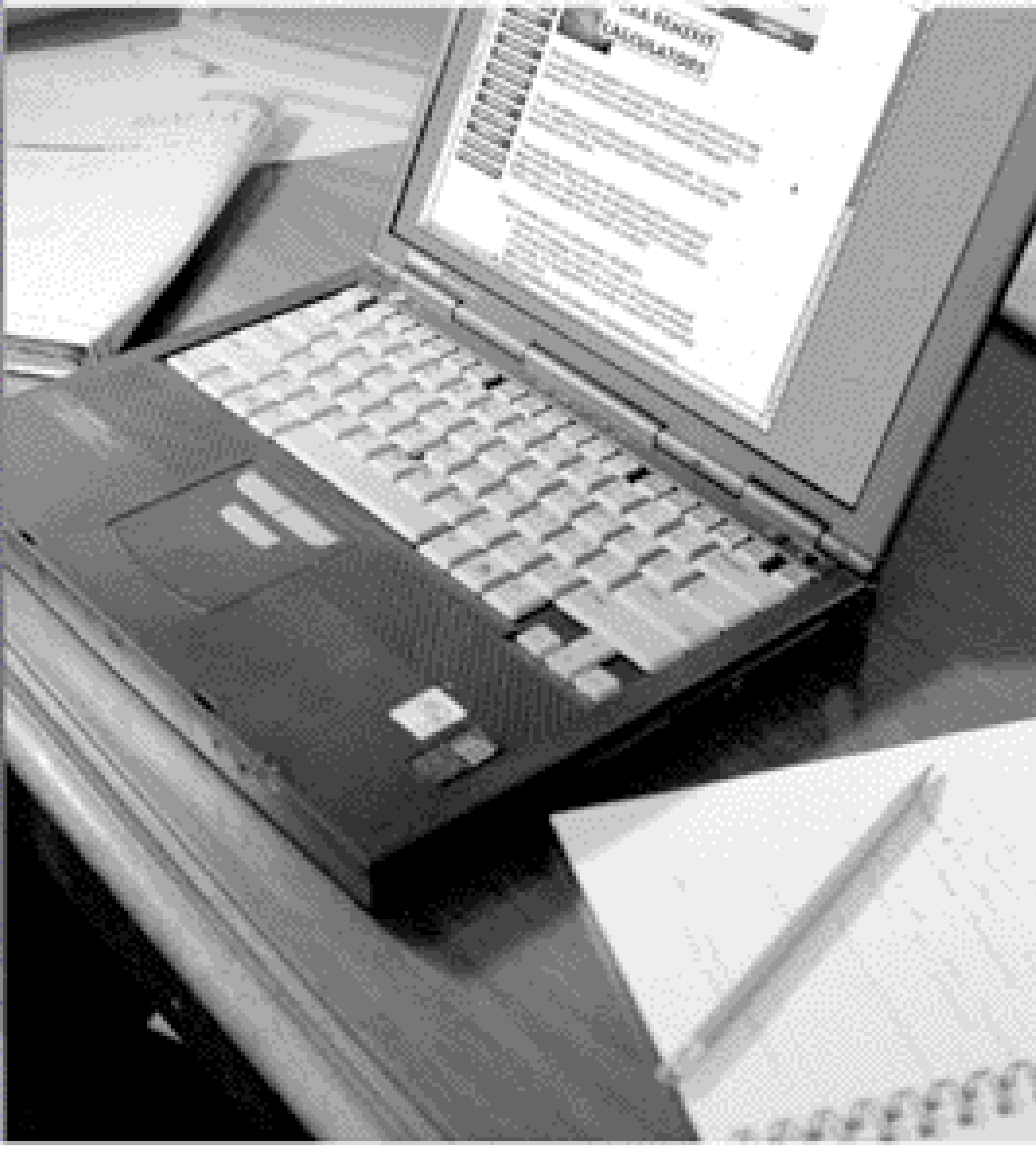
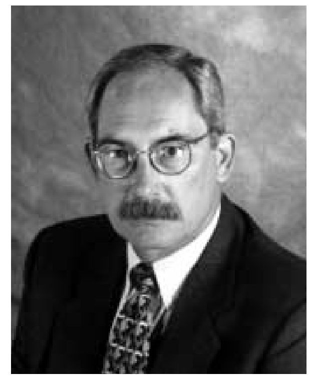


LETTER OF TRANSMITTAL

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
Mailing Address: PO Box 5800 Denver, Colorado 80217-5800
Street Address: 1300 Logan Street Denver, Colorado 80203-2386
303-832-9550 or 1-800-759-PERA (7372)

June 30, 2001

Dear Members of the Board of Trustees,



I am pleased to present PERA's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended December 31, 2000. We are proud of PERA's achievements during the year, and we will continue striving to improve service to our members and benefit recipients in the future. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with PERA's management.

Report Contents

This *Report* consists of five sections:

The *Introductory Section* contains the administrative organizational chart, the Certificate of Achievement for Excellence in Financial Reporting, information about the Board of Trustees, this Letter of Transmittal, and the Board Chair's Report.

The *Financial Section* contains the report of the independent accountants, the financial statements of the Association, and certain required supplementary information.

The *Investment Section* contains a report on investment activity, investment policies, investment results (including the 401(k) Plan), and various schedules.

The *Actuarial Section* contains the certification letter from the independent actuary, Watson Wyatt, along with the results of the annual actuarial valuation and other actuarial statistics.

The *Statistical Section* contains tables of significant data pertaining to PERA, a list of affiliated employers, and information on other programs in which the Association is involved for the good of its members and benefit recipients.

Plan Overview

PERA was established in 1931 by the Colorado General Assembly as an instrumentality of the state. Initially covering only state employees, the Plan has expanded to include all Colorado school districts except Denver, the State's judicial system, numerous municipalities, and other government entities. The Plan's purpose is to provide benefits to members at retirement or in the event of disability, or to their survivors upon the member's death. The Plan is funded on an actuarial reserve basis, with money being set aside for benefits while the benefits are being earned and before they are paid.

Major Initiatives

For the 2000 legislative session, the PERA Board of Trustees did not originally support or initiate any changes to the PERA program. Maintaining that PERA's trust fund needed time to adjust to new liabilities resulting from passage of Senate Bill 99-90, the Board was concerned that changes to PERA's benefit program enacted in 2000 could delay implementation of PERA's defined contribution match program. In response to the Governor's interest in encouraging longer service PERA members to retire earlier, PERA's Board agreed to certain changes in the PERA program.

- The Board passed a motion to reduce the cost to purchase non-covered service credit as a percentage of Highest Average Salary effective February 18, 2000, to 15.5 percent for State, School, and Municipal members, 20 percent for Judges, and 20.4 percent for State Troopers.
- The Board agreed to support legislation designed to encourage earlier retirement and reduce the state's costs, provided that this legislation would also change PERA's post-retirement adjustment to an automatic increase of 3.5 percent compounded annually and increase the contribution to PERA's Health Care Trust Fund once PERA is fully funded. Since House Bill 00-1458 included these provisions, the Board supported this bill.

HB 00-1458, "Modifications to Existing PERA Benefit Plans," passed by the Legislature and signed into law by the Governor on May 23, 2000, contained the following provisions:

- *Modified Rule of 80 service retirement provision for ages 55-65.* Members retiring on June 1, 2000, or later whose age plus years of service totaling 80 or more can now retire without a reduction for early retirement, if these members have a minimum age of 55.
- *Employer contribution reductions.* The employer contribution rates in PERA's State and School Division and in the Judicial Division were reduced by 1.0 percent of salary to 10.4 percent and 14.0 percent, respectively, beginning July 1, 2000, instead of on January 1, 2001, as specified in SB 99-90. On July 1, 2001, the reduction will be at least another 0.5 percent (to a maximum of 9.9 percent of salary) for State and School employers. On July 1, 2002, the State and School Division employer contribution rate will be a maximum of 10.15 percent of salary. Twenty percent of any overfunding in PERA will help achieve further employer contribution decreases.
- *Allow sick leave to be converted to salary.* State classified employees who: (1) are eligible to retire, (2) were hired before July 1, 1988, and (3) earned more than 360 hours of sick leave may convert such excess leave into salary before retirement and be paid at the rate of 15 percent of hourly wage / per diem of converted leave. Payments will be counted as salary for purposes of PERA contributions and benefits, and this program will end on July 1, 2005. Other employers may adopt the same conversion approach, using sick leave in excess of 45 days with the same requirements as for the state employees.
- *Contributions to the PERA Health Care Trust Fund (HCTF).* Once the PERA pension trust funds reach full funding, the legislation allocates 30 percent of any overfunding to the HCTF.
- *Set annual cost-of-living increase at 3.5 percent.* Beginning in March 2001, the annual increase for PERA benefit recipients is 3.5 percent compounded annually.
- *Fifty percent of any overfunding of PERA's pension trust funds will be allocated to the PERA MatchMaker program.*

Other items passed by the Legislature and signed into law in 2000 included:

- *House Bill 00-1222 ("Work After Retirement–Classified School Positions").* This bill allows a school district to declare a critical shortage of non-licensed employees if the district is unable to hire the employees needed. Once the district declares the critical shortage, PERA service retirees hired in non-licensed positions will be allowed to work with no limitation or reduction in PERA benefits, and employer contributions to PERA would begin on salary paid to retirees in critical shortage positions. HB 00-1222 is effective July 1, 2000, and "sunsets" (ends) on July 1, 2003. In addition, HB 00-1222 requires that any PERA retiree retiring on or after July 1, 2000, and returning to work for any PERA employer during the month in which he or she retires will incur a reduction in his / her benefit for the days worked in that month. PERA initially opposed HB 00-1222.

Two other bills were not passed during the 2000 session that would have affected PERA:

- *Senate Bill 00-76* ("Changes to the State Defined Contribution Plan"). The Board opposed SB 00-76. The amended version of SB 00-76 would have expanded the group of PERA members who would have the option of participating in the State 401(a) Defined Contribution Plan for Elected and Appointed Officials. The expanded group would have included judges, district attorneys, and school superintendents. The original bill included deputy, associate, and assistant superintendents, but this was deleted in an amendment. The bill passed the Senate and House State Affairs Committee, but on April 24, the House Appropriations Committee voted to kill the bill with the sentiment that continued erosion of the PERA defined benefit plan membership could eventually cause actuarial problems and reduce the anticipated employer rate reductions.
- *Senate Bill 00-131* ("Additional Contributions for Higher Education Optional Retirement Plans (ORPs)"). SB 00-131 would have allowed participants in higher education ORPs to receive matching employer contributions on their voluntary contributions to DC plans subject to state appropriations. Matching contributions would have been made "on the same basis and in the same amount" as matching contributions would be made for PERA members, and colleges would have been allowed to set the contribution rate for those enrolled in an ORP. PERA opposed SB 00-131 since the ORP participants already receive the same or a larger amount of employer contributions that goes to PERA and this would have required an additional appropriation. The funds for the future matching of contributions by PERA members to defined contribution plans is coming from the employer contributions being sent to PERA already and is not an additional amount. The bill died while in the Senate State, Veterans, and Military Affairs Committee.

Accounting System and Reports

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB) in Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans

LETTER OF TRANSMITTAL (CONTINUED)

and Note Disclosures for Defined Contribution Plans," and Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans," as well as generally accepted accounting principles that apply to government accounting for fiduciary funds.

GASB Statement No. 25 establishes financial reporting standards for defined benefit plans and standards for the notes to the financial statements of defined contribution plans. GASB Statement No. 26 provides financial reporting guidance for defined benefit pension plans that administer postemployment health care plans.

The accompanying financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which employee services are performed. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

In developing and evaluating PERA's accounting program, it was determined that internal controls adequately safeguard assets and provides reasonable assurance of proper recording of financial transactions.

Recognition of Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Association for its CAFR for the fiscal year ended December 31, 1999. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. PERA has been awarded this distinction for the last 15 years. We believe this report continues to meet GFOA requirements. Therefore, we are submitting it to the GFOA to determine its eligibility for another Certificate.

Additions / Deductions to Plan Net Assets

The collection of employer and member contributions, and income from investments provide the reserves needed to finance the survivor, disability retirement, and health care benefits. Defined benefit, health care, and 401(k) Plan contributions and investment income, including unrealized gains and losses for 2000, totaled $1,067,458,000. Member and employer contributions increased by $45,774,000 (10.6 percent) and $7,703,000 (1.5 percent), respectively. This increase was due to increased membership, salaries, and voluntary 401(k) Plan contributions.

The primary expense of a retirement system is the disbursement of retirement and survivor benefits. These recurring benefit payments, along with refunds of contribution accounts to members who terminate employment, subsidies toward health care premiums, and the cost of administering PERA comprise the total expense.

In 2000, deductions totaled $1,379,696,000, an increase of about 13.9 percent from 1999, largely due to an increase in retirement benefits.

Owing to lower investment returns, expenses of $1,379,696,000 exceeded revenues of $1,067,458,000 by $312,238,000 during 2000. Administrative expenses are controlled by an annual budget approved by the PERA Board of Trustees and represented less than 0.1 percent of total assets.

Economic Condition and Outlook

The U.S. economy was still healthy in 2000, amid growing signs of weaknesses. Despite a substantial slow-down in the second half of 2000, the gross national product rose 5.0 percent, the highest gain since 1984. However, the nation's stock markets were volatile and weak for most of the year, and corporate earnings were disappointing. The "high technology" sector—which had fueled robust growth throughout the nation—plummeted in 2000, with poor performances in telecommunications, software, and computer equipment companies.

The national unemployment rate averaged 4.0 percent, slightly less than the 4.2 percent rate posted in 1999. Personal income grew by 6.4 percent, compared with 5.9 percent in 1999. Consumer inflation increased to 3.4 percent from the 2.2 percent inflation rate posted in 1999. Owing to increased layoffs, the weak stock market, and high energy prices, consumer confidence declined. By the third and fourth quarters of 2000, consumer spending fell by 4.5 percent and 2.8 percent, respectively, compared with an increase of 7.7 percent in 1999. Although an overall slowdown in the economy is expected in 2001, a recession is not anticipated.

Colorado turned in a robust economic performance in 2000. The state's 2.7 percent population growth rate surpassed the 1999 growth rate of 2.2 percent. Non-farm employment rose 3.9 percent, higher than the 3.6 percent growth rate of 1999. The unemployment rate hit a record low of 2.7 percent, compared with 2.9 percent in 1999. Estimated gains in wage and salary income, personal income, and consumer spending were 10.9 percent, 9.7 percent, and 11.5 percent, respectively. Housing permit growth, which posted a negative 3.6 percent rate in 1999, gained 9.0 percent. However, growth in the value of non-residential construction dropped 12.4 percent, compared with a 35.4 percent gain in 1999.

Rising housing, transportation, and medical care costs led to higher inflation, with the Denver-Boulder-Greeley inflation rate rising to 4.0 percent, the highest increase in the state's inflation since 1995, from 2.9 percent in 1999. Colorado is expected to be only slightly affected by the national economic slowdown in 2001, with lower inflation and strong population growth forecasted. Job growth and personal income growth are anticipated to decline slightly, and the unemployment rate is expected to rise slightly. However, Colorado's continued high cost of living, combined with its persistent labor shortage, is expected to limit the state's growth.

Investments

Investment portfolio income is a major source of revenue to PERA. The Investment Committee oversees the Fund's portfolio, managers, and performance. It also reviews and approves potential investment opportunities, with input from PERA staff members.

In 2000, there was a net investment loss of $46,384,000 compared with total contributions by members and employers of $476,192,000 and $507,466,000, respectively.

For the year ended December 31, 2000, the total fund had a rate of return of 0.2 percent on a market value basis. The Association's annualized rate of return over the last three years was 11.3 percent, and over the last five years it was 13.5 percent. The average annualized market rate of return over the last 10 years was 13.3 percent. PERA assumes an investment return of 8.75 percent over the long term.

Proper funding and healthy investment returns are very important to the financial soundness of PERA. The ratio of investment earnings to total revenue is evidence of the Association's continued solid financial management. Changes in the composition of the portfolio are reflected in the "Investment Summary" on page 44.

An integral part of the overall investment policy is the strategic asset allocation policy. The targeted strategic asset allocation is designed to provide an optimal diversification to reduce risk and maximize total rate of return relative to risk. This emphasizes a maximum diversification of the portfolio that protects the Fund from declines that a particular asset class may experience in a given period. Both traditional and nontraditional assets are incorporated into the asset allocation mix. PERA also has an options program in the equity portfolio as an investment technique to reduce volatility and enhance the portfolio returns over a full-market cycle. A further explanation of PERA's investment policies and strategies is presented in the "PERA Report on Investment Activity" on page 42.

Funding

The bottom line for a retirement system is its level of funding. If the funding level is adequate, the ratio of total accumulated assets to total liabilities will be larger and more funds will be available for investment purposes. Also, an adequate funding level gives the participants assurance that their pension benefits are secure. The advantage of a well-funded plan is that participants can see what assets are committed to the payment of promised benefits.

The PERA funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service earned in that year by PERA members. If the retirement system follows level contribution rate financing principles—as PERA does (with current service financed on a current basis)—the system will be able to pay all promised benefits when due. This is the ultimate test of financial soundness.

The "funding ratio" and "solvency test" calculations are two ways of measuring a retirement system's funding progress. PERA directs its efforts at keeping the funding ratio (the ratio of assets to accrued liabilities) at a minimum of 80 percent.

On December 31, 2000, PERA's pension trust funds were "fully funded," i.e., PERA's actuarial assets exceeded actuarial liabilities. (See page 66 for a historical review of PERA's funding level.)

However, the actuarial liabilities in the Health Care Trust Fund exceeded the actuarial assets, creating an unfunded liability. The ratio of assets to liabilities was 14.3 percent. This unfunded liability will be amortized over a period of time; the amortization period was 16 years as of December 31, 2000, a significant reduction of 16 years from the previous period.

PERA's actuarial assumptions, which are reviewed every five years by an independent actuary retained by PERA, are used to project the Plan's future experience. Also, every five years an actuarial audit is performed by another external actuarial consulting firm.

The most recent five–year actuarial audit was conducted by Watson Wyatt Worldwide based on PERA's 1995 experience data. The most recent five–year review of actuarial assumptions was conducted by Towers Perrin based on PERA's 1995 experience data. The next actuarial audit will done by Gabriel, Roeder, Smith & Company and presented to the Board of Trustees in mid-2001; any Board approved changes to the assumptions will not be effective until the 2001 valuation year. A presentation of PERA's actuarial methods and assumptions is provided in the *Actuarial Section* of this *Report* on page 58.

Professional Services

Professional consultants are chosen by the Board of Trustees to perform professional services that are critical to PERA's operation. The opinions of Arthur Andersen, the independent certified public accounting firm that provides financial statement audit services for PERA, and Watson Wyatt, the actuarial firm that conducts PERA's annual actuarial valuation, are included in this *Report*. A listing of the major investment, actuarial, and other consultants that provide professional services to PERA are in this *Introductory Section*.

LETTER OF TRANSMITTAL (CONTINUED)

Review of Operations and Activities in 2000

Pursuant to a Board directive, the staff committee completed its development of alternate retirement plan options for municipal, county, and special district public employers, as well as for higher education employers who have the choice of PERA coverage in 2000.

The Board then authorized initiating legislation in 2001 that would allow PERA to offer:

- A scaled-back defined benefit (DB) plan for public employers with Social Security coverage who would like to add a DB plan to their benefit structure; and
- 401(a) defined contribution plans for public employers not covered by PERA.

Implementation of these proposals was designed to help employers and members reach their retirement goals, enhance PERA's program; increase PERA membership; increase customer satisfaction; and allow PERA to compete in the public pension marketplace. In December 2000, the sponsor distributed draft legislation that included the above features and these provisions:

- Transfer the State's optional DC plan, authorized under HB 98-1191, for legislators and other elected officials and staff to PERA.
- Transfer the administration of the State 457 Deferred Compensation plan to PERA.
- Require the State Auditor to conduct an actuarial study on the feasibility of allowing all new State employees hired effective January 1, 2002, to be eligible for participation in the State DC plan.
- Allow all new State employees hired beginning in 2002 to choose between PERA and the State DC plan, unless the study found that offering this option would cause PERA to have an unfunded liability with an amortization period over 40 years.

The final bill, as introduced, did not include the scaled-back DB plan or other alternative DC plans, and the Board had concerns about the actuarial impact on the PERA trust fund if all new state employees were allowed to choose a DC plan in lieu of PERA. The Board worked with the bill's sponsor to change this proposed legislation. Eventually, the Board supported an amended version of this bill (SB 01-149, "Concern the State Defined Contribution Plan"), which contained the following provisions:

- Requires a comprehensive study be completed of DB and DC retirement plan designs for PERA members and other employees eligible to be members. The study also would compare current PERA benefits, cost, and portability to other plans around the country. The State Auditor would conduct the study using an actuarial or pension consulting firm, with the findings submitted to the Legislative Audit Committee and the PERA Board by December 1, 2001.
- Continues the PERA membership requirement for new state employees.
- Allows district attorneys to elect PERA membership or join the state DC plan.

Also, the Board approved seeking legislation in 2001 to allow PERA retirees who work for PERA-affiliated employers under PERA's post-retirement employment provision to contribute to the PERA 401(k) Plan. However, these retirees would not be eligible for PERA MatchMaker contributions.

The Board and staff devoted a significant amount of time in 2000 preparing for the extensive innovative changes specified under SB 99-90 and HB 00-1458.

- Major changes were made to PERA's Health Care Program. Open enrollment for retirees was moved to the fall, the program was extended to active members through their employers, and dental and vision plans were offered for the first time. Beginning January 1, 2001, the new "PERACare" statewide program offers health care for active employees, retirees and dependents of PERA-affiliated employers.
- In September of 2000, the PERA Board of Trustees set the formula listed below for the PERA MatchMaker Program for calendar year 2001. The employer will match dollar-for-dollar all employee contributions to a 401(k), 457, or 403(b) plan up to a maximum of: 3 percent of a State and School Division member's PERA-includable salary; 2 percent of a Municipal Division member's PERA-includable salary; and 7 percent of a Judicial Division member's (judge's) PERA-includable salary per pay period. The MatchMaker is the employer matching contribution program authorized in SB 99-90 and is feasible due to PERA's fully funded status at the end of 1999. Dollars used to match voluntary contributions to DC plans (called PERA "MatchMaker" dollars) are derived from employer dollars that would otherwise be remitted to PERA.

PERA devotes much effort in communicating and advising members and retirees about their current or future benefits. In 2000:

- Nearly 47,000 PERA members, retirees, and other persons attended PERA meetings, while close to 2,300 members received individual counseling.
- The Customer Service Center handled 258,000 calls, responded to over 10,700 e-mails, and assisted 8,400 visitors to PERA. The Legislative Status Hotline received 5,600 calls.
- The continuing high demand for member counseling prompted PERA to increase the number of Group Counseling

Letter of Transmittal (continued)

Sessions to various cities. First introduced in 1998, these sessions offer personalized information, provide more opportunities for members to meet with counselors, and make more efficient use of PERA staff. In 2000, 164 group counseling sessions were provided to over 1,700 members.

- Field Education staff conducted 157 benefit information meetings and 30 retirement process meetings; over 5,700 people attended those meetings. More than 8,000 persons were contacted at 126 information tables. In addition, 39 training meetings were held to educate over 1,200 PERA-affiliated employer staff members about procedures and policies.
- In 2000, 13,000 PERA members ordered Personal Identification Numbers (PINs) to be used in conjunction with their Social Security numbers on the PERA Web site to view their PERA salary history, service credit balance, beneficiaries, and other personal PERA account information.
- Construction on The Pointe building that will serve as PERA's Business Recovery Facility was completed in 2000, and staff began preparing to make the facility operational.

401(k) Plan Activities

In 2000, 401(k) Plan net assets grew from $514,115,000 at the end of 1999 to $557,670,000 at the end of 2000, with 35,162 participant accounts in the Plan by the close of the 2000 year. The 45 percent net increase in 401(k) Plan members over 1999 was attributed to initiation of the PERA MatchMaker Program in January 2001. In April 2000, the 401(k) Plan moved from monthly to daily valuation, and four more investment funds were added to the Plan. Also during the year, the staff implemented an online transactional Web site for the 401(k) Plan. The *Investment Section* contains a detailed report on the 401(k) Plan on page 49.

Employer Affiliations

Three new public employers affiliated with PERA in 2000: Walker Field Public Airport Authority, Three Rivers Regional Library Service System, and the St. Vrain Sanitation District. Early in 2001, the following five employers affiliated with PERA: Collbran Conservancy District, Elbert County Library District, Northeastern Colorado Association of Local Governments, Red Feather Mountain Library District, and the Town of Rye.

Board-Related Activities

The annual Board of Trustees election for the 16-member Board was held in May 2000. State members elected Terry Campbell, a Colorado state patrol sergeant, to fill a four-year term left vacant by Jack Darnell, who chose not to seek re-election. Darnell had served on the Board since 1992. Gary Kasson, a police administrator with the Auraria Higher Education Center, was appointed to a one-year term on the Board due to the resignation of Jack Ehnes in July 2000. In addition to representing state members on PERA's Board since 1989, Ehnes served as the Board Chair for four years. Kasson was the runner-up in the May election.

School employer members elected Amy Nichols, a math teacher in the Aurora Public Schools to a four-year term on the Board due to Carole Wright's retirement effective July 1, 2000. Wright had been a Board member since 1993. Barbara Betzler, director of human resources with the Academy School District in Colorado Springs, was appointed to fill the vacancy of Michael Morris, who retired effective July 1, 2000. Morris had served on the Board since 1994.

Acknowledgements

The cooperation of our affiliated employers contributes significantly to PERA's success. We thank the staff and management of these employers for their continuing support.

The compilation of this *Report* reflects the combined efforts of PERA staff. It is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of assets contributed by the members and their employers.

This *Report* is being mailed to all affiliated employers and other interested parties; a summary will be sent to members and benefit recipients.

I would like to express my gratitude to the staff, Board of Trustees, consultants, and especially to Robert J. Scott (former Executive Director) who worked diligently to ensure the successful operation of PERA in 2000, during the transition of my first year as PERA's Executive Director.

Respectfully submitted,

Meredith Williams
Executive Director

CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees' Retirement Association of Colorado

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

BOARD CHAIR'S REPORT

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
Mailing Address: PO Box 5800 Denver, Colorado 80217-5800
Street Address: 1300 Logan Street Denver, Colorado 80203-2386
303-832-9550 or 1-800-759-PERA (7372)

June 30, 2001

To all PERA Members, Benefit Recipients, and Employers:

As Chair of the Board of Trustees for the Public Employees' Retirement Association of Colorado, I am pleased to present PERA's 2000 *Comprehensive Annual Financial Report*. This *Report* offers a detailed view of the financial and actuarial status of your retirement system.

Lower growth, rising inflation, and mounting concerns about the nation's economy led to dismal stock market returns. The Standard & Poor's 500 Index returned a negative 9.1 percent in 2000, the index's worst performance in 17 years. Owing to PERA's diversified investment portfolio, the PERA fund returned a positive 0.2 annual rate of return in 2000, with over $30 billion in total portfolio assets.

In 2000, the Board of Trustees and staff worked diligently to implement the MatchMaker and PERACare Programs authorized in SB 99-90 and effective January 1, 2001. The MatchMaker employer matching contribution program is feasible due to PERA's fully funded status in 1999. Dollars used to match voluntary contributions to defined contribution (DC) plans are derived from employer dollars that, absent employees' voluntary DC plan contributions, would be remitted to PERA. PERACare is a statewide health care program for active employees, retirees, and dependents of PERA-affiliated employers.

During the past year, the PERA Trustees and senior staff made further progress in developing our long-range plan to address the needs of public employers in the state that are not part of PERA and to enhance the overall PERA program. The Board sought legislation to undertake some of these enhancements, such as allowing PERA retirees who work for PERA-affiliated employers under PERA's post-retirement employment provision to contribute to the PERA 401(k) Plan. Also, the Board considered alternative plans that PERA might provide to public employers, such as a scaled-back defined benefit (DB) plan and 401(a) DC plans. Finally, the Board and staff worked with legislators on a future employee retirement benefits assessment to include a possible proposal regarding employees choosing between a DC plan and PERA. Legislation was enacted that allowed district attorneys to make this choice in 2002.

In recognition of the many challenges that lie ahead for public retirement systems in the 21st century, the Board devoted a significant amount of time to choosing a new executive director who will continue PERA's role as a public retirement "trendsetter." Effective July 1, 2000, Meredith Williams succeeded Bob Scott as PERA's Executive Director, due to Bob's retirement. On behalf of the Board, I extend my appreciation to Bob Scott for his visionary leadership and dedicated service to PERA and its membership. I would also like to thank Meredith Williams for fulfilling our high expectations of him during this past year, and to you for your continued support.

Sincerely,

J. Kim Natale

J. Kim Natale
Chair, Board of Trustees

BOARD OF TRUSTEES

By state law, the management of the public employees' retirement fund is vested in the Board of Trustees of the Public Employees' Retirement Association of Colorado. The Board is composed of 16 members, including the State Auditor and the State Treasurer as ex-officio members. The 14 representative members are elected by mail ballot by their respective Division members to serve on the Board for a four–year term. Five members are elected from the School Category and four from the State Category in the State and School Division, two from the Municipal Division, and one from the Judicial Division. Two members are elected to represent benefit recipients. If a Board member resigns, a new member is appointed from the respective Division for the remainder of the year until the next election.

J. Kim Natale

Chair of the Board
Member since 1985;
Represents school employees
Math and Science Teacher, Jefferson County School District R-1
Current term expires June 30, 2002

Donna J. Bottenberg

Vice Chair of the Board
Member since 1993;
Represents state employees
Professor on special assignment, University of Northern Colorado
Current term expires June 30, 2002

Mark J. Anderson

Member since 1993
Represents municipal employees
Insurance and Claims Manager, City of Colorado Springs
Current term expires June 30, 2002

Mike Coffman

Ex-officio member since January 1999
State Treasurer
Continuous term

Patricia K. Kelly

Member since 1993
Represents municipal employees
City Attorney, City of Colorado Springs
Current term expires June 30, 2003

Dave Barba

Ex-officio member since November 1995
State Auditor
Continuous term

Julie A. Coleman

Member since 1995
Represents school employees
Physical Education Teacher, Mesa County Valley School District 51
Current term expires June 30, 2003

Richard Lansford

Member since 1997
Represents retirees (represented School Division members from 1990-1993)
Retired Teacher
Current term expires June 30, 2001

Barbara Betzler

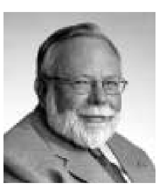
Appointed to Board in 2000
Represents school employees
Human Resources Director, Academy School District 20
Current term expires June 30, 2001

Jack L. Darnell

Member since 1992
Represented state employees
Colorado State Patrol Sergeant
Term expired June 30, 2000

Michael J. Morris

Member since 1994
Represented school employees
Principal, Boulder Valley Public Schools
Resigned July 2000



Edward W. Bohac

Member since 1999
Represents retirees
Retired College Fiscal Administrator
Current term expires June 30, 2003

Gordon P. East

Member since 1999
Represents state employees
Lands Unit Supervisor, Colorado Division of Wildlife
Current term expires June 30, 2003

Amy L. Nichols

Elected to Board in 2000
Represents school employees
Math Teacher, Aurora Public Schools
Current term expires June 30, 2004

Terry L. Campbell

Elected to Board in 2000
Represents state employees
Colorado State Patrol Sergeant
Current term expires June 30, 2004

Jack Ehnes

Member since 1989
Represented state employees
Director, Risk Management & Employee Benefits, State of Colorado
Resigned July 2000

Gloria Santistevan-Feeback

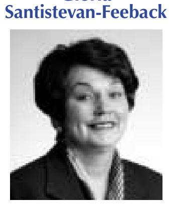
Member since 1996
Represents school employees
Math Teacher, Pueblo School District #60
Current term expires June 30, 2001

James Casebolt

Member since 1999
Represents judges
Judge, Colorado Court of Appeals
Current term expires June 30, 2003

L. Gary Kasson

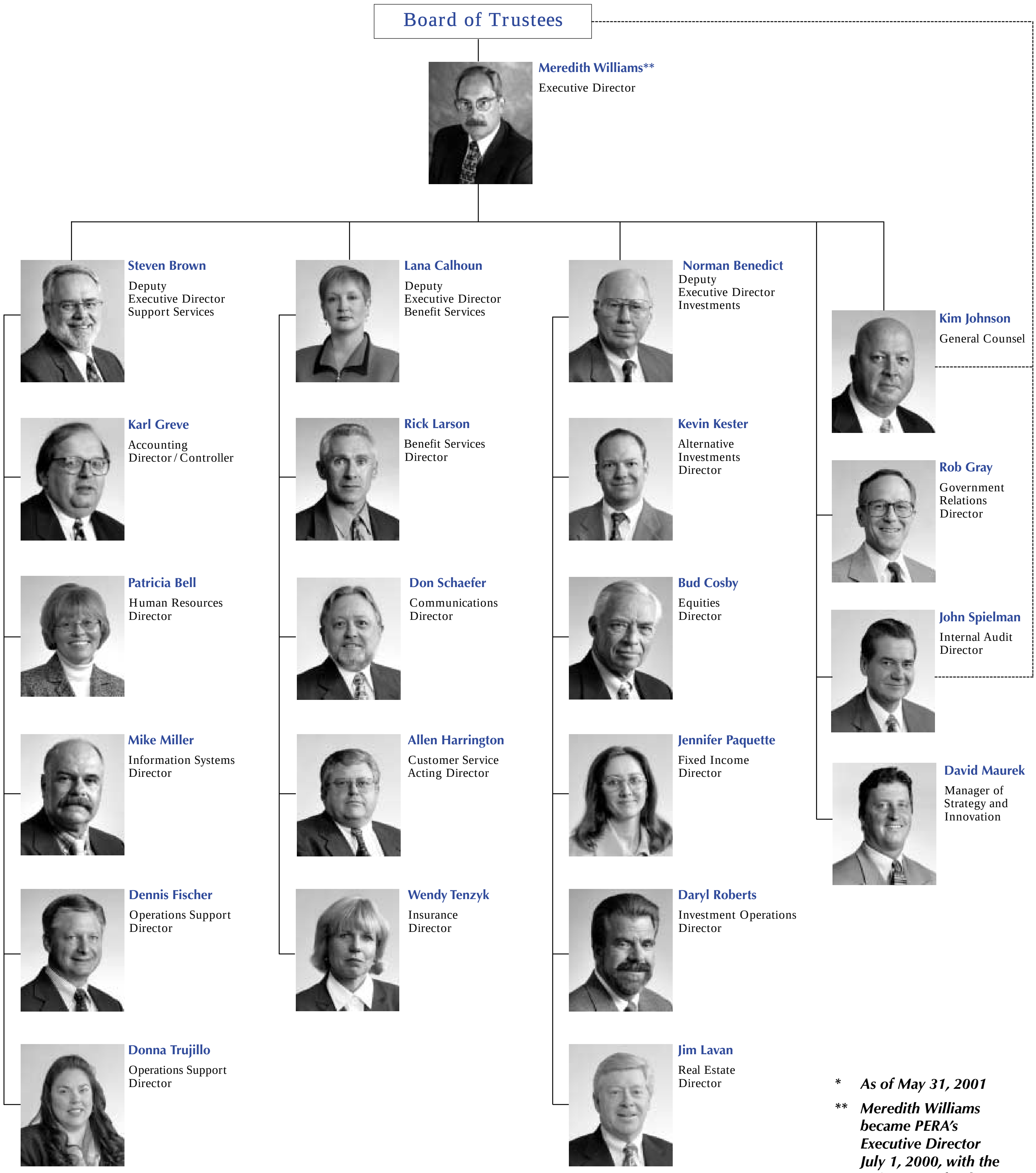
Appointed to Board in 2000
Represents state employees
Police Officer, Auraria Higher Education Center
Current term expires June 30, 2001



Carole Wright

Member since 1993
Represented school employees
Reading Specialist, Aurora Public School District 28J
Term expired June 30, 2000

ADMINISTRATIVE ORGANIZATIONAL CHART*



* *As of May 31, 2001*

** *Meredith Williams became PERA's Executive Director July 1, 2000, with the retirement of Bob Scott effective June 30, 2000*

CONSULTANTS

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Denver, CO 80202

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Denver, CO 80237

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Denver, CO 80203

401(k) Recordkeeper
ADP
1500 Meidinger Tower
Louisville, KY 40202

Financial Section

REPORT OF THE INDEPENDENT ACCOUNTANTS

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees of the
Public Employees' Retirement Association of Colorado:

We have audited the accompanying general-purpose financial statements, consisting of the State and School Division Trust Fund, Municipal Division Trust Fund, Judicial Division Trust Fund (the "Defined Benefit Plans"), the Voluntary Investment Program, the Health Care Trust Fund and the Insurance Dividend Reserve, of the PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO ("PERA") as of December 31, 2000, and for the year then ended. These general-purpose financial statements and the schedules referred to below are the responsibility of PERA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The general-purpose financial statements of PERA as of December 31, 1999, were audited by other auditors whose report dated May 9, 2000, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of PERA as of December 31, 2000, and the changes in financial position for the year-then ended in conformity with accounting principles generally accepted in the United States.

The supplementary information on pages 33-38 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit and do not express an opinion on it.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The additional supplementary schedules (Schedule of Administrative Expenses and Schedule of Investment Expenses and Statement of Changes in Assets and Liabilities - Insurance Division Reserve) are presented for the purpose of additional analysis and are not a required part of the Plan's basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

Arthur Andersen LLP

Denver, Colorado
May 18, 2001.

STATEMENTS OF PENSION PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

As of December 31, 2000, with Comparative Totals for 1999
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund
ASSETS		
Cash and short-term investments		
Cash and short-term investments	$935,565	$57,557
Securities lending collateral	2,389,077	146,984
Total cash and short-term investments	3,324,642	204,541
Receivables		
Benefit	81,107	6,792
Interfund	5,626	0
Investment settlement and income	93,624	5,760
Total receivables	180,357	12,552
Investments, at fair value:		
U.S. government obligations	1,308,071	80,477
Domestic corporate bonds	648,863	39,920
Domestic stocks	15,044,393	925,581
International stocks	3,922,167	241,305
International fixed income	621,141	38,215
Real estate equity	2,155,790	132,631
Real estate debt	202,284	12,445
Alternative investments	3,165,127	194,729
Timber investments	251,951	15,501
Total investments	27,319,787	1,680,804
Property and equipment, at cost, net of accumulated depreciation of $14,253 and $13,005 at December 31, 2000, and 1999 respectively	19,395	1,567
Total assets	30,844,181	1,899,464
LIABILITIES		
Investment settlements and other	178,898	11,643
Security lending obligations	2,389,077	146,984
Interfund	7,682	383
Total liabilities	2,575,657	159,010
Commitments and contingencies (Note 6)		
Net assets held in trust for pension plan benefits and postemployment healthcare plan benefits	**$28,268,524**	**$1,740,454**
Net assets held in trust for:		
Defined contribution pension plan benefits	$0	$0
Postemployment healthcare plan benefits[1]	0	0
Defined benefit pension plan benefits[1]	28,268,524	1,740,454
Net assets held in trust for pension plan benefits and postemployment healthcare plan benefits	**$28,268,524**	**$1,740,454**

[1] (A schedule of funding progress is presented for each plan on page 33.)

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

STATEMENTS OF PENSION PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

As of December 31, 2000, with Comparative Totals for 1999
(In Thousands of Dollars)

Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Insurance Dividend Reserve (Agency Fund)	Totals (Memorandum Only) 2000	1999
$5,355	$998,477	$28,239	$1,026,716	$4,245	$723	**$1,031,684**	$759,246
13,671	2,549,732	0	2,549,732	10,840	1,847	**2,562,419**	2,587,404
19,026	3,548,209	28,239	3,576,448	15,085	2,570	**3,594,103**	3,346,650
846	88,745	15,973	104,718	2,719	94	**107,531**	103,537
2	5,628	0	5,628	4,528	1	**10,157**	7,679
537	99,921	12,235	112,156	425	72	**112,653**	118,913
1,385	194,294	28,208	222,502	7,672	167	**230,341**	230,129
7,485	1,396,033	0	1,396,033	5,936	1,011	**1,402,980**	1,175,690
3,713	692,496	66,307	758,803	2,944	502	**762,249**	904,841
86,090	16,056,064	421,283	16,477,347	68,261	11,631	**16,557,239**	17,441,000
22,444	4,185,916	20,493	4,206,409	17,796	3,032	**4,227,237**	4,774,339
3,554	662,910	0	662,910	2,818	480	**666,208**	671,655
12,336	2,300,757	0	2,300,757	9,781	1,667	**2,312,205**	2,005,210
1,157	215,886	0	215,886	918	157	**216,961**	173,402
18,112	3,377,968	0	3,377,968	14,361	2,447	**3,394,776**	2,909,323
1,442	268,894	0	268,894	1,143	195	**270,232**	299,810
156,333	29,156,924	508,083	29,665,007	123,958	21,122	**29,810,087**	30,355,270
35	20,997	0	20,997	0	0	**20,997**	14,024
176,779	32,920,424	564,530	33,484,954	146,715	23,859	**33,655,528**	33,946,073
945	191,486	4,768	196,254	13,695	22,012	**231,961**	187,761
13,671	2,549,732	0	2,549,732	10,840	1,847	**2,562,419**	2,587,404
0	8,065	2,092	10,157	0	0	**10,157**	7,679
14,616	2,749,283	6,860	2,756,143	24,535	23,859	**2,804,537**	2,782,844
$162,163	**$30,171,141**	**$557,670**	**$30,728,811**	**$122,180**	**$0**	**$30,850,991**	**$31,163,229**
$0	$0	$557,670	$557,670	$0	$0	**$557,670**	$514,115
0	0	0	0	122,180	0	**122,180**	120,638
162,163	30,171,141	0	30,171,141	0	0	**30,171,141**	30,528,476
$162,163	**$30,171,141**	**$557,670**	**$30,728,811**	**$122,180**	**$0**	**$30,850,991**	**$31,163,229**

STATEMENTS OF CHANGES IN PENSION PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

For the Year Ended December 31, 2000, with Comparative Totals for 1999
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund
ADDITIONS		
Contributions		
Employers	$420,031	$32,639
Members	343,040	29,392
Purchased service	96,023	4,678
Retiree health care premiums	0	0
Total contributions	859,094	66,709
Investment income		
Net appreciation (depreciation) in fair value of investments	(566,493)	(34,813)
Interest	257,321	15,698
Dividends	248,599	15,166
Real estate net operating income	106,030	6,468
Securities lending income	158,555	9,673
	204,012	12,192
Less investment expense	(87,049)	(5,311)
Less securities lending borrower rebates	(143,411)	(8,748)
Less securities lending agent fees	(4,369)	(267)
Net investment income (loss)	(30,817)	(2,134)
Total additions	828,277	64,575
DEDUCTIONS		
Benefits		
Benefits paid to retirees/cobeneficiaries	1,024,687	43,553
Benefits paid to survivors	18,218	1,404
Benefits paid to health care participants	0	0
Total benefits	1,042,905	44,957
Refunds of contribution accounts, including match and interest	124,096	14,619
Disability insurance premiums	4,824	418
Administrative expense	15,245	1,339
Other	973	(131)
Total deductions	1,188,043	61,202
Net increase (decrease) in assets available	(359,766)	3,373
Net assets available for pension and postemployment healthcare benefits		
Beginning of year	28,628,290	1,737,081
End of year	**$28,268,524**	**$1,740,454**

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

STATEMENTS OF CHANGES IN PENSION PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

For the Year Ended December 31, 2000, with Comparative Totals for 1999
(In Thousands of Dollars)

Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Totals (Memorandum Only) 2000	1999
$2,726	$455,396	$719	$456,115	$51,351	**$507,466**	$499,763
1,630	374,062	102,130	476,192	0	**476,192**	430,418
732	101,433	0	101,433	0	**101,433**	73,526
0	0	0	0	28,751	**28,751**	25,611
5,088	930,891	102,849	1,033,740	80,102	**1,113,842**	1,029,318
(3,254)	(604,560)	(25,641)	(630,201)	(2,465)	**(632,666)**	3,968,460
1,467	274,486	4,393	278,879	1,139	**280,018**	243,716
1,417	265,182	7,926	273,108	1,100	**274,208**	283,873
604	113,102	0	113,102	469	**113,571**	94,747
904	169,132	2,305	171,437	702	**172,139**	123,448
1,138	217,342	(11,017)	206,325	945	**207,270**	4,714,244
(496)	(92,856)	0	(92,856)	(385)	**(93,241)**	(77,761)
(817)	(152,976)	(2,044)	(155,020)	(635)	**(155,655)**	(107,602)
(25)	(4,661)	(78)	(4,739)	(19)	**(4,758)**	(4,565)
(200)	(33,151)	(13,139)	(46,290)	(94)	**(46,384)**	4,524,316
4,888	897,740	89,710	987,450	80,008	**1,067,458**	5,553,634
5,605	1,073,845	0	1,073,845	0	**1,073,845**	966,966
312	19,934	0	19,934	0	**19,934**	22,570
0	0	0	0	77,332	**77,332**	64,979
5,917	1,093,779	0	1,093,779	77,332	**1,171,111**	1,054,515
0	138,715	45,678	184,393	0	**184,393**	129,151
23	5,265	0	5,265	0	**5,265**	8,784
20	16,604	1,835	18,439	1,134	**19,573**	18,689
(130)	712	(1,358)	(646)	0	**(646)**	(256)
5,830	1,255,075	46,155	1,301,230	78,466	**1,379,696**	1,210,883
(942)	(357,335)	43,555	(313,780)	1,542	**(312,238)**	4,342,751
163,105	30,528,476	514,115	31,042,591	120,638	**31,163,229**	26,820,478
$162,163	**$30,171,141**	**$557,670**	**$30,728,811**	**$122,180**	**$30,850,991**	**$31,163,229**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(In Thousands of Dollars)

NOTE 1—PLAN DESCRIPTION

Organization

The Public Employees' Retirement Association of Colorado (PERA) was established in 1931; the statute relating to PERA is Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.). PERA administers cost-sharing multiple-employer defined benefit plans for the State and School Division Trust Fund, Municipal Division Trust Fund, and Judicial Division Trust Fund (Division Trust Funds). PERA also administers a cost-sharing multiple-employer defined benefit postemployment healthcare plan (Health Care Trust Fund—see Note 8), an agency fund (Insurance Dividend Reserve), and a multiple-employer Internal Revenue Code (IRC) Section 401(k) defined contribution plan (Voluntary Investment Program—see Note 7). The purpose of the Division Trust Funds is to provide benefits to members at retirement or disability, or to their beneficiaries in the event of death. Members of PERA are employed by public employers (most of whom do not participate under Social Security) located in the state of Colorado and affiliated with PERA.

Responsibility for the organization and administration of the Division Trust Funds, Health Care Trust Fund (HCTF), Voluntary Investment Program, and Insurance Dividend Reserve is placed with the Board of Trustees (the Board) of PERA. The State Division Trust Fund was established in 1931, the School and Municipal Division Trust Funds in 1944, and the Judicial Division Trust Fund in 1949. The State and School Division Trust Funds were combined in 1997.

The number of affiliated employers for the three Divisions is as follows:

	As of December 31	
	2000	**1999**
State and School	**268**	269
Municipal	**105**	100
Judicial	**6**	6
Total employers	**379**	**375**

Membership

Division Trust Funds—Defined Benefit Pension Plans

Benefit recipients and members of PERA consisted of the following as of December 31, 2000, and 1999:

	State and School	Municipal	Judicial	Totals 2000	Totals 1999
Retirees and beneficiaries currently receiving benefits	52,241	2,685	221	**55,147**	52,458
Terminated members entitled to benefits, but not yet receiving them	8,689	617	15	**9,321**	8,258
Non-vested inactive members	69,323	7,352	2	**76,677**	71,886
Active members:					
Vested					
General employees	76,784	5,482	208	**82,474**	82,236
State troopers	506	0	0	**506**	470
Non-vested					
General employees	72,475	6,369	52	**78,896**	75,015
State troopers	230	0	0	**230**	246
Total active members	149,995	11,851	260	**162,106**	157,967
Totals	**280,248**	**22,505**	**498**	**303,251**	**290,569**

Voluntary Investment Program

See Note 7.

Health Care Trust Fund

See Note 8.

Benefit Provisions

Division Trust Funds—Defined Benefit Pension Plans

Benefit provisions for the defined benefit pension plans are established by and may be amended by state statute. Title 24, Article 51 of the C.R.S. assigns the authority to establish and amend the benefit provisions of the plan to the state Legislature. Members with five or more years of service automatically receive the higher of the defined benefit retirement benefit or money purchase benefit at retirement. Members are eligible to receive a monthly retirement benefit when they reach age 65 or meet the age and service requirements listed below. Members elect to receive their benefits in the form of single or joint-life monthly payments.

Service retirement benefits are based on the member's years of service, age, and Highest Average Salary (HAS). Members who meet the eligibility for service retirement receive monthly defined retirement benefits equal to 2.5 percent of their HAS for each year of service credit. The benefit shall not exceed 100 percent, nor shall it exceed the maximum amount allowed by federal law.

HAS is calculated as one-twelfth of the average of the highest annual salaries on which PERA contributions were paid that are associated with three periods of 12 consecutive months of service credit. A 15 percent annual limit in salary increases applies if any salary used in the HAS calculation is from the three years prior to retirement. The three 12-month periods do not have to be consecutive nor do they have to be the last three years of employment. In calculating the HAS for members in the Judicial Division Trust Fund, only one period of 12 consecutive months of service credit is used.

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and interest at the time of retirement. For members who have less than five years of service, a money purchase benefit is payable beginning at age 65.

The reduction factor used to calculate PERA benefits for reduced service retirement is 3 percent per year for members retiring from age 55 through age 59, with 20 through 29 years of service (0.25 percent per month), and 4 percent per year on benefits paid to members retiring at age 60 with 5 years of service. With the passage of HB 00-1458, members who retire on or after June 1, 2000, receive no reduction in their retirement benefit if their total years of age plus service equals 80 years or more, if they are at least 55 years old and have at least five years of service credit.

Members who retire under age 55 receive benefits reduced 6 percent for each year under age 55 and 3 percent for each year over age 55 that members retire prior to service retirement eligibility.

PERA provides a two-tier Disability Program. This Program requires that members have five or more years of earned service credit, with at least six months of this credit earned since the most recent membership period. Disability retirement benefits are provided to members who are totally and permanently mentally or physically incapacitated from regular and substantial gainful employment. The amount of the disability retirement benefit is based on the member's HAS and earned, purchased, and in some circumstances, projected service credit. Short-term disability payments are provided to members who are mentally or physically incapacitated from performance of essential job duties after reasonable accommodation, but who are not totally and permanently incapacitated from regular and substantial gainful employment. PERA provides reasonable income replacement, and rehabilitation or retraining services. The maximum period for short-term disability payments is 22 months, and the maximum income replacement is 60 percent of the member's pre-disability PERA-includable earnings.

Monthly benefits paid to qualified survivors of members are based on the defined benefit formula; however, a surviving spouse may be eligible to receive the higher of the money purchase benefit or the defined benefit formula. The minimum monthly benefit, based on the defined benefit formula, that is paid to an eligible surviving spouse equals 25 percent of HAS.

If a member dies with less than one year of PERA service credit or with no survivors qualified to receive a monthly benefit, the named beneficiary or the estate receives a lump-sum payment of the member's contribution account, in addition to a matching amount equal to 100 percent of the member's contributions and interest.

Annual increases in retirement benefits and survivor benefits occur on March 1 for all benefits that have been paid for at least three months preceding March 1. The percentage amount of the increase is the lesser of 3.5 percent compounded annually for the number of years the benefit has been in effect since March 1, 1993, or the percentage increase in the Consumer Price Index from 1992, or the year prior to the year in which the benefit becomes effective, whichever is later, to the year preceding March 1. The percentage is multiplied by the base benefit to determine the increase.

Retirement benefits for State Troopers and members of the Judicial Division differ slightly.

Members who withdraw their accounts before reaching age 65 or meeting the age and service requirements for retirement eligibility receive a refund that includes their member contributions and interest, and a matching amount equal to 50 percent of the member's contributions and interest. Members who withdraw their accounts upon or after reaching age 65 or retirement eligibility receive a 100 percent matching amount of the member's contributions and interest.

Interest credited to member contribution accounts is set at 80 percent of PERA's actuarial investment assumption rate. For 2000, the actuarial investment assumption rate was 8.75 percent and the member interest rate was 80 percent of that, or 7.0 percent.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(In Thousands of Dollars)

Members who previously received refunds of their contributions may reinstate this service credit through lump-sum or installment payments once they have one year of service credit. Also, any PERA member can accelerate vesting by purchasing service for paid sabbatical leaves and certain periods of non-vested private or public sector employment not covered by PERA through lump-sum or installment payments.

Voluntary Investment Program

See Note 7.

Health Care Trust Fund

See Note 8.

Insurance Dividend Reserve

The Insurance Dividend Reserve (IDR) is an accumulation of dividends received from an insurance company as a return on the premiums paid, adjusted for actual historical experience by members. The IDR is used to provide increased life insurance benefits without increasing premiums to life insurance participants.

Federal Income Tax Status

PERA is exempt from federal income taxes under the Internal Revenue Code.

Termination of PERA

If PERA is partially or fully terminated for any reason, state law provides that the rights of all members and benefit recipients to all benefits on the date of termination, to the extent then funded, will become nonforfeitable.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board oversees all funds included in the general purpose financial statements of PERA and has the ability to influence operations. The Board's responsibilities include designation of management, membership eligibility, investment of funds, and accountability for fiscal matters.

PERA is an instrumentality of the state; it is not an agency of state government. Also, it is not subject to administrative direction by any department, commission, board, bureau, or agency of the state. Accordingly, PERA's general purpose financial statements are not included in the financial statements of any other organization.

Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statements numbers 25 and 26, as well as generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

Basis of Accounting

The accompanying general purpose financial statements for the pension trust funds, the postemployment healthcare plan, and the agency fund are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which compensation is paid to the member by the employer. Benefits and refunds are recognized when due and payable.

Fund Accounting

The financial activities of the State and School Division Trust Fund, the Municipal Division Trust Fund, the Judicial Division Trust Fund, the HCTF, the IDR, and the Voluntary Investment Program are recorded in separate funds. The State and School, Municipal, and Judicial Divisions maintain separate accounts, and all actuarial determinations are made using separate Division-based information.

The Division Trust Funds, the HCTF, and the IDR pool their investments into a combined investment portfolio. Investment value and earnings of the investment pool are allocated among the funds based on each fund's percentage ownership. As of December 31, 2000, and 1999, the ownership percentages of each fund were as follows:

	Ownership Percentage as of December 31	
	2000	**1999**
State and School	**93.24%**	93.33%
Municipal	**5.74**	5.66
Judicial	**0.53**	0.53
HCTF	**0.42**	0.41
IDR	**0.07**	0.07
Total	**100.00%**	**100.00%**

The administrative activities and operating assets and liabilities of PERA are pooled and recorded in a common operating fund. Expenses incurred and net operating assets are allocated from the common operating fund to the Division Trust Funds based on the ratio of the number of members and benefit recipients at the beginning of the year in each Division to the total for all the Division Trust Funds.

Fair Value of Investments

Plan investments are presented at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate and timber investments are based on periodic independent appraisals. Other investments that do not have an established market (including venture capital, leveraged buyout funds, and international private equity funds within the alternative investment category—see Note 4) are recorded at estimated fair value. Short-term investments are carried at cost, which approximates fair value.

(In Thousands of Dollars)

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is calculated using the straight-line method, with estimated lives ranging from three to forty years in the following major classes: vehicles, five years; computer and office equipment, three years to five years; office furniture and leasehold improvements, ten years; and building and building additions, forty years.

Reclassification of Prior Year Amounts

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

NOTE 3—CONTRIBUTIONS

Division Trust Funds—Defined Benefit Pension Plans

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the C.R.S.

Members are required to contribute 8 percent of their gross salary to PERA, except for State Troopers and Colorado Bureau of Investigation officers, who contribute 10 percent. These contributions are placed in individual member accounts. Member contributions are tax-deferred for federal and state income tax purposes, effective July 1, 1984, and January 1, 1987, respectively. Prior to those dates, contributions were made on an after-tax basis.

PERA-affiliated employers also contribute a percentage of payroll. The contribution rates for the combined retirement benefits and health care benefits from January 1, 2000, through December 31, 2000, were as follows:

Employer Contributions as a Percent of Members' Salaries
January 1, 2000, through June 30, 2000

Division	Membership	Contributions
State and School	All members *(except State Troopers)*	11.4%
State and School	State Troopers	13.1%
Municipal	All members	10.0%
Judicial	All members	15.0%

Employer Contributions as a Percent of Members' Salaries
July 1, 2000, through December 31, 2000

Division	Membership	Contributions
State and School	All members *(except State Troopers)*	10.4%
State and School	State Troopers	13.1%
Municipal	All members	10.0%
Judicial	All members	14.0%

These contributions are deposited, less the portion of contributions for health care benefits, which are transferred to the HCTF, in a trust fund established for each Division for the purpose of creating actuarial reserves for future benefits.

Voluntary Investment Program

See Note 7.

Health Care Trust Fund

See Note 8.

NOTE 4—INVESTMENTS

Investment Authority

Under C.R.S. § 24-51-206, the Board has responsibility for the investment of PERA's funds, with the following investment limitations:

- The aggregate amount of monies invested in corporate stocks or corporate bonds, notes, or debentures that are convertible into stock or in investment trust shares cannot exceed 65 percent of the then book value of the fund.
- No investment of the fund in common or preferred stock (or both) of any single corporation can exceed 5 percent of the then book value of the fund.
- The fund cannot acquire more than 12 percent of the outstanding stock or bonds of any single corporation.

The above limitations and the fund's diversification over several asset classes are intended to reduce the overall investment risk exposure.

Investment Concentrations

No investments (other than those issued or guaranteed by the U.S. government) represent 5 or more percent of the Division Trust Funds, Health Care Trust Fund, and Insurance Dividend Reserve net assets. The Voluntary Investment Program investment concentrations are found in Note 7.

Cash

The table on page 26 presents the PERA combined total deposits and money market funds as of December 31, 2000.

The differences between carrying values and bank balances are due to outstanding checks and deposits not yet processed by the bank.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(In Thousands of Dollars)

The carrying value of cash and short-term investments at December 31, 2000, on the Statements of Pension Plan and Postemployment Healthcare Plan Net Assets includes short-term fixed income investments of $147,182 and deposit and money market funds of $884,502 for a total of $1,031,684. PERA considers fixed income and mortgage investments purchased with a maturity of 12 months or less to be short-term investments.

	Carrying Value	Bank Balance
Deposits with banks (fully insured by federal depository insurance)	($11,961)	$4,912
Deposits held at bank (fully collateralized by underlying securities, held by PERA's agent in PERA's name)	63,215	63,215
Money market funds held at bank (fully collateralized the underlying securities, held by PERA's agent in PERA's name)	833,248	833,248
Total deposits and money market funds	**$884,502**	**$901,375**

Other Investments

The following table presents the combined PERA total investments held at December 31, 2000, categorized to give an indication of the level of risk assumed by PERA. The categories are:

1. Insured or registered securities, which are held by PERA or its agent in PERA's name.
2. Uninsured and unregistered, collateralized with securities held by the counterparty's trust department or agent in PERA's name.
3. Uncollateralized.

Investments not evidenced by securities are not categorized.

Investments—Category 1 (held by PERA's agent in PERA's name)	**Carrying Amount (Fair Value)**
U.S. government obligations	$916,199
Domestic corporate bonds	625,094
Domestic stocks	15,247,668
International stocks	3,554,728
International fixed income	618,333
Short-term domestic fixed income	46,575
Short-term international fixed income	47,539
Short-term commercial paper	19,082
Total investments—category 1	21,075,218
Investments—Not categorized	
Investments held by broker-dealers under securities loans with cash collateral	
U.S. government obligations	389,387
Domestic corporate bonds	137,155
Domestic stocks	1,264,101
International stocks	596,526
International fixed income	45,973
Short-term U.S. government obligations	31,701
Subtotal	2,464,843
Investments held by broker-dealers under securities loans with pooled non-cash collateral	
U.S. government obligations	97,394
Domestic stocks	45,470
International stocks	75,983
International fixed income	1,902
Subtotal	220,749
Securities lending short-term collateral investment pool	2,562,419
Short-term fixed income (private placements)	2,263
Short-term real estate debt	22
Real estate equity	2,312,205
Real estate debt	216,961
Alternative investments	3,394,776
Timber	270,232
Total investments—not categorized	11,444,470
Total investments	**$32,519,688**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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Short-term domestic fixed income of $80,539, short-term international fixed-income of $47,539, short-term commercial paper of $19,082, and short-term real estate debt of $22 are included in the total investment amount shown in this disclosure while being included in cash and short-term investments in the financial statements, due to their maturity being less than 12 months.

Securities Lending Transactions

C.R.S. § 24-51-206, and Board policies permit PERA to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. PERA's custodian, The Northern Trust Company, lends securities of the type on loan at year-end for collateral in the form of U.S. and non-U.S. currencies, Organization for Economic Cooperation and Development (OECD) government securities, equities, and irrevocable letters of credit. U.S. securities are lent versus collateral valued at 102 percent of the fair value of the securities plus any accrued interest. Non-U.S. securities are lent versus collateral valued at 105 percent of the fair value of the securities, plus any accrued interest, except that fixed income securities can be loaned against same currency collateral at 102 percent, plus any accrued interest. Collateral is marked to market daily if price movements exceed certain minimal thresholds. There are no restrictions on the amount of securities that can be lent at one time. Securities lent at year-end for cash and securities collateral are classified according to the category for the collateral in the preceding schedule of custodial credit risk.

As of December 31, 2000, PERA had no credit risk exposure to borrowers because the amounts PERA owes the borrowers exceed the amounts the borrowers owe PERA. The contract with PERA's custodian provides that the custodian will indemnify PERA if there has been a bankruptcy filing by the borrower and if the custodian is unable to recover loaned securities due to the custodian's inability to comply with the contract. PERA had no losses on securities lending transactions resulting from the default of a borrower or the lending agent for the year ended December 31, 2000.

All securities loans can be terminated on demand by either PERA or the borrower. The weighted average loan life of overall loans was 31.3 days in December 2000. Cash collateral is invested in a custom collateral account made up of a combination of The Northern Trust Company's Collective Short-Term Extendible Portfolio (65.8 percent), The Northern Trust Company's Short-Term Advantage Fund (2.8 percent), and The Northern Trust Company's Global Core Collateral Section (31.4 percent). The weighted average maturities of these funds as of December 31, 2000 were 52, 52, and 26 days, respectively. Withdrawals are managed daily by The Northern Trust Company. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. PERA cannot pledge or sell non-cash collateral unless the borrower defaults.

As of December 31, 2000, the fair value of lent securities was $2,685,592. The fair value of associated collateral was $2,794,598. Of this amount, $2,562,419 represents the fair value of cash collateral and $232,178 represents the fair value of the non-cash collateral. Non-cash collateral, which PERA does not have the ability to pledge or sell unless the borrower defaults, is not reported in the balance sheet. PERA's income net of expenses from securities lending was $11,726 for the year ended December 31, 2000. As of December 31, 1999, the fair value of lent securities was $2,918,035. The fair value of associated collateral was $3,022,965. Of this amount, $2,587,404 represents the fair value of cash collateral and $435,561 represents the fair value of the non-cash collateral. PERA's income net of expenses from securities lending was $11,281 for the year ended December 31, 1999.

The following table represents the balances relating to the securities lending transactions as of December 31, 2000, and December 31, 1999.

Securities Lent	Carrying Amount (Fair Value) of Underlying Securities December 31, 2000	Carrying Amount (Fair Value) of Underlying Securities December 31, 1999
U.S. government obligations	**$486,780**	$93,737
Domestic corporate bonds	**137,155**	66,631
Domestic stocks	**1,309,572**	916,457
International stocks	**672,508**	1,381,789
International fixed income	**47,876**	414,700
Short-term U.S. government obligations	**31,701**	44,248
Short-term domestic corporate bonds	**0**	473
Total	**$2,685,592**	**$2,918,035**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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Alternative Investments

The following table presents the categories of investments within the alternative investment asset class at December 31, 2000.

	Fair Value at December 31, 2000
Leveraged buyout funds	$1,761,690
Venture capital	778,624
International private equity funds	854,462
Total alternative investments	$3,394,776

NOTE 5—FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Covered Call Options

PERA writes covered call options as an investment technique to enhance portfolio returns and to reduce portfolio volatilities. When a call option is sold (written), it obligates PERA to deliver stock at a set price for a specific period of time. PERA receives premium income for options written, and the value of the options are recorded as a liability due to the obligation to deliver stock. The liability is adjusted to reflect the current fair value of the options written. Fair value is the amount that PERA would pay to terminate the contracts at the reporting date. If a call option expires, PERA realizes a gain to the extent of the premium received. If a call option is exercised, the premium received is realized as a gain. A gain or loss is also realized on the underlying security to satisfy the delivery obligation. PERA may repurchase a call option written at its discretion when it is favorable to do so. When a contract is repurchased, the liability is reduced and the difference between the premium received and the amount paid to close the contract is realized as a gain or loss.

By writing covered call options, in exchange for the premium income, PERA foregoes the opportunity for capital appreciation above the exercise price should the market price of the underlying security increase. As a result, PERA bears the risk of an unfavorable change in the price of the security underlying the written option.

PERA has written covered call options on 92 companies' securities as of December 31, 2000. Premiums received on the sales of these options were $632,693 and the fair value on the options as of December 31, 2000, was ($523,742).

Index Options

PERA purchases and sells call option spreads on the S&P 500 Index to enhance portfolio returns. The positions vary in order to take advantage of option premium levels and market conditions. The domestic option spreads are exchange traded with margin required. As of December 31, 2000, PERA pledged 44 million shares of 186 common stock issues in the underlying S&P 500 Index Portfolio for collateral. PERA pledged shares with a fair value of $1,963,101.

Premiums paid are recorded as an asset and premiums received as a liability at the inception of the contract. The open contracts are marked-to-market to reflect the current fair value. When the contracts are exercised, the asset or liability is taken off record, a realized gain or loss is recognized, and a cash settlement is made. If the options expire out of the money, the asset or liability position is removed and a realized gain or loss is recognized for the premium paid or received. The option contracts may also be closed or repurchased by PERA, at which time the asset or liability is removed, a realized gain or loss is recognized, and cash is received on closing a contract or cash is paid on the amount repurchased.

Market risk may arise from an imperfect correlation between the change in the fair value of the underlying index and open contracts. The maximum exposure to loss for a purchased option is limited to the premium initially paid for the option.

As of December 31, 2000, PERA received net premiums of $342,800 and the fair value of the open contracts was ($103,970).

Forward Foreign Exchange Contracts

A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. No losses occurred in 2000. Forwards are usually traded over-the-counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, PERA records the unrealized currency translation gain or loss based on the applicable forward exchange rates.

At December 31, 2000, PERA had outstanding forward foreign exchange contracts to purchase foreign currencies with a fair value of $677,141 and outstanding contracts to sell foreign currencies with a fair value of ($678,196).

Futures

A futures contract is an agreement for delayed delivery of securities, commodities, or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specific price or yield. Futures are exchange traded and the exchange assumes the risk of nonperformance by a counterparty. PERA is required to pledge

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(In Thousands of Dollars)

to the broker cash or U.S. government securities (the initial margin), equal to a certain percentage of the contract amount. The fair value of cash collateral was $14,199 as of December 31, 2000. Subsequent payments, known as "variation margin," are made by PERA each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded as realized gain or loss in the financial statements.

PERA buys and sells futures contracts for portfolio yield enhancement, to reduce the transaction costs of buying the underlying assets and as a hedge against market risk, which is the exposure to the possibility of financial loss caused by adverse changes in the underlying assets. Should interest rates move unexpectedly, PERA may not achieve the anticipated benefits of the futures contracts and may realize a loss.

The fair value of the International Index Futures Long was $80,800 as of December 31, 2000.

Interest Rate Swap

Interest rate swaps represent an agreement between counterparties to exchange interest cash flows by reference to specified indexes on a notional principal amount for a specified period. PERA entered into an interest rate swap on November 1, 2000, for a six-month term. The counterparties exchanged the United States Dollar-London Interbank Offered Rate (LIBOR)-BBA against a custom index. At the designated maturity date one of the counterparties is obligated to make a net cash payment per the terms of the contract. The net settlement will be recognized at maturity. PERA entered into this contract to gain exposure to the high yield bond market.

PERA is exposed to credit risk in the event of nonperformance by the counterparty to the financial instrument, but does not expect the counterparty to fail to meet its obligation. Interest rate swaps carry market risk, which results from adverse market changes and changes in interest rates.

The fair value of the contract was $24,217 as of December 31, 2000.

The financial instruments discussed above involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amount recognized in the Statements of Pension Plan and Postemployment Healthcare Plan Net Assets. Market risk arises from the potential unfavorable change in the value of the underlying instruments. The following contract or notional amounts of these instruments reflect the extent of PERA's involvement in each class of financial instrument as of December 31, 2000. The contract or notional amounts do not represent the exposure to market loss.

Contracts	Description	Contract or Notional Value
359,763	Covered call options written (domestic)	$1,843,032
63,000	Long index call options (domestic)	8,317,764
63,000	Short index call options (domestic)	(8,317,764)
737	Long index futures contracts (international)	80,800
43	Long forward foreign exchange contracts	668,454
43	Short forward foreign exchange contracts	(668,454)
1	Interest rate swap	$25,000

Mortgage-Backed Securities

A mortgage-backed security depends on the underlying pool of mortgage loans to provide the cash flow to make principal and interest payments on the security. A decline in interest rates can result in prepayments, which reduces the fair value of the security. If homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on investment would be higher than anticipated. A collateralized mortgage obligation (CMO), is a mortgage-backed security that is comprised of classes of bonds created by prioritizing the cash flows of the underlying mortgage pool. This redistributes prepayment risk among the various bond classes in the CMO structure.

PERA invests in mortgage-backed securities to enhance fixed income returns. Mortgage-backed securities are subject to credit risk, the risk that the borrower will be unable to meet its obligations. These securities are also subject to prepayment risk, which is the risk that a payment will be made in excess of the regularly scheduled principal payment. Prepayment risk is comprised of two risks: call risk, the risk that prepayments will occur when interest rates have declined, and extension risk, the risk that prepayments will not be made when interest rates have increased.

As of December 31, 2000, the fair value of government mortgage-backed securities was $706,512 and the fair value of asset-backed securities was $83,008. The fair value of CMOs as of December 31, 2000, was $95,026.

NOTE 6—COMMITMENTS AND CONTINGENCIES

At December 31, 2000, PERA was committed to the future purchase of investments at an aggregate cost of approximately $2,736,270.

Certain legal proceedings are pending against PERA arising from its normal activities that, based on the facts presently available and the advice of legal counsel, will not have a material adverse effect on PERA's financial condition on settlement.

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NOTE 7—VOLUNTARY INVESTMENT PROGRAM—PERA'S 401(K) DEFINED CONTRIBUTION PENSION PLAN DESCRIPTION

The Voluntary Investment Program is an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA to provide benefits at retirement to PERA members in the State and School, Municipal, and Judicial Division Trust Funds. Plan participation is voluntary to all PERA members, and contributions are separate from the defined benefit contributions made to PERA.

Members may contribute up to 23 percent of covered salary, to a maximum of $10,500 (actual dollars) for 2000; employer contributions are optional. The contribution requirements for the program are established under C.R.S. § 24-51-1402. At December 31, 2000, there were 35,162 participants with account balances.

Members of the program are allowed to change their contribution amounts, transfer account balances among eleven investment funds, or change the contribution percentages designated to each fund on a daily basis. The eleven investment funds are: PERA Money Market, PIMCO Low Duration Fund, PIMCO Total Return Fund, Dodge & Cox Balanced Fund, PERA 401(k) Growth and Income Stock Fund, Vanguard S&P 500 Index Fund, Janus Fund, Fidelity Contrafund, MAS Mid Cap Value Fund, Janus Enterprise Fund, and American Funds' Europacific Growth Fund. Members may access their funds through loans, in-service withdrawals, and distributions as allowed under the Internal Revenue Code. Plan provisions are established or are authorized to be established by the PERA Board of Trustees under Title 24, Article 51, Part 14 of the C.R.S.

Significant Accounting Policies—401(k) Voluntary Investment Program

Basis of Accounting

The Voluntary Investment Program financial statements are prepared using the accrual basis of accounting. Employer and member contributions are recognized in the period that the contributions are due.

Method Used to Value Investments

Plan investments are presented at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Other investments that do not have an established market are recorded at estimated fair value.

Investment Concentrations

The following investments of the Voluntary Investment Program represent 5 or more percent of the total plan net assets at December 31, 2000.

Pacific Investment Management Company (PIMCO) Total Return Fund	$28,993
Dodge & Cox Balanced Fund	61,401
PERA Growth and Income Stock Fund (Managed by PERA Staff)	241,244
Fidelity Contrafund	$116,562

NOTE 8—HEALTH CARE TRUST FUND—PERA'S COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description and Benefit Provisions

The Health Care Trust Fund (HCTF) provides a health care premium subsidy to participating PERA benefit recipients and their eligible beneficiaries who choose to enroll in the Program. Title 24, Article 51, Part 12 of the C.R.S., specifies the eligibility for enrollment and the amount of the premium subsidy. From January 1 through June 30, 2000, the maximum monthly subsidy was $115 per month. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $115 per month for benefit recipients who are 65 years of age or older or who are under age 65 and entitled to Medicare. The maximum subsidy is for benefit recipients whose retirement benefits are based on 20 years or more of service credit. For those with less service credit, the subsidy is reduced by 5 percent for each year under 20 years. The benefit recipient pays the remaining portion of the premium if the subsidy does not cover the entire amount.

The HCTF offers two general types of health plans—"insurance-purchasing pools" and "risk-sharing pools." The health maintenance organization (HMO) plans the HCTF uses are considered to be insurance-purchasing pools. The Mutual of Omaha health care plans and the Express Scripts Prescription Drug Program the HCTF uses are considered to be self-insured risk-sharing pools.

The Board has the authority to contract, self-insure, and make disbursements necessary to carry out the purposes of the Program. PERA contracts with a major medical indemnity carrier to administer claims for the self-insured plans and with HMOs providing services within Colorado.

Membership

Enrollment in the Health Care Program (the Program) is voluntary for the following:

- Any PERA benefit recipient.
- Guardians of children receiving PERA survivor benefits if children are enrolled in the Program.
- Retirees temporarily not receiving PERA benefits.

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- Surviving spouses of deceased retirees who are not receiving PERA benefits, but were enrolled in the Program when death occurred.
- Divorced spouses of retirees who are not receiving PERA benefits, but were enrolled in the Program when the divorce occurred.

As of December 31, 2000, the Program had 32,633 enrollees of whom 9,045 were under 65 and 23,588 who were 65 or older.

Contributions

The HCTF is funded by affiliated employer contributions equal to 1.1 percent of covered salaries, for all PERA members as set by statute. The contribution requirements for the affiliated employers are established under C.R.S. § 24-51-208.

Schedule of Benefits Paid

Breakdown of "Risk-Sharing Pool" and "Insurance-Purchasing Pool"

HCTF Benefits Paid to Participants

Risk-Sharing Pool Benefits Paid	**2000**	**1999**	**1998**	**1997**
Mutual of Omaha claims expenses before incurred but not reported (IBNR) adjustment	**$32,660**	$29,831	$29,593	$28,567
Net change in Mutual of Omaha IBNR adjustment expense for current and prior years	**(1,022)**	(923)	466	59
Total Mutual of Omaha claims and claims adjustment expenses	**31,638**	28,908	30,059	28,626
Mutual of Omaha administrative expenses before adjustment for IBNR run-out	**3,439**	3,307	3,173	3,089
Accrual of administrative expenses for IBNR run-out adjustments	**92**	10	18	64
Total administrative expenses including adjustments for IBNR run-out	**3,531**	3,317	3,191	3,153
Prescription drug expenses	**19,094**	17,167	15,269	15,090
Total risk-sharing pool benefits paid	**54,263**	49,392	48,519	46,869
Insurance-Purchasing Pool Benefits Paid				
Premium subsidy for non-risk sharing HMO health care plans and other net benefits	**24,203**	16,070	12,600	12,783
Total benefits paid to health care participants	**$78,466**	$65,462	$61,119	$59,652

Basis for Estimated Liabilities for "Risk-Sharing Pools"

The HCTF establishes claims liabilities based on the estimates of the ultimate costs of claims (including future claims adjustment expenses) that have been "incurred but not reported" (IBNR). The estimated claims liability for the self-insured health care plan was calculated by Mutual of Omaha, the Fund's third-party administrator, acting as an actuary, using a variety of actuarial and statistical techniques and then adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Estimated IBNR claim liability for the year ended December 31, 2000 is $4,819. The IBNR for the self-insured prescription drug program is negligible due to the speed in processing the claims.

The estimated IBNR related to the Administration Fee charged by Mutual of Omaha is calculated as 15 percent of the average Administration Fee for the year. The estimated Administration Fee IBNR is calculated at $615 for the year ended December 31, 2000.

The following table represents the changes in the aggregate estimated claims liability IBNR and related Administration Fee IBNR for the self-insured policies.

Changes in Estimated Claims Liability

	2000	**1999**	**1998**	**1997**
Unpaid claims and claims adjustment expenses at beginning of year	**$5,841**	$6,764	$6,298	$6,239
Incurred claims and claims adjustment expenses:				
Provision for insured events of current year	**48,625**	45,487	43,561	42,034
Increase (decrease) in provision for insured events of prior years	**2,107**	588	1,767	1,682
Total incurred claims and claims adjustment expenses	**50,732**	46,075	45,328	43,716
Payments:				
Claims and claims adjustment expenses attributable to insured events of current year	**43,806**	39,646	36,797	35,736
Claims and claims adjustment expenses attributable to insured events of prior years	**7,948**	7,352	8,065	7,921
Total claims payments	**51,754**	46,998	44,862	43,657
Unpaid claims and claims adjustment expenses at year-end	**$4,819**	$5,841	$6,764	$6,298

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NOTE 9—SUBSEQUENT EVENTS

In 1999, Senate Bill (SB) 99-90, initiated by the PERA Board of Trustees, was enacted into law. This legislation contains several features that will affect the Health Care and the Division Trust Funds that will be implemented in years after 2000. These features include:

1. Establishing an employer match on members' voluntary contributions to defined contribution plans, once PERA's unfunded liability is fully amortized, or January 1, 2001, whichever is later. The Board in 2000, as provided for in the act, set the employer match for the calendar year 2001 to be a 100 percent match of a member's voluntary contributions to an eligible tax-deferred retirement program, up to a maximum per payroll of 3 percent of PERA-includable salary for State and School Division members, 2 percent of salary for Municipal Division members, and 7 percent of PERA-includable salary for Judicial Division members.
2. Authorizing PERA to offer a Health Care Program to PERA-affiliated (PERACare) employers on a voluntary basis for their active PERA members, effective January 1, 2001.

During the 2000 legislative session, House Bill 00-1458 was passed by the Legislature and signed by the Governor. The Governor's office initiated HB 00-1458 to make early retirement more feasible and to achieve cost reductions, and the PERA Board of Trustees supported the bill. The features of HB 00-1458 which will be implemented after the year 2000 include:

- The employer contribution rate will be reduced by 20 percent of the ten-year amortization of any overfunding in each Division. Beginning January 1, 2001, the employer contribution rate in the Municipal Division fell from 10.00 percent to 9.43 percent of salary. Beginning with July 1, 2001, the employer contribution rate in the State and School Division for non-troopers will fall from 10.40 percent to 9.90 percent, for troopers it will fall from 13.10 percent to 12.60 percent, and in the Judicial Division the rate will fall from 14.00 percent to 11.82 percent.
- Once a Division's trust fund becomes fully funded, 30 percent of the ten-year amortization of the overfunding will be allocated to the PERA HCTF. Beginning with January 1, 2001, the employer contribution for the HCTF increases from 1.10 percent to 1.42 percent of salary in the State and School Division, to 1.96 percent in the Municipal Division, and to 4.37 percent in the Judicial Division.
- Beginning in March 2001, the annual increase for PERA benefit recipients will be 3.5 percent compounded annually. Under current law, the increase is the lower of actual inflation or a cumulative annual rate of 3.5 percent since retirement.

Senate Bill 01-149 was signed by Governor Owens on June 1, 2001. This bill allows district attorneys, who are elected officials, to join the State Defined Contribution Plan in lieu of PERA effective January 1, 2002. SB 01-149 also provides for the State Auditor to conduct a comprehensive study of retirement plans designs, including a comparison of the benefits, cost, and portability of PERA against other public and private plans.

House Bill 01-1057 will permit PERA retirees who return to work for a PERA employer to make voluntary contributions to the 401(k) Plan, effective July 1, 2001.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress For the Years Ended December 31
(In Thousands of Dollars)

	Valuation Year					
State and School Division Trust Fund	**2000**	**1999**	**1998**	**1997**		
Actuarial Value of Assets (a)	**$27,749,435**	$24,976,228	$21,644,949	$18,572,185		
Actuarial Accrued Liability (b)	**26,492,574**	24,311,246	22,498,963	20,264,739		
Total Unfunded (Overfunded) Actuarial Accrued Liability (UAAL/OAAL) (b-a)	**(1,256,861)**	(664,982)	854,014	1,692,554		
Funded Ratio (a/b)	**104.7%**	102.7%	96.2%	91.6%		
Covered Payroll (c)	**4,561,133**	4,309,573	4,098,423	3,877,988		
UAAL/OAAL as a Percentage of Covered Payroll	**(27.6)%**	(15.4)%	20.8%	43.6%		
State Division Trust Fund[1]					**1996**	**1995**
Actuarial Value of Assets (a)					$6,562,389	$5,838,863
Actuarial Accrued Liability (b)					7,211,331	6,922,184
Total Unfunded Actuarial Accrued Liability (UAAL) (b-a)					648,942	1,083,321
Funded Ratio (a/b)					91.0%	84.4%
Covered Payroll (c)					1,546,194	1,510,353
UAAL as a Percentage of Covered Payroll					42.0%	71.7%
School Division Trust Fund[1]					**1996**	**1995**
Actuarial Value of Assets (a)					$9,717,424	$8,599,151
Actuarial Accrued Liability (b)					9,767,811	9,248,544
Total Unfunded Actuarial Accrued Liability (UAAL) (b-a)					50,387	649,393
Funded Ratio (a/b)					99.5%	93.0%
Covered Payroll (c)					2,114,118	1,994,914
UAAL as a Percentage of Covered Payroll					2.4%	32.6%
Municipal Division Trust Fund	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**
Actuarial Value of Assets (a)	**$1,717,017**	$1,524,667	$1,300,574	$1,098,291	$949,049	$829,117
Actuarial Accrued Liability (b)	**1,541,014**	1,413,208	1,301,869	1,121,444	920,713	842,576
Total Unfunded (Overfunded) Actuarial Accrued Liability (UAAL/OAAL) (b-a)	**(176,003)**	(111,459)	1,295	23,153	(28,336)	13,459
Funded Ratio (a/b)	**111.4%**	107.9%	99.9%	97.9%	103.1%	98.4%
Covered Payroll (c)	**399,737**	380,064	359,025	314,167	289,818	280,999
UAAL/OAAL as a Percentage of Covered Payroll	**(44.0)%**	(29.3)%	0.4%	7.4%	(9.8)%	4.8%
Judicial Division Trust Fund	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**
Actuarial Value of Assets (a)	**$159,426**	$142,499	$124,059	$106,012	$92,908	$82,384
Actuarial Accrued Liability (b)	**132,653**	122,237	115,228	107,888	92,051	87,003
Total Unfunded (Overfunded) Actuarial Accrued Liability (UAAL/OAAL) (b-a)	**(26,773)**	(20,262)	(8,831)	1,876	(857)	4,619
Funded Ratio (a/b)	**120.2%**	116.6%	107.7%	98.3%	100.9%	94.7%
Covered Payroll (c)	**21,673**	20,123	19,854	19,666	18,832	17,533
UAAL/OAAL as a Percentage of Covered Payroll	**(123.5)%**	(100.7)%	(44.5)%	9.5%	(4.6)%	26.3%

	Valuation Year					
Health Care Trust Fund	**2000**	**1999**	**1998**	**1997**	**1995**	**1992**
Actuarial Value of Assets (a)	**$116,034**	$100,825	$82,929	$76,957	$72,423	$65,021
Actuarial Accrued Liability (b)	**809,709**	782,698	591,222	595,597	551,699	501,684
Total Unfunded Actuarial Accrued Liability (UAAL) (b-a)	**693,675**	681,873	508,293	518,640	479,276	436,663
Funded Ratio (a/b)	**14.3%**	12.9%	14.0%	12.9%	13.1%	13.0%
Covered Payroll (c)	**4,982,543**	4,709,760	4,477,302	4,211,821	3,803,799	3,436,694
UAAL as a Percentage of Covered Payroll	**13.9%**	14.5%	11.4%	12.3%	12.6%	12.7%

[1] The State Division Trust Fund and the School Division Trust Fund were merged on July 1, 1997.

The accompanying notes are an integral part of the Required Supplementary Information.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions for the Years Ended December 31
(In Thousands of Dollars)

State and School Division Trust Fund	2000	1999	1998	1997
Dollar Amount of Annual Required Contribution (ARC)	**$420,031**	$422,025	$409,749	$392,898
ARC[1]	**9.82%**	10.46%	10.61%	10.71%
% ARC Contributed	**100%**	100%	100%	100%

State Division Trust Fund[2]	1996	1995
Dollar Amount of Annual Required Contribution (ARC)	$159,057	$153,472
ARC[1]	10.83%	10.83%
% ARC Contributed	100%	100%

School Division Trust Fund[2]	1996	1995
Dollar Amount of Annual Required Contribution (ARC)	$214,155	$200,889
ARC[1]	10.80%	10.80%
% ARC Contributed	100%	100%

Municipal Division Trust Fund	2000	1999	1998	1997	1996	1995
Dollar Amount of Annual Required Contribution (ARC)	**$32,639**	$31,418	$30,186	$27,253	$25,149	$23,980
ARC[1]	**8.90%**	9.05%	9.20%	9.20%	9.20%	9.20%
% ARC Contributed	**100%**	100%	100%	100%	100%	100%

Judicial Division Trust Fund	2000	1999	1998	1997	1996	1995
Dollar Amount of Annual Required Contribution (ARC)	**$2,726**	$2,689	$2,693	$2,636	$2,531	$2,353
ARC[1]	**13.40%**	14.05%	14.20%	14.20%	14.20%	14.20%
% ARC Contributed	**100%**	100%	100%	100%	100%	100%

Health Care Trust Fund	2000	1999	1998	1997	1995	1992
Dollar Amount of Annual Required Contribution (ARC)	**$51,351**	$43,136	$33,522	$31,750	$28,467	$27,460
ARC[1]	**1.10%**	0.95%	0.80%	0.80%	0.80%	0.80%
% ARC Contributed	**100%**	100%	100%	100%	100%	100%

1 As a percent of covered payroll.
2 The State Division Trust Fund and the School Division Trust Fund were merged on July 1, 1997.

The accompanying notes are an integral part of the Required Supplementary Information.

Notes to Required Supplementary Information

Note 1—Description

The historical trend information about the State and School Division Trust Fund, Municipal Division Trust Fund, Judicial Division Trust Fund, and the Health Care Trust Fund is presented as required supplementary information. This information is intended to help users assess the funding status on a going-concern basis and to assess progress made in accumulating assets to pay benefits when due.

Information for the required supplementary schedules of funding progress and employer contributions is available for six years for the Division Trust Funds. The Health Care Trust Fund required supplementary information is provided for years when actuarial valuations were performed.

Note 2—Actuarial Assumptions and Methods

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Health Care Trust Fund
Valuation date	12/31/00	12/31/00	12/31/00	12/31/00
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level percent Open	Level percent Open	Level percent Open	Level percent Open
Remaining amortization period	0	0	0	16
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions				
Investment rate of return*	8.75%	8.75%	8.75%	8.75%
Projected salary increases*	5.0-10.0%	5.5-12.9%	5.0-6.01%	Not applicable
*Includes inflation at	4.50%	4.50%	4.50%	4.50%
Cost-of-living adjustments	3.5% Compounded annually	3.5% Compounded annually	3.5% Compounded annually	None
Health care inflation factor	Not applicable	Not applicable	Not applicable	Zero

Note 3—Significant Factors Affecting Trends in Actuarial Information

Pension Plans

2000 Changes in Plan Provisions Since Prior Year—State and School, Municipal, and Judicial Division Trust Funds:

- A Modified Rule of 80 provision was added. Members whose age plus years of service total 80 or more will retire without reduction for early retirement, if they are at least age 55 and have a minimum of five years of service.
- The annual increase for PERA benefit recipients was fixed at 3.5 percent compounded annually.
- If the actuarial valuation determines that either the State and School or Judicial Division is overfunded, then for the following year:

  The employer contribution rate will be reduced by 20 percent of the ten-year amortization of the overfunding, with statutory minimum reductions. In addition, a portion of the employer contribution will be made available for MatchMaker, the defined contribution plan matching program. The maximum amount available for MatchMaker will be 2 percent of covered salaries plus 50 percent of the ten-year amortization of the overfunding. The level of the matching contributions will be determined by the Board for each calendar year based on the amount available. In addition, a portion of the employer contribution equal to 30 percent of the ten-year amortization of the overfunding will be allocated to the Health Care Trust Fund.
- If the actuarial valuation determines that the Municipal Division is overfunded, then for the following year:

  The employer contribution rate will be temporarily reduced by 20 percent of the ten-year amortization of the overfunding. In addition, a portion of the employer contribution will be made available for MatchMaker, the

Notes to Required Supplementary Information

defined contribution plan matching program. The maximum amount available for MatchMaker will be 0.5 percent of covered salaries plus 50 percent of the ten-year amortization of the overfunding. The level of the matching contributions will be determined by the Board for each calendar year based on the amount available. In addition, a portion of the employer contribution equal to 30 percent of the ten-year amortization of the overfunding will be allocated to the Health Care Trust Fund.

1999 Changes in Plan Provisions Since Prior Year—State and School, Municipal, and Judicial Division Trust Funds:

- The member contribution rate for the State Troopers was reduced from 11.5 percent to 10.0 percent, effective July 1, 1999.
- Increased the money purchase benefit and the matching percentages on payments to terminating members to 50 percent of the member's contributions and interest if refunded prior to retirement eligibility or age 65, and 100 percent if refunded when eligible for retirement or age 65, or upon the death of a member. Increases in the match distribution and money purchase benefit are effective July 1, 1999.
- Increased the employer contribution rate designated for the Health Care Trust Fund from 0.8 percent of salary to 1.1 percent by reducing the rate designated for the pension trust fund by 0.3 percent on July 1, 1999.

1998 Changes in Plan Provisions Since Prior Year—State and School, Municipal, and Judicial Division Trust Funds:

- The employer contribution rate for the State and School Division, except State Troopers, was changed from 11.5 percent to 11.4 percent, effective July 1, 1998.
- The eligibility for service retirement benefits for members, except State Troopers, was changed to include age 50 with 30 years of service credit.
- In the calculation of reduced service retirement benefits for members, except State Troopers, the reduction was changed from 4 percent to 3 percent for members who retire at or after age 55 and before age 60.
- In the calculation of reduced service retirement for State Troopers, the reduction was changed from 4 percent to 3 percent for members who retire at or after age 50 and before age 60.

1997 Changes in Plan Provisions Since Prior Year—State and School, Municipal, and Judicial Division Trust Funds:

- The Highest Average Salary (HAS) for members of the Judicial Division was changed from a three–year average to the highest one year's salary.
- The State Division Trust Fund and the School Division Trust Fund were merged into the State and School Division Trust Fund.
- The maximum amortization period for the three Division Trust Funds was reduced from 60 years to 40 years.
- The employer contribution rate for the State and School Division was reduced 0.1 percent to 11.5 percent.
- The benefit formula for years over 20 was changed retroactively from 1.5 percent to 2.5 percent of HAS beginning July 1997, up to a maximum of 100 percent of HAS.
- The investment rate of return assumption was increased from 8.5 percent to 8.75 percent.
- Mortality, withdrawal, retirement, disability, and pay increase assumptions were changed based on the actuarial experience study performed in 1996.

1995 Changes in Plan Provisions Since Prior Year—State, School, Municipal, and Judicial Division Trust Funds:

- The interest rate credited on member contribution accounts was changed to equal 80 percent of the actuarial investment assumption rate.
- Interest credited on member contribution accounts is calculated from date of membership rather than just calculated from July 1, 1991.
- Established a "matching" refund amount before attaining retirement eligibility age equal to 25 percent of contributions and interest or equal to 50 percent of contributions and interest after attaining retirement eligibility age or age 65.
- The money purchase benefit was established and is actuarially determined based on the member contribution account and the matching contribution amount and interest.

Health Care Trust Fund

2000 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- If the actuarial valuation for the State and School, Municipal, or Judicial Division Trust Fund determines that any Division is overfunded, then for the following year a portion of that Division's employer contribution, equal to 30 percent of the ten-year amortization of the overfunding, will be allocated to the Health Care Trust Fund.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1999 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- Increasing the employer contribution rate designated for the Health Care Trust Fund from 0.8 percent of salary to 1.1 percent by reducing the rate designated for the pension trust fund by 0.3 percent on July 1, 1999.
- Doubling the amount of the Health Care Program subsidy for pre-Medicare retirees up to a maximum of $230 (actual dollars) per month for a retiree with 20 or more years of service, effective July 1, 2000.

1998 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- The plan provisions were changed to allow benefit recipients to cover dependent children up to age 24.

1997 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- The investment rate of return assumption was increased from 8.5 percent to 8.75 percent.
- Mortality and inflation assumptions were changed based on the actuarial experience study performed in 1996.

1995 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- No significant changes in Plan provisions.

1992 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- State law changed requiring membership for all employees who are not exempt by federal law. Active membership increased 24 percent during the year of this change.
- The method of valuing assets was changed from a cost method to the 4–year smoothed market value of assets method.
- The investment rate of return assumption was increased from 7.5 percent to 8.5 percent.

REQUIRED SUPPLEMENTARY INFORMATION

Health Care Trust Fund
Required Supplemental Schedule of Claims Development Information

The Claims Development Information Table below illustrates how the Health Care Trust Fund's earned revenues and investment income compares to the costs of loss and other expenses related to the Mutual of Omaha and the Express Scripts Prescription Drug policies as of each of the previous four years (information for years prior to 1997 is not available). The rows of the table are defined as follows:

1. This line shows the total of the year's gross earned premiums, employer contributions, and reported investment revenues.
2. This line shows the year's other operating costs of the Health Care Trust Fund including overhead and claims expenses not allocable to individual claims.
3. This line shows the incurred claims and allocated claims adjustment expenses, claims assumed by re-insurers, and net incurred claims and claims adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called service year).
4. This section shows the cumulative amounts paid on the Mutual of Omaha and Express Scripts policies as of the end of successive years for each service year.
5. This line shows the latest re-estimated amount of claims assumed by re-insurers for each successive year. The Health Care Trust Fund does not use reinsurance agreements.
6. This section shows how each service year's incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data of individual service years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature service years.

Claims Development Information Table
(In Thousands of Dollars)

	2000	1999	1998	1997
1. Premium revenues, employer contributions, and investment income:				
Total premium revenues	$28,751	$25,611	$21,798	$20,124
Employer contributions	51,351	43,136	33,521	31,750
Total investment income	(94)	17,891	14,089	15,711
Total premium revenue, contributions, and investment income	80,008	86,638	69,408	67,585
2. HCTF unallocated expenses:				
Premium subsidy expense and other unallocated deductions	24,203	16,070	12,600	12,783
3. Estimated losses and expenses:				
Administrative expense	3,531	3,317	3,191	3,153
Prescription drug claims expense	19,094	17,167	15,269	15,090
Mutual of Omaha claims expense	31,638	28,908	30,059	28,626
Total estimated losses and expenses	54,263	49,392	48,519	46,869
4. Net paid (cumulative) as of:				
End of service year	47,337	42,963	39,988	38,889
One year later		50,458	46,252	46,299
Two years later			46,450	46,611
Three years later				46,611
5. Re-estimated ceded losses and expenses	0	0	0	0
6. Re-estimated net incurred losses and expenses:				
End of service year	54,263	49,392	48,519	46,869
One year later		50,458	46,252	46,299
Two years later			46,450	46,611
Three years later				46,611
7. Increase (decrease) in estimated net incurred losses and expenses from end of service year	$0	$1,066	($2,069)	($258)

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended December 31
(In Thousands of Dollars)

	2000	1999
Personnel services:		
Salaries	$11,340	$11,889
Employee benefits	3,019	2,688
Total personnel services	14,359	14,577
Staff education:		
Tuition assistance program	60	61
PERA-required education	287	353
Total staff education	347	414
Professional contracts:		
Actuarial contracts	153	174
Audits	88	85
Medical exams	14	141
Investment counsel	739	712
Legal and legislative counsel	994	611
Computer services and consulting	590	514
Management consulting	327	296
Health care consultants	326	151
Other	376	243
Total professional contracts	3,607	2,927
Miscellaneous:		
Equipment rental and services	727	739
Memberships	127	121
Publications and subscriptions	65	74
Travel and local expense	614	583
Auto expense	19	15
Telephone	217	205
Postage	828	845
Insurance	130	139
Printing	623	460
Office supplies	284	364
Building rent, supplies, and utilities	443	379
Other	27	68
Total miscellaneous	4,104	3,992
Total budgeted expense	22,417	21,910
Depreciation expense	1,376	1,197
401(k) Voluntary Investment Program expense	871	577
Total expense	24,664	23,684
Interfund–tenant and other expense	39	92
Interfund–Life Insurance Reserve	(491)	(424)
Interfund–CIF investment expense	(4,639)	(4,663)
Total administrative expense	$19,573	$18,689
Allocation of administrative expense:		
State and School Division Trust Fund	$15,245	$15,794
Municipal Division Trust Fund	1,339	1,391
Judicial Division Trust Fund	20	37
401(k) Voluntary Investment Program	1,835	984
Health Care Trust Fund	1,134	483
Total allocation	$19,573	$18,689

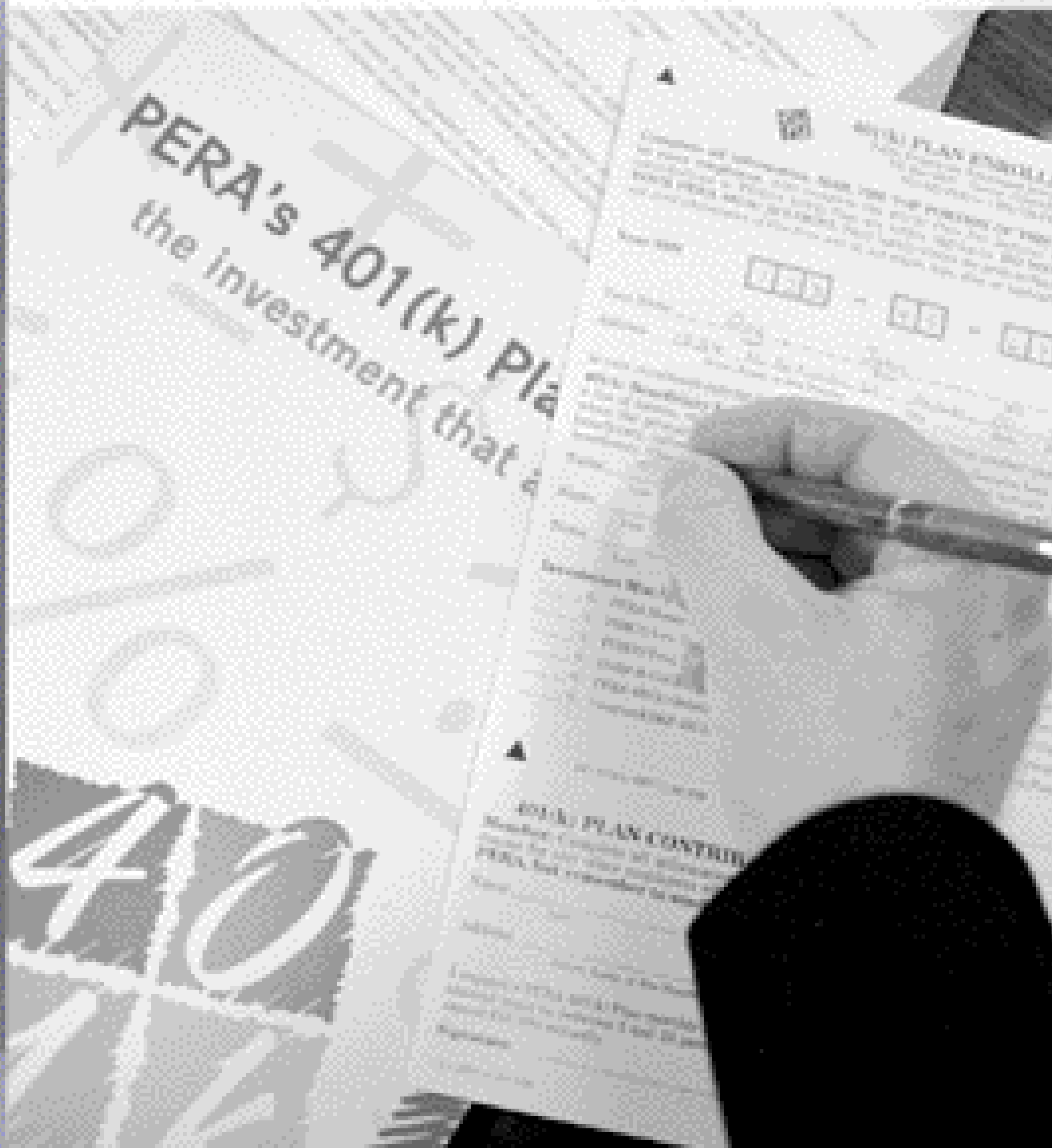
SCHEDULE OF INVESTMENT EXPENSES
For the Year Ended December 31
(In Thousands of Dollars)

	2000	1999
External manager expenses		
Domestic fixed income	**$1,468**	$1,202
Domestic equity	**7,972**	5,769
International equity	**12,526**	9,610
International fixed income	**543**	549
Real estate debt & equity	**32,532**	18,830
Alternative investments	**29,274**	28,382
Timber investments	**(654)**	4,265
	83,661	68,607
Internal manager expenses	**4,639**	4,663
Other investment expenses and custody fees	**5,009**	4,550
Total expenses	**93,309**	77,820
Expenses allocated to the Insurance Dividend Reserve	**(68)**	(59)
Total investment expenses	**$93,241**	$77,761

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES— INSURANCE DIVISION RESERVE (AGENCY FUND)
For the Year Ended December 31
(In Thousands of Dollars)

	Balance as of January 1, 2000	Net Change	Balance as of December 31, 2000
ASSETS			
Cash and short-term investments	$545	$178	$723
Securities lending collateral	1,912	(65)	1,847
Total cash and short-term investments	2,457	113	2,570
Receivables			
Benefit	0	94	94
Interfund	1	0	1
Investments settlement and income	73	(1)	72
Total receivables	74	93	167
Investments at fair value			
U.S. government obligations	869	142	1,011
Domestic corporate bonds	621	(119)	502
Domestic stocks	12,591	(960)	11,631
International stocks	3,514	(482)	3,032
International fixed income	496	(16)	480
Real estate equity	1,482	185	1,667
Real estate debt	129	28	157
Alternative investments	2,150	297	2,447
Timber investments	222	(27)	195
Total investments	22,074	(952)	21,122
Total assets	$24,605	($746)	$23,859
LIABILITIES			
Investment settlements and other	$22,693	($681)	$22,012
Securities lending obligations	1,912	(65)	1,847
Total liabilities	**$24,605**	**($746)**	**$23,859**

INVESTMENT SECTION



PERA Report on Investment Activity

(Does not include the 401(k) Voluntary Investment Program)

State Law

State law gives complete responsibility for the investment of PERA's funds to the Board of Trustees, with some stipulations including:

- The aggregate amount of monies invested in corporate stocks or corporate bonds, notes or debentures which are convertible into stock or in investment trust shares cannot exceed 65 percent of the then book value of the fund.
- No investment of the fund in common or preferred stock (or both) of any single corporation can exceed 5 percent of the then book value of the fund.
- The fund cannot acquire more than 12 percent of the outstanding stock or bonds of any single corporation.

Board of Trustees' Statutory Fiduciary Responsibility

By state law, the management of PERA's retirement fund is vested in the PERA Board of Trustees who are held to the standard of conduct of fiduciaries in discharging their responsibilities. According to C.R.S. § 24-51-207(2), PERA's trustees, as fiduciaries, must carry out their functions solely in the interest of PERA members and benefit recipients and for the exclusive purpose of providing benefits.

Goal

The function of the Association is to provide present and future retirement or survivor benefits for its members. In keeping with that function, the preservation of capital is of paramount importance.

The future investment performance of PERA directly affects its future financial strength. Earnings of portfolio assets in excess of the assumed actuarial rate of return reduce unfunded actuarial liabilities.

Outline of Investment Policy

The Funds are long-term in nature and the selection of investments is regulated by: statutory limitation, investment time horizon, the limits of acceptable risk, and the objective of optimizing the total rate of return. The Deputy Executive Director of Investments is authorized to execute investment transactions on behalf of the Board.

Investment decisions are made under the framework of the goal established for the rate of return, limits of acceptable risk, and Fund objectives. The goal is to optimize the return of the portfolio, as opposed to maximizing the rate of return.

The optimal portfolio mix is one that carefully equates expected rate of return with expected risk of all investment categories utilized in the portfolio. In setting the optimal mix of assets for the portfolio, the Board has developed a strategic (long-term) asset allocation policy, which incorporates a diversified asset mix.

The targeted strategic asset allocation is designed to provide an optimal diversification to reduce risk and maximize total rate of return relative to risk. Since the investment time horizon of the portfolio is long-term, and the portfolio is constructed to avoid the necessity of liquidating holdings to meet benefit payments, liquidity is not a primary consideration. However, every reasonable effort will be made to provide protection for the portfolio in future deteriorating markets.

The Board recognizes that individual investment holdings contain substantially higher risk than portfolios constructed of such holdings. Consequently, primary emphasis will be given to diversification of the portfolio on an optimal basis, utilizing the diversified strategic asset allocation mix.

While efforts can be made to maintain the quality of individual holdings, it is recognized that the utilization of certain non-traditional asset categories such as venture capital, leveraged buyout funds, international equities, and real estate may contain substantially higher risk than with individual issues. Consequently, primary effort will be made to reduce the risk of the total portfolio through optimal diversification, as opposed to concentrating on individual issues.

The portfolio will be managed by a carefully constructed mix of internal and external management. No holding will be considered a "permanent" part of the portfolio. Any security can be sold at any time either to increase gains or decrease losses.

PERA utilizes an options program. Its objective is to enhance portfolio returns by generating incremental income and to reduce volatility on a portion of the Standard and Poor's (S&P) 500 Index portfolio. The strategy is to sell covered-call options, which gives the owner the right to buy the underlying stock at a predetermined "strike" price. PERA receives a cash premium from selling the options. If the stock moves above the strike price, PERA can buy back the options or allow the stock to be "called-away" at the strike price. This program provides a means of reducing overall portfolio risk in addition to receiving additional income provided by the program over a full market cycle.

The targeted strategic asset allocation is designed to provide the optimal mix of asset categories over the investment time horizon of the portfolio. In doing so, characteristics of expected return, risk, and correlation of return of the various asset categories have been carefully projected. Both traditional (cash, bonds, domestic stocks, fixed income, mortgages) and non-traditional investments (real estate, international investments, including stocks and fixed income, and alternative investments) have been incorporated into the targeted strategic asset mix.

PERA REPORT ON INVESTMENT ACTIVITY (CONTINUED)

(Does not include the 401(k) Voluntary Investment Program)

Preference will be given to Colorado investments, all other things being equal. However, to provide optimal portfolio diversification by geographical location and asset categories, and to maintain fiduciary responsibility, investments located within Colorado will not exceed 20 percent of the aggregate (combined) portfolio at cost. Within the 20 percent, every effort will be made to further diversify the available asset classes (commercial real estate mortgages, common stock holdings, corporate debt, equity ownership of real estate, residential mortgage pools, and venture capital).

In making investment decisions, the Board avails itself of the highest caliber advice obtainable both internally and externally. This advice may include the internal investment staff, outside investment managers selected for both traditional and non-traditional asset classes, and investment consultants selected by the Board for specific expertise in implementing and carrying out the portfolio process.

Generally accepted accounting principles (GAAP) are followed in accounting for the portfolio. However, GAAP should not restrict investment decisions. Securities recorded at original cost, adjusted cost, and market value will be reported to the Board. The firm engaged for the annual audit is consulted when questions concerning accounting issues arise. An annual evaluation is conducted by a performance evaluation service from the investment industry.

In addition, the annual external financial audit and the annual actuarial evaluation are reviewed in conjunction with an evaluation of the investment performance. All evaluations are related to the Association's stated goals. Because these goals are long-term, cumulative performance results are considered more important than performance in any one year.

Corporate Governance

General Policy

Although PERA is not generally subject to the Employee Retirement Income Security Act of 1974 (ERISA), the PERA Board complies with the position taken by the U.S. Department of Labor (DOL) in February 1988. The DOL has stated that the right to vote shares of stock owned by a pension plan is, in itself, an asset of the plan, and therefore the fiduciary's responsibility to manage the assets includes proxy voting.

Board of Trustees Shareholder Responsibility Committee

To assist the Board of Trustees in carrying out its fiduciary responsibilities in voting proxies, the Board established a Shareholder Responsibility Committee. The General Counsel serves as an advisor to the Committee. The Board and the Shareholder Responsibility Committee have delegated to the Legal Department the authority to execute and vote all proxies according to the Board Proxy Voting Policy. All proxy issues are reviewed by staff on a case-by-case basis and then voted according to guidelines established by the Policy. PERA retains corporate governance consultants to assist in the proxy voting process.

Proxy Voting Policy

The Board's Proxy Voting Policy sets forth directives on the following nine issues: Board of Directors, Proxy Contests and Corporate Defenses, Tender Offers and Corporate Defenses, Corporate Restructurings, State of Incorporation, Proxy System, Executive Compensation, Corporate Governance, and Social Issues. The Proxy Voting Policy on Social Issues states that "PERA will abstain on all social issues, and will only vote on financial issues." The voting of proxy ballots for international stocks is delegated to PERA's external international equity managers consistent with certain requirements established by the Board.

(PERA's Report on Investment Activity was prepared by internal staff.)

INVESTMENT BROKERS/ADVISORS

Bear Stearns & Co., Inc.
Bridge Information Systems
Chase Securities
CIBC World Markets Inc.
Credit Suisse First Boston Corp.
Donaldson Lufkin & Jenrette*
Goldman Sachs & Co.
Heitman Advisory Corp.
ING-Barings
Instinet Corp.
INVESCO Realty Advisors
ITG-Investment Technology Group
J.P. Morgan Securities, Inc.
Knight Securities L. P.
La Salle Advisors Ltd.
Lehman Brothers Inc.
Lend Lease
Merrill Lynch & Co., Inc.
Morgan Stanley Dean Witter Asset Mgmt.
Paine Webber Inc.**
Petrie Parkman & Co.
Prudential Realty Investors
Rampart Investment Management Co. Inc.
Robertson Stephens, Inc.
RREEF
Salomon Smith Barney, Inc.
Sanford C. Bernstein & Co.
Simmons and Co. International
Stifel Nicolaus & Company, Inc.
UBS Warburg
U. S. Bancorp Piper Jaffray Inc.
Warburg Dillon Read**
William Blair & Company

*Merged with CS First Boston Corp in 2000
**Merged with UBS Warburg in 2000

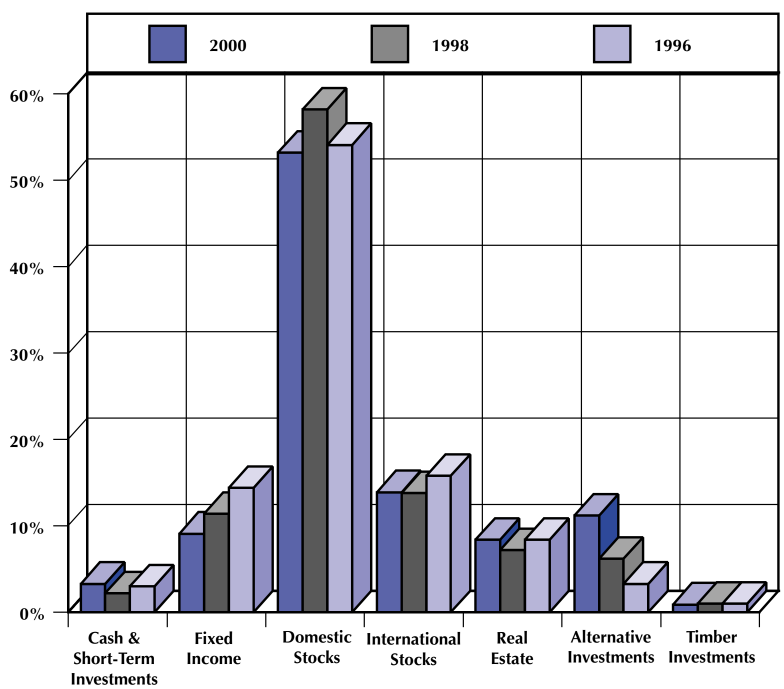
INVESTMENT SUMMARY

(Does not include the 401(k) Voluntary Investment Program)

	(In Thousands of Dollars) Market Value	Percent of Total Market Value		
	December 31, 2000	2000	1998	1996
Cash and Short-Term Investments	$1,003,445	3.3%	2.2%	3.0%
Fixed Income				
U.S. Government Obligations	1,402,980	4.6%	4.5%	4.0%
Domestic Corporate Bonds	695,942	2.3%	4.7%	8.4%
International Fixed Income	666,208	2.2%	2.2%	2.0%
Total Fixed Income	2,765,130	9.1%	11.4%	14.4%
Domestic Stocks	16,135,956	53.2%	58.2%	54.1%
International Stocks	4,206,744	13.9%	13.8%	15.8%
Real Estate				
Real Estate Equity	2,312,205	7.7%	6.5%	6.1%
Real Estate Debt	216,961	0.7%	0.7%	2.3%
Total Real Estate	2,529,166	8.4%	7.2%	8.4%
Alternative Investments				
Venture Capital	778,624	2.6%	1.5%	1.2%
Leveraged Buyout Funds	1,761,690	5.8%	3.4%	1.8%
International Private Equity Funds	854,462	2.8%	1.3%	0.3%
Total Alternative Investments	3,394,776	11.2%	6.2%	3.3%
Timber Investments	270,232	0.9%	1.0%	1.0%
Total Investments	$30,305,449	100.0%	100.0%	100.0%

ASSET ALLOCATION AT MARKET VALUE

(Does not include the 401(k) Voluntary Investment Program)
Year End December 31



FUND PERFORMANCE EVALUATION

(Does not include the 401(k) Voluntary Investment Program)

Evaluation

PERA retains R.V. Kuhns and Associates and The Northern Trust Company to evaluate its Fund performance. Russell Real Estate Advisors, Inc. is utilized for the real estate portfolio performance evaluation and industry comparisons. In their analysis, R.V. Kuhns and The Northern Trust include all investments within the portfolio, including cash and accrued income. They also make the calculations for annual rates of return.

Asset Allocation

The Association's long-term strategic asset allocation policy sets forth specific portfolio targets. In 2000, the Board changed the asset allocation targets from a cost to market value basis as follows: domestic equity 55 percent, international equity 17 percent, domestic fixed income 8 percent, international fixed income 2 percent, alternative investments 8 percent, and real estate investments 8 percent. The Board also established timber investments as a separate class with a 2 percent allocation. To accommodate changing market conditions, the Board has approved an allocation range for each asset category in which staff must invest.

Total Portfolio Results

For the year ended December 31, 2000, the total fund returned 0.2 percent, compared to the R.V. Kuhns' Median Public Fund return of 0.3 percent. The R.V. Kuhns' Median Public Fund measure is comprised of 65 public pension funds with assets of approximately $1.2 trillion used for comparative analysis. This universe is used to determine the effectiveness of the respective performance of the Association's portfolio managers.

Volatility and uncertainty characterized the nation's financial markets in 2000. Years of unprecedented stock market gains—particularly in the technology sector—came to an abrupt halt. The Standard & Poor's S&P 500 Index fell 9.1 percent in 2000, marking the S&P's lowest annual performance in 17 years. Treasury securities experienced the best year since 1995, enabling investors to compensate for major stock market losses. However, corporate bonds sustained the fourth year of a bear market.

The Association's three– and five–year annualized rates of return of 11.3 percent and 13.5 percent, respectively, exceeded the R.V. Kuhns' Median Public Fund returns of 10.4 percent and 12.7 percent, respectively, for these periods. PERA's 10–year annualized rate of return of 13.3 percent exceeded the R. V. Kuhns' Median Public Fund return of 12.7 percent, inflation and PERA's actuarial investment assumption rate of 8.75 percent.

Compared to funds with over $20 billion in assets, PERA was "over-weighted" in domestic equities, real estate, and alternative investments, and "under-weighted" in domestic and international fixed income. Approximately 55 percent of PERA's domestic equity portfolio was indexed. The median large public domestic equity portfolio included in Kuhns' universe was also indexed by about 55 percent in 2000.

Domestic Stocks

Technology stocks—the worst performing sector in 2000—plunged 41 percent. Without the technology stock sector, the S&P 500 Index would have gained 6.5 percent. The 100 largest stocks lost 16.5 percent return in 2000, while all other size categories gained 14 percent or higher. The top-performing stocks of 2000 included health care, tobacco, and utility-related stocks that had fared poorly in 1999.

Equities are invested through many different portfolio styles, each of which affects the overall equity return. PERA's options program is designed to reduce volatility and risk, and enhance portfolio returns over a full-market cycle. This program has allowed PERA to have a greater equity exposure, and this exposure has had an overall positive impact on the total portfolio.

In 2000, the total domestic equity portfolio (including options) returned (1.7) percent, ahead of the S&P 500 Index, Russell 3000 Index, and Kuhns' median domestic equity portfolio returns of (9.1) percent, (7.5) percent, and (4.9) percent, respectively. PERA's three– and five–year domestic stock portfolio returns of 11.3 percent and 15.9 percent, respectively, underperformed the S&P 500 Index, Russell 3000 Index, and Kuhns' median domestic equity portfolio returns for these periods. Three–year returns for the S&P 500 Index, Russell 3000 Index, and Kuhns median domestic equity portfolio were 12.3 percent, 11.6 percent, and 11.9 percent, respectively. Five–year returns for these indices were 18.3 percent, 17.4 percent, and 17.5 percent, respectively.

In 2000, the Board approved hiring two new small/mid-capitalization domestic equity fund managers (Turner Investment Partners, Inc. and MFS Institutional Advisors, Inc.) using $278 million in funds reallocated from the Standard & Poor's 500 Index fund. The Board also authorized terminating Denver Investment Advisors as a PERA domestic equity portfolio manager, with $475 million reallocated temporarily to the S&P 500 Index and to Alternative Investments.

International Stocks

The benchmark by which PERA's international equity managers are evaluated is a custom benchmark using 75 percent of the Europe-Australia-Far East (EAFE) Index and 25 percent of the EAFE excluding Japan Index. Rising interest rates, rising oil prices, and concerns about the sharp decline in U.S. technology, media and telecommunications stocks, led to international stocks—particularly in the technology sector—performing poorly

FUND PERFORMANCE EVALUATION (CONTINUED)

(Does not include the 401(k) Voluntary Investment Program)

throughout the world in 2000. Emerging markets fared the worst, with five Asian stock markets falling 30 percent or more in 2000.

PERA's international equity return in 2000 was (11.1) percent, compared with the (12.7) percent EAFE and EAFE ex-Japan Custom Index return. Of the 61 public funds with international investments in the Kuhns' universe, the median return in 2000 was (12.1) percent. PERA's three– and five–year international equity returns of 9.8 percent and 8.0 percent, respectively, slightly underperformed the EAFE Custom Index returns of 9.9 percent and 8.6 percent, respectively.

The Board approved changing PERA's investment mandate style from passive to active for two funds (Alliance Capital and Baring Asset Management). Also in 2000, the Board amended the investment policy to provide the following non-U.S. value, core, and growth investment mandates: 25 percent in non-U.S. value equity, 50 percent in non-U.S. core equity (including indexed), and 25 percent in non-U.S. growth equity.

Domestic Fixed Income

The government bond market enjoyed a strong rally in 2000. Interest rates dropped significantly and Treasury bond prices scored high gains. However, declining corporate earnings and high debt levels led to the worst year for high-yield securities since 1990. Investment grade corporate bonds performed better than high-yield bonds, but both sectors underperformed Treasuries.

PERA's domestic fixed income investments returned 9.7 percent in 2000. The majority of those investments are compared to a Custom Index which had a return of 10.0 percent. A broader market index, the Lehman Aggregate, had a return of 11.6 percent. PERA's fixed income underperformance was attributed to lower returns in investment grade corporate bonds.

International Fixed Income

International fixed income returned (1.3) percent, compared with the Salomon World Non-U.S. Government Bond Index return of (2.6) percent. The portfolio was well positioned in a declining interest rate environment. The outperformance was also attributed to advantageous country selection.

Alternative Investments

In 2000, the Board approved PERA's funding of 27 new alternative investments: seven in Leveraged Buyout, ten in International Private Equity, and ten in Venture Capital. In 2000, PERA's Venture Capital, Leveraged Buyout and International Private Equity portfolios returned 32.4 percent, (2.2) percent and 6.4 percent, respectively. The Alternative Investment portfolio composite returned 8.5 percent in 2000 and 21.7 percent on both a three–year and five–year annualized basis.

Real Estate

PERA's objective is to invest 8 percent of its total net assets in real estate, which is comprised of private equity (both domestic and international investments), public securities, and mortgages. At December 31, 2000, 8.4 percent of PERA's total net assets were invested in real estate. PERA uses a custom benchmark to measure the performance of its real estate sector. The COLPERA Composite Index is comprised of four separate indices and weighted according to the targeted real estate asset sectors prescribed by the Board.

COLPERA Composite Index Returns

For the year ended December 31, 2000, PERA's real estate portfolio return of 16.5 percent outperformed both the COLPERA Composite Index and R.V. Kuhns' Median Real Estate Portfolio returns of 13.8 percent and 12.7 percent, respectively. On a five-year annualized basis, PERA's real estate portfolio returned 12.5 percent compared to 9.0 percent and 11.9 percent for the COLPERA Composite Index and R.V. Kuhns' Median Real Estate Portfolio return, respectively.

In 2000, PERA invested approximately $406 million in real estate transactions and received approximately $123 million in net proceeds from dispositions of real estate assets. Unfunded real estate commitments as of December 31, 2000, were approximately $745 million.

SCHEDULE OF INVESTMENT RESULTS

(Does not include 401(k) Voluntary Investment Program)

	2000	3–Year Annualized	5–Year Annualized	10–Year Annualized
PERA Total Portfolio	**0.2%**	**11.3%**	**13.5%**	**13.3%**
Median Plan (R.V. Kuhn's Median Public Fund)	0.3%	10.4%	12.7%	12.7%
Domestic Stocks	**(1.7)%**	**11.3%**	**15.9%**	**15.9%**
Standard & Poor's (S&P 500)	(9.1)%	12.3%	18.3%	18.6%
Russell 3000	(7.5)%	11.6%	17.4%	17.4%
International Stocks	**(11.1)%**	**9.8%**	**8.0%**	**9.3%**
Europe-Australia-Far East (EAFE) Custom Index[1]	(12.7)%	9.9%	8.6%	8.6%
Domestic Fixed Income	**9.7%**	**3.7%**	**4.6%**	**7.5%**
Lehman Brothers Aggregate Bond Index	11.6%	6.4%	6.5%	8.0%
Custom Fixed Income Benchmark[2]	10.0%	6.7%	6.7%	N/A
International Fixed Income	**(1.3)%**	**4.1%**	**3.7%**	**N/A**
Salomon World Non-U.S. Government Bond Index	(2.6)%	2.9%	1.6%	6.8%
Real Estate (Includes Mortgages)	**16.5%**	**10.2%**	**12.5%**	**7.2%**
Custom Real Estate Benchmark[3]	13.8%	7.5%	9.0%	4.9%
Frank Russell/NCREIF Index	12.0%	13.2%	12.8%	6.7%
Alternative Investments	**8.5%**	**21.7%**	**21.7%**	**N/A**
PERA Venture Capital Funds	**32.4%**	**48.6%**	**39.3%**	**26.9%**
PERA LBO Funds	**(2.2)%**	**13.5%**	**16.3%**	**17.9%**
PERA International Private Equity	**6.4%**	**15.4%**	**N/A**	**N/A**
Custom Alternative Benchmark[4]	(7.4)%	10.1%	15.3%	N/A
PERA Timber Investments	**4.9%**	**8.3%**	**10.3%**	**N/A**

1 (75 percent EAFE and 25 percent EAFE excluding Japan)
2 (80 percent Lehman Aggregate, 10 percent Lehman High Yield, and 10 percent Lehman Emerging Markets)
3 (15 percent NAREIT, 45 percent NCREIF, 20 percent Salomon Bros. Mortgage, and 20 percent GPR)
4 (50 percent S&P Index, 25 percent Russell 2000, 25 percent EAFE ex-Japan)

COLORADO INVESTMENT PROFILE

(Does not include 401(k) Voluntary Investment Program)
As of December 31, 2000
(In Thousands of Dollars)

PERA continues to look for high-quality Colorado investments. The value of PERA's Colorado investments at the end of 2000 was substantially down from the close December 31, 1999. The majority of this decline was due to the termination of one of our Colorado–based external managers. The increase in market valuenin all categories except for common stock under management of Colorado companies, was primarily the result of additional investments. The market value of common stock of companies headquartered in Colorado declined in 2000.

	Market Value
Commercial mortgages	$26,900
Committed to future funding	129,265
Common stock of companies headquartered in Colorado	133,034
Bonds and notes	113,850
Real estate equity	168,700
Funds under management of Colorado companies	
(Venture capital and stock managers)	717,974
Total	**$1,289,723**

LARGEST STOCK HOLDINGS (MARKET VALUE)
As of December 31, 2000
(In Thousands of Dollars)

	Shares	Stocks	Market Value
1.	11,362,265	General Electric Co.	$544,679
2.	8,142,496	Pfizer Inc	374,555
3.	7,222,659	Citigroup Inc	368,807
4.	9,639,292	Cisco Systems, Inc	368,703
5.	6,248,155	Microsoft Corp	271,014
6.	4,984,335	Wal-Mart Stores Inc	264,793
7.	3,034,499	Exxon Mobil Corp	263,812
8.	2,640,785	AMER International Group Inc	260,282
9.	2,750,800	Merck & Co Inc	257,544
10.	7,513,412	Intel Corp	$225,872

LARGEST BOND HOLDINGS (MARKET VALUE)
As of December 31, 2000
(In Thousands of Dollars)

	Par	Bonds			Market Value
1.	$60,000	U.S. Treasury Bonds	5.500%	due 08/15/2028	$59,419
2.	57,000	U.S. Treasury Notes	5.250%	due 08/15/2003	57,128
3.	48,380	FHLMC Gold Group	6.500%	due 07/01/2029	47,725
4.	47,000	U.S. Treasury Notes	6.250%	due 06/30/2002	47,617
5.	32,000	U.S. Treasury Bonds	9.875%	due 11/15/2015	46,057
6.	41,906	FHLMC Group	7.500%	due 01/01/2030	42,562
7.	38,240	Japan (Gov't of) Bond	6.300%	due 09/20/2001	39,800
8.	35,000	U.S. Treasury Notes	6.500%	due 08/15/2005	37,003
9.	32,000	U.S. Treasury Notes	6.625%	due 05/15/2007	34,495
10.	$31,235	Japan (Gov't of) Bond	2.500%	due 12/21/2020	$32,656

More detailed information on PERA's investment holdings is available.
Requests should be sent to PERA, 1300 Logan Street, Denver, Colorado 80203.

PERA's 401(k) Voluntary Investment Program Report on Investment Activity

The PERA 401(k) Voluntary Investment Program (401(k) Plan) was established on July 1, 1985, under Section 401(k) of the Internal Revenue Code. Plan participation is voluntary and contributions are entirely separate from those that members make to the defined benefit plan each month. This section includes information about the 401(k) Plan; however, a separate 401(k) Plan Annual Report is published and mailed to all Plan participants.

In 2000, members were able to make tax-deferred contributions of up to 23 percent of their annual gross salary excluding any IRC Section 125 flexible spending account deductions, up to a maximum of $10,500. Contributions to the 401(k) Plan are deducted from the participant's monthly salary, and earnings on 401(k) Plan investments are also tax-deferred. Employers may make contributions to the accounts of their employees.

An administrative fee pays for recordkeeping, communications, education, consulting, staff, and other overhead expenses. For the first quarter of 2000, the fee equaled 0.25 percent of a participant's account balance (0.0625 percent quarterly) with a minimum fee of $25 per year per account and a maximum fee of $100 per year per account. On April 1, 2000, the fee was changed to $1 per month for the first 12 months of participation in the Plan, then $1.50 per month thereafter. Expenses are also offset by a partial return of investment management fees by each fund.

On December 31, 2000, the 401(k) Plan had net assets of $557,670,000 and 35,162 accounts, a net increase of more than eight percent in the total Plan value in one year, and 45.2 percent in membership. During the year, 865 participants withdrew 401(k) accounts, many rolling them into PERA to purchase service credit.

Year-End Statistics (In Thousands of Dollars)

Year	Assets	Number of Accounts
1991	$30,018	3,094
1992	42,369	4,545
1993	60,711	6,019
1994	78,687	8,080
1995	125,692	10,155
1996	186,541	13,064
1997	272,053	16,391
1998	362,874	20,112
1999	514,115	24,224
2000	$557,670	35,162

2000 Activities

During the first four months of the year, staff worked with the external recordkeeper (ADP) to finalize several improvements in the 401(k) Plan that became effective on April 24, 2000. These included the following:

- Adding these investment funds as options: Vanguard's Standard & Poor's 500 Index Fund, the Janus Fund, the MAS Mid Cap Value Fund, and the Janus Enterprise Fund.
- Moving from monthly to daily valuation of funds that provides for the posting of daily account value information, faster receipt of loans and quarterly statements, weekly check processing, and daily trading of 401(k) fund assets.
- Accessing 401(k) accounts through the Internet by Plan participants to obtain their account balance, change their investment mix, transfer monies between funds, request loans and distributions, and change their Personal Identification Numbers (PINs).
- Investment funds began being called by the investment manager's title, rather than by an asset category title, e.g., the Fidelity Contrafund is being called by that name instead of the Growth Stock Fund. The PERA-internally managed equity fund was named the PERA 401(k) Growth & Income Fund.

In 1999, SB 99-90, initiated by PERA's Board of Trustees, was enacted into law. One of the provisions in this law establishes a match on members' voluntary contributions to 401(k), 403(b), or 457 tax-deferred defined contribution plans once PERA's unfunded liability is fully amortized, or January 1, 2001, whichever is later. In July 2000, the Trustees announced that there were no unfunded liabilities in the three PERA Division Trust Funds and that the match program, titled the PERA MatchMaker, would commence in January 2001.

The Board set the following formula for the match—a dollar-for-dollar match on voluntary contributions up to a maximum percent of PERA-includable salary according to each Division Trust Fund. State and School Division members could receive up to a 3 percent match, Municipal Division members could receive up to a 2 percent match, and Judicial Division members could receive up to a 7 percent match.

Economic Update

With fears of an economic slowdown and increased concern over rising inflation, the Federal Reserve increased prime interest rates several times during the year. Coincidentally, the balloon burst for overly inflated technology stocks with valuations plummeting during the year. Major stock indices endured large losses, and the stock markets ended the year in highly volatile positions.

- The Dow Jones Industrial Average declined 4.7 percent, its worst performance since 1981.

PERA's 401(k) Voluntary Investment Program Report on Investment Activity (continued)

- The Standard & Poor's 500 Index fell 9.1 percent, its lowest return since 1977.
- The technology-dominated Nasdaq Composite Index plunged 39.2 percent to 2470.52, the index's poorest return since inception in 1971.

Small stocks did not suffer as greatly, returning 3.0 percent based on the Russell 2000 Index of small capitalization stocks. International investors also suffered losses with the EAFE index declining 14.0 percent. However, bond investors fared well during the year with the Lehman Brothers Aggregate Bond Index returning 11.6 percent.

Investment Options

The Plan assets are invested in one or more of the following types of investments. Among the specific investment funds designated by the Board, some variety is provided with respect to the expected risk and the expected potential for earnings and appreciation.

PERA Money Market Fund (formerly Money Market Fund): Primarily invests in high-grade money market instruments with short maturities such as U.S. government obligations, commercial paper, and certificates of deposit. Managed by The Northern Trust Company.

PIMCO Low Duration Fund (formerly Short-Term Bond Fund): Primarily invests in domestic corporate and government fixed income securities of varying maturities with a portfolio duration ranging between one and three years, and some foreign securities. Managed by PIMCO.

PIMCO Total Return Fund (formerly Long-Term Bond Fund): Primarily invests in U.S. government and corporate securities based on an analysis of major changes in the direction of long-term interest rates. Managed by PIMCO.

Dodge & Cox Balanced Fund (formerly Balanced Fund): The fund is a combination of common stocks and fixed income securities (primarily high quality bonds), with no more than 75 percent of the assets in stocks. Managed by Dodge & Cox.

PERA's 401(k) Growth and Income Stock Fund (formerly PERA Growth and Income Stock Fund): Primarily invests in common stocks of high-quality companies with a broad range of capitalization. Managed by PERA investment staff.

Fidelity Contrafund (formerly Growth Stock Fund): Primarily invests in common stocks and securities convertible into common stocks of companies with high growth potential. Managed by Fidelity Investments.

American Funds Europacific Growth Fund (formerly International Stock Fund): Primarily invests in equity securities of issuers domiciled in Europe or the Pacific Basin. May also invest in securities through depository receipts, securities convertible into common stocks, straight debt securities, government securities, or non-convertible preferred stocks. Managed by The American Funds Group.

Vanguard S&P 500 Index Fund: The fund employs a passive management strategy designed to track the performance of the Standard & Poor's 500 Index, which is dominated by the stocks of large U.S. companies. The fund attempts to replicate the target index by investing all or substantially all of its assets in the stocks that make up the index. Managed by Vanguard.

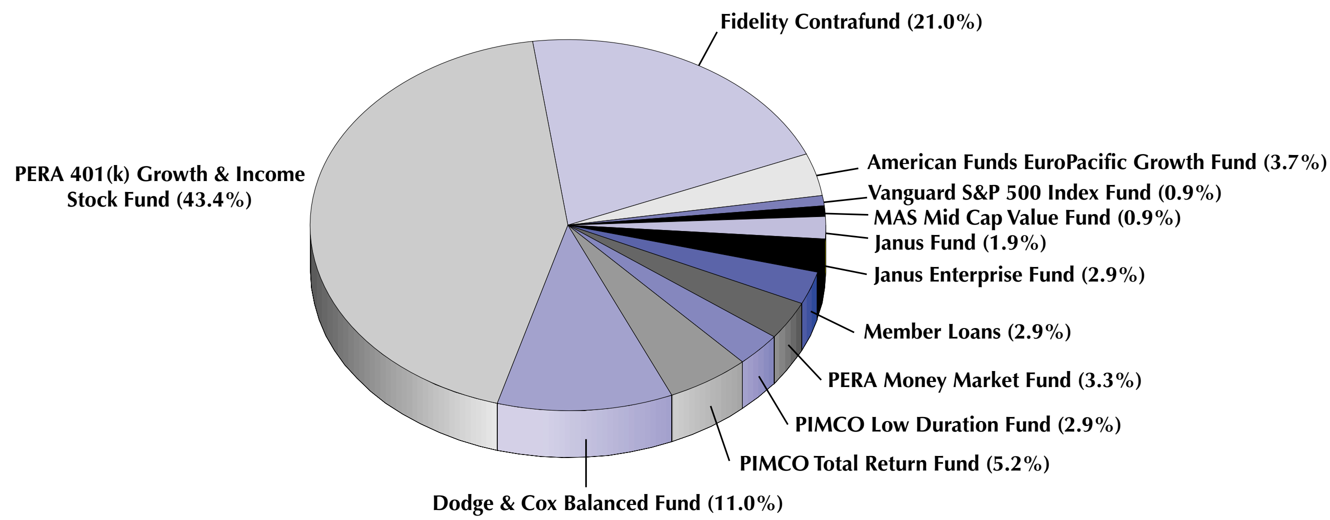
Janus Fund: The fund invests primarily in common stocks selected for their growth potential. Although the fund can invest in companies of any size, it generally invests in larger, more established companies. Managed by Janus Funds.

MAS Mid Cap Value Fund: The fund invests in equity securities of medium-sized companies that demonstrate attractive valuation characteristics. Managed by Miller Anderson & Sherrerd (a division of Morgan Stanley Dean Witter).

Janus Enterprise Fund: The fund invests primarily in common stocks selected for their growth potential, and normally invests at least 50 percent of its equity assets in medium-sized companies. Managed by Janus Funds.

ASSET ALLOCATION BY 401(K) VOLUNTARY INVESTMENT PROGRAM INVESTMENT FUNDS

As of December 31, 2000



401(K) VOLUNTARY INVESTMENT PROGRAM SCHEDULE OF INVESTMENT RESULTS

Fund	2000	1999	Annualized Returns 3–Year	5–Year	10–Year
PERA Money Market Fund[2]	**6.5%**	5.3%	6.0%	5.8%	5.3%
PIMCO Low Duration Fund[1]	**7.7%**	3.0%	5.9%	6.3%	7.3%[4]
PIMCO Total Return Fund	**12.0%**	(0.3)%	6.9%	7.2%[4]	9.2%[4]
Dodge & Cox Balanced Fund[1]	**15.1%**	12.1%	11.2%	13.8%	14.5%[4]
PERA 401(k) Growth and Income Stock Fund	**(1.9%)**	38.7%	15.5%	21.3%	19.1%
Fidelity Contrafund[1]	**(6.8%)**	25.0%	15.3%	18.1%	21.0%[4]
American Funds EuroPacific Growth Fund[2]	**(17.9%)**	57.0	14.2%	14.1%[4]	13.7%[4]
Vanguard S&P 500 Index Fund[3]	**(9.1%)[4]**	21.2%	12.3%[4]	18.3%[4]	17.3%[4]
Janus Fund[3]	**(14.9%)[4]**	47.1%	20.2%[4]	20.6%[4]	18.6%[4]
MAS Mid Cap Value Fund[3]	**11.9%[4]**	19.8%	15.9%[4]	25.1%[4]	N/A
Janus Enterprise Fund[3]	**(30.5%)[4]**	121.9%	27.3%[4]	20.6%[4]	N/A

1 This fund joined PERA's 401(k) Plan in April 1994.
2 This fund joined PERA's 401(k) Plan in January 1997.
3 This fund joined PERA's 401(k) Plan in April 2000.
4 This fund's return is gross of fees.

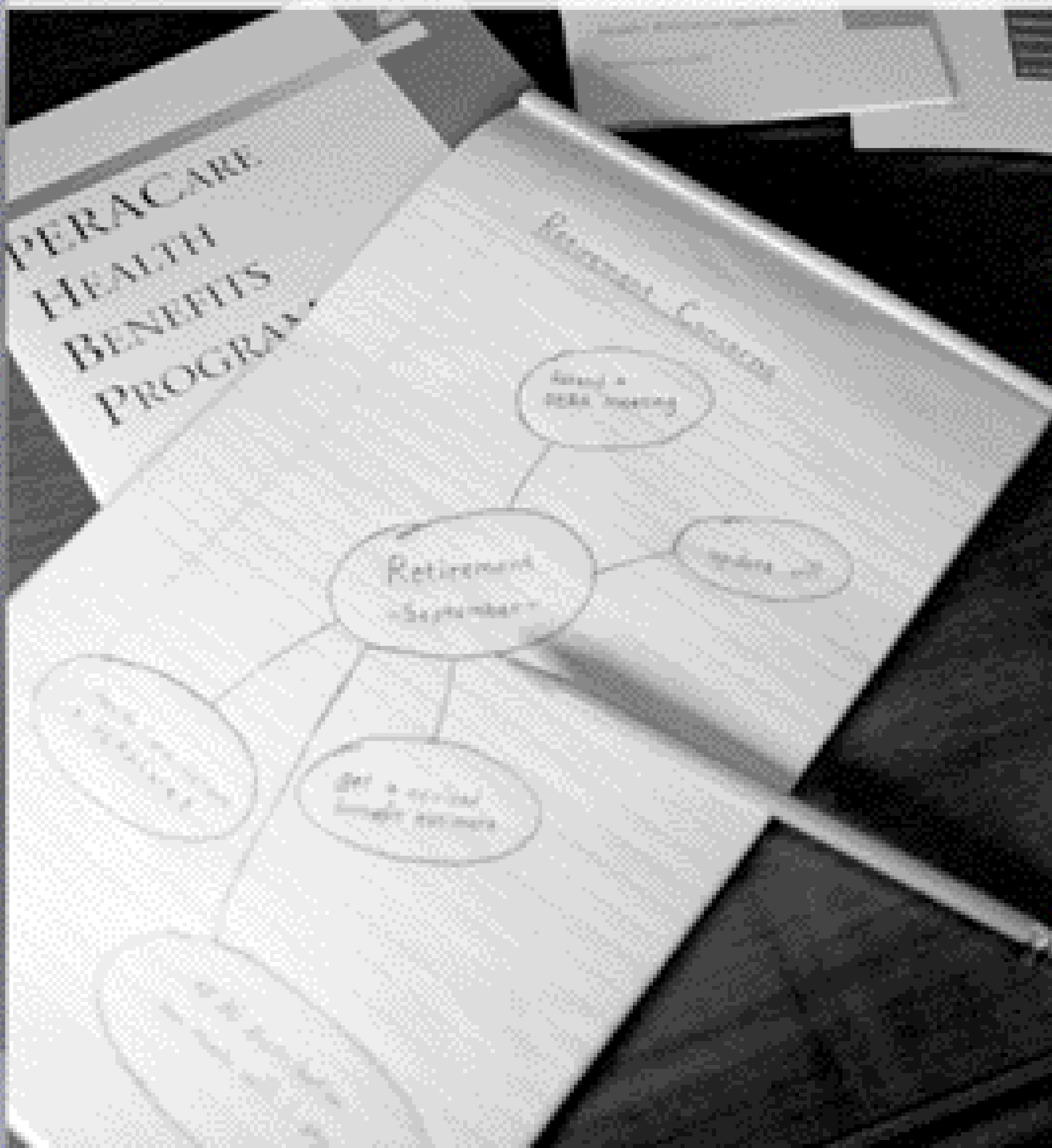
401(K) VOLUNTARY INVESTMENT PROGRAM INVESTMENT SUMMARY

(In Thousands of Dollars)

Fund	Market Value December 31, 2000	Percent of Total Market Value 2000	1998	1996
PERA Money Market Fund[1]	**$18,422**	**3.3%**	1.9%	N/A
PIMCO Low Duration Fund	**16,076**	**2.9%**	4.7%	7.8%
PIMCO Total Return Fund	**28,993**	**5.2%**	7.9%	11.5%
Dodge & Cox Balanced Fund	**61,401**	**11.0%**	12.4%	12.2%
PERA 401(k) Growth and Income Stock Fund	**241,244**	**43.4%**	44.4%	45.3%
Fidelity Contrafund	**116,562**	**21.0%**	24.3%	20.7%
American Funds EuroPacific Growth Fund[1]	**20,493**	**3.7%**	2.1%	N/A
Vanguard S&P 500 Index Fund[2]	**4,783**	**0.9%**	N/A	N/A
Janus Fund[2]	**10,842**	**1.9%**	N/A	N/A
MAS Mid Cap Value Fund[2]	**5,197**	**0.9%**	N/A	N/A
Janus Enterprise Fund[2]	**15,955**	**2.9%**	N/A	N/A
Member Loans	**$15,953**	**2.9%**	2.3%	2.5%

1 This fund joined PERA's 401(k) Plan in January 1997.
2 This fund joined PERA's 401(k) Plan in April 2000.

ACTUARIAL SECTION



REPORT OF THE INDEPENDENT ACTUARY

Watson Wyatt
Worldwide

Watson Wyatt & Company

Suite 1400
950 Seventeenth Street
Denver, CO 80202-2831

Telephone 303 298 7878
Fax 303 623 5633

May 18, 2001

Board of Trustees
Public Employees' Retirement Association of Colorado
1300 Logan Street
Denver, Colorado 80203

Dear Members of the Board:

PERA's basic financial goal is to establish contributions which, as a percentage of payroll, remain level for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

The most recent valuations are based on the plan provisions and assumptions in effect on December 31, 2000. PERA provided the participant data and the asset information. Watson Wyatt reviewed the data for reasonableness. The following plan provisions have changed since the prior valuation:

A modified Rule of 80 service retirement was added.

Beginning in March 2001, the annual benefit increase will be 3.5% compounded annually.

If the actuarial valuation determines that either the State and School or Judicial Division is overfunded, then for the following year:

- The employer contribution rate will be reduced by 20% of the ten-year amortization of the overfunding, with statutory minimum reductions. In addition, a portion of the employer contribution will be made available for MatchMaker, the defined contribution plan matching program. The maximum amount available for MatchMaker will be 2% of covered salaries plus 50% of the ten-year amortization of the overfunding. The level of the matching contributions will be determined by the Board for each calendar year based on the amount available. In addition, a portion of the employer contribution equal to 30% of the ten-year amortization of the overfunding will be allocated to the Health Care Trust Fund.

If the actuarial valuation determines that the Municipal Division is overfunded, then for the following year:

- The employer contribution rate will be temporarily reduced by 20% of the ten-year amortization of the overfunding. In addition, a portion of the employer contribution will be made available for MatchMaker, the defined contribution plan matching program. The maximum amount available for MatchMaker will be 0.5% of covered salaries plus 50% of the ten-year amortization of the overfunding. The level of the matching contributions will be determined by the Board for each calendar year based on the amount available. In addition, a portion of the employer contribution equal to 30% of the ten-year amortization of the overfunding will be allocated to the Health Care Trust Fund.

The experience assumptions used in the valuations were developed from actual system experience and were adopted by the Board in 1996. In our opinion, the assumptions are internally consistent and produce results which are reasonable in the aggregate. We also believe the assumptions and actuarial methods meet the requirements of Governmental Accounting Standards Board Statement No. 25.

REPORT OF THE INDEPENDENT ACTUARY

Board of Trustees
May 18, 2001

Page 2

Watson Wyatt updated the following schedules for the December 31, 2000 CAFR:

Financial Section

Schedule of Funding Progress for the Years Ended December 31
Schedule of Employer Contributions for the Years Ended December 31
(Annual Required Contribution and % ARC Contributed Only)
Notes to Required Supplementary Information

Actuarial Section

Percent of Eligible Members Retiring Next Year
Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll
Member – Retiree Comparison
Total Actuarial Liabilities
Unfunded Actuarial Accrued Liabilities
Schedule of Gains and Losses in Accrued Liabilities
Schedule of Active Member Valuation Data
Schedule of Members in Valuation
Schedule of Computed Employer Contribution Rates
Schedule of Contribution Rate History

Statistical Section

Member and Benefit Recipient Statistics
Schedule of Average Retirement Benefits Payable
Current Average Monthly Benefit by Year of Retirement
Schedule of Retirees and Survivors by Type of Benefit
Schedule of Average Benefit Payments

We certify that this valuation was performed in accordance with standards of practice and by qualified actuaries as prescribed by the Actuarial Standards Board. We are Members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

It is our opinion that PERA continues in sound financial condition.

Sincerely,

Gene H. Wickes, FSA, MAAA

John R. Grange, ASA, MAAA

The Plan Summary for Calendar Year 2000

The Public Employees' Retirement Association was established in 1931 by the Colorado General Assembly as an instrumentality of the state. It initially covered only state employees, but membership has expanded to include all school districts except Denver, numerous municipalities, special districts, public health departments and other local government entities, as well as the State's judicial system.

The Plan's purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability. The Plan is funded on an actuarial reserve basis, with money being set aside for benefits while the benefits are being earned and before they are paid.

Administration of the Plan

The Plan operates by the authority of the Colorado General Assembly, with benefits and administration defined under Title 24, Article 51, of the Colorado Revised Statutes. PERA is governed by a 16-member Board of Trustees, 14 of whom are elected by the membership to four–year terms and serve without compensation except for necessary expenses. The State Auditor and the State Treasurer serve as ex-officio members.

The Board appoints an Executive Director who is responsible for the daily administration of the Association. The Board retains an actuary to make annual valuations of the funding adequacy of the liabilities accrued under the Plan. The Board also retains other consultants as necessary.

Member Contributions

All members except State Troopers contribute 8 percent of their gross salary to a member contribution account. State Troopers contribute 10 percent of salary. Generally, salary is compensation for services rendered and is specifically defined in state law.

Member contributions have been tax-deferred for federal income tax purposes since July 1, 1984, and for state income tax purposes since January 1, 1987. Therefore, contributions are not considered as income for federal or state income tax purposes until they are withdrawn through a refund or a benefit.

Employer Contributions

Affiliated employers also contribute a percentage of their total payroll to the Fund. Respective employer contribution rates are shown on the "Schedule of Contribution Rate History" on page 68. Enactment of HB 00-1458 reduced PERA's employer contribution rates for the State and School Division and Judicial Division by 1 percent of salary on July 1, 2000, six months earlier than provided for in SB 99-90. PERA's Board supported HB 1458 after it received assurance that this legislation would not affect the actuarial soundness of the PERA plan.

The "Schedule of Computed Employer Contribution Rates" on page 67 shows a detailed explanation of how the employer contributions are determined. These contributions are credited to the respective Division for the purpose of creating actuarial reserves, so each member's benefits are fully provided for at retirement. PERA is exempt from federal income taxes under the Internal Revenue Code.

Termination

A member who terminates PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits.

A member who has not attained age 65 or is not eligible to retire receives, in addition to his or her account, a matching amount equal to 50 percent of the member contributions and interest. A member who withdraws his or her account upon or after reaching age 65 or retirement eligibility receives a 100 percent matching amount.

Member contribution accounts accrue interest at a rate set by state law as 80 percent of PERA's actuarial investment assumption rate. The accrued rate used to credit interest to member contribution accounts in 2000 was 7.0 percent.

Any member who leaves a member account with PERA until reaching age 65 or meeting PERA's age and service requirements may apply for lifetime monthly benefits instead of withdrawing their account.

Retirement Benefits

Members are eligible to receive monthly retirement benefits when they reach age 65 or meet PERA's age and service retirement eligibility requirements. Retirement benefits are equal to the higher of a defined service retirement benefit or a money purchase retirement benefit. However, members who apply for a monthly retirement benefit at age 65 with less than five years of service or 60 months on the payroll are eligible for a money purchase retirement benefit only.

Defined Retirement Benefits

Defined service retirement benefits are based on the member's years of service, age, and Highest Average Salary (HAS). HAS is one-twelfth of the average of highest annual salaries on which PERA contributions were paid that are associated with three periods of 12 consecutive months of service credit. A 15 percent annual limit in salary increases applies if any salary used in the HAS calculation is from the three years prior to retirement. A one-year HAS applies for judges.

Defined retirement benefits equal 2.5 percent of HAS for each year of service credit up to a maximum of 100 percent of HAS.

The Plan Summary for Calendar Year 2000 (continued)

Until June 1, 2000, service retirement benefits were available to members at age 50 with at least 30 years of service, age 60 with at least 20 years of service, or age 65 with at least five years of service. Passage of HB 00-1458 allows members whose age plus years of service total 80 or more to retire without a reduction for early retirement if they are at least age 55 and have at least five years of service credit. This Modified Rule of 80 provision became effective on June 1, 2000. HB 00-1458 also allows certain members who are eligible for retirement to convert sick leave over 45 days or 360 hours into salary for PERA purposes, if permitted by their employer or under this legislation. Sick leave converted will count as salary for PERA contributions and benefits. This provision is effective July 1, 2000, through June 30, 2005.

Reduced defined service retirement benefits available to members at age 60 with five years of service are reduced 4 percent per year (0.333 percent per month) before the eligible date for service retirement. Members who retire at age 55 with 20 years of service receive reduced defined service retirement benefits; the reduction factor equals 3 percent per year (0.25 percent per month).

Members also are eligible for reduced service retirement benefits at age 50 with 25 years of service. Benefits for members retiring under age 55 are reduced 6 percent for each year under age 55 and 3 percent for each year over age 55 that members retire before they would have become eligible for service retirement benefits.

Retirement benefits for State Troopers and members of the Judicial Division differ slightly.

Money Purchase Retirement Benefit

A money purchase benefit is also calculated and paid to the retiree if it is higher than the defined service retirement benefit. This benefit is determined by the member's life expectancy and the value of the member's contribution account, plus the matching amount equal to 100 percent of the member's contributions and interest.

Survivor Benefits

The benefit amount that qualified survivors receive is determined by which survivors are eligible to receive benefits and the member's HAS. The order in which qualified survivors receive benefits depends on whether or not the member is eligible for retirement at the time of the member's death.

If a member dies with less than one year of PERA service credit, or with no survivors qualified to receive a monthly benefit, the named beneficiary or the estate will receive a lump-sum payment of the member's contribution account plus a matching amount equal to 100 percent of the member's contributions and earned interest.

If a member had more than one year of service and qualified survivors at the time of death, a monthly benefit may be payable to qualified survivors. If the member's death was job-incurred, the service credit minimum is waived. If the member is not eligible for retirement, children receive a benefit first, but if the member is eligible for retirement, the cobeneficiary receives the benefit first.

Children are eligible to receive survivor benefits if under age 18, or if enrolled full-time in an accredited school within six months of the member's death, until they reach age 23. If there are no eligible children, or after benefits to children have ceased, the member's surviving spouse receives a monthly benefit at age 60 if the member had less than 10 years of service credit or immediately if the member had more than 10 years of service at the time of death. If there is no eligible spouse, financially dependent parents will receive a survivor benefit.

Disability Retirement Benefits

PERA provides a two-tiered disability program. Disability retirement benefits are provided to members who are totally and permanently mentally or physically incapacitated from regular and substantial gainful employment. Short-term disability payments are provided to members who are mentally or physically incapacitated from performance of essential job duties with reasonable accommodation, but who are not totally or permanently incapacitated from regular and substantial gainful employment. PERA provides reasonable income replacement, or rehabilitation or retraining services.

Annual Benefit Increases

Benefits are increased up to 3.5 percent compounded annually from the date of the initial benefit or the rate of increase for the Consumer Price Index, whichever is lower. This increase is recalculated on the last work day of each March and is based on the total benefit. In 2000, the increase for most benefit recipients was 2.23 percent.[1]

[1] *Please see Note 9 to the General Purpose Financial Statements (page 32) for an explanation of plan changes effective after the calendar year ending December 31, 2000.*

Summary of Actuarial Methods and Assumptions

Actuarial Methods

The cost that a retirement plan such as PERA incurs equals benefits paid plus administration and financing expenses. These costs are paid through contributions to the Plan and investment earnings on the Plan's assets.

Using the Plan's schedule of benefits, the member data, and a carefully selected set of actuarial assumptions, the Plan's actuary estimates the cost of the benefits that will be paid. Then, using a particular actuarial funding method, the actuary allocates these costs and determines a systematic manner to fund for future plan benefits. For PERA (as well as most public sector plans), the objective is to fund in a manner that keeps contribution rates approximately level from generation to generation. The funding method best designed to keep annual costs level as a percent of pay is the "Entry Age Actuarial Cost Method." This method is described below.

Entry Age Actuarial Cost Method

Under the Entry Age Actuarial Cost Method, projected service retirement, termination, disability, and death benefits are determined for all active members. Cost factors, which are developed to produce level annual costs in each year from the age at hire (entry age) to the assumed retirement age, are applied to the projected benefits to determine what the "normal cost" should be. The normal cost is the portion of the total cost of the Plan allocated to the current year. The "actuarial accrued liability" for active members is then calculated as the portion of the total cost of the Plan allocated to prior years.

The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for inactive members entitled to future benefits, is equal to the present value of the benefits expected to be paid. No normal costs are now payable for these participants.

The excess of the total actuarial accrued liability over the value of the Plan assets is called the "unfunded actuarial accrued liability." Funding requirements under the Entry Age Actuarial Cost Method are determined by adding the normal cost and the cost to amortize the unfunded liability. Under Colorado state law, the amortization period cannot exceed 40 years.

The actuarial assumptions are used to determine the projected benefits and cost factors. The effect of differences between these assumptions and the actual experience of the Plan is calculated each year when the annual actuarial valuation is performed. These differences produce either actuarial gains or losses that result in an adjustment of the unfunded liability.

Asset Valuation Method

In 1992, the PERA Board of Trustees adopted a method for valuing assets that recognizes a "smoothed" market value of those assets. This means the difference between actual market value, actuarial gains, and the expected actuarial gains is recognized over a four–year period.

Actuarial Assumptions

PERA's actuarial assumptions are used to project the Plan's future experience. Every five years the actuarial assumptions are reviewed and an actuarial review is performed by an external actuarial consulting firm to verify the following:

- Accuracy of membership data, financial data, actuarial and benefit calculations, and employer contributions.
- Consistency of calculations with respect to statutory requirements.
- Consistency and reasonableness of assumptions and methods.
- Valuation of all significant benefits.
- A review of the valuation report content.

The most recent actuarial audit was conducted by Watson Wyatt Worldwide and first adopted by the Board in the 1996 valuation year. The next actuarial review will be conducted by Gabriel, Roeder, Smith, and Company based on PERA's 2000 experience data and presented to the Board of Trustees in mid-2001, any new assumptions will not be effective until the 2001 valuation year. The most recent five-year review of actuarial assumptions was conducted by Towers Perrin, the independent retained actuary, based on PERA's 1995 experience data.

Economic Assumptions

The investment return rate used in the 2000 valuations was 8.75 percent per year compounded annually, net after administrative expenses. The real rate of return is the portion of the total investment return in excess of the inflation rate. Considering other financial assumptions, the 8.75 percent investment return translates into an assumed real rate of return of 4.25 percent.

The overall member payroll was assumed to increase 5.5 percent annually in 2000. Pay increase assumptions for individual members in 2000 are shown for sample ages in Exhibits A, B, C, and D. At each age, 4.5 percent of the increase is attributable to the assumed inflation rate, and the remainder is for merit and seniority increases. Judicial Division pay increases (Exhibit D) are determined by the State Legislature. Benefits are assumed to increase at a rate of 3.5 percent after payments begin.

Non-Economic Assumptions

The mortality table (Colorado Projected Experience Table) is based on PERA experience. The table is used to estimate the value of benefits expected to be paid. Related values are shown in Exhibit F. For disability retirement, impaired longevity is recognized by basing benefit values on an adjusted age midway between attained age and normal retirement age.

The probabilities of age and service retirement are shown in Exhibit G. The probabilities of withdrawal from service, disability, and death-in-service are shown for sample ages in Exhibits A, B, C, D, and E. It is assumed that one-half of the vested members who terminate will elect to withdraw their accounts while the remaining one-half will elect to leave their accounts in the Plan to be eligible for a benefit at their retirement date.

Separations from Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit A—State and School Division; State Category

MEMBERS OTHER THAN STATE TROOPERS

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability				
Sample Ages	Men	Women	Men	Women	Men	Women	Merit & Seniority	Base (Economy)	Increase Next Year
20	6.80%	8.00%	0.03%	0.02%	0.01%	0.01%	5.10%	4.50%	9.60%
25	6.80%	8.00%	0.03%	0.02%	0.04%	0.03%	3.80%	4.50%	8.30%
30	5.38%	7.63%	0.04%	0.03%	0.05%	0.05%	2.80%	4.50%	7.30%
35	4.00%	6.29%	0.06%	0.04%	0.18%	0.16%	2.10%	4.50%	6.60%
40	3.43%	4.80%	0.10%	0.06%	0.24%	0.22%	1.50%	4.50%	6.00%
45	3.40%	4.12%	0.21%	0.10%	0.39%	0.34%	1.10%	4.50%	5.60%
50	3.40%	3.92%	0.43%	0.18%	0.75%	0.66%	0.90%	4.50%	5.40%
55	3.40%	3.72%	0.60%	0.25%	1.01%	0.90%	0.70%	4.50%	5.20%
60	3.40%	3.60%	0.76%	0.38%	1.08%	0.96%	0.50%	4.50%	5.00%
65	3.40%	3.60%	1.18%	0.67%	1.08%	0.96%	0.50%	4.50%	5.00%

STATE TROOPERS

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability				
Sample Ages	Men	Women	Men	Women	Men	Women	Merit & Seniority	Base (Economy)	Increase Next Year
20	6.00%	6.00%	0.03%	0.02%	0.02%	0.02%	5.50%	4.50%	10.00%
25	6.00%	6.00%	0.03%	0.02%	0.08%	0.08%	4.20%	4.50%	8.70%
30	5.10%	5.10%	0.04%	0.03%	0.12%	0.12%	3.20%	4.50%	7.70%
35	2.70%	2.70%	0.06%	0.04%	0.40%	0.40%	2.50%	4.50%	7.00%
40	1.60%	1.60%	0.10%	0.06%	0.54%	0.54%	1.90%	4.50%	6.40%
45	1.10%	1.10%	0.21%	0.10%	0.86%	0.86%	1.50%	4.50%	6.00%
50	1.00%	1.00%	0.43%	0.18%	1.66%	1.66%	1.30%	4.50%	5.80%
55	1.00%	1.00%	0.60%	0.25%	2.24%	2.24%	1.10%	4.50%	5.60%
60	1.00%	1.00%	0.76%	0.38%	2.40%	2.40%	0.90%	4.50%	5.40%
65	1.00%	1.00%	1.18%	0.67%	2.40%	2.40%	0.50%	4.50%	5.00%

Exhibit B—State and School Division; School Category

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability				
Sample Ages	Men	Women	Men	Women	Men	Women	Merit & Seniority	Base (Economy)	Increase Next Year
20	6.17%	6.40%	0.03%	0.02%	0.01%	0.01%	2.50%	4.50%	7.00%
25	5.93%	6.40%	0.03%	0.02%	0.04%	0.02%	2.50%	4.50%	7.00%
30	4.62%	6.08%	0.04%	0.03%	0.05%	0.03%	1.60%	4.50%	6.10%
35	3.04%	4.45%	0.06%	0.04%	0.11%	0.07%	1.50%	4.50%	6.00%
40	2.49%	3.41%	0.10%	0.06%	0.18%	0.11%	1.10%	4.50%	5.60%
45	2.40%	2.95%	0.21%	0.10%	0.30%	0.19%	0.80%	4.50%	5.30%
50	2.40%	2.80%	0.43%	0.18%	0.72%	0.46%	0.60%	4.50%	5.10%
55	2.40%	2.80%	0.60%	0.25%	1.05%	0.66%	0.50%	4.50%	5.00%
60	2.40%	2.80%	0.76%	0.38%	1.14%	0.72%	0.50%	4.50%	5.00%
65	2.40%	2.80%	1.18%	0.67%	1.14%	0.72%	0.50%	4.50%	5.00%

SEPARATIONS FROM EMPLOYMENT BEFORE RETIREMENT AND INDIVIDUAL PAY INCREASE ASSUMPTIONS

Exhibit C—Municipal Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability				
Sample Ages	Men	Women	Men	Women	Men	Women	Merit & Seniority	Base (Economy)	Increase Next Year
20	6.40%	8.00%	0.03%	0.02%	0.01%	0.01%	8.40%	4.50%	12.90%
25	6.40%	8.00%	0.03%	0.02%	0.04%	0.04%	6.00%	4.50%	10.50%
30	5.06%	7.63%	0.04%	0.03%	0.07%	0.05%	4.40%	4.50%	8.90%
35	3.77%	6.29%	0.06%	0.04%	0.22%	0.18%	3.20%	4.50%	7.70%
40	3.23%	4.80%	0.10%	0.06%	0.30%	0.24%	2.40%	4.50%	6.90%
45	3.20%	4.12%	0.21%	0.10%	0.47%	0.39%	1.90%	4.50%	6.40%
50	3.20%	3.92%	0.43%	0.18%	0.91%	0.75%	1.60%	4.50%	6.10%
55	3.20%	3.72%	0.60%	0.25%	1.23%	1.01%	1.50%	4.50%	6.00%
60	3.20%	3.60%	0.76%	0.38%	1.32%	1.08%	1.30%	4.50%	5.80%
65	3.20%	3.60%	1.18%	0.67%	1.32%	1.08%	1.00%	4.50%	5.50%

Exhibit D—Judicial Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability				
Sample Ages	Men	Women	Men	Women	Men	Women	Seniority[1]	Base (Economy)	Increase Next Year
30	2.00%	2.00%	0.04%	0.03%	0.06%	0.06%	1.51%	4.50%	6.01%
35	2.00%	2.00%	0.06%	0.04%	0.07%	0.07%	1.20%	4.50%	5.70%
40	2.00%	2.00%	0.10%	0.06%	0.10%	0.10%	0.70%	4.50%	5.20%
45	2.00%	2.00%	0.21%	0.10%	0.17%	0.17%	0.50%	4.50%	5.00%
50	2.00%	2.00%	0.43%	0.18%	0.31%	0.31%	0.50%	4.50%	5.00%
55	2.00%	2.00%	0.60%	0.25%	0.56%	0.56%	0.50%	4.50%	5.00%
60	2.00%	2.00%	0.76%	0.38%	1.19%	1.19%	0.50%	4.50%	5.00%
65	2.00%	2.00%	1.18%	0.67%	1.65%	1.65%	0.50%	4.50%	5.00%

[1] Pay raises are subject to legislative approval. Percentages shown are based on prior experience.

Exhibit E

Percent of Members With Less Than Five Years of Service Withdrawing from Employment Next Year[2]

	State Category		School Category		Municipal Division	
Years of Service	Men	Women	Men	Women	Men	Women
0	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
1	15.00%	17.00%	15.00%	15.00%	14.00%	16.00%
2	12.00%	14.00%	12.00%	11.00%	11.00%	14.00%
3	10.00%	11.00%	8.00%	8.00%	9.00%	13.00%
4	8.00%	9.00%	7.00%	6.00%	7.00%	11.00%

[2] There are no select withdrawal assumptions for the Judicial Division and State Troopers.

SINGLE LIFE RETIREMENT VALUES

Based on the Colorado Projected Experience Table and 8.75 Percent Interest

Exhibit F—State and School, Municipal, and Judicial Divisions

Sample Attained Ages	Present Value of $1 Monthly for Life: Men	Women	Present Value of $1 Monthly Increasing 3.5% Annually: Men	Women	Future Life Expectancy (Years): Men	Women
40	$134.42	$137.85	$199.38	$209.04	40.37	45.45
45	130.69	135.44	189.60	201.37	35.62	40.61
50	126.16	132.21	178.56	192.09	31.09	35.85
55	120.89	127.93	166.40	181.03	26.83	31.20
60	113.73	121.94	151.73	167.46	22.63	26.61
65	103.99	114.11	134.18	151.59	18.52	22.20
70	92.59	104.13	115.45	133.42	14.80	18.01
75	80.16	91.70	96.60	113.11	11.56	14.10
80	67.35	77.62	78.59	92.11	8.83	10.64
85	$55.18	$61.78	$62.57	$70.61	6.66	7.61

PERCENT OF ELIGIBLE MEMBERS RETIRING NEXT YEAR

Exhibit G

Retirement Ages	State Category Men	State Category Women	State Troopers	School Category Men	School Category Women	Municipal Division Men	Municipal Division Women	Judicial Division
50	12%	14%	15%	16%	16%	10%	11%	10%
51	12%	14%	15%	16%	16%	10%	11%	10%
52	12%	14%	15%	16%	16%	10%	11%	10%
53	12%	14%	15%	16%	16%	10%	11%	10%
54	12%	14%	15%	16%	16%	10%	11%	10%
55	14%	12%	25%	20%	16%	11%	14%	10%
56	14%	12%	25%	20%	16%	11%	14%	10%
57	14%	12%	25%	20%	16%	11%	14%	10%
58	14%	12%	25%	20%	16%	11%	14%	10%
59	14%	12%	25%	20%	16%	11%	14%	10%
60	16%	14%	50%	18%	18%	15%	15%	10%
61	16%	14%	60%	18%	18%	15%	15%	10%
62	16%	14%	70%	18%	18%	15%	15%	10%
63	16%	14%	80%	18%	18%	15%	15%	10%
64	16%	14%	90%	18%	18%	15%	15%	10%
65	30%	30%	100%	25%	25%	25%	25%	25%
66	30%	30%	100%	25%	25%	25%	25%	15%
67	30%	30%	100%	25%	25%	25%	25%	15%
68	30%	30%	100%	25%	25%	25%	25%	15%
69	30%	30%	100%	25%	25%	25%	25%	15%
70	100%	100%	100%	100%	100%	100%	100%	40%
71	100%	100%	100%	100%	100%	100%	100%	40%
72	100%	100%	100%	100%	100%	100%	100%	100%
73	100%	100%	100%	100%	100%	100%	100%	–
74	100%	100%	100%	100%	100%	100%	100%	–
75	100%	100%	100%	100%	100%	100%	100%	–

Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll[1]

Year Ended	Added to Payroll No.	Added to Payroll Annual Benefits	Removed from Payroll No.	Removed from Payroll Annual Benefits	Payroll—End of Year No.[3]	Payroll—End of Year Annual Benefits	Cost of Living Stabilization Fund (CLSF)	Average Annual Benefits	Increase in Average Benefits
12/31/91	2,601	$33,363,027	1,119	$4,319,340	36,422	$367,985,496	$51,154,160	$11,508	6.3%
12/31/92	2,996	44,840,160	1,230	7,905,996	38,188	424,857,912	64,202,904	12,809	11.3%
12/31/93	3,624	63,975,396	1,270	9,695,472	40,542	492,925,488	61,040,724	13,664	6.7%
12/31/94	3,121	51,809,484	1,301	10,650,936	42,362	605,429,820	N/A[2]	14,292	4.6%
12/31/95	3,174	54,087,286	1,496	17,421,180	44,040	657,482,568	N/A[2]	14,929	4.5%
12/31/96	3,074	53,056,140	1,390	15,449,340	45,716	726,848,793	N/A[2]	15,899	6.5%
12/31/97	3,411	71,578,344	1,477	18,628,140	47,621	863,077,468	N/A[2]	18,124	14.0%
12/31/98	3,139	78,278,484	1,694	13,692,660	49,808	926,962,944	N/A[2]	18,611	2.7%
12/31/99	4,212	115,746,756	1,562	22,867,068	52,458	1,026,797,016	N/A[2]	19,574	5.2%
12/31/00	**4,369**	**$123,249,792**	**1,680**	**$28,151,484**	**55,147**	**$1,142,638,708**	**N/A[2]**	**$20,720**	**5.9%**

1 Numbers derived on an accrual basis.
2 On March 1, 1994, in accordance with House Bill 93-1324, the CLSF was terminated and the assets of the CLSF were transferred to the retirement benefits reserve within each of the four Division Trust Funds. The 2 percent of salary contribution earmarked for the CLSF reverted to the Division Trust Funds.
3 The number includes retirees and beneficiaries not being paid at the end of the year (e.g., future spousal benefits).

Member-Retiree Comparison[1]

The number of persons receiving monthly retirement benefits has grown steadily in relation to membership. This trend will continue for many years into the future. The level-cost financing principle is designed so that contribution rates will not have to be raised to meet promised benefits. The current contribution rates should be sufficient to meet the increasing retirement payroll if the benefit provisions contained in the state law are not changed. The retirement benefit disbursements shown in the right-hand column include cost-of-living increases paid in years since 1970. Prior to 1981, figures are for years ended June 30.

Year	Number of Retiree Accounts on 12/31	Number of Member Accounts on 12/31[2]	Retiree Accounts as % of Members on 12/31	Total Benefits Paid–Year Ended 12/31
1940	93	3,715	2.5%	$72,588
1945	171	5,585	3.1%	137,442
1950	280	11,853	2.4%	237,866
1955	747	21,185	3.5%	745,679
1960	1,775	33,068	5.4%	2,055,139
1965	3,631	49,701	7.3%	5,486,225
1970	6,308	65,586	9.6%	13,115,234
1975	11,650	84,781	13.7%	32,820,433
1980	17,301	96,473	17.9%	71,289,456
1985	24,842	101,409	24.5%	192,456,029
1990	32,955	115,350	27.4%	350,398,094
1991	34,481	146,818	23.5%	401,187,591
1992	36,186	162,980	22.2%	453,538,219
1993	38,500	174,685	22.0%	523,746,160
1994	40,257	187,907	21.4%	586,645,446
1995	41,909	203,102	20.6%	639,501,796
1996	43,611	210,893	20.7%	694,349,889
1997	45,525	220,860	20.6%	787,128,075
1998	47,735	221,978	21.5%	893,810,708
1999	50,344	238,111	21.1%	989,536,328
2000	**53,015**	**248,104**	**21.4%**	**$1,093,779,068**

1 Numbers derived on a cash basis.
2 Includes inactive member accounts.

SCHEDULE OF MEMBERS IN VALUATION

By Attained Age and Years of Service As of December 31, 2000

STATE CATEGORY

Members included in the State Category valuation totaled 53,005 and involved annual salaries totaling $1,903,415,176. The average age for these members (excluding State Troopers) was 43.9 years, and the average service was 8.2 years. The average age for State Troopers was 38.9 years, and the average service was 10.4 years.

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20	745							745	$6,216,512
20-24	1,877	10						1,887	34,250,116
25-29	3,490	364	9					3,863	103,448,997
30-34	3,534	1,375	309	10				5,228	165,579,501
35-39	4,432	1,502	1,040	344	24			7,342	232,490,593
40-44	3,236	1,710	1,428	986	441	35		7,836	290,075,680
45-49	3,169	1,901	1,681	1,205	1,066	434	7	9,463	379,488,133
50-54	2,364	1,566	1,551	1,174	1,101	819	129	8,704	369,370,779
55-59	1,194	941	887	670	587	430	211	4,920	213,427,025
60	156	116	115	102	52	38	34	613	25,025,976
61	122	84	88	67	47	37	29	474	18,992,775
62	110	87	73	71	38	41	26	446	18,321,885
63	93	64	75	31	32	19	16	330	12,602,100
64	72	38	59	31	23	19	14	256	9,578,204
65	62	36	38	19	20	17	14	206	7,876,050
66	40	22	27	17	6	4	6	122	4,077,150
67	45	11	12	14	14	2	1	99	2,809,800
68	40	17	16	9	6	4	4	96	2,282,700
69	27	22	11	6	8	5	1	80	2,072,700
70+	147	60	22	20	24	15	7	295	5,428,500
Totals	**24,955**	**9,926**	**7,441**	**4,776**	**3,489**	**1,919**	**499**	**53,005**	**$1,903,415,176**

SCHOOL CATEGORY

Members included in the School Category valuation totaled 96,990 and involved annual salaries totaling $2,657,717,718. The average age for these members was 43.3 years, and the average service was 7.8 years.

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20	1,207							1,207	$9,084,300
20-24	3,591	45						3,636	59,060,790
25-29	7,440	771	12					8,223	191,003,064
30-34	6,296	2,952	339	7				9,594	239,645,332
35-39	8,779	2,649	1,803	448	12			13,691	304,987,466
40-44	7,668	3,394	1,944	1,801	538	14		15,359	385,479,806
45-49	5,740	3,889	2,492	1,873	2,126	739	3	16,862	521,474,914
50-54	3,792	2,972	2,610	2,216	1,932	2,021	283	15,826	579,983,946
55-59	1,875	1,420	1,296	1,249	992	647	309	7,788	263,269,650
60	229	159	134	147	97	70	24	860	25,040,400
61	224	156	101	102	94	62	18	757	20,540,100
62	190	126	79	63	79	31	15	583	14,226,450
63	160	104	63	64	52	29	11	483	11,357,850
64	140	96	55	40	40	19	8	398	8,459,850
65	151	64	33	31	33	12	11	335	6,305,250
66	129	59	23	21	18	18	1	269	4,679,850
67	99	49	19	12	15	6	4	204	2,895,900
68	104	42	9	16	13	4	4	192	2,555,700
69	83	38	13	3	8	5	5	155	2,086,350
70+	307	159	43	20	14	17	8	568	5,580,750
Totals	**48,204**	**19,144**	**11,068**	**8,113**	**6,063**	**3,694**	**704**	**96,990**	**$2,657,717,718**

SCHEDULE OF MEMBERS IN VALUATION

By Attained Age and Years of Service As of December 31, 2000

MUNICIPAL DIVISION

Members included in the Municipal Division valuation totaled 11,851 and involved annual salaries totaling $399,737,317. The average age for these members was 41.1 years, and the average service was 7.1 years.

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20	588							588	$4,016,982
20-24	685	12						697	11,973,462
25-29	819	102	2					923	24,702,199
30-34	1,106	270	54	7				1,437	42,434,903
35-39	941	385	228	88	9			1,651	57,807,489
40-44	775	432	296	260	115	3		1,881	73,098,795
45-49	643	415	308	225	185	89	6	1,871	76,123,585
50-54	430	292	222	216	170	139	27	1,496	63,485,689
55-59	244	137	114	117	81	68	24	785	31,165,799
60	27	24	13	13	7	7	2	93	3,378,194
61	23	18	10	10	9	6	2	78	2,513,808
62	19	11	6	7	7	5	2	57	2,103,430
63	15	13	9	6	4	0	4	51	1,387,841
64	9	9	4	5	5	2	1	35	1,178,496
65	9	10	4	4	2	1	4	34	1,100,365
66	16	8	2	4	2	3	2	37	1,024,405
67	5	4	1	5	4	1	1	21	810,240
68	12	5	0	1	0	0	0	18	198,340
69	3	4	2	1	1	0	1	12	337,600
70+	54	20	4	6	1	0	1	86	895,695
Totals	**6,423**	**2,171**	**1,279**	**975**	**602**	**324**	**77**	**11,851**	**$399,737,317**

JUDICIAL DIVISION

Members included in the Judicial Division valuation totaled 260 and involved annual salaries totaling $21,672,753. The average age for Judicial Division members was 53.8 years, and the average service was 13.0 years.

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20									
20-24									
25-29									
30-34	0	1	0	0	0	0	0	1	$85,698
35-39	4	2	0	0	0	0	0	6	425,652
40-44	5	7	3	1	0	0	0	16	1,240,203
45-49	15	12	12	4	3	0	0	46	3,844,050
50-54	15	18	21	15	14	2	0	85	6,876,000
55-59	12	3	9	17	15	6	0	62	5,530,350
60	0	1	2	2	3	0	0	8	722,400
61	0	0	2	0	2	2	0	6	457,800
62	0	0	2	1	1	0	1	5	418,950
63	0	1	0	0	1	0	0	2	183,750
64	0	0	1	0	0	1	1	3	203,700
65	0	1	1	0	1	2	0	5	453,600
66	0	1	0	1	1	1	0	4	287,700
67	0	0	0	0	0	1	0	1	93,450
68	1	0	3	0	0	0	1	5	456,750
69	0	0	1	1	0	0	0	2	185,850
70+	0	0	0	0	3	0	0	3	206,850
Totals	**52**	**47**	**57**	**42**	**44**	**15**	**3**	**260**	**$21,672,753**

Summary of Solvency Test

The PERA funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service accrued in that year by PERA members. Occasionally rates are increased, but only to add or improve benefit provisions. Likewise, rates have been decreased by the State Legislature. (See "Schedule of Contribution Rate History" on page 68.)

If the retirement system follows level contribution rate financing principles, the system will pay all promised benefits when due—the ultimate test of financial soundness.

A short-term solvency test is one means of checking PERA's funding progress. In a short-term solvency test, the retirement plan's present assets (investments and cash) are compared with: (1) member contributions on deposit, (2) the liabilities for future benefits to persons who have retired, and (3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing, the liabilities for member contributions on deposit (liability 1) and the liabilities for future benefits to present retirees (liability 2) will be fully covered by present assets, except in rare circumstances.

In addition, the liabilities for service already rendered by members (liability 3) may be covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time.

The schedule below illustrates the progress of funding liability 3 of PERA and is indicative of PERA's policy to follow the discipline of level contribution rate funding.

Total Actuarial Liabilities

Valuation Date	Member Contributions (1)[1]	Retirees and Beneficiaries (2)	Employer-Financed Portion of Active Members (3)	Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
12/31/91	$1,834,998,407	$4,272,349,404	$5,414,471,940	$10,508,670,579	100%	100%	81.3%
12/31/92	2,050,729,958	4,887,166,176	5,487,483,258	11,339,310,964	100%	100%	80.2%
12/31/93	2,093,693,307	6,516,956,622	6,186,381,981	12,668,101,503	100%	100%	66.5%
12/31/94	2,395,959,381	7,163,767,095	6,204,351,274	13,717,384,820	100%	100%	67.0%
12/31/95	3,727,497,280	7,862,779,572	5,510,030,884	15,349,515,165	100%	100%	68.2%
12/31/96	4,040,814,028	8,339,476,944	5,611,614,086	17,321,769,518	100%	100%	88.1%
12/31/97	4,161,334,387	10,303,331,080	7,029,404,533	19,776,487,860	100%	100%	75.6%
12/31/98	4,413,349,123	11,659,836,332	7,842,874,545	23,069,582,456	100%	100%	89.2%
12/31/99	4,631,541,543	12,650,882,161	8,564,267,296	26,643,394,180	100%	100%	100%
12/31/00	**$4,833,143,560**	**$14,162,593,257**	**$9,170,504,492**	**$29,625,878,179**	**100%**	**100%**	**100%**

[1] Includes accrued interest on member contributions.

SUMMARY OF UNFUNDED/OVERFUNDED ACTUARIAL ACCRUED LIABILITIES

Unfunded / overfunded actuarial accrued liabilities are the difference between actuarially calculated liabilities for service already rendered and the assets of the retirement fund. It is natural for unfunded liabilities to exist for PERA and other retirement plans.

The law governing PERA requires that these unfunded liabilities be financed (amortized) systematically over future years. This law requires that contribution rates be set at a level so that if actual experience matches actuarial assumptions, unfunded actuarial accrued liabilities would be paid off over a maximum 40–year period.

The amortization periods have continually improved over the last decade. There were no unfunded liabilities in the State and School Division, Municipal Division, and in the Judicial Division as of December 31, 2000.

Benefits to retirees are “fully funded,” that is, assets reserved for benefits currently being paid equal liabilities for those benefits. Liabilities for members are based on service rendered toward their retirement benefits payable in the future. Unfunded actuarial accrued liabilities exist because liabilities for such service by members exceed assets currently on hand for such future benefits.

Because inflation continues, the value of dollars is decreasing. Looking at just the dollar amounts of assets, benefits paid, member salaries, and unfunded / overfunded actuarial accrued liabilities will be misleading.

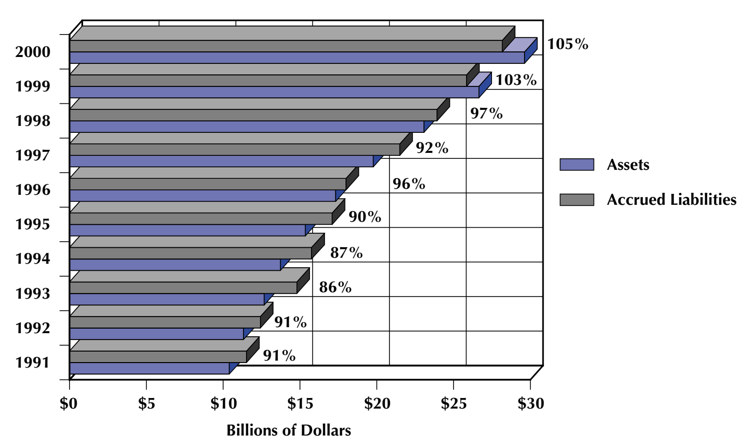
While no one or two measures can fully describe the financial condition of the Plan, unfunded / overfunded actuarial accrued liability dollars divided by member salary dollars provide a meaningful index. The smaller the ratio, the stronger the system. Observation of this relative index over a period of years will give an indication of the financial strength of the system. This ratio has increased at times over the last decade, but the recent trend shows stability.

Unfunded / overfunded actuarial accrued liabilities shown in PERA’s valuation are based upon actuarial assumptions adopted by the PERA Board in 1996. Investment returns during the last several years have helped to increase assets, reduce unfunded actuarial accrued liabilities, and lower the ratio of unfunded liabilities to member salaries.

UNFUNDED/OVERFUNDED ACTUARIAL ACCRUED LIABILITIES (UAAL/OAAL)

Valuation Date	Total Actuarial Accrued Liabilities	Valuation Assets	Assets as a % of Accrued Liabilities	Unfunded/Overfunded Actuarial Accrued Liabilities	Member Salaries	UAAL/OAAL as a % of Member Salaries
12/31/91	$11,521,819,751	$10,508,670,579	91.2%	$1,013,149,172	$3,213,117,152	31.5%
12/31/92	12,425,379,392	11,339,310,964	91.3%	1,086,068,428	3,436,693,500	31.6%
12/31/93	14,797,031,910	12,668,101,503	85.6%	2,128,930,407	3,451,307,428	61.7%
12/31/94	15,764,077,750	13,717,384,820	87.0%	2,046,692,930	3,578,972,051	57.2%
12/31/95	17,100,307,736	15,349,515,165	89.8%	1,750,792,571	3,803,799,573	46.0%
12/31/96	17,991,905,058	17,321,769,518	96.3%	670,135,540	3,968,963,337	16.9%
12/31/97	21,494,070,000	19,776,487,860	92.0%	1,717,582,140	4,211,820,401	40.8%
12/31/98	23,916,060,522	23,069,582,456	96.5%	846,478,066	4,477,302,776	18.9%
12/31/99	25,846,691,306	26,643,394,180	103.1%	(796,702,874)	4,709,759,629	(16.9%)
12/31/00	**$28,166,241,309**	**$29,625,878,179**	**105.2%**	**($1,459,636,870)**	**$4,982,542,964**	**(29.3%)**

ASSETS AS PERCENT OF ACCRUED LIABILITIES 1991–2000



SCHEDULE OF GAINS AND LOSSES IN ACCRUED LIABILITIES

Resulting From Differences Between Assumed Experience and Actual Experience

$ Gain (or Loss) for Years Ended December 31
(In Millions of Dollars)

Type of Activity	2000	1999	1998	1997	1996	1995
Age and service retirements[1]	**($323.4)**	($228.8)	($306.5)	($301.5)	($99.6)	($60.5)
Disability retirements[2]	**0.4**	(4.1)	(23.8)	(72.0)	(58.4)	(19.2)
Deaths[3]	**(12.2)**	(6.5)	(9.3)	6.9	2.8	(8.6)
Withdrawal from employment[4]	**21.5**	(26.4)	(49.2)	(105.2)	(133.4)	(137.4)
New entrants[5]	**(166.1)**	(133.9)	(49.1)	(39.3)	(23.2)	(22.7)
Pay increases[6]	**(39.4)**	33.7	110.4	118.8	152.1	109.7
Investment income[7]	**989.1**	1,847.4	1,729.5	1,045.9	715.2	461.2
Other	**273.1**	180.2	(292.6)	4.4	35.6	(63.6)
Gain (or loss) during year	**743.0**	1,661.6	1,109.4	658.0	591.1	258.9
Non-recurring items[8]	**(288.3)**	(92.9)	(269.4)	(1,917.5)	472.4	39.2
Composite gain (or loss) during year	**$454.7**	$1,568.7	$840.0	($1,259.5)	$1,063.5	$298.1

[1] **Age and service retirements:** If members retire at older ages than assumed, there is a gain. If members retire at younger ages, a loss occurs.

[2] **Disability retirements:** If disability claims are lower than was assumed, there is a gain. If a higher number of disability claims was experienced, there is a loss.

[3] **Deaths:** If survivor claims are lower than was assumed, there is a gain. If a higher number of survivor claims was experienced, there is a loss. If retirees live longer than assumed, there is a loss; if retirees die sooner than assumed, there is a gain.

[4] **Withdrawal from employment:** If more members terminate and more liabilities are released by withdrawals than are assumed, there is a gain. If fewer liabilities are released, a loss occurs.

[5] **New entrants:** If the number of new members entering the Plan is lower than was assumed, there is a loss. If a higher number of new members entered the Plan than was assumed, there is a gain.

[6] **Pay increases:** If there are smaller salary increases than assumed, there is a gain. If greater increases occur, a loss results.

[7] **Investment income:** If there is greater investment income than assumed, there is a gain. If less income is received, a loss occurs.

[8] **Non-recurring items:** Include changes to plan benefits, changes in actuarial method or assumptions, and special transfers to retired life funds.

SCHEDULE OF COMPUTED EMPLOYER CONTRIBUTION RATES

	Expressed as a Percentage of Member Payroll		
	State and School Division	**Municipal Division**	**Judicial Division**
Contributions:			
Service retirement benefits	10.20%	10.36%	12.69%
Disability retirement benefits	1.03%	1.44%	1.90%
Survivor benefits	0.50%	0.63%	1.28%
Termination withdrawals	3.24%	3.58%	1.65%
Total normal cost	14.97%	16.01%	17.52%
Member contributions	8.02%[1]	8.00%	8.00%[2]
Employer normal cost	6.95%	8.01%	9.52%
Percentage available to amortize unfunded actuarial accrued liabilities	0.00%	0.00%	0.00%
Amortization period	0 years	0 years	0 years
Total employer contribution rate for actuarially funded benefits[3]	7.63%	7.50%	5.46%
Health Care Trust Fund	1.42%	1.96%	4.37%
Statutory employer contribution rate	6.21%[1]	5.54%	1.09%

[1] Weighted average of more than one statutory rate.

[2] Assumes no judge will elect a refund of contributions made for the 17th through the 20th year of service.

[3] Net of percentage available for MatchMaker.

SCHEDULE OF CONTRIBUTION RATE HISTORY

			Percent of Payroll: Member Contribution Rate	Percent of Payroll: Employer Contribution Rate[1]
State and School Division[3]				
Members (Other Than State Troopers)				
7-1-97	to	6-30-98	8.00%	11.50%
7-1-98	**to**	**6-30-00**	**8.00%**	**11.40%**
7-1-00	**to**	**12-31-00**	**8.00%**	**10.40%**
State Division[3]				
Members (Other Than State Troopers)				
8-1-31	to	6-30-38	3.50%	0.00%
7-1-38	to	6-30-49	3.50%	3.50%
7-1-49	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	6-30-70	7.00%	7.00%
7-1-70	to	6-30-71	7.00%	8.00%
7-1-71	to	6-30-73	7.00%	8.50%
7-1-73	to	6-30-74	7.75%	9.50%
7-1-74	to	6-30-75	7.75%	10.50%
7-1-75	to	8-31-80	7.75%	10.64%
9-1-80	to	12-31-81	7.75%	12.20%
1-1-82	to	6-30-87	8.00%	12.20%
7-1-87	to	6-30-88	8.00%	10.20%
7-1-88	to	6-30-91	8.00%	12.20%
7-1-91	to	4-30-92	8.00%	11.60%
5-1-92	to	6-30-92	8.00%	5.60% [2]
7-1-92	to	6-30-93	8.00%	10.60%
7-1-93	to	6-30-97	8.00%	11.60%
Municipal Division				
1-1-44	to	12-31-49	3.50%	3.50%
1-1-50	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	12-31-69	7.00%	6.00%
1-1-70	to	12-31-70	7.00%	7.00%
1-1-71	to	6-30-73	7.00%	7.50%
7-1-73	to	12-31-73	7.75%	7.50%
1-1-74	to	12-31-74	7.75%	8.50%
1-1-75	to	12-31-75	7.75%	9.50%
1-1-76	to	12-31-80	7.75%	9.86%
1-1-81	to	12-31-81	7.75%	10.20%
1-1-82	to	6-30-91	8.00%	10.20%
7-1-91	**to**	**12-31-00**	**8.00%**	**10.00%**

			Percent of Payroll: Member Contribution Rate	Percent of Payroll: Employer Contribution Rate[1]
State Troopers				
7-1-45	to	6-30-69	7.00%	7.00%
7-1-69	to	6-30-70	8.00%	8.00%
7-1-70	to	6-30-71	8.00%	9.00%
7-1-71	to	6-30-73	8.00%	9.50%
7-1-73	to	6-30-74	8.75%	10.50%
7-1-74	to	6-30-75	8.75%	11.50%
7-1-75	to	8-31-80	8.75%	11.64%
9-1-80	to	12-31-81	8.75%	13.20%
1-1-82	to	6-30-87	9.00%	13.20%
7-1-87	to	6-30-88	9.00%	11.20%
7-1-88	to	6-30-89	9.00%	13.20%
7-1-89	to	4-30-92	12.30%	13.20%
5-1-92	to	6-30-92	12.30%	7.20% [2]
7-1-92	to	6-30-93	11.50%	12.20%
7-1-93	to	6-30-97	11.50%	13.20%
7-1-97	to	6-30-99	11.50%	13.10%
7-1-99	**to**	**12-31-00**	**10.00%**	**13.10%**
School Division[3]				
1-1-44	to	12-31-49	3.50%	3.50%
1-1-50	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	12-31-69	7.00%	6.00%
1-1-70	to	12-31-70	7.00%	7.50%
1-1-71	to	12-31-71	7.00%	8.50%
1-1-72	to	6-30-73	7.00%	9.25%
7-1-73	to	12-31-73	7.75%	9.25%
1-1-74	to	12-31-74	7.75%	10.25%
1-1-75	to	12-31-75	7.75%	11.25%
1-1-76	to	12-31-80	7.75%	12.10%
1-1-81	to	12-31-81	7.75%	12.50%
1-1-82	to	6-30-87	8.00%	12.50%
7-1-87	to	6-30-88	8.00%	11.50%
7-1-88	to	6-30-91	8.00%	12.50%
7-1-91	to	6-30-92	8.00%	12.20%
7-1-92	to	6-30-97	8.00%	11.60%
Judicial Division				
7-1-49	to	6-30-57	5.00%	5.00%
7-1-57	to	6-30-73	6.00%	12.00%
7-1-73	to	6-30-80	7.00%	12.00%
7-1-80	to	8-30-80	7.00%	13.00%
9-1-80	to	12-31-81	7.00%	15.00%
1-1-82	to	6-30-87	8.00%	15.00%
7-1-87	to	6-30-88	8.00%	13.00%
7-1-88	**to**	**6-30-00**	**8.00%**	**15.00%**
7-1-00	**to**	**12-31-00**	**8.00%**	**14.00%**

[1] All employer contribution rates shown between July 1, 1985, and June 30, 1999, include 0.8 percent, which is used to pay a portion of health care premiums for benefit recipients. From July 1, 1999, forward the employer contribution rates include 1.1 percent dedicated to the Health Care Trust Fund to be used to pay a portion of health care premiums for benefit recipients.

[2] Legislation created an annual reduction equal to 1 percent of salary retroactive to July 1, 1991, to be taken during May and June of 1992.

[3] State and School Divisions were merged July 1, 1997.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Year	Number of Employers	Number of Members	Annual Payroll	Average Annual Salary	% Increase (Decrease) in Average Pay
1991	359	132,311	$3,213,117,152	$24,285	5.62%[1]
1992	365	136,898	3,436,693,500	25,104	3.37%
1993	355	139,807	3,451,307,428	24,686	(1.67)%
1994	360	140,194	3,578,972,051	25,529	3.41%
1995	367	144,420	3,803,799,573	26,338	3.17%
1996	370	147,670	3,968,963,337	26,877	2.05%
1997	373	152,475	4,211,820,401	27,623	2.78%
1998	374	154,235	4,477,302,776	29,029	5.09%
1999	375	157,967	4,709,759,629	29,815	2.71%
2000	**379**	**162,106**	**$4,982,542,964**	**$30,736**	**3.09%**

[1] After adjustment for inclusion of temporary, part-time, substitute, and seasonal personnel beginning July 1, 1991.

STATISTICAL SECTION

Schedule of Expenses by Type

(In Thousands of Dollars)

Year	Benefit Payments	Refunds[1]	Administrative Expenses	Disability Insurance	Other	Total
State and School Division[2]						
1997	$749,313	$60,686	$14,090	$—	$377	$824,466
1998	851,676	65,811	14,142	—	2,068	933,697
1999	943,112	89,684	15,794	8,054	1,873	1,058,517
2000	**$1,042,905**	**$124,096**	**$15,245**	**$4,824**	**$973**	**$1,188,043**
State Division[2]						
1995	$283,375	$18,507	$6,565	$—	($9,567)	$298,880
1996	$305,658	$31,880	$5,503	$—	($3,902)	$339,139
School Division[2]						
1995	$325,819	$17,185	$9,834	$—	$10,599	$363,437
1996	$355,521	$27,343	$8,548	$—	$4,237	$395,649
Municipal Division						
1995	$26,117	$5,149	$1,183	$—	$599	$33,048
1996	28,723	7,330	999	—	249	37,301
1997	32,823	8,112	996	—	150	42,081
1998	36,967	8,070	1,158	—	(824)	45,371
1999	40,903	10,210	1,391	692	(1,118)	52,078
2000	**$44,957**	**$14,619**	**$1,339**	**$418**	**($131)**	**$61,202**
Judicial Division						
1995	$4,190	$53	$43	$—	($225)	$4,061
1996	4,449	9	36	—	(67)	4,427
1997	4,992	145	35	—	(53)	5,119
1998	5,168	46	25	—	(442)	4,797
1999	5,521	683	37	38	1	6,280
2000	**$5,917**	**$—**	**$20**	**$23**	**($130)**	**$5,830**
Health Care Trust Fund						
1995	$55,040	$—	$—	$—	$—	$55,040
1996	57,102	—	—	—	—	57,102
1997	59,652	—	—	—	—	59,652
1998	62,395	—	846	—	(2,122)	61,119
1999	64,979	—	483	—	—	65,462
2000	**$77,332**	**$—**	**$1,134**	**$—**	**$—**	**$78,466**

1 Refunds include interest and matching amounts as required by law.

2 The State and School Divisions were merged in 1997.

Schedule of Revenue by Source
(In Thousands of Dollars)

Year	Member Contributions[1]	Employer Contributions[1]	Service Credit Purchases	Retiree Health Care Premiums	Net Investment Income	Total Revenues
State and School Division[2]						
1997	$293,059	$392,898	$27,029	$—	$3,361,986	$4,074,972
1998	308,379	409,749	43,762	—	3,231,469	3,993,359
1999	324,504	422,025	69,775	—	4,130,854	4,947,158
2000	**$343,040**	**$420,031**	**$96,023**	**$—**	**($30,817)**	**$828,277**
State Division[2]						
1995	$114,278	$153,472	$7,294	$—	$1,265,032	$1,540,076
1996	$118,472	$159,057	$5,513	$—	$840,178	$1,123,220
School Division[2]						
1995	$148,784	$200,889	$11,825	$—	$1,849,069	$2,210,567
1996	$158,675	$214,155	$8,018	$—	$1,232,953	$1,613,801
Municipal Division						
1995	$20,852	$23,980	$1,152	$—	$176,405	$222,389
1996	21,872	25,149	814	—	119,221	167,056
1997	23,701	27,253	853	—	195,741	247,548
1998	26,248	30,186	1,339	—	191,499	249,272
1999	27,893	31,418	3,630	—	249,209	312,150
2000	**$29,392**	**$32,639**	**$4,678**	**$—**	**($2,134)**	**$64,575**
Judicial Division						
1995	$1,326	$2,353	$131	$—	$17,738	$21,548
1996	1,426	2,531	62	—	11,802	15,821
1997	1,485	2,636	340	—	19,086	23,547
1998	1,517	2,693	89	—	18,394	22,693
1999	1,552	2,689	121	—	23,539	27,901
2000	**$1,630**	**$2,726**	**$732**	**$—**	**($200)**	**$4,888**
Health Care Trust Fund						
1995	$—	$28,467	$—	$17,795	$17,035	$63,297
1996	—	30,008	—	18,932	10,383	59,323
1997	—	31,750	—	20,124	15,711	67,585
1998	—	33,522	—	21,798	14,089	69,409
1999	—	43,136	—	25,611	17,891	86,638
2000	**$—**	**$51,351**	**$—**	**$28,751**	**($94)**	**$80,008**

1 Member and employer contribution rate history is shown on page 68.

2 The State and School Divisions were merged in 1997.

MEMBER AND BENEFIT RECIPIENT STATISTICS[1]

	State Category	School Category	Municipal Division	Judicial Division	Total
Active members—12/31/00	53,005	96,990	11,851	260	162,106
Retirements during 2000:					
Disability retirements	95	69	11	2	177
Service retirements	1,220	2,200	132	10	3,562
Total	1,315	2,269	143	12	3,739
Retirement benefits:					
Total receiving disability and service retirement benefits on Dec. 31, 1999	20,809	26,909	2,428	198	50,344
Total retiring during 2000	1,315	2,269	143	12	3,739
Cobeneficiaries continuing after retiree's death	199	154	18	4	375
Returning to retirement rolls from suspension	38	61	6	0	105
Total	22,361	29,393	2,595	214	54,563
Retirees and cobeneficiaries deceased during year	744	697	81	10	1,532
Retirees suspending benefits to return to work	5	11	0	0	16
Total receiving retirement benefits	21,612	28,685	2,514	204	53,015
Total retirement benefits payable on 12/31/00	$458,629,284	$607,321,684	$44,736,068	$5,706,064	$1,116,393,100
Average monthly benefit on 12/31/00	$1,768	$1,764	$1,483	$2,331	$1,755
Average monthly benefit for all members who retired during 2000	$2,438	$2,462	$2,300	$3,069	$2,449
Survivor benefit accounts:					
Total survivors being paid on 12/31/00	931	1,013	171	17	2,132
Total benefits payable on 12/31/00	$13,031,832	$11,025,132	$1,835,892	$352,752	$26,245,608
Future benefits:					
Future retirements to age 60 or 65	3,031	5,436	595	14	9,076
Total annual future benefits	$25,324,570	$32,157,625	$4,796,762	$244,705	$62,523,662
Future survivor beneficiaries of inactive members	101	121	22	1	245
Total annual future benefits	$291,019	$334,760	$58,307	$5,831	$689,917

[1] In addition, 76,677 non-vested terminated members were due a refund of their contributions as of 12/31/00—State and School Division: 69,323; Municipal Division: 7,352; and Judicial Division: 2.

SCHEDULE OF AVERAGE RETIREMENT BENEFITS PAYABLE[1]

Year Ended	Average Monthly Benefit	Average Age at Retirement	Average Current Age of Retirees	Average Years of Service at Retirement
12/31/91	$980	60.7	70.1	18.5
12/31/92	1,085	60.5	70.0	18.7
12/31/93	1,158	60.2	69.7	19.1
12/31/94	1,213	60.0	69.7	19.2
12/31/95	1,266	59.7	69.7	19.4
12/31/96	1,334	59.6	69.2	19.6
12/31/97	1,533	59.2	69.5	19.8
12/31/98	1,580	59.2	69.6	20.1
12/31/99	1,657	59.0	69.4	20.5
12/31/00	**$1,755**	**58.8**	**69.3**	**20.9**

[1] Includes disability retirements, but not survivor benefits.

SCHEDULE OF BENEFIT DISBURSEMENTS BY TYPE[1]

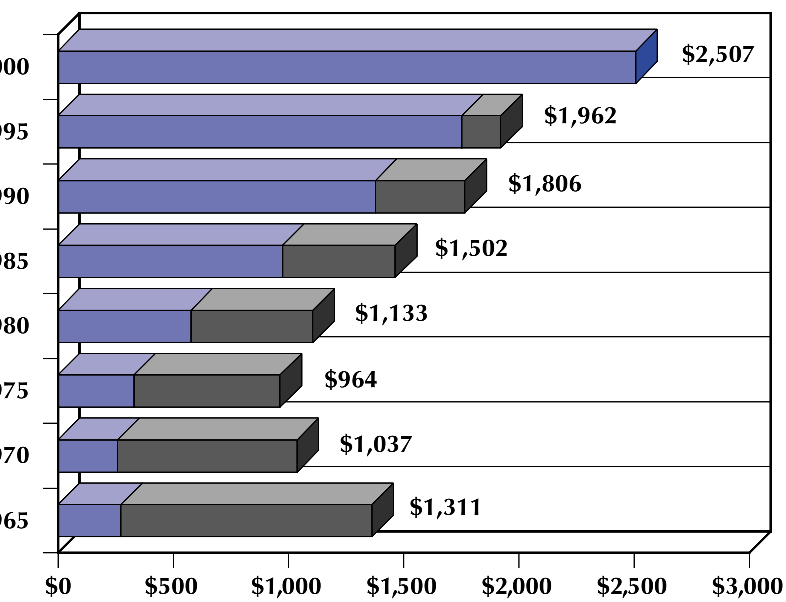
(In Thousands of Dollars)

Year Ended	Retirement Benefits	Survivor Benefits	Contribution Refunds	Interest and Matching Amount Paid	Health Care	Total
12/31/95	$622,149	$17,352	$26,616	$14,278	$55,040	$735,435
12/31/96	677,181	17,170	39,022	27,540	57,102	818,015
12/31/97	769,130	17,998	39,326	29,617	59,652	915,723
12/31/98	874,913	18,898	41,884	32,043	62,395	1,030,133
12/31/99	966,966	22,570	46,230	54,347	64,979	1,155,092
12/31/00	**$1,073,845**	**$19,934**	**$59,617**	**$79,098**	**$77,332**	**$1,309,826**

1 Numbers do not include 401(k) Voluntary Investment Program.

CURRENT AVERAGE MONTHLY BENEFIT BY YEAR OF RETIREMENT

Service Retiree Accounts as of December 31, 2000



	1965	1970	1975	1980	1985	1990	1995	2000
Original Benefit at Retirement	$258	$253	$323	$578	$979	$1,378	$1,751	**$2,507**
Benefit Increases	$1,053	$784	$641	$555	$523	$428	$211	**$0**

SCHEDULE OF RETIREES AND SURVIVORS BY TYPE OF BENEFIT

As of December 31, 2000

Types of Benefits:
1 – Age and service retirement.
2 – Disability retirement.
3 – Survivor payment—Option 3.
4 – Survivor payment—children, spouse, or dependent parent.
5 – Surviving spouse with future benefit.
6 – Former member with future benefit.

Option Selected:
Retirees select one of the following options at retirement:

1 —Single life benefit.
2 —Joint benefit with 1/2 to surviving cobeneficiary.
3 —Joint and survivor benefit.
4 —Joint benefit with 1/2 to either survivor. (No longer offered to members retiring.)

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

State and School Division

Amount of Benefit	Total (Columns 1–5)	Type of Benefit 1	2	3	4	5	6
$1-$250	2,829	2,548	96	3	149	33	2,903
$251-$500	4,726	3,821	532	6	329	38	2,412
$501-$750	4,703	3,607	771	14	268	43	1,324
$751-$1,000	4,758	3,403	1,084	13	238	20	732
$1,001-$1,250	4,672	3,309	1,150	12	198	3	463
$1,251-$1,500	4,419	3,279	986	13	138	3	283
$1,501-$1,750	3,968	3,112	752	9	95	0	180
$1,751-$2,000	3,519	2,881	539	8	91	0	133
Over $2,000	18,647	17,522	905	67	153	0	259
Totals	**52,241**	**43,482**	**6,815**	**145**	**1,659**	**140**	**8,689**

Amount of Benefit	Option Selected 1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1-$250	1,754	110	354	19	315	92
$251-$500	2,786	255	533	29	605	145
$501-$750	2,650	366	549	47	625	141
$751-$1,000	2,593	480	690	48	518	158
$1,001-$1,250	2,515	557	760	58	408	161
$1,251-$1,500	2,382	545	856	42	331	109
$1,501-$1,750	2,074	560	820	50	259	101
$1,751-$2,000	1,764	580	758	33	207	78
Over $2,000	9,043	3,849	4,486	171	644	234
Totals	**27,561**	**7,302**	**9,806**	**497**	**3,912**	**1,219**

SCHEDULE OF RETIREES AND SURVIVORS BY TYPE OF BENEFIT (CONTINUED)
As of December 31, 2000

Types of Benefits:
1 – Age and service retirement.
2 – Disability retirement.
3 – Survivor payment—Option 3.
4 – Survivor payment—children, spouse, or dependent parent.
5 – Surviving spouse with future benefit.
6 – Former member with future benefit.

Option Selected:
Retirees select one of the following options at retirement:

1 —Single life benefit.
2 —Joint benefit with 1/2 to surviving cobeneficiary.
3 —Joint and survivor benefit.
4 —Joint benefit with 1/2 to either survivor. (No longer offered to members retiring.)

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

Municipal Division

		Type of Benefit					
Amount of Benefit	**Total (Columns 1–5)**	**1**	**2**	**3**	**4**	**5**	**6**
$1-$250	134	116	5	0	12	1	110
$251-$500	244	194	24	0	24	2	192
$501-$750	315	210	63	2	37	3	132
$751-$1,000	308	180	96	1	28	3	72
$1,001-$1,250	392	200	169	1	20	2	38
$1,251-$1,500	308	174	122	2	10	0	21
$1,501-$1,750	223	128	87	2	6	0	19
$1,751-$2,000	188	130	49	2	7	0	11
Over $2,000	573	512	55	2	4	0	22
Totals	**2,685**	**1,844**	**670**	**12**	**148**	**11**	**617**

	Option Selected					
Amount of Benefit	**1**	**2**	**3**	**4**	**Surviving Cobeneficiary**	**Surviving Retiree**
$1-$250	72	2	18	0	26	3
$251-$500	107	11	28	4	57	11
$501-$750	129	21	54	2	58	9
$751-$1,000	129	32	59	4	50	2
$1,001-$1,250	165	57	92	8	39	8
$1,251-$1,500	119	56	78	7	26	10
$1,501-$1,750	81	36	69	4	16	9
$1,751-$2,000	76	33	57	2	9	2
Over $2,000	196	131	203	9	16	12
Totals	**1,074**	**379**	**658**	**40**	**297**	**66**

SCHEDULE OF RETIREES AND SURVIVORS BY TYPE OF BENEFIT (CONTINUED)

As of December 31, 2000

Types of Benefits:
1 – Age and service retirement.
2 – Disability retirement.
3 – Survivor payment—Option 3.
4 – Survivor payment—children, spouse, or dependent parent.
5 – Surviving spouse with future benefit.
6 – Former member with future benefit.

Option Selected:
Retirees select one of the following options at retirement:

1 —Single life benefit.
2 —Joint benefit with 1/2 to surviving cobeneficiary.
3 —Joint and survivor benefit.
4 —Joint benefit with 1/2 to either survivor. (No longer offered to members retiring.)

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

Judicial Division

		Type of Benefit					
Amount of Benefit	**Total (Columns 1–5)**	**1**	**2**	**3**	**4**	**5**	**6**
$1-$250	3	3	0	0	0	0	1
$251-$500	14	13	1	0	0	0	1
$501-$750	9	8	1	0	0	0	3
$751-$1,000	7	4	0	0	3	0	1
$1,001-$1,250	12	11	1	0	0	0	1
$1,251-$1,500	18	13	2	0	3	0	4
$1,501-$1,750	18	14	0	0	3	1	0
$1,751-$2,000	12	11	0	0	1	0	0
Over $2,000	128	106	16	0	6	0	4
Totals	**221**	**183**	**21**	**0**	**16**	**1**	**15**

	Option Selected					
Amount of Benefit	**1**	**2**	**3**	**4**	**Surviving Cobeneficiary**	**Surviving Retiree**
$1-$250	0	0	2	0	1	0
$251-$500	5	2	2	0	5	0
$501-$750	2	0	1	0	4	2
$751-$1,000	3	0	0	0	1	0
$1,001-$1,250	2	0	3	1	6	0
$1,251-$1,500	3	2	7	1	2	0
$1,501-$1,750	1	1	3	0	7	2
$1,751-$2,000	1	1	4	0	4	1
Over $2,000	24	23	42	4	25	4
Totals	**41**	**29**	**64**	**6**	**55**	**9**

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Year Retired	Years of Service Credit					
	0-10	10-15	15-20	20-25	25-30	30+
Period 1/1/00 to 12/31/00						
Average Monthly Benefit	**$334**	**$746**	**$1,042**	**$1,770**	**$2,527**	**$3,468**
Average Highest Average Salary	**$2,004**	**$2,680**	**$2,567**	**$3,466**	**$4,018**	**$4,652**
Number of Service Retirees	**160**	**201**	**168**	**819**	**615**	**1,599**
Period 1/1/99 to 12/31/99						
Average Monthly Benefit	$351	$659	$1,039	$1,591	$2,387	$3,385
Average Highest Average Salary	$2,117	$2,495	$2,836	$3,278	$3,934	$4,551
Number of Service Retirees	149	193	162	820	553	1,513
Period 1/1/98 to 12/31/98						
Average Monthly Benefit	$296	$611	$975	$1,586	$2,194	$3,293
Average Highest Average Salary	$1,815	$2,296	$2,543	$3,249	$3,709	$4,398
Number of Service Retirees	153	191	160	754	488	1,059
Period 1/1/97 to 12/31/97						
Average Monthly Benefit	$600	$828	$1,159	$1,588	$2,171	$3,097
Average Highest Average Salary	$2,011	$2,395	$2,716	$3,322	$3,727	$4,170
Number of Service Retirees	322	308	277	775	556	736
Period 1/1/96 to 12/31/96						
Average Monthly Benefit	$599	$800	$1,023	$1,514	$2,200	$3,211
Average Highest Average Salary	$1,917	$2,298	$2,444	$3,098	$3,671	$4,169
Number of Service Retirees	304	313	265	714	374	559
Period 1/1/95 to 12/31/95						
Average Monthly Benefit	$628	$797	$1,082	$1,544	$2,190	$3,248
Average Highest Average Salary	$1,964	$2,242	$2,450	$3,043	$3,526	$4,119
Number of Service Retirees	337	318	286	724	466	519
Period 1/1/94 to 12/31/94						
Average Monthly Benefit	$614	$755	$1,121	$1,574	$2,225	$3,243
Average Highest Average Salary	$2,004	$2,168	$2,449	$3,068	$3,507	$4,050
Number of Service Retirees	349	332	284	724	477	512
Period 1/1/93 to 12/31/93						
Average Monthly Benefit	$591	$853	$1,080	$1,701	$2,406	$3,270
Average Highest Average Salary	$2,022	$2,247	$2,378	$3,212	$3,749	$3,955
Number of Service Retirees	324	356	343	901	627	677
Period 1/1/92 to 12/31/92						
Average Monthly Benefit	$556	$820	$1,104	$1,616	$2,348	$3,184
Average Highest Average Salary	$1,791	$2,099	$2,403	$2,943	$3,360	$3,701
Number of Service Retirees	331	363	336	738	349	414
Period 1/1/91 to 12/31/91						
Average Monthly Benefit	$554	$758	$1,093	$1,606	$2,311	$3,211
Average Highest Average Salary	$1,756	$2,016	$2,262	$2,820	$3,194	$3,599
Number of Service Retirees	282	330	332	658	252	365
Period 1/1/90 to 12/31/90						
Average Monthly Benefit	$537	$790	$1,143	$1,619	$2,426	$3,101
Average Highest Average Salary	$1,743	$1,993	$2,292	$2,736	$3,213	$3,392
Number of Service Retirees	279	295	269	668	263	312

Schedule of Affiliated Employers

State Category

Agencies and Instrumentalities

Colorado Association of School Boards
Colorado Council on Arts and Humanities
Colorado High School Activities Association
Colorado Student Loan Program
Colorado Uninsurable Health Insurance Plan
Colorado Water Resources and Power Development Authority
Department of Agriculture
Department of Corrections
Department of Education
Department of Health Care Policy and Financing
Department of Human Services
Department of Labor and Employment
Department of Law
Department of Local Affairs
Department of Military Affairs
Department of Natural Resources
Department of Public Health and Environment
Department of Public Safety
Department of Regulatory Agencies
Department of Revenue
Department of State
Department of Transportation
Department of the Treasury
Fire and Police Pension Association
General Assembly
General Support Services / Department of Personnel
Joint Budget Committee
Judicial Department
Legislative Council
Office of the District Attorneys
Office of the Governor
Office of Legislative Legal Services
Office of the Lieutenant Governor
Office of Technology and Innovation
Pinnacol Assurance (formerly Colorado Compensation Insurance Authority)
Public Employees' Retirement Association of Colorado
School for the Deaf and the Blind
Special District Association of Colorado
State Auditor's Office
State Historical Society

Institutions of Higher Education

Adams State College
Aims Community College
Arapahoe Community College
Auraria Higher Education Center
Aurora Community College
Colorado Mountain College
Colorado Northwestern Community College
Colorado School of Mines
Colorado State University
Commission on Higher Education
Denver Community College
Fort Lewis College
Front Range Community College
Lamar Community College
Lowry Higher Education Center
Mesa State College
Metropolitan State College of Denver
Morgan Community College
Northeastern Junior College
Otero Junior College
Pikes Peak Community College
Pueblo Vocational Community College
Red Rocks Community College
State Board for Community Colleges and Occupational Education
The State Colleges in Colorado
Trinidad State Junior College
University of Colorado at Boulder
University of Colorado at Colorado Springs
University of Colorado at Denver
University of Colorado Health Sciences Center
University of Northern Colorado
University of Southern Colorado
Western State College

School Category

Adams County

Adams County School District 14
Bennett School District 29J
Brighton School District 27J
Mapleton School District 1
Northglenn-Thornton School District 12
Strasburg School District 31J
Westminster School District 50

Alamosa County

Alamosa County School District Re-11J
Sangre de Cristo School District Re-22J

Arapahoe County

Adams-Arapahoe School District 28J
Byers School District 32J
Cherry Creek School District 5
Deer Trail School District 26J
Englewood School District 1
Littleton School District 6
Sheridan School District 2

Archuleta County

Archuleta County School District 50 Jt

Baca County

Campo School District RE-6
Pritchett School District RE-3
Springfield School District RE-4

Schedule of Affiliated Employers

Vilas School District RE-5
Walsh School District RE-1

Bent County
Las Animas School District RE-1
McClave School District RE-2

Boulder County
Boulder Valley School District RE2
St. Vrain Valley School District RE1J

Chaffee County
Buena Vista School District R-31
Salida School District R-32(J)

Cheyenne County
Cheyenne County School District Re-5
Kit Carson School District R-1

Clear Creek County
Clear Creek School District RE-1

Conejos County
North Conejos School District RE1J
Sanford School District 6J
South Conejos School District RE 10

Costilla County
Centennial School District R-1
Sierra Grande School District R-30

Crowley County
Crowley County School District RE-1

Custer County
Custer County Consolidated School District C-1

Delta County
Delta County School District 50(J)

Dolores County
Dolores County School District Re No. 2

Douglas County
Douglas County School District Re 1

Eagle County
Eagle County School District Re 50

Elbert County
Agate School District 300
Big Sandy School District 100J
Elbert School District 200
Elizabeth School District C-1
Kiowa School District C-2

El Paso County
Academy School District 20
Calhan School District RJ1
Cheyenne Mountain School District 12
Colorado Springs School District 11
Edison School District 54 Jt
Ellicott School District 22
Falcon School District 49
Fountain School District 8
Hanover School District 28
Harrison School District 2
Lewis-Palmer School District 38
Manitou Springs School District 14
Miami / Yoder School District 60 Jt
Peyton School District 23 Jt
Widefield School District 3

Fremont County
Canon City School District Re-1
Cotopaxi School District Re-3
Florence School District Re-2

Garfield County
Garfield School District Re-2
Garfield School District 16
Roaring Fork School District Re-1

Gilpin County
Gilpin County School District Re-1

Grand County
East Grand School District 2
West Grand School District 1

Gunnison County
Gunnison Watershed School District Re1J

Hinsdale County
Hinsdale County School District Re-1

Huerfano County
Huerfano School District Re-1
La Veta School District Re-2

Jackson County
North Park School District R-1

Jefferson County
Jefferson County School District R-1

Kiowa County
Eads School District Re-1
Plainview School District Re-2

Kit Carson County
Arriba-Flagler Consolidated School District No. 20
Bethune School District R-5
Burlington School District Re-6J
Hi-Plains School District R-23
Stratton School District R-4

Lake County
Lake County School District R-1

La Plata County
Bayfield School District 10Jt-R
Durango School District 9-R
Ignacio School District 11 Jt

Larimer County
Park School District R-3
Poudre School District R-1
Thompson School District R-2J

Las Animas County
Aguilar Reorganized School District 6
Branson Reorganized School District 82
Hoehne Reorganized School District 3

SCHEDULE OF AFFILIATED EMPLOYERS

Kim Reorganized School District 88
Primero Reorganized School District 2
Trinidad School District 1

Lincoln County
Genoa / Hugo School District C-113
Karval School District Re 23
Limon School District Re 4J

Logan County
Buffalo School District Re-4
Frenchman School District Re-3
Plateau School District Re-5
Valley School District Re-1

Mesa County
De Beque School District 49 Jt
Mesa County Valley School District 51
Plateau Valley School District 50

Mineral County
Creede Consolidated School District 1

Moffat County
Moffat County School District Re No.1

Montezuma County
Dolores School District RE 4A
Mancos School District Re-6
Montezuma-Cortez School District Re 1

Montrose County
Montrose County School District Re-1J
West End School District Re-2

Morgan County
Brush School District Re-2 (J)
Fort Morgan School District Re-3
Weldon Valley School District Re-20 (J)
Wiggins School District Re-50 (J)

Otero County
Cheraw School District 31
East Otero School District R1
Fowler School District R4J
Manzanola School District 3J
Rocky Ford School District R2
Swink School District 33

Ouray County
Ouray School District R-1
Ridgway School District R-2

Park County
Park County School District Re-2
Platte Canyon School District 1

Phillips County
Haxtun School District Re-2J
Holyoke School District Re-1J

Pitkin County
Aspen School District 1

Prowers County
Granada School District Re-1
Holly School District Re-3
Lamar School District Re-2
Wiley School District Re-13 Jt

Pueblo County
Pueblo City School District 60
Pueblo County School District 70

Rio Blanco County
Meeker School District RE1
Rangely School District RE4

Rio Grande County
Del Norte School District C-7
Monte Vista School District C-8
Sargent School District Re-33J

Routt County
Hayden School District Re 1
South Routt School District Re 3
Steamboat Springs School District Re 2

Saguache County
Center Consolidated School District 26 Jt
Moffat School District 2
Mountain Valley School District Re 1

San Juan County
Silverton School District 1

San Miguel County
Norwood School District R-2J
Telluride School District R-1

Sedgwick County
Julesburg School District Re 1
Platte Valley School District Re3

Summit County
Summit School District Re 1

Teller County
Cripple Creek-Victor School District Re-1
Woodland Park School District RE-2

Washington County
Akron School District R-1
Arickaree School District R-2
Lone Star School District 101
Otis School District R-3
Woodlin School District R-104

Weld County
Ault-Highland School District Re-9
Briggsdale School District Re-10
Eaton School District Re-2
Fort Lupton School District Re-8
Gilcrest School District Re-1
Greeley School District 6
Johnstown School District Re-5J
Keenesburg School District Re-3
Pawnee School District Re-12
Platte Valley School District Re-7
Prairie School District Re-11

Schedule of Affiliated Employers

Windsor School District Re-4

Yuma County

East Yuma County School District R-J-2
West Yuma County School District R-J-1

Boards of Cooperative Educational Services (BOCES)

Centennial Board of Cooperative Educational Services
East Central BOCES
Expeditionary Learning School BOCES
Grand Valley BOCES
Mountain BOCES
Mount Evans BOCES
Northeast BOCES
Northern Colorado BOCES
Northwest Colorado BOCES
Pikes Peak BOCES
Rio Blanco BOCES
Santa Fe Trail BOCES
South Central BOCES
South Platte Valley BOCES
Southeastern BOCES
Uncompaghre BOCES
West Central BOCES

Boards of Cooperative Services (BOCS)

San Juan BOCS
San Luis Valley BOCS
Southwest BOCS

Vocational Schools

Delta-Montrose Area Vocational School
San Juan Basin Area Vocational School

Municipal Division

Alamosa Housing Authority
Aurora Housing Authority
Baca Grande Water & Sanitation District
Beulah Water Works District
Black Hawk-Central City Sanitation District
Blanca-Fort Garland Metropolitan District
Boxelder Sanitation District
Brush Housing Authority
Carbon Valley Park & Recreation District
Castle Pines Metropolitan District
Castle Pines North Metropolitan District
Centennial Soil Conservation District
Center Housing Authority
City of Alamosa
City of Boulder
City of Colorado Springs
City of Fort Morgan
City of Manitou Springs
City of Pueblo
City of Wray
City of Yuma
Collbran Conservancy District *(affiliated in 2001)*
Colorado Housing & Finance Authority
Colorado School District Self-Insurance Pool
Colorado Springs Utilities
Columbine Knolls-Grove Metropolitan Recreation District
Costilla Housing Authority
Cunningham Fire Protection District
Douglas Public Library District
East Cheyenne Ground Water Management District
East Larimer County Water District
Eastern Rio Blanco Parks & Recreation Department
Eaton Housing Authority
Elbert County Library District *(affiliated in 2001)*
Estes Valley Public Library District
Forest Lakes Metropolitan District
Fremont Sanitation District
Fremont Soil Conservation District
Garfield County Housing Authority
Housing Authority of Arriba
Housing Authority of the City of Boulder
Housing Authority of the County of Saguache
Housing Authority of the Town of Limon
Lamar Housing Authority
Lamar Utilities Board
Left Hand Water District
Longs Peak Water District
Longmont Housing Authority
Louisville Fire Protection District
Meeker Regional Library District
Memorial Hospital–Colorado Springs
Montrose Fire Protection District
Montrose Recreation District
Monument Sanitation District
Morgan Soil Conservation District
Mountain View Fire Protection District
Mountain Village Metropolitan District
Mountain Water and Sanitation District
Niwot Sanitation District
North Chaffee County Regional Library
Northeastern Colorado Association of Local Governments *(affiliated in 2001)*
Northeast Colorado Health Department
Park Center Water District
Pine Drive Water District
Plains and Peaks Regional Library Services System
Pueblo City-County Health Department
Pueblo Library District
Rampart Regional Library District
Rangely Regional Library District
Red Feather Mountain Library District *(affiliated in 2001)*
Red, White & Blue Fire Protection District
Rifle Fire Protection District
Rio Blanco Fire Protection District
Rio Blanco Water Conservancy District

Schedule of Affiliated Employers

Routt County Soil Conservation District *(inactive affiliate)*
Sable-Altura Fire Protection District
San Luis Valley Development Resources Group
San Luis Valley Water Conservancy District
San Miguel County Public Library
San Miguel Regional and Telluride Housing Authority
Scientific and Cultural Facilities District
Sheridan Sanitation District #1
Soldier Canyon Filter Plant
Southwest Regional Library
Steamboat II Water and Sanitation District
Steamboat Springs Rural Fire Protection District
St. Vrain Sanitation District
Three Rivers Regional Library Services System
Town of Bayfield
Town of Crawford
Town of Dinosaur
Town of Eckley
Town of Estes Park
Town of Firestone
Town of Lake City
Town of Mountain Village
Town of Platteville
Town of Rico
Town of Rye *(affiliated in 2001)*
Town of Siebert
Town of Silver Plume
Tri-County Health Department
Upper Colorado Environmental Plant Center
Walker Field Colorado Public Airport Authority
Washington-Yuma Counties Combined Communications Center
Weld County Health Department
West Greeley Soil Conservation District
Western Rio Blanco Metropolitan Recreation & Park District
Windsor-Severance Library District
Yuma Housing Authority

Judicial Division

1st-23rd District Court
24th District-Denver Probate Court
25th District-Denver Juvenile Court
Adams County Court
Alamosa County Court
Arapahoe County Court
Archuleta County Court
Baca County Court
Bent County Court
Boulder County Court
Chaffee County Court
Cheyenne County Court
Clear Creek County Court
Conejos County Court
Costilla County Court
Court of Appeals
Crowley County Court
Custer County Court
Delta County Court
Denver County Court
Dolores County Court
Douglas County Court
Eagle County Court
El Paso County Court
Elbert County Court
Fremont County Court
Garfield County Court
Gilpin County Court
Grand County Court
Gunnison County Court
Hinsdale County Court
Huerfano County Court
Jackson County Court
Jefferson County Court
Kiowa County Court
Kit Carson County Court
La Plata County Court
Lake County Court
Larimer County Court
Las Animas County Court
Lincoln County Court
Logan County Court
Mesa County Court
Mineral County Court
Moffat County Court
Montezuma County Court
Montrose County Court
Morgan County Court
Otero County Court
Ouray County Court
Park County Court
Phillips County Court
Pitkin County Court
Prowers County Court
Pueblo County Court
Rio Blanco County Court
Rio Grande County Court
Routt County Court
Saguache County Court
San Juan County Court
San Miguel County Court
Sedgwick County Court
Summit County Court
Supreme Court
Teller County Court
Washington County Court
Weld County Court
Yuma County Court

HEALTH CARE PROGRAM

Legislation in 1985 established the PERA Health Care Fund and the Health Care Program, which began offering benefit recipients and their qualified dependents health care coverage to on July 1, 1986. On July 1, 1999, the Fund was converted to the PERA Health Care Trust Fund (HCTF).

Between July 1, 1985, and July 1, 1999, the Fund received contributions from affiliated employers equal to 0.8 percent of member salaries; on July 1, 1999, the rate increased to 1.1 percent of salary. The Fund is invested with the pension trust funds and earnings are allocated to it.

Monthly premiums for participants depend on the plan selected, the PERA subsidy amount, Medicare enrollment, and the number of persons being covered. PERA subsidizes the monthly premium for benefit recipients in the Program. On July 1, 2000, the maximum subsidy for benefit recipients under age 65 and not eligible for Medicare increased from $115 per month to $230 per month. The maximum subsidy continued to be $115 per month for benefit recipients who are age 65 or older or under age 65 and on Medicare. The subsidy is reduced 5 percent ($11.50 or $5.75 respectively) if the PERA benefit paid is based on less than 20 years of PERA service credit.

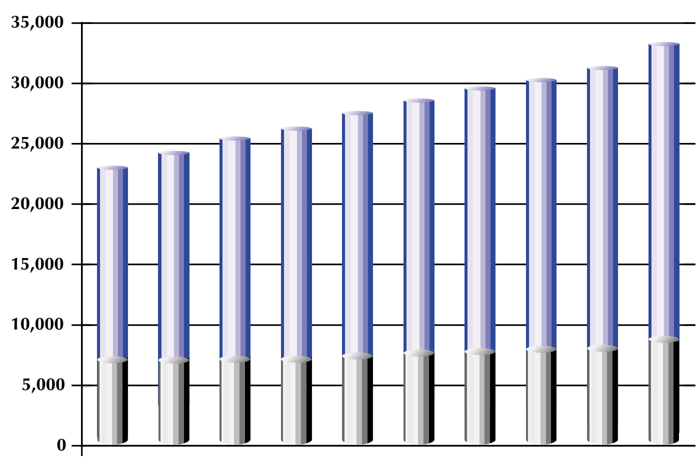
In 2000, the PERA Health Care Program was renamed PERACare to serve as an overall program title. During the year, PERA solicited proposals for health care coverage from insurance companies and health maintenance organizations for medical plans for both active employees and retired participants. Bids were also solicited for dental and vision care. Negotiations were completed in June 2000. The benefit year for the retiree coverage was extended until December 31, 2000, so the benefits contract year coincides with the calendar year in the future. Open enrollment was held in the fall of 2000 with more than 15,000 people attending informational meetings.

PERA renewed its contract with Mutual of Omaha to provide third-party administration for the PERA self-insured plans for the retiree population. PERA developed two new self-insured plans, one for pre-Medicare and the other for Medicare participants, both having higher deductibles and / or coinsurance and reduced prescription coverage. Also, Caremark was elected to serve as the prescription benefit manager for the Mutual of Omaha plans, replacing Express Scripts.

Kaiser Permanente, Rocky Mountain HMO, CIGNA HMO, and Health Network HMO contracted with PERA for services to active employees and pre-Medicare participants; Kaiser and RMHMO also contracted to provide services to Medicare participants.

As the result of legislation enacted in 1999, staff developed and marketed PERACare as a health benefits program for PERA-affiliated employers to provide their active employees and eligible dependents. A PERACare Advisory Committee, comprised of representatives of employers and employee organizations, assisted in developing the program. PERACare coverage for employers began on January 1, 2001.

HEALTH CARE PROGRAM ENROLLMENTS



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Benefit Recipients	23,037	24,236	25,444	26,270	27,531	28,575	29,571	30,291	31,293	33,261
Spouses & Dependents	7,289	7,271	7,321	7,334	7,534	7,731	7,817	7,974	8,052	8,657

LIFE INSURANCE PROGRAM

PERA has provided its members with access to voluntary supplemental life insurance benefits since 1956 when it contracted with New York Life Insurance Company for coverage. The Board transferred the plan underwritten by New York Life to Rocky Mountain Life, a subsidiary of Blue Cross and Blue Shield of Colorado, in 1988. However, New York Life retained coverage for members and retirees having a paid-up policy, and certain disability retirees with waiver of premium coverage.

In 1986, PERA assumed responsibility from the state of Colorado for administering two Rocky Mountain Life plans for retired state employees. This plan is a closed group with no provision for new participants.

Currently, PERA offers two group, decreasing-term life insurance plans—the Rocky Mountain Life coverage and a plan offered by the National Conference on Public Employee Retirement Systems through Prudential. Active members may join one or both of the plans, and may continue coverage into retirement or after leaving PERA-covered employment if they retain their PERA account. Inactive members may continue life insurance coverage as long as they retain their PERA member contribution account. During the annual open enrollment period, members enrolling are not required to furnish evidence of good health for themselves or their dependents. Members may enroll outside the enrollment period, but must provide a statement of good health.

LIFE INSURANCE PROGRAM ENROLLMENT

Year	Rocky Mountain Life	Prudential	Rocky Mountain Life (Closed Group)	New York Life[1]	Total Enrollments
1991	36,191	16,332	3,602	—	56,125
1992	37,028	16,809	3,451	—	57,288
1993	36,857	16,899	3,051	—	56,807
1994	36,265	16,555	2,884	—	55,704
1995	36,979	16,032	2,576	18,738	74,325
1996	37,062	17,135	2,489	16,297	72,983
1997	37,382	17,270	2,154	15,936	72,742
1998	37,477	17,327	1,997	15,513	72,314
1999	37,901	17,622	1,855	15,081	72,459
2000	**37,883**	**17,606**	**1,678**	**14,336**	**71,503**

1 New York Life, with paid-up coverage and no premiums assessed, not listed before 1995.

LIFE INSURANCE PROGRAM CLAIMS

	Rocky Mountain Life		Prudential		Rocky Mountain Life (Closed Group)		New York Life [2]		Total Program	
Year	Amt. of Claims Paid	No. of Claims Paid[1]	Amt. of Claims Paid	No. of Claims Paid[1]	Amt. of Claims Paid	No. of Claims Paid[1]	Amt. of Claims Paid	No. of Claims Paid	Amt. of Claims Paid	No. of Claims Paid[1]
1991	$5,383,194	808	$1,276,347	188	$361,256	180	$—	—	$7,020,797	1,176
1992	4,715,336	787	1,264,979	187	277,618	177	—	—	6,257,933	1,151
1993	5,114,319	751	1,250,563	169	236,675	155	—	—	6,601,557	1,075
1994	5,241,796	876	1,384,378	223	265,185	177	—	—	6,891,359	1,276
1995	5,064,415	653	1,561,740	246	288,416	172	444,602	282	7,359,173	1,353
1996	4,660,358	599	1,462,712	210	268,815	157	399,868	288	6,791,753	1,254
1997	5,116,641	679	1,469,340	226	171,175	127	378,422	282	7,135,578	1,314
1998	4,875,713	691	1,731,344	283	246,473	149	395,834	333	7,249,364	1,456
1999	4,700,668	703	1,415,914	256	265,141	138	412,966	328	6,794,689	1,425
2000	**$4,953,863**	**741**	**$1,508,591**	**264**	**$221,072**	**155**	**$417,428**	**335**	**$7,100,954**	**1,495**

1 Number of claims paid not available before 1991.

2 New York Life, with paid-up coverage and no premiums assessed, not listed before 1995.