Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2004

COLORADO PERA®

Personal. Innovative. Secure.

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Comprehensive Annual Financial Report

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Colorado Public Employees' Retirement Association
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Prepared by the PERA Staff

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Introductory Section

The journey takes vitality and grit. Colorado PERA is watching the road ahead so our members can reach their individual financial destinations.

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Meredith Williams
Executive Director

June 2, 2005

Dear Colorado PERA Members, Benefit Recipients, Employers, and Members of the Board of Trustees,

I am pleased to present Colorado PERA's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended December 31, 2004. 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.

Plan Overview

Colorado PERA was established in 1931 by the Colorado General Assembly as an instrumentality of the state. Initially covering only state employees, PERA has expanded to include all Colorado school districts except Denver, the State's judicial system, numerous municipalities, and other government entities. PERA'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. PERA 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

Colorado PERA ended the 2004 year with over $33 billion in net assets and a 14.1 percent total return on the investment portfolio. While PERA remains financially secure, the PERA pension trust funds, like other pension plans, will take time to recover from the recent three-year bear market. Although PERA's investments posted strong gains in the past two years, losses sustained in 2000 through 2002—three of the worst years in the stock market's history—resulted in decreasing the 2004 funding ratio (the ratio of assets to liabilities). This is explained by the "four–year smoothed market value" method that is employed by many public pension funds, including PERA, to determine the plan's annual funded status.

The four–year smoothed market value method:

- Avoids asset "snapshots" during potentially widely fluctuating short-term markets.
- Recognizes that pension funds are long-term investors.
- Spreads gains or losses relative to the plan's investment assumption (8.5 percent in Colorado PERA's case), over the prior four–year period.
- Determined the 2004 funding ratio by including investment returns from 2001–2004.

In 2004, the Board recommended major legislation (Senate Bill 04-132 and Senate Bill 04-257) that would address PERA's funding needs in a cost-effective and equitable manner for state taxpayers and PERA members. Both pieces of legislation were enacted into law.

Senate Bill 04-132 ("Modification of Existing PERA Benefit Plans")

Signed into law by Governor Owens on April 30, 2004, this bill contains the following provisions:

- Suspended MatchMaker contributions on payroll periods that ended after May 31, 2004.
- Reduced the interest credit on member contributions to a maximum of 5 percent per year, beginning July 1, 2004.
- Changed the due date for PERA employer contributions to five business days after the payroll date, effective July 1, 2004.
- Reallocated 0.08 percent of salary of employer contributions to the PERA pension trust funds, rather than to the PERA Health Care Trust Fund, effective July 1, 2004.
- Provides that members hired on or after July 1, 2005:
  - Will be eligible for service retirement benefits at any age with 35 years of service, instead of at age 50 with 30 years of service.
  - Will receive annual post-retirement increases of 3 percent or the actual change in the Consumer Price Index, whichever is lower.

Senate Bill 04-257 ("Public Employee Retirement Plans")

This bill was signed into law by Governor Owens on June 4, 2004. SB 04-257 will provide additional employer funding for PERA and expand the defined contribution (DC) plan option

beyond elected officials to new state government employees. Major provisions of this legislation are as follows:

- Provides that new state government employees hired on or after January 1, 2006, will have 60 days from their first day of employment to elect the PERA Defined Benefit (DB) plan, PERA's new DC plan, or the State DC plan.
- The PERA DB plan will cover all new state employees until an election is made. New hires who do not make an election within 60 days will be covered by PERA's DB plan.
- New state hires who have been PERA members or retirees, or active State DC plan participants, must be separated from state employment for at least 12 months before they will be eligible to elect PERA's DB or DC plan, or the State DC plan. New hires who do not meet this condition will be covered by the plan in which they last participated.
- The DC plan option will not be available to new employees employed by an institution of higher education. (Classified state employees at a higher education institution will still be covered by the PERA DB Plan, and faculty and other employees exempt from the state personnel system will remain covered by the institution's Optional Retirement Plan, if one is offered.)
- Separates the State and School Divisions on January 1, 2006. This separation will protect the School Division from decreased funding that might result from the DC plan option that will be offered to new state employees, not school employees, on that date.
- Requires all affiliated employers to pay an "Amortization Equalization Disbursement" (AED) to PERA beginning January 1, 2006, that will help amortize PERA's unfunded liability. The AED will equal 0.5 percent of salaries paid to PERA members, or employees who were eligible to elect PERA membership, on or after January 1, 2006. The AED will increase by 0.5 percent of salary in 2007 and by 0.4 percent of salary each year thereafter until the 3 percent of salary maximum is reached in 2012.
- Permanently increases the School employer contribution rate by 0.4 percent of salary in 2013 to account for the higher cost of benefits for school members, compared with state members.
- Requires PERA employer contributions on salary paid to PERA retirees, effective July 1, 2005, to help compensate PERA for the cost of early retirement.
- Renames the Municipal Division the "Local Government Division" on January 1, 2006.

Senate Bill 04-90 ("Confidentiality of Certain Information on PERA Private Equity and Other Alternative Investments")

This bill was signed by Governor Owens on March 29, 2004, and developed by the venture capital industry. SB 04-90 clarifies that information on PERA's private equity, private debt, and timber investments is confidential until the transaction is completed, if PERA determines that disclosing such information would jeopardize the investment's value. PERA testified in favor of SB 04-90 since confidential data on private companies is needed to monitor PERA's existing investments in venture capital, leveraged buyout funds, timber, mezzanine debt, and other alternative investments, and to evaluate new investment opportunities.

Also in 2004, the following legislation was passed and signed into law that directly affects Colorado PERA. None of these bills was initiated by the PERA Board.

Senate Bill 04-94 ("Health Savings Accounts")

Signed by Governor Owens on May 17, 2004, SB 04-94 conforms state law to the 2003 federal law that allows individuals under age 65 who are covered under a High Deductible Health Plan to contribute to a Health Savings Account (HSA). As amended, SB 04-94 clarifies that: amounts deducted from PERA members' pay for contribution to an HSA or retirement health savings account are subject to PERA contributions; compensation for unused sick leave contributed to an HSA or retirement health savings account is excluded from PERA salary; and compensation paid directly to the HSA or retirement health savings account, when the member's accumulated leave exceeds the maximum leave that can be carried forward, is excluded from salary for PERA purposes.

Also in 2004, H.R. 743, enacted as Public Law 108-203, requires state and local government employers who hire new employees in non-Social Security covered jobs on or after January 1, 2005, to have these employees receive and sign a Social Security form that explains the Social Security law's potential effect on non-Social Security covered employment.

The following bills that would have affected PERA were not passed in the 2004 session:

Senate Bill 04-165 ("Fiscal Analysis of Changes in the Employer Contribution Rate to PERA")

SB 04-165 would have required any fiscal note prepared by the Legislative Council that concerns PERA to include information from PERA's actuary. The bill also would have required that PERA meet with the Legislative Audit Committee and the Joint Budget Committee before each session to discuss any legislation that PERA planned to present. The House Finance Committee defeated SB 04-165 on April 8, 2004.

House Bill 04-1011 ("Alternative Personnel System for Institutions of Higher Education")

This bill was defeated by the Senate on March 12, 2004. HB 04-1011 would have allowed colleges and universities to adopt an alternative personnel system for their classified employees, instead of the state classified personnel system. The bill, as amended, removed any provisions relating to retirement plans and continued to require PERA membership for all state employees who work for a higher education institution.

Other PERA-Related Developments

Senate Bill 03-250 authorized the merger of Denver Public Schools Retirement System's (DPSRS) assets and liabilities into the PERA State and School Division Trust Fund, effective January 1, 2005, under conditions that were actuarially fair to both systems. SB 03-250 allowed PERA, DPSRS, or Denver Public Schools to terminate the merger agreement without restriction on or before July 1, 2004. After July 1, 2004, the agreement could only be ended under certain conditions. As the merger termination deadline neared, the actuaries identified several unresolved cost items. Despite significant work by all parties involved, the PERA Board voted unanimously on June 29, 2004, to terminate the merger agreement between PERA and the DPSRS in the best interest of the PERA membership. However, later in the year, at the request of DPSRS, PERA staff, with the Board's endorsement, helped draft SB 05-171 that would authorize the merger of DPSRS into PERA on an actuarially neutral basis to PERA, effective January 1, 2007. (See Note 9—Subsequent Events on page 44.)

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 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.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments:* (GASB 34) and in June 2001 the GASB issued Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus,* which amended certain provisions of GASB 34. The Management's Discussion and Analysis (MD & A) provides a narrative introduction and overview to PERA's financial statements. This Letter of Transmittal is designed to complement the MD & A and should be read in conjunction with it.

The accompanying financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member and the employer is statutorily committed to pay these contributions to the pension trust fund and the Health Care Trust Fund. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

State law requires that the State Auditor perform an annual audit of PERA. Pursuant to this requirement, the Denver office of Clifton Gunderson LLP audited PERA's 2004 financial statements under the control and oversight of the State Auditor. PERA continues to maintain appropriate controls in all operational areas.

Recognition of Achievements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Colorado PERA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2003. The GFOA's Certificate of Achievement is the highest form of recognition in the area of public employee retirement system accounting and financial reporting. To receive this award, a government unit must publish an easily readable and efficiently organized CAFR that meets or exceeds program standards, and satisfies 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 19 years. We believe this CAFR 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, Life Insurance Reserve, and 401(k) Plan contributions and investment income (loss), including unrealized gains and (losses) for 2004, totaled $5,660,280,000.

Member contributions increased by $2,465,000 (0.4 percent) and employer contributions increased by $42,186,000 (7.9 percent). The rise in employer contributions was attributed to the suspension of the MatchMaker program effective June 1, 2004.

The increased cost to purchase non-covered PERA service credit effective November 1, 2003, resulted in a $559,158,000 decrease (a 72.4 percent decline) in the level of service purchases from 2003. In 2004, income from service purchases totaled $212,802,000, compared to $771,960,000 in 2003.

Effective April 1, 2004, Boulder County affiliated with the PERA Municipal Division, and $79,329,000 in Boulder County Retirement Savings 401(k) Plan funds were transferred to the PERA 401(k) Voluntary Investment Program.

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 2004, deductions totaled $2,162,767,000, an increase of 6.3 percent from 2003, largely due to an increase in retirement benefits.

Administrative expenses are controlled by an annual budget approved by the PERA Board of Trustees and represented 0.1 percent of total assets.

Due to positive investment income of $4,076,573,000, the net increase in assets available was $3,497,513,000 during 2004.

Management's Discussion and Analysis, pages 19–29, provides an overview of additions and deductions to PERA's net assets in the 2004 calendar year.

Economic Condition and Outlook

The U.S. economy remained remarkably resilient in 2004. As fiscal stimulus faded during the year, consumer and business spending did not weaken. In fact, consumer demand continued to grow at a pace similar to the previous year and business demand for capital goods increased as the year came to a close. The Iraqi war, a presidential election, and increasing oil prices also did not derail economic growth. The year ended with positive signs from manufacturing, increases in industrial output, and improving consumer and business confidence. The slack in the labor market has declined gradually and increases in inflation have been modest.

Underlying the growth in the economy, certain imbalances exist. Monetary policy continues to be accommodative and the Federal Reserve is expected to continue to raise the Federal Funds rate at a steady pace. The current account deficit and the federal government's spending deficit are potential risks to the economy's continued growth path.

Nevertheless, the fundamental factors underpinning the economy's performance remain intact. Corporate earnings are growing, corporate balance sheets are solid, and interest rates are low on a relative basis. Notwithstanding the potential for an inflation surprise, a rapid increase in interest rates, or a rapid fall in the dollar, the economy looks poised to continue to deliver modest growth in 2005.

The Colorado economy continues to lag the overall U.S. economy. Despite this, there are signs that the local economic recovery is continuing: a rising small business index, an expanding services sector, and an expanding manufacturing sector. The outlook for jobs and unemployment is positive, with expectations for both continuing to improve in 2005.

Investments

Investment portfolio income is a significant source of revenue to Colorado PERA. The Investment Committee is responsible for assisting the Board in overseeing PERA's investment program.

In 2004, there was net investment income of $4,076,573,000 compared with total contributions by members and employers of $636,852,000 and $576,737,000, respectively.

For the year ended December 31, 2004, the total fund had a rate of return of 14.1 percent on a market value basis. PERA's annualized rate of return over the last three years was 7.6 percent, over the last five years it was 2.8 percent, and over the last 10 years it was 10.4 percent.

Proper funding and healthy investment returns are very important to the financial soundness of Colorado PERA. Changes in the composition of the portfolio are reflected in the Investment Summary on page 58.

An integral part of the overall investment policy is the strategic asset allocation policy. The targeted strategic asset allocation is designed to provide appropriate diversification and to balance expected total rate of return with the volatility of expected returns. Specifically, the fund is to be broadly diversified across and within asset classes to limit the volatility of the total fund investment returns and to minimize the impact of large losses from individual investments. Both traditional and nontraditional assets are incorporated into the asset allocation mix. In addition to asset class targets, the Board of Trustees sets ranges within which asset classes are maintained. The current permissible ranges were adopted by the Board of Trustees in November 2004. The targeted asset allocation mix and the specified ranges for each asset class are presented on page 56.

During the year, fixed income increased from 18.7 percent of total assets to 20.5 percent. This change was in adherence with the asset allocation implementation plan adopted by the Board in 2002. Additions to fixed income in the first quarter of 2005 and additions to domestic stocks in the second quarter of 2005 will bring the asset class weightings to within their specified ranges.

PERA's investment policy is summarized in the PERA Report on Investment Activity on page 56.

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 participants can see that assets are committed to the payment of promised benefits.

The Colorado 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, the system will be able to pay all promised benefits when due. This is the ultimate test of financial soundness.

The "funding ratio" calculation is one way to measure a retirement system's funding progress. PERA directs its efforts at keeping the funding ratio (the ratio of assets to accrued liabilities) for the three divisional retirement funds at a minimum of 80 percent. On December 31, 2004, PERA's funding ratio equaled 70.6 percent. Please see the Management's Discussion and Analysis on pages 19–29, for additional information on PERA's funding ratios in the 2003 and 2004 calendar years.

	Funding Ratio	Amortization Period
State and School Division	70.1%	Infinite
Municipal Division	77.2%	Infinite
Judicial Division	81.0%	Infinite
Health Care Trust Fund	15.1%	58 Years

PERA's independent retained actuary conducts a five-year experience study, which compares actual to expected results on all PERA actuarial assumptions and is used to project future experience. The most recent experience study was completed in 2001 based on the 1996–2000 period by Watson Wyatt, who served as the independent retained actuary throughout 2003. In October 2003, the Board approved hiring Mellon Human Resources & Investor Solutions (HRIS) as PERA's independent retained actuary effective with the December 31, 2003, valuation. In 2005, Affiliated Computer Services, Inc. (ACS) acquired Mellon HRIS' Human Resources consulting operation. Mellon HRIS has been renamed Buck Consultants, Inc., and will remain PERA's independent retained actuary.

An audit of PERA's actuarial valuation and processes is performed by another external actuarial consulting firm every three to five years. The most recent actuarial audit was conducted in 2001 by Gabriel, Roeder, Smith & Company (GRS) before GRS acquired Watson Wyatt's U.S.-based public sector retirement practice and became PERA's independent retained actuary. New assumptions recommended by Watson Wyatt and reviewed by GRS were adopted by the Board and first incorporated in the December 31, 2001, valuation. A presentation of PERA's actuarial methods and assumptions is provided in the Actuarial Section of this CAFR on pages 73–77.

On January 21, 2005, the Board voted to have the actuarial audit performed in 2005, rather than in 2006.

Professional Services

Professional consultants are chosen by the Board of Trustees to perform professional services that are critical to Colorado PERA's operation. The opinions of Clifton Gunderson LLP, the independent certified public accounting firm that provides financial statement audit services for PERA, and Mellon HRIS, the actuarial firm that conducted PERA's annual actuarial valuation for the 2004 calendar year, are included in this CAFR. This Introductory Section includes a listing of the major investment, actuarial, and other consultants that provide professional services to PERA.

Review of Operations and Activities in 2004

In 2004, PERA Trustees addressed several Governance Policy issues. The Board:

- Approved a Statement of Investment Policy, which includes a formal rebalancing policy.
- Approved new asset-class benchmarks, Long Range Planning Prioritizations, and changes to the Investment Policy Asset Ranges.
- Selected Ennis Knupp as PERA's new investment consultant, effective January 2004.
- Adopted a policy for setting the interest rate credited to member contribution accounts, effective July 1, 2004, as authorized in Senate Bill 04-132.
- Worked on completing the Governance Manual's three-year update.
- Established a policy regarding employment of Board members in PERA staff positions, and approved Human Resource Metrics standards for the PERA staff.
- Selected UnumProvident as PERA's new life insurance program vendor, effective April 1, 2005, and approved consolidating benefits offered by Anthem Life and Prudential into UnumProvident on that date.
- Voted to increase the cost of purchasing non-covered service credit to the full actuarial cost, beginning November 1, 2005. The new cost will not be less than the sum of member and employer contributions in effect at the time of the purchase. Current service credit purchase costs, shown below, are effective through October 31, 2005.

	Age at Purchase	
	Under Age 50*	Age 50 and Over*
State Troopers & CBI Agents	22.85%	26.85%
Judges	21.75%	25.75%
All Other Members	18.10%	22.10%

*The cost to purchase one month of service credit is a percentage of the member's Highest Average Salary on the date of the *Service Credit Purchase Agreement.*

- Voted at the end of June to terminate the merger authorized in Senate Bill 03-250, effective January 1, 2005, between the Denver Public Schools Retirement System (DPSRS) and PERA. Later in the year, at DPSRS' request, PERA staff, with the Board's endorsement, helped draft legislation (Senate Bill 05-171) that would authorize the merger of DPSRS into PERA on an actuarially neutral basis to PERA, effective January 1, 2007.

In other legislative developments last year, the PERA staff, with the Board's approval:

- Drafted legislation to require the Amortization Equalization Disbursement (AED) provided in Senate Bill 04-257, on salary paid by PERA employers to PERA retirees. PERA supported Senate Bill 05-73, which includes this requirement, as well as other provisions that will close the loophole used by some PERA retirees to avoid the 110-day per calendar year limit on covered employment.
- Assisted the State Deferred Compensation/401(a) Plan Committee draft legislation (House Bill 05-1231) that would correct some parts of Senate Bill 04-257 that relate to the Defined Contribution plan option available to new state employees hired in 2006.

Also in 2004, the PERA Board was gratified that the State of Colorado Fiscal Year 2005-2006 Annual Compensation Survey reported that PERA's benefits are the most effective element of the State's total compensation package in recruiting and retaining qualified employees. This finding was based on the opinions of 537 state managers, supervisors, and human resources administrators.

Colorado PERA devotes a significant amount of time and effort to communicating and advising members and retirees about their current or future benefits. In 2004:

- The PERA Customer Service staff responded to approximately 12,500 e-mails, 251,000 calls, and 13,400 visitors.
- Benefit Services Division staff provided individual counseling to 6,400 members. About half of these members received this counseling at PERA's satellite office ("The Pointe"), north of the metro-Denver area.
- The number of PERA members who transferred funds from their 401(k) Plan accounts to buy PERA service credit, and the dollar value of service credit purchases declined significantly.

	2004	2003	Percentage Change
Service purchases	**$213 million**	$772 million	(72%)
Number of 401(k) accounts transferred to purchase service	**5,007**	12,002	(58%)
Dollar amount transferred from PERA's 401(k) Plan to purchase service	**$58 million**	$190 million	(69%)

- A total of 5,367 retirement, survivor, and disability benefit applications were processed. The 851 School and 623 State members who retired under age 55 equaled a 37 percent increase in the number of School members, and nearly a 20 percent increase in the number of State members who had retired under age 55 in 2003.
- The Communications Division handled close to 200 media calls and interviews, 3,266,000 publication requests, and over 1,600 graphic services presentations and visuals. A total of 21,200 PERA members, retirees, and other persons participated in more than 850 meetings held by Communications staff.
- The PERA Web site was a popular source of retirement information for many members. In 2004:
  - 1,000,000 individuals visited the PERA Web site.
  - About 90,000 individuals used a PERA Web tool to estimate their retirement benefit, Highest Average Salary, or service purchase cost, obtain their PERACare retiree premium rate, or for general retirement planning.
  - Close to 500,000 individuals used their PERA Personal Identification Number (PIN) to log onto their PERA accounts online, compared with 200,000 in 2003. More than 400 members used their PERA PINs online to schedule appointments for individual counseling or group workshops.

PERA continued extensive outreach efforts with PERA members, retirees, the media, and state legislators.

- The PERA Ambassadors Program has helped increase state legislators' knowledge and support of PERA. Since 1998, a select group of knowledgeable PERA retirees and members ("Ambassadors") serve as volunteer advocates of the PERA program. In 2004, there were 155 Ambassadors and six Ambassador meetings that were attended by about 120 individuals.
- PERA held 18 Shareholder meetings throughout the state to give members, retirees, and General Assembly candidates a better understanding of PERA's funding, investments, and recent benefit changes.
- Meredith Williams, PERA's Executive Director, was elected chair of the Council of Institutional Investors. The Council

represents more than 140 public, corporate, and union pension funds with over $3 trillion in combined assets, and is a leader and innovator in the corporate governance arena.

The following PERA investment staff changes occurred in 2004:

- Daryl Roberts retired in August 2004 after 22 years as PERA's Director of Investment Operations, and Thomas Liddy was selected as the new Director of Investment Operations. Prior to assuming this position, Liddy worked for Janus Capital Group and OppenheimerFunds.
- Christopher Reilly, a portfolio manager in PERA's Alternative Investments Division, was chosen as the Director of Alternative Investments.

401(k) Plan Activities

In 2004, 401(k) Plan net assets grew from $914,015,000 at the end of 2003 to $1,204,725,000 at the end of 2004, with 73,634 participant accounts in the Plan by the close of the 2004 year. The number of participants in the 401(k) Plan grew by 2 percent in 2004, compared with the previous year.

During 2004, 5,007 Colorado PERA members transferred 401(k) Plan account funds (which totaled $58,408,000) to purchase PERA service credit. This represented a 58 percent decrease in the number of members who transferred 401(k) Plan funds to purchase PERA service credit compared to 2003, and a 69 percent decrease in the 401(k) Plan dollars that were transferred to purchase PERA service credit.

The Board set the 2004 MatchMaker allocation to equal a 100 percent match of members' voluntary contributions to eligible tax-deferred DC retirement plans, up to a maximum of the following percentages of PERA-includable salary per pay period: 1 percent for State and School Division and Municipal Division members, and 5 percent for Judicial Division members. Late in 2003, the Board developed a legislative proposal to suspend the MatchMaker program as early as possible in 2004. Senate Bill 04-132 containing this provision, among others, was passed and signed into law on April 30, 2004. The MatchMaker program ended on May 31, 2004, and will resume when the PERA trust funds are funded at 110 percent or better.

Employer Affiliations

Six new public employers affiliated with Colorado PERA in 2004: Boulder County, Colorado First Conservation District, Colorado Library Consortium, Crown Mountain Park & Recreation District, Morgan County Quality Water District, and Tabernash Meadows Water and Sanitation District. Prowers Conservation District affiliated in January 2005, and Republican River Water Conservation District affiliated in February 2005.

Board-Related Activities

Incumbents Amy Nichols and Sandra Mills were elected to serve four– and two–year terms, respectively, for the School Category. Tammy Long was elected to the State Category to fill the vacancy created by the retirement of Terry Campbell, effective July 1, 2004. In September 2004, Mills resigned from the Board and David Williamson, a runner-up in the School Category election, was appointed to fill Mills' seat.

Acknowledgements

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

The compilation of this CAFR 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.

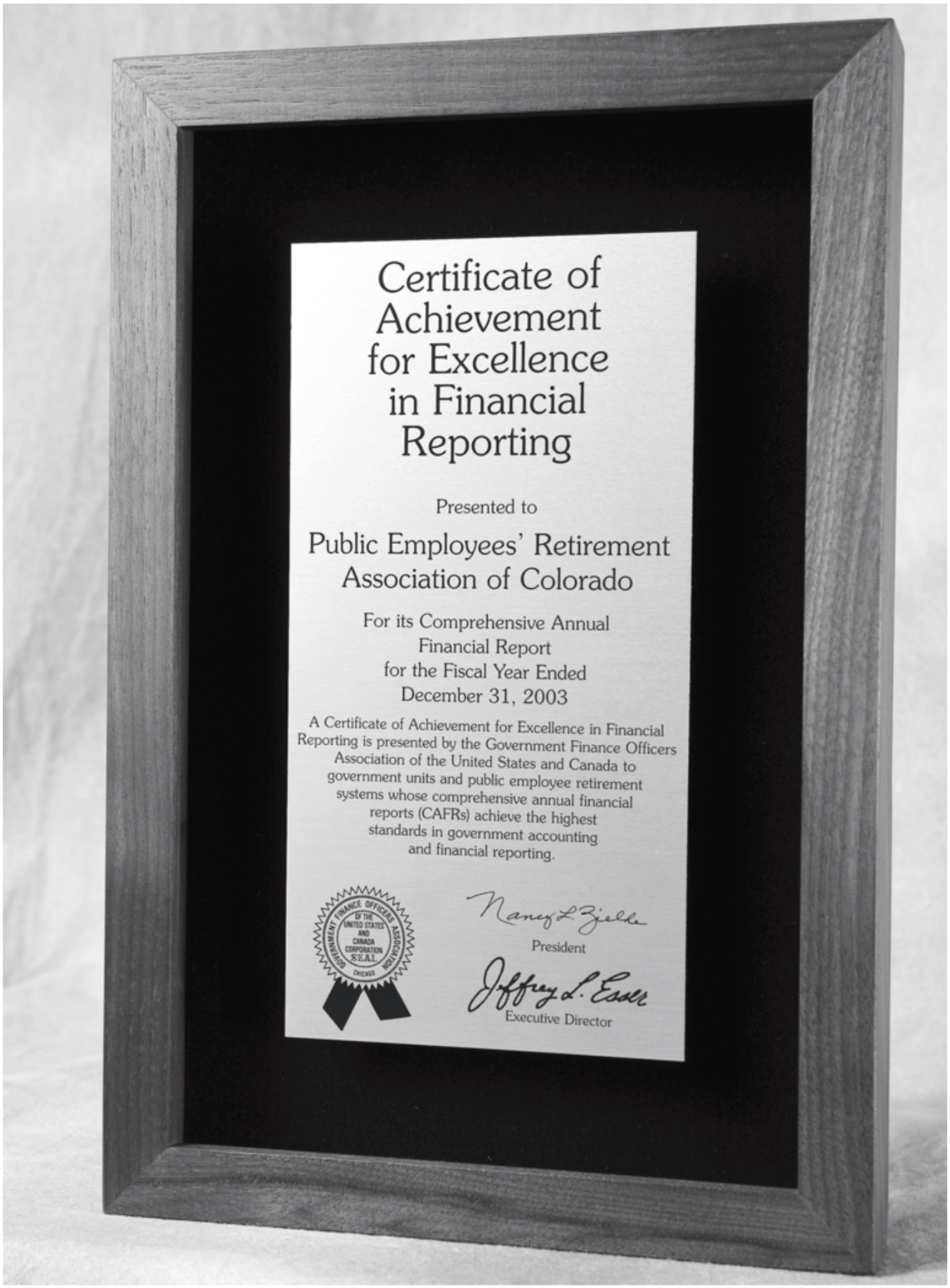
This CAFR is being mailed to all affiliated employers and other interested parties; a summary will be sent to members and benefit recipients. An electronic version is available on the Colorado PERA Web site at www.copera.org.

I would like to express my gratitude to the staff, Board of Trustees, and consultants who worked diligently to ensure the successful operation of Colorado PERA in 2004.

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, 2003

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.

President

Executive Director

Colorado Public Employees' Retirement Association
Mailing Address: PO Box 5800, Denver, CO 80217-5800
Office Locations: 1300 Logan Street, Denver, Colorado
1120 West 122nd Avenue, Westminster, Colorado
303-832-9550 • 1-800-759-7372 • www.copera.org

James Casebolt
Board Chair

June 2, 2005

To All Colorado PERA Members, Benefit Recipients, and Employers:
As Chair of the Board of Trustees of the Colorado Public Employees' Retirement Association, I am pleased to present Colorado PERA's 2004 *Comprehensive Annual Financial Report (CAFR).* This report offers a detailed view of the financial and actuarial status of your retirement system.

The nation's economy showed modest signs of improvement in 2004, aided by favorable monetary policy and fiscal stimulus and low inflation. However, investor uncertainty over rising short-term interest rates, higher energy costs, and the U.S. presidential election resulted in stock prices falling from March until mid-August. Fortunately, the fourth quarter's rally enabled domestic stocks to post solid gains for the second consecutive year, with the DJ Wilshire 5000 Index and the Colorado PERA Fund returning 12.6 percent and 14.1 percent, respectively. Despite volatility in the domestic fixed income market, U.S. bonds also ended the year with positive returns.

Like other pension plans, the actuarial strength of PERA's pension trust funds has declined significantly due to losses sustained during 2000–2002, one of the worst consecutive three–year periods in the stock market's history. Recognizing that increased early retirements had also contributed to PERA's actuarial losses, the PERA Board developed a funding plan that would be cost-effective to Colorado taxpayers and maintain the ability of PERA employers to attract and retain highly qualified public employees. The Board proposed major legislation in 2004 (Senate Bill 04-132 and Senate Bill 04-257) that would help reduce PERA's unfunded liability and improve PERA's funding.

- Senate Bill 04-132 suspended MatchMaker contributions for payroll periods that ended after May 31, 2004, reduced the interest rate credited on all member accounts to a maximum of 5 percent effective July 1, 2004, modified benefits for new members hired on or after July 1, 2005, and increased the percentage of pay that is allocated to the PERA pension trust funds, rather than to the Health Care Trust Fund.
- Senate Bill 04-257 phased-in annual employer contribution increases beginning January 1, 2006, required employer contributions on all salary paid to PERA retirees by affiliated employers effective July 1, 2005, and allowed new state employees, hired on or after January 1, 2006, to choose a Defined Contribution plan, instead of the PERA Defined Benefit plan.

The Board was gratified that both bills were enacted into law. The Board also raised the cost of purchasing non-covered service to the full actuarial cost, effective November 1, 2005.

At the end of June, in the best interest of PERA's members, the Board voted to terminate the merger agreement authorized in Senate Bill 03-250 between the Denver Public Schools Retirement System (DPSRS) and PERA. Later in the year, at DPSRS' request, PERA helped draft new legislation (Senate Bill 05-171) to authorize the merger of DPSRS into PERA, effective January 1, 2007, on an actuarially neutral basis to PERA.

In closing, on behalf of the Board, I reiterate our commitment as Trustees of the PERA Plan to provide competitive benefits while ensuring the integrity of the Fund. I extend appreciation for your continued support and interest in Colorado PERA.

Sincerely,

James Casebolt
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 Colorado Public Employees' Retirement Association. 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 by 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.

James Casebolt, Chair
Judge, Colorado Court of Appeals;
Current term expires June 30, 2007

Mark J. Anderson, Vice Chair
Risk Manager, City of Colorado Springs;
Current term expires June 30, 2006

Sara R. Alt
Retired Legislative Liaison;
Current term expires June 30, 2007

Donna J. Bottenberg
Professor and Director of the Center for Professional Development, University of Northern Colorado;
Current term expires June 30, 2006

Terry L. Campbell
Colorado State Patrol Sergeant;
Retired June 2004

Michael H. Coffman
State Treasurer;
Ex-officio member; Continuous term

F. Elizabeth Friot
Professor of Secondary Education,
Metropolitan State College of Denver;
Current term expires June 30, 2007

Joanne Hill
State Auditor;
Ex-officio member; Continuous term

Board of Trustees

Patricia K. Kelly
City Attorney, City of Colorado Springs;
Current term expires June 30, 2007

Richard Lansford
Retired Teacher;
Current term expires June 30, 2005

Tamela Long
Business Officer,
Colorado State Patrol;
Current term expires June 30, 2008

Sandra Mills
4th Grade Teacher,
Fort Morgan Public Schools Re-3;
Resigned September 2004

Richard Murphy
Deputy State Treasurer;
Ex-officio member on behalf of the State Treasurer
Retired May 2004

Amy L. Nichols
Math Teacher, Aurora Public Schools;
Current term expires June 30, 2008

Scott L. Noller
Business Teacher,
Colorado Springs School District #11;
Current term expires June 30, 2005

Marcus Pennell
Science Teacher,
Jefferson County School District R-1;
Current term expires June 30, 2007

Gloria Santistevan-Feeback
Math Teacher, Pueblo School District #60;
Current term expires June 30, 2005

Benson Stein
Deputy State Treasurer;
Ex-officio member on behalf of
the State Treasurer

David Williamson
Chief Information Officer,
Boulder Valley School District RE2;
Current term expires June 30, 2005

Douglas S. Windes
Cash Manager, Colorado State Treasury;
Current term expires June 30, 2005

Administrative Organizational Chart

As of June 1, 2005

Health Care Program Consultant

Leif Associates, Inc.
1515 Arapahoe Street
Tower 1, Suite 410
Denver, CO 80202

Independent Auditors

Clifton Gunderson LLP
370 Interlocken Boulevard
Suite 500
Broomfield, CO 80021

Investments—Economists

Decision Economics, Inc.
530 5th Avenue, 7th Floor
New York, NY 10036

Investment Performance Analysts

R.V. Kuhns & Associates, Inc.
805 SW Broadway, Suite 2200
Portland, OR 97205

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Investments—Portfolio Consultant

Ennis Knupp & Associates
10 South Riverside Plaza
Suite 700
Chicago, IL 60606

Investments—Real Estate Project Consultant

Townsend Group
500 East Eighth Avenue, Suite 300
Denver, CO 80203

Investments—Real Estate Performance

Russell Real Estate Advisors, Inc.
4330 La Jolla Village Drive, Suite 300
San Diego, CA 92122

Master Custodian

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Pension and Health Care Program Actuary

Buck Consultants, Inc.
Suite 1200, Tabor Center
1200 17th Street
Denver, CO 80202

Risk Management

IMA of Colorado
1550 17th Street, Suite 600
Denver, CO 80202

401(k) Consultant

Mercer Human Resource Consulting
1225 17th Street, Suite 2200
Denver, CO 80202

401(k) Investment Consultant

R.V. Kuhns & Associates, Inc.
805 SW Broadway, Suite 2200
Portland, OR 97205

401(k) Service Provider

CitiStreet LLC
One Heritage Drive
North Quincy, MA 02171

Financial Section

Since 1931, Colorado PERA has endured the test of time by providing comprehensive retirement benefits to Colorado's public servants. For more than 70 years, we've been there, and we'll be there for over 360,000 members and benefit recipients.

Report of the Independent Auditors

Independent Auditor's Report

Board of Trustees
Colorado Public Employees' Retirement Association
Denver, Colorado

We have audited the accompanying statements of fiduciary net assets and the related statements of changes in fiduciary net assets of the Colorado Public Employees' Retirement Association as of and for the year ended December 31, 2004 which collectively comprise Colorado Public Employees' Retirement Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Colorado Public Employees' Retirement Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year combined comparative totals were derived from financial statements audited by other auditors whose report was dated June 11, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the statements of fiduciary net assets of the Colorado Public Employees' Retirement Association as of December 31, 2004, and related statement of changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 19 through 29, and the schedule of funding progress and schedule of employer contributions on pages 46 and 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The auditors referred to above reported on the prior year supplementary information but did not audit that information or express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Colorado Public Employees' Retirement Association's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section, investment section, actuarial section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Denver, Colorado
May 23, 2005, except for Note 9 for
which the date is June 2, 2005

Offices in 13 states and Washington, DC

Management's Discussion and Analysis
(In Thousands of Dollars)

Management is pleased to provide this overview and analysis of the financial activities of the Colorado Public Employees' Retirement Association (PERA) for the year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal beginning on page 3 of this CAFR.

PERA administers six fiduciary funds, including three defined benefit pension trust funds: the State and School Division Trust Fund, the Municipal Division Trust Fund, and the Judicial Division Trust Fund (the Division Trust Funds). PERA also administers one defined contribution pension trust fund, the 401(k) Voluntary Investment Program; a healthcare plan, the Health Care Trust Fund (HCTF); and one private purpose trust fund, the Life Insurance Reserve (LIR).

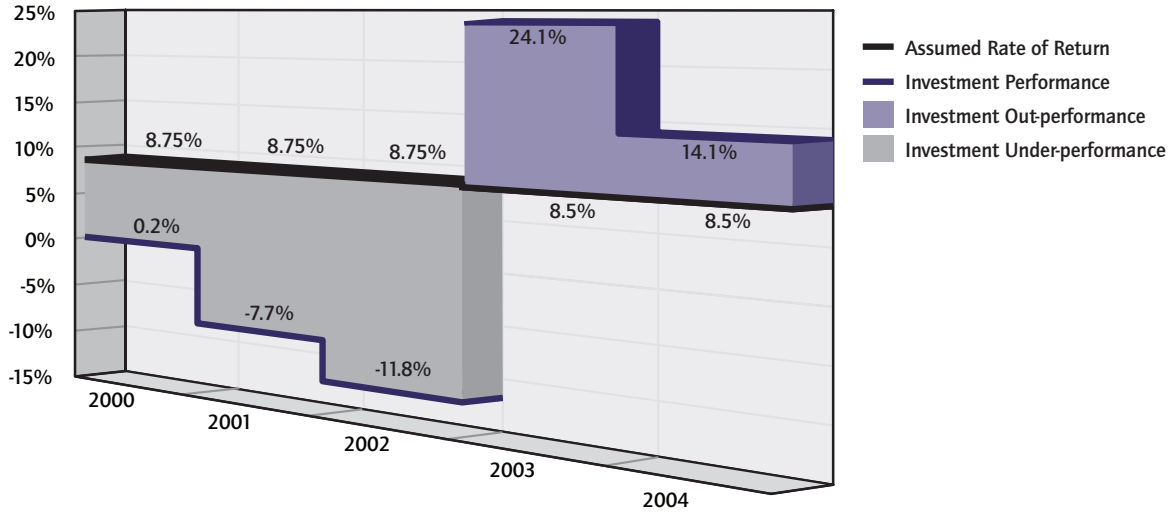
Financial Highlights

Net Assets—Plan net assets for all funds administered by PERA increased $3,497,513 during calendar year 2004.

	2004 Change in Net Assets	2004 Ending Net Assets
State and School Division Trust Fund	$2,896,060	$30,019,896
Municipal Division Trust Fund	268,470	2,087,710
Judicial Division Trust Fund	19,895	178,504
401(k) Voluntary Investment Program	290,710	1,204,725
Health Care Trust Fund	21,600	181,559
Life Insurance Reserve	778	13,754
Total increase in plan net assets	**$3,497,513**	**$33,686,148**

The increase was primarily due to strong investment returns in the equity markets (domestic and international stocks, alternative investments and real estate equity). Investments for the three defined benefit plans, the Health Care Trust Fund and the Life Insurance Reserve are pooled. For the year ended December 31, 2004, the rate of return on the pooled investment assets was 14.1 percent, which was less than the 24.1 percent for the year ended December 31, 2003, but continues to exceed the actuarial assumed rate of 8.5 percent.

Investment Performance Trend Information—While the fund has posted two strong years, the plan is still trying to recover from the losses of 2000 through 2002, which was one of the worst bear markets ever recorded. The chart below compares the actual investment performance of the pooled investment assets versus the actuarial assumed rate of return for the period 2000 through 2004.



As will be shown later, the under-performance of 2000 to 2002 had a dramatic and continued negative effect on the funding ratio and actuarial health of the plan.

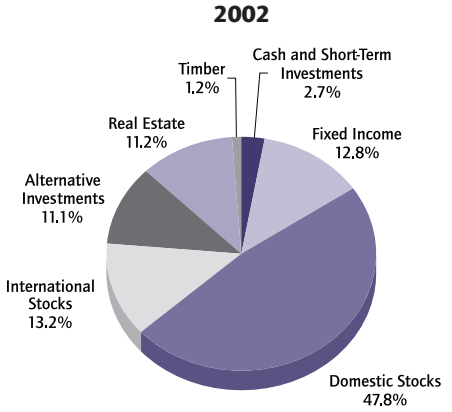
Asset Allocation—The Board of Trustees of PERA (the Board) has the responsibility for the investment of PERA's funds with the following limitations: the aggregate amount of monies invested in corporate stocks and fixed income securities convertible into stock cannot exceed 65 percent of the book value of the fund; no investment in common and/or preferred stock of any single corporation can exceed 5 percent of the then book value of the fund; and the fund cannot acquire more than 12 percent of the outstanding

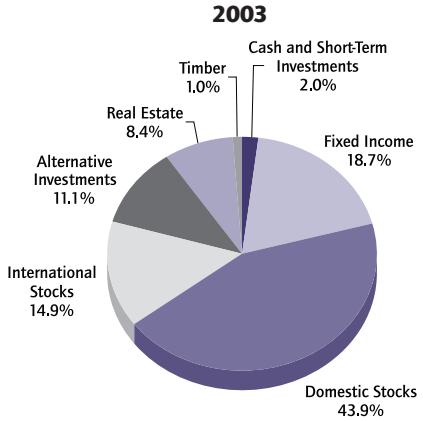
Management's Discussion and Analysis
(In Thousands of Dollars)

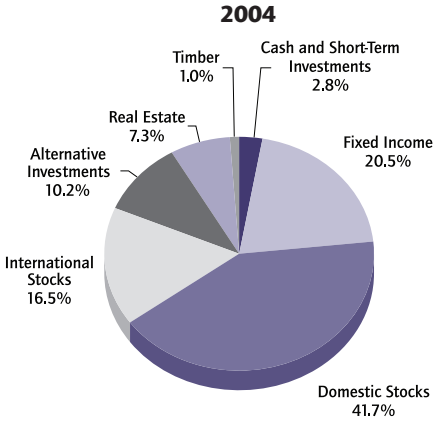
stocks or bonds of any single corporation. As fiduciaries of the funds, the Board is responsible to carry out their investment functions solely in the interest of the PERA members and benefit recipients and for the exclusive purpose of providing benefits.

An Asset/Liability Study was undertaken in 2002 by the Board with the objective of determining the optimal strategic asset allocation policy to lower risk and ultimately allow PERA to meet its benefit obligations. The Board's policy specifies the desired target allocation for each asset class as well as the ranges within which each asset class may operate. During 2004, Colorado PERA continued to progress to these targets and ranges, based on a Board approved multi-year implementation plan, as shown below:

	12-31-2002 Actual %	12-31-2003 Actual %	12-31-2004 Actual %	Policy Target	Permissible Range
Domestic Stocks	47.8%	43.9%	**41.7%**	45%	42%-48%
Fixed Income	12.8%	18.7%	**20.5%**	25%	22%-28%
International Stocks	13.2%	14.9%	**16.5%**	14%	11%-17%
Alternative Investments	11.1%	11.1%	**10.2%**	8%	5%-11%
Real Estate Equity and Debt	11.2%	8.4%	**7.3%**	7%	4%-10%
Timber	1.2%	1.0%	**1.0%**	1%	0%-2%
Cash and Short-Term Investments	2.7%	2.0%	**2.8%**	0%	







Securities Lending Collateral—As of December 31, 2004, PERA had securities lending collateral of $4,521,979 an increase of $2,114,970 from 2003. The amount increased for three main reasons. First, asset allocation changes as described above created increased opportunities to get more assets out on loan. Our increase in fixed income holdings allowed more U.S. Treasuries to be on loan and the shift of our passive domestic holdings to the DJ Wilshire 5000 allowed more U.S. Equities to be on loan. Second, during 2004 PERA made Mortgage Backed Securities available for loan by our agent. And finally, our lending agent increased their technological capabilities with borrowers which improved the portfolio's on-loan percentage.

Commitments—As of December 31, 2004, PERA had commitments for the future purchase of investments in alternative investments of $1,473,295 and real estate of $512,139.

As of December 31, 2004, PERA had an open letter of credit in connection with the December 2002 sale of a real estate interest in a pooled fund investment, Lazard France. PERA executed a warranty agreement at the onset of its investment in the fund which became exercisable at the sale of this investment to the guaranteed purchaser of investors' interests in the fund. As a condition of the warranty agreement, PERA was required to provide a bank guarantee to secure fulfillment of PERA's potential obligations to the purchaser. PERA's guarantee is limited to 1,826 Euros (2,475 in U.S. dollars), based on its prorated interest in the fund, and will become null and void on December 31, 2005. To the best of PERA's knowledge, it does not anticipate that it will owe the purchaser at the termination of the guarantee.

Current Year Actuarial Summary

Unfunded Actuarial Accrued Liability (UAAL)—As of December 31, 2004, the UAAL and the amortization periods for each fund are shown below:

Trust Fund	UAAL	Amortization Period With Current Funding
State and School Division	$12,188,832	Infinite
Municipal Division	$586,336	Infinite
Judicial Division	$39,843	Infinite
Health Care	$935,978	58 Years

See Note 2 to the Required Supplementary Information on page 48 for additional information.

Although the current funding is sufficient to pay expected benefit payments for decades, the current contribution rates are not sufficient to support the current benefit structures of the State and School Division Trust Fund, the Municipal Division Trust Fund, and the Judicial Division Trust Fund. Without a significant recovery in the investment markets in the near future, the long-term ability of these Funds to support the benefits will be challenged in the absence of a significant increase in the contribution rates.

Title 24, Article 51, Section 211 of the Colorado Revised Statutes (C.R.S.) states that the amortization period of 40 years shall be deemed actuarially sound. At the end of 2004, the State and School Division Trust Fund, the Municipal Division Trust Fund, the Judicial Division Trust Fund, and the Health Care Trust Fund exceeded the 40–year amortization period.

Using the Governmental Accounting Standards Board (GASB) Statement No. 25 as a guide, the State and School Division Trust Fund employer contribution rate would need to increase to 16.91 percent, the Municipal Division Trust Fund employer contribution rate would need to increase to 11.73 percent, the Judicial Division Trust Fund employer contribution rate would need to increase to 14.87 percent and the Health Care Trust Fund employer contribution rate would need to increase to 1.13 percent to amortize the UAAL over the 40–year period called for by GASB.

Current Year Actuarial Gains/(Losses)—A summary of the activities that caused losses in the actuarial liability for 2004 are shown below by fund and are in millions of dollars:

	State and School	Municipal	Judicial	HCTF
From differences between assumed and actual experience on liabilities	($475.8)	$8.3	$0.9	($17.6)
From differences between assumed and actual experience on assets	(1,591.8)	(97.2)	(8.7)	(7.7)
From service purchases	(195.8)	(18.0)	(1.2)	7.8
From change in plan provisions	248.5	23.6	3.5	(163.0)
Total actuarial losses on year's activities	**($2,014.9)**	**($83.3)**	**($5.5)**	**($180.5)**

The three defined benefit plans experienced losses and a reduced funding ratio in the current year because of increased early retirements, investment losses (for the four–year smoothed period), and purchase of service at a cost less than the full actuarial cost. The three defined benefit plans experienced a gain due to the change in the interest rate credited to members on their contributions. The Health Care Trust Fund experienced actuarial losses and a reduced funding ratio in the current year because of the suspension of gainsharing contributions, investment losses (for the four–year smoothed period), current year and expected early retirements due to service purchases, but experienced a gain for expected subsidies due to service credit purchases. Additionally, for the Health Care Trust Fund, C.R.S. § 24-51-1206(4) states that PERA may not charge premiums to retirees without Medicare Part A that are greater than premiums charged to retirees with Part A, for the same plan option, coverage level, and service credit. Implicit in the current process for calculating retiree premiums is an additional subsidy that is paid by the Health Care Trust Fund on behalf of retirees enrolled in the healthcare plan, age 65 or over, and who are not covered for Part A. A liability for this subsidy has been included in the December 31, 2004, actuarial valuation.

Management's Discussion and Analysis
(In Thousands of Dollars)

Even though PERA earned a significant investment return in the current year, since gains and losses above or below the 8.50 percent actuarial assumed rate are recognized over a four–year period for actuarial purposes (i.e., four–year smoothing), PERA shows an actuarial loss. The investment assets for the three division trust funds, the Health Care Trust Fund, and the Life Insurance Reserve are pooled and they have earned the following returns over the past four years:

	2001	2002	2003	2004
Rate of Return	(7.7%)	(11.8%)	24.1%	14.1%

The poor investment returns of 2002 will continue to have a negative impact in the next year as the losses are recognized over the four–year smoothed period for actuarial purposes.

Actuarial Trend Information

Funding Ratio—The funding ratio for the plan is determined by dividing the actuarial value of assets by the actuarial accrued liability. The actuarial value of assets is not the current market value but a market-related value which smoothes out changes in the market value over four years.

The funding ratio for each of the funds over the last five years is shown below:

Trust Fund	2000	2001	2002	2003	2004
State and School Division	104.7%	98.2%	87.9%	75.2%	70.1%
Municipal Division	111.4%	104.3%	93.6%	80.2%	77.2%
Judicial Division	120.2%	109.4%	98.3%	84.0%	81.0%
Health Care	14.3%	17.7%	19.9%	17.9%	15.1%

PERA's funding objective is to meet long-term benefit promises through contributions and investment income. The funding ratio listed above gives an indication of how well this objective has been met to date. The larger funding ratio indicates that a plan is better funded. As an example, for every dollar of the actuarially determined benefits due for the State and School Division Trust Fund, approximately $0.70 of assets are available for payment.

During 2004, PERA's actual market value of assets exceeded the actuarial value of assets for the first time since 2000. The actuarial value of assets is based on a four-year smoothing of market value fluctuations. If PERA would use strictly market value instead of the four-year smoothed actuarial value of assets, the funding ratio for the State and School Division would be 73.6 percent, the Municipal Division would be 81.0 percent, the Judicial Division would be 85.0 percent, and the Health Care Trust fund would be 16.5 percent. If PERA used the market value in the calculation of the required contribution rates for funding with a 40-year amortization period, they would be 15.59 percent for the State and School Division, 10.86 percent for the Municipal Division, and 13.3 percent for the Judicial Division. These percentages are lower than those shown earlier which used the actuarial value of assets.

Unfunded Actuarial Accrued Liabilities—The table on the next page identifies the components that contributed to the Defined Benefit Trust Funds going from an overfunded status in 2000 to an underfunded status in 2004. There are many factors that contribute to this complex issue and this table is included to provide a better understanding.

Colorado PERA Defined Benefit Pension Trust Funds
Changes in Overfunded/(Unfunded) Actuarial Accrued Liabilities
(amounts in millions of dollars)

	2000	2001	2002	2003	2004	2000-2004
OAAL/(UAAL) beginning of year	$796.8	$1,459.7	($431.8)	($4,041.6)	**($9,895.4)**	$796.8
Experience Gains and Losses						
Age and service retirements	(323.4)	(178.4)	(557.4)	(435.7)	**(436.3)**	(1,931.2)
Disability retirements	0.4	0.1	(3.1)	(19.7)	**(0.7)**	(23.0)
Deaths	(12.2)	11.5	5.9	(26.0)	**(50.7)**	(71.5)
Withdrawal from employment	21.5	0.6	(20.4)	18.1	**13.0**	32.8
New entrants	(166.1)	(41.0)	(68.6)	(110.7)	**(66.3)**	(452.7)
Pay increases	(39.4)	(495.5)	(182.7)	716.4	**97.4**	96.2
Investment income	989.1	(780.1)	(2,710.8)	(2,612.1)	**(1,697.7)**	(6,811.6)
Other	273.1	5.7	(323.9)	(753.1)	**(23.0)**	(821.2)
Purchase of noncovered service	0.0	0.0	0.0	(1,241.6)	**(215.0)**	(1,456.6)
Experience gain (or loss) during year	743.0	(1,477.1)	(3,861.0)	(4,464.4)	**(2,379.3)**	(11,438.8)
Non-recurring Items						
Effect of changes in plan provisions	(288.3)	0.0	0.0	0.0	**275.6**	(12.7)
Actuarial assumption changes	0.0	(572.6)	0.0	(981.3)	**0.0**	(1,553.9)
Non-recurring items	(288.3)	(572.6)	0.0	(981.3)	**275.6**	(1,566.6)
Contribution Deficiency from 40-year Amortization						
Contribution gain/loss excluding gainsharing	0.0	172.1	215.8	(99.2)	**(392.6)**	(103.9)
Losses due to gainsharing						
Employer contribution reduction	0.0	(60.6)	(75.2)	(68.6)	**(64.6)**	(269.0)
MatchMaker contributions	0.0	(92.8)	(107.7)	(75.5)	**(16.0)**	(292.0)
Additional allocation to HCTF	0.0	(18.7)	(32.9)	(3.3)	**0.0**	(54.9)
Total Gainsharing loss in year	0.0	(172.1)	(215.8)	(147.4)	**(80.6)**	(615.9)
40 year amortization contribution deficiency	0.0	0.0	0.0	(246.6)	**(473.2)**	(719.8)
Expected Change in UAAL with 40-year amortization or less	208.2	158.2	251.2	(161.5)	**(342.6)**	113.5
Total gain (loss) for year	662.9	(1,891.5)	(3,609.8)	(5,853.8)	**(2,919.5)**	(13,611.7)
OAAL/(UAAL) end of year	$1,459.7	($431.8)	($4,041.6)	($9,895.4)	**($12,814.9)**	($12,814.9)

To better understand the experience gain (or loss) during the year, please refer to the notes on the Schedule of Gains and Losses in Accrued Liabilities in the Actuarial Section on page 85.

This schedule shows where losses and gains occurred over the five-year period compared to what was expected or assumed. The largest loss of $6.8 billion came from investment income due to the market downturn from 2000 to 2002 and because of the four-year smoothing, losses extend past 2002. Other large losses include $1.9 billion due to increased early retirements beyond those assumed, $1.6 billion due to moving to more conservative actuarial assumptions (2001—changes in mortality, withdrawal, retirement, disability and pay assumptions, 2003—decrease in the actuarial investment assumption from 8.75 percent to 8.5 percent), and $1.5 billion due to purchase of noncovered service at a rate lower than the full actuarial cost.

PERA is planning on undertaking another actuarial audit and experience study in 2005 to review the assumptions used and re-calculate and audit the actuarial studies done by our current actuary. Based on this information, the Board will review the recommendations and will act to make necessary changes to the assumptions and methods as they deem appropriate.

Board Initiatives to Improve Funding—In 2002, the Board approved pursuing legislation in the 2003 session, which would stabilize the contribution rates and allow for increases or decreases in the rates when certain funding thresholds are reached. This legislation was passed, but ultimately vetoed in 2003.

Management's Discussion and Analysis
(In Thousands of Dollars)

In 2004, the Board again pursued legislation to improve funding, revise benefits, and move the Funds back toward the 40–year amortization period. The Board proposed major legislation (Senate Bill 04-132 and Senate Bill 04-257) that would help to address PERA's funding needs in a cost-effective and equitable manner. Both pieces of legislation were enacted into law. For a detailed explanation of the bills, please refer to the Letter of Transmittal in the Introductory Section beginning on page 3.

In 2005, Senate Bill 05-73 was enacted to close a loophole that was used by retirees who work after retirement. For more information on this bill, please refer to Note 9 to the Financial Statements on page 44 regarding the 2005 legislation.

The Board has also acted on issues of funding by raising the service credit purchase rates effective November 1, 2003, and they will again be raised effective November 1, 2005, to full actuarial cost.

Service Purchases—In the Division Trust Funds the level of service purchases decreased from $771,960 in 2003 to $212,802 in 2004 due to the rate increase which became effective November 1, 2003. At the beginning of 2002, it cost 15.5 percent of a member's Highest Average Salary (HAS) at the time of purchase to purchase one month of service credit. (The cost to purchase service for State Troopers and Colorado Bureau of Investigation (CBI) Agents was 20.4 percent of HAS and for judges the cost was 20 percent of HAS.) In November 2002, the Board voted to increase the rates for service credit purchases, which moves them closer to the full actuarial cost. Effective November 1, 2003, the rates are:

	Age at Purchase	
	Under Age 50	Age 50 and Over
State Troopers and CBI Agents	22.85% of HAS	26.85% of HAS
State and School, and Municipal Divisions	18.10% of HAS	22.10% of HAS
Judicial Division	21.75% of HAS	25.75% of HAS

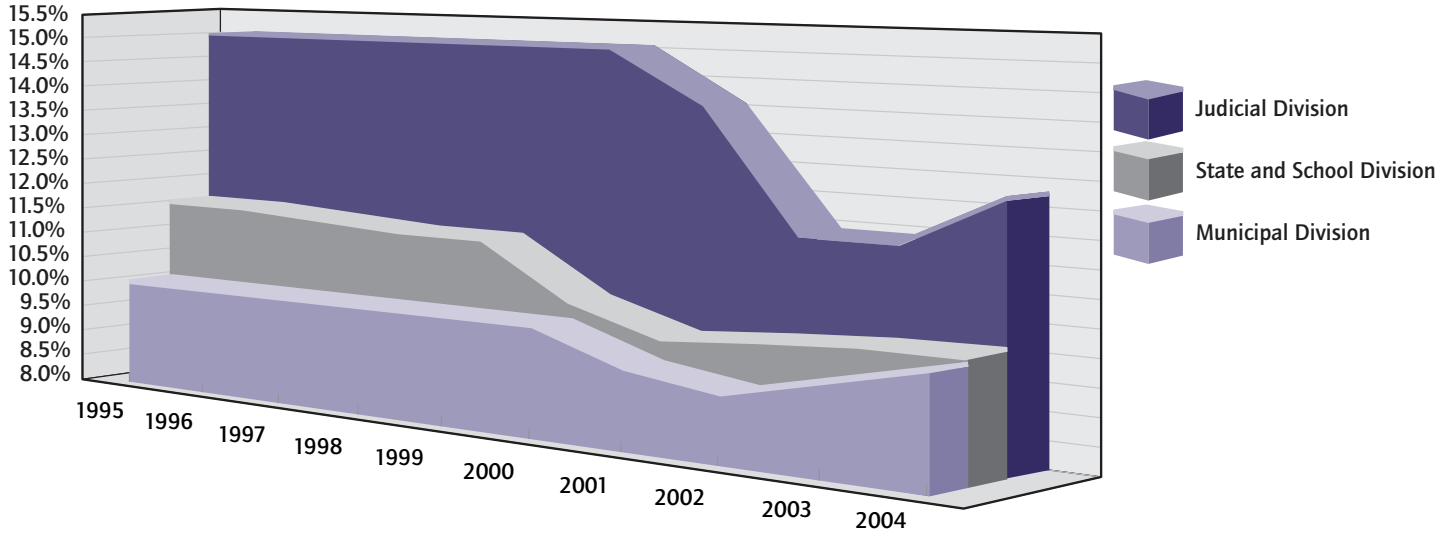
Purchasing service credit increases the amount of service PERA will use to determine a member's eligibility for retirement and to calculate the benefit. (Purchasing service credit for periods of noncovered employment does not affect the salary amount used in calculating the benefit.) In September 2004, the Board voted to increase the rates for service credit purchases to the full actuarial cost effective November 1, 2005.

Employer Contributions—The amount received from employers for contributions changed from 2003 to 2004, as required by law. The actual employer contribution rates were as follows for 2003 and 2004:

	Employer Rate			
	2003		2004	
Trust Fund	1-1 to 6-30	7-1 to 12-31	1-1 to 6-30	7-1 to 12-31
State and School Division	10.04%	10.15%	**10.15%**	**10.15%**
State Troopers	12.74%	12.85%	**12.85%**	**12.85%**
Municipal Division	9.60%	9.60%	**10.00%**	**10.00%**
Judicial Division	11.82%	12.66%	**12.66%**	**13.66%**
Health Care				
State and School Division	1.10%	1.10%	**1.10%**	**1.02%**
Municipal Division	1.69%	1.69%	**1.10%**	**1.02%**
Judicial Division	3.11%	3.11%	**1.10%**	**1.02%**

	Employer Rate		
	2003	2004	
MatchMaker Rate	1-1 to 12-31	1-1 to 5-31	6-1 to 12-31
State and School Division	2.00%	**1.00%**	**0.00%**
Municipal Division	2.00%	**1.00%**	**0.00%**
Judicial Division	6.00%	**5.00%**	**0.00%**

Employer Contribution Rates 1995–2004



For more detail on contributions, see Note 3 to the Financial Statements on page 38.

Other Changes

Other Additions and Other Deductions—The other additions and other deductions varied during the year mainly due to the effects of Senate Bill 03-98 which requires a portion of the cost to purchase non-covered service credit (1.1 percent of the member's Highest Average Salary), to be transferred to the Health Care Trust Fund at the time of retirement, for each month purchased with interest to the date of transfer. This law became effective November 1, 2003, and 2004 is the first full year of implementation. The outflow from the Division Trust Funds is recorded as an other deduction and the inflow is shown in the Health Care Trust Fund as an other addition. A supplementary schedule detailing Other Additions and Other Deductions can be found in the Financial Section on page 53.

401(k) Voluntary Investment Program—For the 401(k) Voluntary Investment Program, total employer contributions to the fund decreased from $50,144 in 2003 to $13,494 in 2004. The decrease of $36,650 was primarily caused by the reductions (for the first five months) and the suspension (for the last seven months) of the gainsharing in the MatchMaker program. Investment income decreased from $157,589 in 2003 to $110,598 in 2004 primarily due to less robust investment returns in the equity markets. Refunds decreased from $219,157 in 2003 to $90,618 in 2004 as members reduced the distributions used to purchase additional service credit in the Division Trust Funds.

On April 1, 2004, Boulder County became the first county government to affiliate with the Municipal Division Trust Fund. As PERA members, employees of Boulder County will participate in the Municipal Division Trust Fund defined benefit retirement plan and have the option of joining PERA's 401(k) Voluntary Investment Program. In April 2004, Boulder County transferred the assets of its defined contribution plan, amounting to $79,329, into the 401(k) Voluntary Investment Program.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to PERA's financial statements. The financial section for PERA is comprised of four components: (1) fund financial statements, (2) notes to the financial statements, (3) required supplementary information, and (4) other supplementary schedules.

Fund financial statements. There are two financial statements presented for the fiduciary funds. The Statement of Fiduciary Net Assets as of December 31, 2004, indicates the net assets available to pay future benefits and gives a snapshot at a particular point in time. The Statement of Changes in Fiduciary Net Assets for the year ended December 31, 2004, provides a view of the current year's additions and deductions to the funds.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 34–45 of this CAFR.

Required supplementary information. The required supplementary information consists of a Schedule of Funding Progress and a Schedule of Employer Contributions and related notes concerning the funding status for the defined benefit pension trust funds and the healthcare fund. These schedules provide historical trend information, which contributes to understanding the changes in the funded status of the funds over time.

Management's Discussion and Analysis
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Other supplementary schedules. The additional schedules [Schedule of Administrative Expenses, Schedule of Investment Expenses, Schedule of Other Additions, and Schedule of Other Deductions/(Transfers) are presented for the purpose of additional analysis.

Comparative Financial Information

Defined Benefit Pension Trust Funds. The three defined benefit funds provide retirement, survivor, and disability benefits to the employees of affiliated State, School, Municipal, and Judicial employers. Benefits are funded by member and employer contributions and by earnings on investments.

Defined Benefit Pension Trust Funds Fiduciary Net Assets

	Dec. 31, 2004	Dec. 31, 2003	% Change
Assets			
Cash and short-term investments	**$913,805**	$568,123	60.8%
Securities lending collateral	**4,493,122**	2,391,688	87.9%
Receivables	**264,397**	283,493	(6.7%)
Investments, at fair value	**31,154,112**	28,329,569	10.0%
Capital assets, net of accumulated depreciation	**20,791**	21,909	(5.1%)
Total assets	**36,846,227**	31,594,782	16.6%
Liabilities			
Securities lending obligations	**4,493,122**	2,391,688	87.9%
Investment settlements and other liabilities	**66,995**	101,409	(33.9%)
Total liabilities	**4,560,117**	2,493,097	82.9%
Net assets available for benefits	**$32,286,110**	$29,101,685	10.9%

Defined Benefit Pension Trust Funds Changes in Fiduciary Net Assets

	Dec. 31, 2004	Dec. 31, 2003	% Change
Additions			
Employer contributions	**$502,778**	$419,964	19.7%
Member contributions	**456,943**	445,333	2.6%
Purchased service	**212,802**	771,960	(72.4%)
Net investment income	**3,940,926**	5,574,443	(29.3%)
Other	**30**	3	900.0%
Total additions	**5,113,479**	7,211,703	(29.1%)
Deductions			
Benefit payments	**1,764,717**	1,545,268	14.2%
Refunds	**121,734**	110,088	10.6%
Disability insurance premiums	**4,639**	3,936	17.9%
Administrative expenses	**22,915**	21,496	6.6%
Other	**15,049**	1,564	862.2%
Total deductions	**1,929,054**	1,682,352	14.7%
Changes in net assets available for benefits	**$3,184,425**	$5,529,351	(42.4%)

Defined Contribution Pension Trust Fund. The 401(k) Voluntary Investment Program provides retirement benefits to members of the Defined Benefit Pension Trust Funds who have voluntarily made contributions during their employment.

401(k) Voluntary Investment Program Fiduciary Net Assets	Dec. 31, 2004	Dec. 31, 2003	% Change
Assets			
Cash and short-term investments	**$113,856**	$91,858	23.9%
Receivables	**40,827**	37,274	9.5%
Investments, at fair value	**1,051,922**	794,472	32.4%
Total assets	**1,206,605**	923,604	30.6%
Liabilities			
Investment settlements and other liabilities	**1,880**	9,589	(80.4%)
Total liabilities	**1,880**	9,589	(80.4%)
Net assets available for benefits	**$1,204,725**	$914,015	31.8%

401(k) Voluntary Investment Program Changes in Fiduciary Net Assets	Dec. 31, 2004	Dec. 31, 2003	% Change
Additions			
Employer contributions	**$13,494**	$50,144	(73.1%)
Member contributions	**179,909**	189,054	(4.8%)
New affiliate transfer	**79,329**	0	N/A
Net investment income	**110,598**	157,589	(29.8%)
Other	**2,388**	1,918	24.5%
Total additions	**385,718**	398,705	(3.3%)
Deductions			
Refunds	**90,618**	219,157	(58.7%)
Administrative expenses	**4,390**	3,382	29.8%
Total deductions	**95,008**	222,539	(57.3%)
Changes in net assets available for benefits	**$290,710**	$176,166	65.0%

Management's Discussion and Analysis
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Healthcare Fund. The Health Care Trust Fund provides a health care premium subsidy to participating PERA benefit recipients and their eligible beneficiaries who choose to enroll in the Program. The Health Care Trust Fund is funded by amounts contributed by employers during an employee's working life based on a percentage of pay.

Health Care Trust Fund Fiduciary Net Assets

	Dec. 31, 2004	Dec. 31, 2003	% Change
Assets			
Cash and short-term investments	**$5,435**	$3,364	61.6%
Securities lending collateral	**26,726**	14,163	88.7%
Receivables	**13,545**	12,849	5.4%
Investments, at fair value	**185,310**	167,755	10.5%
Total assets	**231,016**	198,131	16.6%
Liabilities			
Securities lending obligations	**26,726**	14,163	88.7%
Investment settlements and other liabilities	**22,731**	24,009	(5.3%)
Total liabilities	**49,457**	38,172	29.6%
Net assets available for benefits	**$181,559**	$159,959	13.5%

Health Care Trust Fund Changes in Fiduciary Net Assets

	Dec. 31, 2004	Dec. 31, 2003	% Change
Additions			
Employer contributions	**$60,465**	$64,443	(6.2%)
Retiree health care premium payments	**59,453**	55,668	6.8%
Net investment income	**23,117**	33,445	(30.9%)
Other	**16,116**	2,118	660.9%
Total additions	**159,151**	155,674	2.2%
Deductions			
Benefit payments	**130,917**	120,814	8.4%
Administrative expenses	**6,634**	6,157	7.7%
Total deductions	**137,551**	126,971	8.3%
Changes in net assets available for benefits	**$21,600**	$28,703	(24.7%)

Private Purpose Trust Fund. The Life Insurance Reserve provides increased life insurance benefits to active and retired members without increasing premiums paid by them. The Life Insurance Reserve is funded by dividends received from an insurance company as a return on the premiums paid by those members who have voluntarily enrolled in the life insurance programs.

Life Insurance Reserve Fiduciary Net Assets

	Dec. 31, 2004	Dec. 31, 2003	% Change
Assets			
Cash and short-term investments	$433	$276	56.9%
Securities lending collateral	2,131	1,158	84.0%
Receivables	278	53	424.5%
Investments, at fair value	14,778	13,721	7.7%
Total assets	17,620	15,208	15.9%
Liabilities			
Securities lending obligations	2,131	1,158	84.0%
Investment settlement and other liabilities	1,735	1,074	61.5%
Total liabilities	3,866	2,232	73.2%
Net assets available for benefits	$13,754	$12,976	6.0%

Life Insurance Reserve Changes in Fiduciary Net Assets

	Dec. 31, 2004	Dec. 31, 2003	% Change
Additions			
Net investment income	$1,932	$2,991	(35.4%)
Total additions	1,932	2,991	(35.4%)
Deductions			
Life insurance premiums	1,610	1,899	(15.2%)
Administrative expenses	(456)	271	(268.3%)
Total deductions	1,154	2,170	(46.8%)
Changes in net assets available for benefits	$778	$821	(5.2%)

Statement of Fiduciary Net Assets

As of December 31, 2004, with Comparative Combined Totals for 2003
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans
Assets				
Cash and short-term investments				
Cash and short-term investments	$849,702	$59,083	$5,020	$913,805
Securities lending collateral	4,177,930	290,509	24,683	4,493,122
Total cash and short-term investments	5,027,632	349,592	29,703	5,406,927
Receivables				
Benefit	136,636	10,175	1,937	148,748
Interfund	0	0	5	5
Investment settlements and income	107,532	7,477	635	115,644
Total receivables	244,168	17,652	2,577	264,397
Investments, at fair value:				
U.S. government obligations	3,467,266	241,094	20,484	3,728,844
Domestic corporate bonds	2,085,013	144,979	12,318	2,242,310
International fixed income	579,204	40,275	3,422	622,901
Domestic stocks	12,433,750	864,572	73,457	13,371,779
International stocks	4,905,222	341,080	28,980	5,275,282
Alternative investments	3,050,255	212,097	18,020	3,280,372
Real estate equity	1,955,595	135,981	11,553	2,103,129
Real estate debt	187,140	13,013	1,106	201,259
Timber investments	305,210	21,223	1,803	328,236
Total investments, at fair value	28,968,655	2,014,314	171,143	31,154,112
Capital assets, at cost, net of accumulated depreciation of $19,806 and $18,385 at December 31, 2004, and 2003, respectively	19,007	1,763	21	20,791
Total assets	34,259,462	2,383,321	203,444	36,846,227
Liabilities				
Investment settlements and other liabilities	57,970	4,382	257	62,609
Securities lending obligations	4,177,930	290,509	24,683	4,493,122
Interfund	3,666	720	0	4,386
Total liabilities	4,239,566	295,611	24,940	4,560,117
Commitments and contingencies (Note 6)				
Net assets held in trust for pension plan benefits, postemployment healthcare plan benefits, and Life Insurance Reserve participants	**$30,019,896**	**$2,087,710**	**$178,504**	**$32,286,110**
Net assets held for:				
Defined benefit pension plan benefits[1]	$30,019,896	$2,087,710	$178,504	$32,286,110
Defined contribution pension plan benefits	0	0	0	0
Postemployment healthcare plan benefits[1]	0	0	0	0
Private purpose trust fund participants	0	0	0	0
Net assets held in trust for pension plan benefits, postemployment healthcare plan benefits, and Life Insurance Reserve participants	**$30,019,896**	**$2,087,710**	**$178,504**	**$32,286,110**

[1] (A schedule of funding progress is presented for each plan on page 46.)
The accompanying notes are an integral part of these financial statements.

Statement of Fiduciary Net Assets

As of December 31, 2004, with Comparative Combined Totals for 2003
(In Thousands of Dollars)

401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Life Insurance Reserve	Combined Totals 2004	Combined Totals 2003
$113,856	$1,027,661	$5,435	$433	$1,033,529	$663,621
0	4,493,122	26,726	2,131	4,521,979	2,407,009
113,856	5,520,783	32,161	2,564	5,555,508	3,070,630
40,176	188,924	7,973	223	197,120	220,455
0	5	4,884	0	4,889	5,367
651	116,295	688	55	117,038	107,847
40,827	305,224	13,545	278	319,047	333,669
0	3,728,844	22,180	1,769	3,752,793	2,956,371
198,958	2,441,268	13,338	1,064	2,455,670	1,495,591
0	622,901	3,705	295	626,901	1,141,684
786,547	14,158,326	79,538	6,343	14,244,207	13,368,888
66,417	5,341,699	31,378	2,502	5,375,579	4,380,217
0	3,280,372	19,512	1,556	3,301,440	3,238,112
0	2,103,129	12,510	998	2,116,637	2,223,928
0	201,259	1,197	95	202,551	215,669
0	328,236	1,952	156	330,344	285,057
1,051,922	32,206,034	185,310	14,778	32,406,122	29,305,517
0	20,791	0	0	20,791	21,909
1,206,605	38,052,832	231,016	17,620	38,301,468	32,731,725
1,377	63,986	22,731	1,735	88,452	130,714
0	4,493,122	26,726	2,131	4,521,979	2,407,009
503	4,889	0	0	4,889	5,367
1,880	4,561,997	49,457	3,866	4,615,320	2,543,090
$1,204,725	**$33,490,835**	**$181,559**	**$13,754**	**$33,686,148**	**$30,188,635**
$0	$32,286,110	$0	$0	$32,286,110	$29,101,685
1,204,725	1,204,725	0	0	1,204,725	914,015
0	0	181,559	0	181,559	159,959
0	0	0	13,754	13,754	12,976
$1,204,725	**$33,490,835**	**$181,559**	**$13,754**	**$33,686,148**	**$30,188,635**

Statement of Changes in Fiduciary Net Assets

For the Year Ended December 31, 2004, With Comparative Combined Totals for 2003
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans
Additions				
Contributions				
Employers	$452,997	$47,104	$2,677	$502,778
Members	411,376	43,496	2,071	456,943
New affiliate transfer	0	0	0	0
Purchased service	192,033	18,566	2,203	212,802
Retiree health care premiums	0	0	0	0
Total contributions	1,056,406	109,166	6,951	1,172,523
Investment income				
Net appreciation in fair value of investments	2,927,261	205,072	17,455	3,149,788
Interest	315,113	21,581	1,855	338,549
Dividends	319,829	21,905	1,882	343,616
Real Estate, Alternative Investment, and Timber net operating income	208,401	14,273	1,227	223,901
Less investment expense	(116,835)	(8,002)	(688)	(125,525)
Net income from investing activities	3,653,769	254,829	21,731	3,930,329
Securities lending income	48,377	3,313	285	51,975
Less securities lending borrower rebates	(36,118)	(2,473)	(213)	(38,804)
Less securities lending agent fees	(2,396)	(164)	(14)	(2,574)
Net income from securities lending	9,863	676	58	10,597
Net investment income	3,663,632	255,505	21,789	3,940,926
Other additions	30	0	0	30
Total additions	4,720,068	364,671	28,740	5,113,479
Deductions				
Benefits				
Benefits paid to retirees/cobeneficiaries	1,655,748	77,020	8,477	1,741,245
Benefits paid to survivors	21,669	1,474	329	23,472
Benefits paid to health care participants	0	0	0	0
Total benefits	1,677,417	78,494	8,806	1,764,717
Refunds of contribution accounts, including match and interest	108,136	13,500	98	121,734
Disability and life insurance premiums	4,186	432	21	4,639
Administrative expenses	20,949	1,943	23	22,915
Other deductions/(transfers)	13,320	1,832	(103)	15,049
Total deductions	1,824,008	96,201	8,845	1,929,054
Net increase in assets available	**2,896,060**	**268,470**	**19,895**	**3,184,425**
Net assets available for pension plan benefits, postemployment healthcare plan benefits and Insurance Dividend Reserve participants				
Beginning of year	**27,123,836**	**1,819,240**	**158,609**	**29,101,685**
End of year	**$30,019,896**	**$2,087,710**	**$178,504**	**$32,286,110**

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

Statement of Changes in Fiduciary Net Assets

For the Year Ended December 31, 2004, With Comparative Combined Totals for 2003
(In Thousands of Dollars)

401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Life Insurance Reserve	Combined Totals 2004	Combined Totals 2003
$13,494	$516,272	$60,465	$0	$576,737	$534,551
179,909	636,852	0	0	636,852	634,387
79,329	79,329	0	0	79,329	0
0	212,802	0	0	212,802	771,960
0	0	59,453	0	59,453	55,668
272,732	1,445,255	119,918	0	1,565,173	1,996,566
91,627	3,241,415	18,464	1,351	3,261,230	5,134,275
4,229	342,778	1,992	153	344,923	270,707
14,717	358,333	2,020	379	360,732	283,143
0	223,901	1,317	101	225,319	181,532
0	(125,525)	(738)	(57)	(126,320)	(111,351)
110,573	4,040,902	23,055	1,927	4,065,884	5,758,306
77	52,052	305	24	52,381	35,523
(47)	(38,851)	(228)	(18)	(39,097)	(22,038)
(5)	(2,579)	(15)	(1)	(2,595)	(3,323)
25	10,622	62	5	10,689	10,162
110,598	4,051,524	23,117	1,932	4,076,573	5,768,468
2,388	2,418	16,116	0	18,534	4,039
385,718	5,499,197	159,151	1,932	5,660,280	7,769,073
0	1,741,245	0	0	1,741,245	1,522,877
0	23,472	0	0	23,472	22,391
0	0	130,917	0	130,917	120,814
0	1,764,717	130,917	0	1,895,634	1,666,082
90,618	212,352	0	0	212,352	329,245
0	4,639	0	1,610	6,249	5,835
4,390	27,305	6,634	(456)	33,483	31,306
0	15,049	0	0	15,049	1,564
95,008	2,024,062	137,551	1,154	2,162,767	2,034,032
290,710	**3,475,135**	**21,600**	**778**	**3,497,513**	**5,735,041**
914,015	**30,015,700**	**159,959**	**12,976**	**30,188,635**	**24,453,594**
$1,204,725	**$33,490,835**	**$181,559**	**$13,754**	**$33,686,148**	**$30,188,635**

Notes to the Financial Statements
(In Thousands of Dollars)

Note 1—Plan Description

Organization

Colorado PERA (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 healthcare plan (Health Care Trust Fund, see Note 8), a private purpose trust fund (Life Insurance 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 Life Insurance 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 active affiliated employers for the three Divisions is as follows:

	As of December 31	
	2004	2003
State and School	265[1]	267[1]
Municipal	128	126
Judicial	6	6
Total employers	**399**	**399**

[1] In addition to the 177 School Districts affiliated with PERA, there are 28 (30 in 2003) Institutions of Higher Education, 41 Agencies and Instrumentalities of the State, 17 Boards of Cooperative Services (BOCS)/Boards of Cooperative Educational Services (BOCES), and 2 Vocational Schools for a total number of affiliated employers in the State and School Division of 265 (267 in 2003).

Membership

Division Trust Funds-Defined Benefit Pension Plans

Benefit recipients and members of PERA consisted of the following as of December 31, 2004, and with comparative combined totals for 2003:

	State and School	Municipal	Judicial	Totals 2004	Totals 2003
Retirees and beneficiaries currently receiving benefits	64,334	3,323	243	67,900	63,988
Terminated members entitled to benefits, but not yet receiving them	11,643	889	16	12,548	11,951
Non-vested inactive members	94,055	9,712	3	103,770	96,194
Active members:					
Vested					
General employees	88,846	6,908	222	95,976	92,871
State troopers	566	0	0	566	575
Non-vested					
General employees	71,797	8,276	51	80,124	77,350
State troopers	174	0	0	174	195
Total active members	161,383	15,184	273	176,840	170,991
Totals	**331,415**	**29,108**	**535**	**361,058**	**343,124**

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 plans 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 (Other than Troopers)	
Minimum Service Credit	Minimum Age
30 Years*	50
Age and Service = 80 years or more	55
5 Years	65
Less than 5 years	65

Reduced Service Retirement Benefits (Other than Troopers)	
Minimum Service Credit	Minimum Age
25 Years	50
20 Years	55
5 Years	60

*Members hired on or after July 1, 2005, will not be eligible for service retirement benefits at age 50 with 30 years of service, but will be eligible at any age with 35 years of service.

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 of salary, 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 accrued 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.

Reduced service retirement benefits are calculated for each month prior to the member's first eligible service retirement date.The reduction factor used to calculate PERA benefits for reduced service retirement is 3 percent per year (0.25 percent per month) for members retiring from age 55 through age 59, with 20 through 29 years of service, and 4 percent per year (0.333 percent per month) on benefits paid to members retiring at ages 60 through 64 with 5 years of service. Members 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.

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 period of membership. 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 salary as defined in C.R.S. § 24-51-101(42).

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.

Retirement and survivor benefits are increased 3.5 percent, compounded annually, each March. The first annual increase occurs in the March that immediately follows the calendar year in which the member retired. If the member has not been retired for a full year, the benefit is increased proportionately. (Annual benefit increases for members hired on or after July 1,

2005, will equal 3 percent or the actual change in the Consumer Price Index, whichever is lower.)

Retirement benefits for State Troopers and members of the Judicial Division differ slightly as defined in C.R.S. § 24-51-602 and 24-51-603.

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 accrued interest, and a matching amount equal to 50 percent of the member's contributions and accrued 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 accrued interest. A 100 percent match on any money that remains in a deceased retiree's account is paid to the beneficiary.

Interest credited to member contribution accounts from January 1, 2004, through June 30, 2004, was credited at a rate of 6.8 percent, compounded annually. Senate Bill 04-132 changed the interest credited on member contribution accounts to a maximum of 5.0 percent, effective July 1, 2004, set annually by the Board. The Board set 5.0 percent, compounded annually, as the interest rate on member accounts from July 1, 2004, through December 31, 2004.

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, PERA members can accelerate vesting by purchasing service credit through lump-sum or installment payments for certain periods of non-vested private or public sector employment not covered by PERA and for paid sabbatical leaves.

In the 2004 calendar year, the PERA "MatchMaker" program provided an employer match on members' voluntary contributions to tax-deferred defined contribution (DC) plans through payroll periods that ended May 31, 2004. The MatchMaker program, which was initiated by the Board and authorized in Senate Bill 99-90, was contingent on any overfunding in the PERA retirement trust funds. The legislation allowed PERA to direct PERA-affiliated employers to reduce a portion of their employer contributions normally sent to PERA to match members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans. In July 2003, since PERA was no longer overfunded, the Board voted to seek 2004 legislation that would discontinue the MatchMaker program as soon as possible. Senate Bill 04-132 terminated the MatchMaker program for payroll periods that ended May 31, 2004, or later, and allows gainsharing provisions to resume whenever the PERA funding ratio exceeds 110 percent.

The match set by the Board effective January 2004 through payroll periods that ended May 31, 2004, was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 1 percent of PERA-includable salary for State and School Division members, 1 percent of PERA-includable salary for Municipal Division members, and 5 percent of PERA-includable salary for Judicial Division members as defined in C.R.S. § 24-51-101.

Voluntary Investment Program

See Note 7.

Health Care Trust Fund

See Note 8.

Pension Plan Disclosure Statements for PERA Employees

All employees of PERA, an affiliated employer, are members of the State and School Division Trust Fund and earn and accrue benefits as would any other member as described above. As an affiliated employer of the State and School Division Trust Fund, PERA also contributes to the Health Care Trust Fund (see Note 8) and employees are able to voluntarily participate in the Voluntary Investment Program (see Note 7).

PERA's contributions to the State and School Division Trust Fund for the years ending December 31, 2004, 2003, and 2002 were $1,258, $1,086, and $728, respectively, equal to its required contributions for each year. PERA's contributions to the Health Care Trust Fund for the years ending December 31, 2004, 2003, and 2002 were $154, $168, and $216, respectively, equal to its required contributions for each year. The 401(k) Plan member contributions from PERA for the years ended December 31, 2004, 2003, and 2002 were $1,295, $1,028, and $1,006, respectively. The PERA MatchMaker contributions to the 401(k) Plan for the years ended December 31, 2004, 2003, and 2002 were $60, $283, and $372, respectively. In addition to the MatchMaker program, PERA also provides its employees with an employer match to their contributions to the 401(k) Plan, and the totals for the years ended December 31, 2004, 2003, and 2002 were $256, $250, and $239, respectively.

Life Insurance Reserve

The Life Insurance Reserve (LIR) is an accumulation of dividends received from an insurance company as a return on the premiums paid by those members who have voluntarily enrolled in life insurance programs, adjusted for actual historical experience. The proceeds from LIR received are used to provide increased life insurance benefits to active and retired members without increasing premiums to them.

Termination of Colorado PERA

If PERA is partially or fully terminated for any reason, state law (C.R.S. § 24-51-217) 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 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 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, 26, 28, 34, and 37, as well as generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

In March 2003, the GASB issued Statement No. 40, "Deposit and Investment Risk Disclosures an Amendment of GASB Statement No. 3." The Statement will be effective for periods beginning after June 15, 2004. PERA has chosen not to adopt this Statement early. Accordingly, the effect of implementing the Statement has not been determined for these financial statements and disclosures.

In July 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The Statement will be effective for periods beginning after December 15, 2006. PERA has chosen not to adopt this Statement early. Accordingly, the effect of implementing the Statement has not been determined for these financial statements and disclosures.

Basis of Accounting

The accompanying financial statements for the pension trust funds, the private purpose trust fund, and the healthcare plan are prepared using the economic resources measurement focus and the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires PERA to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from those estimates. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member and the employer is statutorily committed to pay these contributions to the pension trust funds and the HCTF. 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 LIR, 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 LIR 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, 2004, and 2003, the ownership percentages of each fund were as follows:

	Ownership Percentage As of December 31	
	2004	2003
State and School	92.39%	92.62%
Municipal	6.42	6.20
Judicial	0.55	0.54
HCTF	0.59	0.59
LIR	0.05	0.05
Total	**100.00%**	**100.00%**

The administrative activities and operating assets and liabilities 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. Expenses are allocated to the HCTF, the LIR, and the Voluntary Investment Program based on estimated time and resources devoted to these 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. 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 special situation 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.

Notes to the Financial Statements
(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 C.R.S. §§ 24-51-401 *et seq.*

Members are required to contribute 8 percent of their PERA-includable salary, 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, 2004, through December 31, 2004, were as follows:

Employer Contributions as a Percent of Members' Salaries January 1, 2004, through June 30, 2004

Division	Membership	Contributions
State and School	All members (except State Troopers)	10.15%
State and School	State Troopers	12.85%
Municipal	All members	10.00%
Judicial	All members	12.66%

Employer Contributions as a Percent of Members' Salaries July 1, 2004, through December 31, 2004

Division	Membership	Contributions
State and School	All members (except State Troopers)	10.15%
State and School	State Troopers	12.85%
Municipal	All members	10.00%
Judicial	All members	13.66%

PERA-affiliated employers forward the contributions to PERA after any employer matches as defined by the PERA MatchMaker program have been deducted. With the passage and signing of Senate Bill 04-132 all MatchMaker contributions were suspended beginning June 1, 2004. The portion of these contributions, which are for health care benefits, are transferred to the HCTF with the remainder of these contributions being transferred to 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 stocks 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 Life Insurance Reserve net assets. The Voluntary Investment Program investment concentrations are found in Note 7.

Cash

The table below presents the PERA combined total deposits and money market funds as of December 31, 2004.

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

The carrying value of cash and short-term investments at December 31, 2004, on the Statement of Fiduciary Net Assets includes short-term fixed income of $278,161 and deposit and money market funds of $755,368 for a total of $1,033,529. PERA considers fixed income and real estate debt 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)*	$11,864	$11,864
Deposits held at bank *(fully collateralized by underlying securities, held by PERA's agent in PERA's name)*	34,359	34,359
Money market funds held at bank *(fully collateralized by underlying securities, held by PERA's agent in PERA's name)*	709,145	709,145
Total deposits and money market funds	**$755,368**	**$755,368**

Other Investments

The table that follows presents the combined PERA total investments held at December 31, 2004, 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.

Short-term U.S. government obligations of $218,210, short-term domestic fixed income of $43,900, and short-term international fixed-income of $16,051 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.

	Carrying Amount (Fair Value)
Investments—Category 1 (held by PERA's agent in PERA's name)	
U.S. government obligations	$1,673,379
Domestic corporate bonds	2,083,754
International fixed income	588,793
Domestic stocks	12,561,976
International stocks	4,199,107
Short-term U.S. government obligations	40,210
Short-term domestic corporate bonds	38,877
Short-term international fixed income	16,051
Total investments–category 1	**21,202,147**
Investments—Not categorized	
Investments held by broker-dealers under securities loans with cash collateral	
U.S. government obligations	1,899,593
Domestic corporate bonds	362,317
International fixed income	38,108
Domestic stocks	1,620,100
International stocks	312,932
Short-term U.S. government obligations	178,000
Short-term domestic corporate bonds	5,023
Subtotal	4,416,073
Investments held by broker-dealers under securities loans with pooled non-cash collateral	
U.S. government obligations	179,821
Domestic corporate bonds	9,599
International fixed income	0
Domestic stocks	62,131
International stocks	863,540
Subtotal	1,115,091
Securities lending short-term collateral investment pool	4,521,979
Real estate equity	2,116,637
Real estate debt	202,551
Alternative investments	3,301,440
Timber	330,344
Subtotal	10,472,951
Total investments-not categorized	**16,004,115**
Total investments	**$37,206,262**

Notes to the Financial Statements
(In Thousands of Dollars)

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. When the loaned securities and the collateral are denominated in the same currency, the initial collateralization is not less than 102 percent. When the loaned securities and the collateral are in different currencies, the initial collateralization is not less than 105 percent. 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, 2004, PERA had no credit risk exposure to borrowers because the market value of the collateral held exceeds the market value of the securities amount borrowed. The contract with PERA's lending agent provides that the lending agent will indemnify PERA if loaned securities are not returned and PERA suffers direct losses due to a borrower's default or the lending agent's noncompliance 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, 2004.

PERA or the borrower can terminate any security loan on demand. The weighted average loan life of overall loans was 84 days as of December 2004. 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 (52.1 percent), The Northern Trust Company's Short-Term Advantage Fund (1.7 percent), and The Northern Trust Company's Global Core Collateral Section (46.2 percent). The weighted average maturities of these funds as of December 31, 2004, were 37, 107, and 31 days, respectively. The Northern Trust Company manages withdrawals daily. 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.

The following table represents the balances relating to the securities lending transactions as of December 31, 2004, and December 31, 2003.

Securities Lent	Carrying Amount (Fair Value) of Underlying Securities 12/31/2004	Carrying Amount (Fair Value) of Underlying Securities 12/31/2003
U.S. government obligations	$2,257,414	$1,062,254
Domestic corporate bonds	376,939	224,932
International fixed income	38,108	97,954
Domestic stocks	1,682,232	994,009
International stocks	1,176,472	689,451
Total	**$5,531,165**	**$3,068,600**

As of December 31, 2004, the fair value of lent securities was $5,531,165. The fair value of associated collateral was $5,681,175. Of this amount, $4,521,979 represents the fair value of cash collateral and $1,159,196 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 $10,689 for the year ended December 31, 2004. Included in net securities lending income is $284 from commingled funds. The collateral and carrying amount of the underlying securities for the loans that generated this income is not disclosed above. As of December 31, 2003, the fair value of lent securities was $3,068,600. The fair value of associated collateral was $3,162,572. Of this amount, $2,407,009 represents the fair value of cash collateral and $755,563 represents the fair value of the non-cash collateral. PERA's income net of expenses from securities lending was $10,162 for the year ended December 31, 2003.

Reverse Repurchase Agreements

PERA is allowed to enter into reverse repurchase agreements under state statute, C.R.S. §24-51-206. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to PERA and PERA transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same or similar securities. The proceeds from the reverse repurchase agreements are used for investment purposes.

PERA, within its real estate debt holdings, was obligated under eight reverse repurchase agreements as of December 31, 2004. The agreements have maturity dates of January 24, 2005, February 4, 2005, and March 21, 2005. The contracts maturing in January and February 2005 were rolled over on those dates. All contracts except for two were closed in March 2005. The final two contracts were closed in April and May 2005. Credit risk exposure for PERA arises when the broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. The amount of the potential economic loss is the difference between the fair value of the securities related to the reverse repurchase agreements, including

accrued interest, and the amount of the obligations, including accrued interest, under the reverse repurchase agreements. As of December 31, 2004, PERA is exposed to a potential economic loss of $3,107. The fair value of the securities relating to the reverse repurchase agreements plus accrued interest is $15,335 and the total amount of the reverse purchase agreements plus accrued interest is $12,229. PERA's investment strategy is to hedge its portfolio against changes in interest rates which is accomplished by entering into investment interest rate swaps disclosed in Note 5. The interest PERA receives on the interest rate swaps is reset quarterly to coincide with the interest rate paid on the reverse repurchase agreements which is also reset quarterly. The interest rate swaps were closed in March 2005.

Alternative Investments

The following table presents the categories of investments within the alternative investment asset class at December 31, 2004.

	Fair Value at December 31, 2004
Leveraged buyout funds	$2,347,293
Venture capital	785,725
Special situations	168,422
Total alternative investments	**$3,301,440**

Note 5—Financial Instruments with Off-Balance Sheet Risk

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 2004. 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, 2004, PERA had outstanding forward foreign exchange contracts to purchase foreign currencies with a fair value of $505,578 and outstanding contracts to sell foreign currencies with a fair value of ($505,939).

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 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 $500 as of December 31, 2004. 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 $11,556 as of December 31, 2004.

Interest Rate Swaps

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 four interest rate swaps during 2004, for varying terms. These swaps were held within the real estate debt holdings. The counterparty will pay PERA United States Dollar-London Interbank Offered Rate (LIBOR)-BBA on the notional amount quarterly. PERA will pay the counterparty a fixed rate on the notional amount semiannually. These interest rate swaps were entered into to offset the cash flows on the reverse repurchase agreements and to hedge interest rate risk in the portfolio. The interest rate swaps were closed in March 2005.

PERA is exposed to credit risk in the event of nonperformance by the counterparty to the financial instrument. The risk that the counterparty will fail to meet its obligation is low. Interest rate swaps carry market risk, which results from adverse market changes and changes in interest rates.

The fair value of these contracts was $267 as of December 31, 2004.

The financial instruments discussed above involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amounts recognized in the Statement of Fiduciary 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, 2004. The contract or notional amounts do not represent the exposure to market loss.

Contracts	Description	Contract or Notional Value
181	Long index futures contracts (international)	$11,556
46	Long forward foreign exchange contracts	489,614
46	Short forward foreign exchange contracts	(489,614)
4	Interest rate swaps	$17,500

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, 2004, the fair value of government mortgage-backed securities was $2,058,455 and the fair value of asset-backed securities was $1,393. The fair value of CMOs as of December 31, 2004, was $80,424.

Note 6—Commitments and Contingencies

As of December 31, 2004, PERA had commitments for the future purchase of investments in alternative investments of $1,473,295, and real estate of $512,139.

As of December 31, 2004, PERA had an open letter of credit in connection with the December 2002 sale of a real estate interest in a pooled fund investment, Lazard France. PERA executed a warranty agreement at the onset of its investment in the fund which became exercisable at the sale of this investment to the guaranteed purchaser of investors' interests in the fund. As a condition of the warranty agreement, PERA was required to provide a bank guarantee to secure fulfillment of PERA's potential obligations to the purchaser. PERA's guarantee is limited to 1,826 Euros (2,475 in U.S. dollars), based on its prorated interest in the fund, and will become null and void on December 31, 2005. To the best of PERA's knowledge, it does not anticipate that it will owe the purchaser at the termination of the guarantee. 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.

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 (described in Note 1), and contributions are separate from the defined benefit contributions made to PERA. At December 31, 2004, there were 73,634 participants with account balances.

In 2004, participants could contribute the lesser of $13,000 (actual dollars), or 100 percent of compensation less PERA contributions and employer 401(k) contributions. Catch-up contributions up to $3,000 (actual dollars) in 2004 were allowed for participants who had attained age 50 before the close of the Plan Year, subject to the limitations of IRC Section 414(v). Employer contributions are allowable in the plan with total participant and employer contributions limited to $41,000 (actual dollars) per participant in 2004. The contribution requirements for the program are established under C.R.S. § 24-51-1402.

Participants of the Voluntary Investment Program are allowed to transfer account balances among 16 investment funds, or change the contribution percentages designated to each fund on a daily basis. The 16 investment funds are: Northern Trust Short Term Fund, PIMCO Low Duration Fund, PIMCO Total Return Fund, Dodge & Cox Balanced Fund, PERA Growth & Income Stock Fund, Vanguard Institutional Index Fund, Dodge & Cox Stock Fund, GMO Growth Fund, Fidelity Contrafund, American Funds EuroPacific Growth Fund, Fidelity Freedom Income Fund, Fidelity Freedom 2000 Fund, Fidelity Freedom 2010 Fund, Fidelity Freedom 2020 Fund, Fidelity Freedom 2030 Fund, and Fidelity Freedom 2040 Fund. Participants 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 Board under C.R.S. §§ 24-51-1401 *et seq.*

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. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires PERA to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from those estimates. Employer and participant contributions are recognized as revenues in the period in which the employer pays compensation to the participant and the employer is statutorily committed to pay these contributions. Benefit receivables are not allocated to investment funds.

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.

Investment Concentrations

No investments represent 5 or more percent of the Voluntary Investment Program plan net assets at December 31, 2004.

Note 8—Health Care Trust Fund-PERA's Cost-Sharing Multiple-Employer Defined Benefit Healthcare Plan

Plan Description and Benefit Provisions

The Health Care Trust Fund (HCTF) provides a health care premium subsidy to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. C.R.S. §§ 24-51-1201 *et seq.* specifies the eligibility for enrollment and the amount of the premium subsidy. 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; the subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age 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 fewer than 20 years. The benefit recipient pays the remaining portion of the premium if the subsidy does not cover the entire amount. An additional subsidy exists for retirees who have not participated in Social Security and are not otherwise eligible for Medicare Part A for hospital-related services. C.R.S. § 24-51-1206(4) states that the HCTF cannot charge premiums to retirees without Part A that are greater than premiums charged to retirees with Part A for the same plan option, coverage level, and service credit. Currently for each individual retiree, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Parts A and B. Implicit in this process, an additional subsidy is paid by the HCTF on behalf of retirees who are not covered by Medicare Part A. As of December 31, 2004, the HCTF had 39,668 enrollees of whom 13,870 were under age 65 and 25,798 who were age 65 or older.

The HCTF offers two general types of health plans: fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. The plan designs offered include HMO, POS, PPO, Medicare Supplement, Medicare Advantage, and Medicare Cost plans.

In addition, all of the fully insured pre-Medicare health plans are available to any PERA employer who voluntarily elects to provide health care coverage through the Health Care Program for its employees who are PERA members. PERA acts as a purchaser of private insurance to obtain economies of scale for the employers that elect to join in the joint purchasing arrangement. The insurance companies who provide coverage through the program set rates based on employer size and geographic region. For larger employers (those with more than 50 or 250 eligible employees, depending upon the geographic region), the insurance companies provide custom rates. In all cases, there is no transfer of risk to the HCTF, to PERA, or between the participating employers. The insurance companies providing the benefits bear the risk for the plan. The employers and/or participants pay the premiums for the coverage. PERA collects the premiums and deposits them into the HCTF and then pays these premiums to the insurance companies who provide the coverage. As of December 31, 2004, PERA had 24 employers in the program with 318 active members enrolled.

Dental and vision plans are also available to participants. These plans are all fully insured; the risk is borne by the insurance companies that are contracted to provide the coverage. The participants and/or employers pay the premiums for the coverage. PERA collects the premiums and deposits them into the HCTF and then pays these premiums to the insurance companies who provide the coverage. There is no PERA subsidy provided for the dental and vision plans. As of December 31, 2004, there were 11,620 members and retirees enrolled in the dental plans and 10,816 members and retirees enrolled in the vision plans.

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 national insurance carrier to administer claims for the self-insured plans, with a national prescription benefit manager to administer a pharmacy benefit for the self-insured plans, and with health insurance companies to provide fully insured health plans providing services within Colorado.

Membership

Enrollment in the Health Care Program is voluntary and available to the following eligible individuals:

- PERA benefit recipients and their dependents.

- Guardians of children receiving PERA survivor benefits if the children are enrolled in the Program.
- 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.
- Members while receiving short-term disability program payments.
- Members whose employers have elected to provide coverage through the Health Care Program and such members' dependents.

Contributions

The HCTF is funded by affiliated employer contributions for all PERA members equal to 1.10 percent of covered salaries from January though June 2004 and 1.02 percent of covered salaries after June 2004. Funding is also provided from a portion of the amount paid by members to purchase service credit; premium receipts for participating benefit recipients, members, and dependents; interest; and a proportional share of investment income. The contribution requirements for the affiliated employers are established under C.R.S. § 24-51-208.

Note 9—Subsequent Events

During the 2005 legislative session, several bills that impact PERA were passed by the Legislature and were signed into law. The features of the bills that could potentially impact the financial statements to the greatest extent are listed below:

Senate Bill 05-73. Work After Retirement by PERA Retirees for PERA Employers.

This bill will close a loophole some PERA retirees are using to circumvent the 110-day limit on work after retirement. The bill has three provisions:

- Apply the Amortization Equalization Disbursement (AED) on contributions paid by PERA employers on salaries paid to PERA retirees.
- Require each PERA employer to provide certain tax-related forms and data to PERA. PERA would be able to use the information to check the names of contractors and other non-employees against the names of PERA retirees and to review the vendors' structure. Upon request, PERA could acquire copies of the contracts or other arrangements.
- Count work after retirement for a PERA employer under any arrangement toward the 110-day per calendar year limit, as well as for employer contributions. This would make it clear that work by a PERA retiree for a PERA employer as an independent contractor would count and so would work for any entity owned or operated by the retiree or an affiliated party, if engaged by a PERA employer. Employment for a company not owned or operated by the retiree would not be subject to the 110-day limit or employer contributions.

This bill was signed into law by Governor Owens on June 2, 2005.

Senate Bill 05-171. DPSRS Merger Authorization.

This bill authorizes the merger of the Denver Public Schools Retirement System (DPSRS) into PERA. This merger will be accomplished on an actuarially neutral basis without adversely affecting PERA's funding status based on actuarial valuations and reports. The bill authorizes a merger that would be effective January 1, 2007, and contain key elements including:

- DPSRS benefit recipients who began receiving benefits prior to the merger date would continue to receive the same benefits from PERA that they were entitled to receive under DPSRS.
- Active DPSRS members on the date of merger will have the right to receive the PERA benefit or the DPSRS benefit, but not both.
- New Denver Public School (DPS) employees hired on or after January 1, 2007, would receive PERA benefits.
- All DPSRS assets would be transferred to PERA on the merger date and DPS would make full payment to PERA by June 30, 2007, for liabilities resulting from the merger. DPS as an employer would pay the same employer contribution rate to PERA as other school districts on an ongoing basis.
- The merger agreement between DPS, DPSRS, and PERA would provide that DPS put money in an escrow account toward payment of certain benefit features of the merger whose actuarial value cannot be determined easily until several years following the merger.
- DPS is authorized to raise the necessary moneys to pay to PERA through the sale of Pension Certificates of Participation (PCOPs) prior to December 15, 2006.
- PERA, DPS or DPSRS could terminate the merger prior to January 1, 2007, for specified reasons. PERA would have the ability to be paid for services it performs in preparing for the merger, even if the merger were terminated.

This bill was signed into law by Governor Owens on May 24, 2005.

House Bill 05-1231. Technical Changes to SB 04-257.

This bill corrects some technical issues related to SB 257 regarding the DC plan option available for new hire state employers in 2006. This bill was signed into law by Governor Owens on April 7, 2005.

Senate Bill 05-93. Attachment of Public Pension Benefits.

The bill allows for attachment of a public pension participant's benefits if the individual is required to pay restitution for theft, embezzlement, misappropriation, or wrongful conversion of public property. The bill also allows attachment in the event of

a judgment for a willful and intentional violation of fiduciary duties where the offender or a related party received direct financial gain. This bill was signed into law by Governor Owens on March 25, 2005, and will be effective for court orders on or after August 8, 2005.

During the 2004 legislative session the following bills that impacted PERA were passed by the Legislature and signed into law by Governor Owens. The features of these bills that have not yet taken effect and that could potentially impact the financial statements to the greatest extent are listed below:

Senate Bill 04-132. Modification of Existing PERA Benefit Plans.

This bill will help improve the funding of the PERA trust funds. The provisions of this bill will:

- Provide that members hired on or after July 1, 2005:
  - Will not be eligible for full retirement benefits at age 50 with 30 years service.
  - Will receive annual post-retirement increases of 3 percent or the actual change in the Consumer Price Index, whichever is lower.

This bill was signed into law by Governor Owens on April 30, 2004.

Senate Bill 04-257. Public Employee Retirement Plans.

This bill will provide additional employer funding for PERA and will expand the defined contribution plan option beyond elected officials to new hire state government employees. Major provisions of this bill include the following:

- An "Amortization Equalization Disbursement" (AED) will be established and will require each PERA employer to pay 0.5 percent of salary to PERA each year, beginning January 1, 2006, increasing by 0.5 percent of salary in 2007 and by 0.4 percent of salary each subsequent year, reaching a maximum of 3 percent of salary in 2012 and thereafter. This payment will be used to help amortize PERA's unfunded liability. The current contribution rates to PERA are not adequate to amortize PERA's unfunded liability within a 40-year period. If at some point in the future the AED reduces the amortization period below 40 years, the AED payment will be scaled back below 3 percent of salary. If PERA approached 100 percent funded status, the AED would be repealed.
- Separation of the State and School Divisions beginning January 1, 2006. The School Division will not have the DC (defined contribution) plan option and creating a separate division protects the School Division from any funding deterioration the DC option could cause in the State Division.
- Increase in School employer rates. The actuarial normal cost of PERA benefits for school members is about 0.4 percent of salary higher than for state members. To reflect this cost in School Division rates, the School employer contribution rate to PERA will increase by 0.4 percent of salary, beginning January 1, 2013.
- Provide that new state employees hired on or after January 1, 2006, will have the option to be covered by PERA DB or DC Plan or the State DC Plan. This decision will be made in the first 60 days of employment and will be irrevocable. If the member chooses PERA, he or she may elect into the PERA DC plan if they wish. If no election is made within 60 days, the new employee will be covered by the PERA Defined Benefit (DB) plan. The AED will be paid by employers on the payroll of PERA members as well as on the payroll of new hire state employees who elect the State DC Plan instead of PERA.
- Employees in higher education would not have the options added by SB 257.
- Requires employer contributions to be paid for a PERA retiree working for a PERA-affiliated employer beginning July 1, 2005.
- Renames the Municipal Division the PERA Local Government Division beginning January 1, 2006.

This bill was signed into law by Governor Owens on June 4, 2004.

Life Insurance Reserve Program Changes

Effective April 1, 2005, Unum Life Insurance Company became the new carrier and administrator for PERA's life insurance program. Unum offers term life/accidental death and dismemberment (AD&D) insurance with a decreasing benefit based on age. The Unum plan replaced two previous life insurance options available to members through Anthem Life Insurance and Prudential. Unum administers all aspects of portability and conversion administration, evidence of insurability administration, beneficiary and assignment management, life insurance claim intake administration, internet administration, individual billing, and member level billing reconciliation. PERA will continue to collect the premiums from PERA affiliated employers that withhold the premiums from members through payroll deduction. This information is transmitted to Unum monthly so Unum can determine the coverage status of each member. PERA's payment to Unum is based on a flexible funding premium agreement which limits the payments to the lesser of (1) the actual premiums collected or (2) an administrative fee plus actual claims paid. With the change to Unum, member premiums collected will fully fund the benefits received. The Life Insurance Reserve Fund will not be used to provide increased life insurance benefits to active or retired members without increasing premiums to them.

Required Supplementary Information—Schedule of Funding Progress

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

State and School Division Trust Fund	2004	2003	2002	2001	2000	1999
Actuarial value of assets (a)	**$28,594,699**	$28,522,222	$28,551,607	$28,947,935	$27,749,435	$24,976,228
Actuarial accrued liability (b)	**40,783,531**	37,914,502	32,463,918	29,469,608	26,492,574	24,311,246
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**12,188,832**	9,392,280	3,912,311	521,673	(1,256,861)	(664,982)
Funded ratio (a/b)	**70.1%**	75.2%	87.9%	98.2%	104.7%	102.7%
Covered payroll	**5,303,439**	5,140,918	5,278,586	4,954,605	4,561,133	4,309,573
UAAL/OAAL as a percentage of covered payroll	**229.8%**	182.7%	74.1%	10.5%	(27.6)%	(15.4)%

Municipal Division Trust Fund	2004	2003	2002	2001	2000	1999
Actuarial value of assets (a)	**$1,990,652**	$1,907,786	$1,839,632	$1,822,413	$1,717,017	$1,524,667
Actuarial accrued liability (b)	**2,576,988**	2,379,229	1,966,143	1,746,761	1,541,014	1,413,208
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**586,336**	471,443	126,511	(75,652)	(176,003)	(111,459)
Funded ratio (a/b)	**77.2%**	80.2%	93.6%	104.3%	111.4%	107.9%
Covered payroll	**549,607**	479,098	474,760	436,582	399,737	380,064
UAAL/OAAL as a percentage of covered payroll	**106.7%**	98.4%	26.6%	(17.3)%	(44.0)%	(29.3)%

Judicial Division Trust Fund	2004	2003	2002	2001	2000	1999
Actuarial value of assets (a)	**$170,111**	$166,654	$162,901	$165,130	$159,426	$142,499
Actuarial accrued liability (b)	**209,954**	198,377	165,672	150,943	132,653	122,237
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**39,843**	31,723	2,771	(14,187)	(26,773)	(20,262)
Funded ratio (a/b)	**81.0%**	84.0%	98.3%	109.4%	120.2%	116.6%
Covered payroll	**26,309**	25,452	26,357	24,140	21,673	20,123
UAAL/OAAL as a percentage of covered payroll	**151.4%**	124.6%	10.5%	(58.8)%	(123.5)%	(100.7)%

Health Care Trust Fund	2004	2003	2002	2001	2000	1999
Actuarial value of assets (a)	**$166,619**	$160,416	$161,700	$138,198	$116,034	$100,825
Actuarial accrued liability (b)	**1,102,597**	897,461	813,211	782,961	809,709	782,698
Total unfunded actuarial accrued liability (UAAL) (b-a)	**935,978**	737,045	651,511	644,763	693,675	681,873
Funded ratio (a/b)	**15.1%**	17.9%	19.9%	17.7%	14.3%	12.9%
Covered payroll	**5,879,355**	5,645,468	5,779,703	5,415,327	4,982,543	4,709,760
UAAL as a percentage of covered payroll	**15.9%**	13.1%	11.3%	11.9%	13.9%	14.5%

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	2004	2003	2002	2001	2000	1999
Dollar amount of annual required contribution (ARC)	$918,025	$571,156	$315,825	$314,649	$420,031	$422,025
ARC[1]	17.31%	11.11%	6.37%	6.84%	9.82%	10.46%
% ARC contributed	51%	69%	100%	100%	100%	100%

Municipal Division Trust Fund	2004	2003	2002	2001	2000	1999
Dollar amount of annual required contribution (ARC)	$76,835	$45,658	$21,972	$25,435	$32,639	$31,418
ARC[1]	13.98%	9.53%	5.02%	6.26%	8.90%	9.05%
% ARC contributed	62%	69%	100%	100%	100%	100%

Judicial Division Trust Fund	2004	2003	2002	2001	2000	1999
Dollar amount of annual required contribution (ARC)	$4,267	$1,013	$383	$637	$2,726	$2,689
ARC[1]	16.22%	3.98%	1.55%	1.79%	13.40%	14.05%
% ARC contributed	64%	100%	100%	100%	100%	100%

Health Care Trust Fund	2004	2003	2002	2001	2000	1999
Dollar amount of annual required contribution (ARC)	$59,969	$65,487	$92,562	$74,324	$51,351	$43,136
ARC[1]	1.02%	1.16%	1.71%	1.48%	1.10%	0.95%
% ARC contributed	100%	100%	100%	100%	100%	100%

[1] As a percent of covered payroll. ARC based on prior year-end actuarial study.

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.

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	12/31/04	12/31/04	12/31/04	12/31/04
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
Amortization period used in ARC calculation	40	40	40	40
Remaining amortization period with current funding	Infinite[1]	Infinite[1]	Infinite[1]	58
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[2]	8.50%	8.50%	8.50%	8.50%
Projected salary increases[2]	4.50–10.00%	5.50–12.90%	5.00–6.01%	Not applicable
Cost-of-living adjustments	3.50% compounded annually	3.50% compounded annually	3.50% compounded annually	None
Health care inflation factor	Not applicable	Not applicable	Not applicable	5.50% per annum applicable to Medicare Part A costs

[1] See Management's Discussion and Analysis on unfunded actuarial accrued liabilities on page 21.

[2] Includes inflation at 3.75 percent.

Note 3—Significant Factors Affecting Trends in Actuarial Information

Pension Plans

2004 Changes in Plan Provisions Since Prior Year—Combined State and School, Municipal, and Judicial Division Trust Funds:

- Suspension of MatchMaker contributions on June 1, 2004.
- Reduction in the interest rate credited to member contribution accounts from 80 percent of the actuarial valuation interest rate to a rate determined by the PERA Board, such rate not to exceed 5 percent per annum beginning July 1, 2004.
- A reduction in the allocation of the employer contribution rate to the Health Care Trust Fund from 1.10 percent to 1.02 percent of salary on or after July 1, 2004, with the difference increasing pension funding.
- Gradual increases in payments toward PERA's unfunded liability starting January 1, 2006 at 0.5 percent of salary, increasing 0.5 percent in 2007 and by 0.4 percent of salary each subsequent year, reaching a maximum of 3 percent of salary by 2012 and thereafter known as the Amortization Equalization Disbursement (AED). If at some point in the future the amortization period reduces below 40 years, the AED will be scaled back below 3 percent of salary. If PERA approached 100 percent of funded status, the AED would be repealed.
- School Division employer contribution rate is increased from 10.15 percent to 10.55 percent in 2013.

2003 Changes in Plan Provisions Since Prior Year—Combined State and School, Municipal, and Judicial Division Trust Funds:

- The actuarial investment assumption rate was changed from 8.75 percent to 8.50 percent, the rate of inflation assumption was changed from 4.50 percent to 3.75 percent, the real rate of return assumption was changed from 4.25 percent to 4.75 percent, and the payroll growth rate assumption was changed from 5.50 percent to 4.50 percent.

2002 Changes in Plan Provisions Since Prior Year—Combined State and School, Municipal, and Judicial Division Trust Funds:

- No material changes.

2001 Changes in Plan Provisions Since Prior Year—Combined State and School, Municipal, and Judicial Division Trust Funds:

- Mortality, withdrawal, retirement, disability, and pay increase assumptions were changed based on the actuarial experience study performed in 2001.

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 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.

Health Care Trust Fund

2004 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- A reduction in the allocation of the employer contribution rate to the Health Care Trust Fund from 1.10 percent to 1.02 percent of salary on or after July 1, 2004, with the difference increasing pension funding.
- The valuation considers the implicit subsidy provided to retired members over age 65 who are not fully covered by Medicare Part A.

2003 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- The actuarial investment assumption rate was changed from 8.75 percent to 8.50 percent, the rate of inflation assumption was changed from 4.50 percent to 3.75 percent, the real rate of return assumption was changed from 4.25 percent to 4.75 percent, and the payroll growth rate assumption was changed from 5.50 percent to 4.50 percent.

2002 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- No material changes.

2001 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care Trust Fund:

- Mortality and rate of Health Care Program participation assumptions were changed based on the actuarial experience study performed in 2001.

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.

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.

Schedule of Administrative Expenses

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

	2004	2003
Personnel services		
Salaries	$16,220	$15,680
Employee benefits	4,664	4,540
Total personnel services	**20,884**	**20,220**
Staff education		
Tuition assistance program	34	38
PERA-required education	–	196
Total staff education	**34**	**234**
Professional contracts		
Actuarial contracts	374	281
Audits	148	98
Investment counsel	627	547
Legal and legislative counsel	1,059	1,026
Computer services and consulting	621	776
Management consulting	336	293
Health care consultants	77	201
Other	160	202
Total professional contracts	**3,402**	**3,424**
Miscellaneous		
Equipment rental and services	644	911
Memberships	156	168
Publications and subscriptions	62	58
Travel and local expense	617	486
Auto expense	27	21
Telephone	313	336
Postage	1,122	932
Insurance	251	189
Printing	479	462
Office supplies	305	305
Building rent, supplies, and utilities	735	583
Total miscellaneous	**4,711**	**4,451**
Total budgeted expense	**29,031**	**28,329**
Depreciation expense	1,337	1,634
Health Care Trust Fund Plan Expense	4,709	4,872
401(k) Voluntary Investment Program expense	3,340	2,045
Total expense	**38,417**	**36,880**
Interfund-tenant and other expense	870	(89)
Interfund-CIF investment expense	(5,804)	(5,485)
Total administrative expense	**$33,483**	**$31,306**
Allocation of administrative expense		
State and School Division Trust Fund	$20,949	$19,750
Municipal Division Trust Fund	1,943	1,724
Judicial Division Trust Fund	23	22
401(k) Voluntary Investment Program	4,390	3,382
Health Care Trust Fund	6,634	6,157
Life Insurance Reserve	(456)	271
Total allocation	**$33,483**	**$31,306**

Note: After an internal review of the previous five year expense allocations, an adjustment was needed for 2001 and 2002 and was made in 2004. The adjustments for each fund were as follows: State and School Division Trust Fund $139, Municipal Division Trust Fund $13, Judicial Division Trust Fund $0, 401(k) Voluntary Investment Program ($215), Health Care Trust Fund $882, and Life Insurance Reserve ($819).

Schedule of Investment Expenses

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

	2004	2003
External manager expenses		
Domestic fixed income	$2,929	$2,920
Domestic stock	2,588	4,151
International stock	13,970	11,462
International fixed income	557	618
Alternative investments	54,405	56,850
Real estate debt and equity	39,420	23,762
Timber investments	3,083	3,725
Total external manager expenses	**116,952**	**103,488**
Internal manager expenses	5,804	5,485
Other investment expenses and custody fees	3,564	2,378
Total investment expenses	**$126,320**	**$111,351**

Schedule of Other Additions

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

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Life Insurance Reserve	Totals 2004	Totals 2003
Administrative fee income	$0	$0	$0	$0	$0	$0	$1,151	$0	$1,151	$1,082
Alliance fees	0	0	0	0	840	840	0	0	840	615
401(k) participant loan interest	0	0	0	0	1,377	1,377	0	0	1,377	1,296
Purchase service transfer to HCTF	0	0	0	0	0	0	14,965	0	14,965	1,034
Miscellaneous	30	0	0	30	171	201	0	0	201	12
Total other additions	**$30**	**$0**	**$0**	**$30**	**$2,388**	**$2,418**	**$16,116**	**$0**	**$18,534**	**$4,039**

Schedule of Other Deductions/(Transfers)

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

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Life Insurance Reserve	Totals 2004	Totals 2003
Interfund transfers at retirement	($569)	$762	($193)	$0	$0	$0	$0	$0	$0	$0
Purchase service transfer to HCTF	13,807	1,068	90	14,965	0	14,965	0	0	14,965	1,034
Unclaimed property transfer	11	0	0	11	0	11	0	0	11	507
Miscellaneous	71	2	0	73	0	73	0	0	73	23
Total other deductions	**$13,320**	**$1,832**	**($103)**	**$15,049**	**$0**	**$15,049**	**$0**	**$0**	**$15,049**	**$1,564**

Investment Section

At Colorado PERA, we are consistently delivering long-term financial security that our members can count on in retirement.

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. The investment function is managed in a manner to promote long-term financial security for our membership while maintaining the stability of the fund.

Outline of Investment Policy

The Board of Trustees adopted a new investment policy in November 2004. The investment policy articulates the investment philosophy and guidelines within which the fund's investments will be managed.

The investment philosophy of Colorado PERA includes the following:

- Strategic asset allocation is the most significant factor influencing long-term investment performance and asset volatility.
- The fund's liabilities are long-term and the investment strategy will therefore be long-term in nature.
- The asset allocation policy will be periodically re-examined to ensure its appropriateness to the then prevailing liability considerations.
- As a long-term investor, Colorado PERA will invest across a wide spectrum of investments in a prudent manner.
- Active management may be expected to add value over passive investment alternatives under appropriate conditions.

The Board of Trustees determines the strategic asset allocation policy for the fund. The Board's policy specifies the desired target allocation for each asset class as well as the ranges within which each asset class may operate. The targeted asset allocation mix and the specified ranges for each asset class are as follows:

Asset Class	Target Allocation	Permissible Range
Domestic Equity	45%	42%–48%
International Equity	14%	11%–17%
Fixed Income	25%	22%–28%
Alternative Investments	8%	5%–11%
Real Estate	7%	4%–10%
Timber	1%	0%–2%
Total	**100%**	

The asset allocation policy is determined by an intensive asset/liability analysis. Expected investment returns, risks, and correlations of returns are considered in the analysis. The characteristics of the fund's liabilities are analyzed in conjunction with expected investment risks and returns. The targeted strategic asset allocation is designed to provide appropriate diversification and to balance the expected total rate of return with the volatility of expected returns. The asset allocation targets are adhered to through the implementation of a rebalancing policy.

Investments are managed and monitored in a manner which seeks to balance return and risk within the asset/liability framework. The Chief Investment Officer is authorized to execute investment transactions on behalf of the Board. Assets are managed both internally and externally. In making investment decisions, the Board and staff utilize external experts in various fields including risk and performance analysis, portfolio construction, rebalancing techniques, and other important investment functions and issues.

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 adviser to the Committee. The Board and the

Shareholder Responsibility Committee have delegated to the Legal Department the authority to execute and vote all domestic 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/Advisers

A.G. Edwards
ABN Amro Group
Advest Group, Inc.
Alignment Capital
Banc of America Securities LLC
Bank of New York (BNY Direct)
Barclays Capital Inc.
Bear Stearns & Co. Inc.
BNP Paribas Securities Services
B-Trade Services LLC
Cantor, Fitzgerald & Co.
CIBC World Markets
Citigroup Global
Credit Suisse First Boston Corporation
D.A. Davidson & Co.
Deutsche Bank Alex Brown Inc.
Friedman Billings & Ramsey
Goldman, Sachs & Co.
Heitman Capital Management Corp.
HSBC Securities
INVESCO Realty Advisors
ITG Inc.
J.P. Morgan Securities
Jefferies & Co.
Jones Lang LaSalle
Keefe, Bruyette & Woods
La Branche & Co. Inc.
Lehman Brothers Inc.
Merrill Lynch, Pierce, Fenner & Smith Inc.
Morgan Stanley & Co. Incorporated
NBC Capital Markets Group
Prudential Realty Investors
RBC Dain Rauscher
RBS Greenwich Capital Markets
Robert W. Baird & Co. Inc.
RREEF
Sanford C. Bernstein & Co. LLC
SG Cowen Securities Corporation
Soundview Technology Group
Stifel Nicolaus & Company, Inc.
Thomas Weisel Partners LLC
UBS Warburg LLC
US Bancorp Piper Jaffray
Wachovia Securities
Wells Fargo Securities LLC
William Blair & Company LLC

Certain broker agreements include provisions for commission recapture.

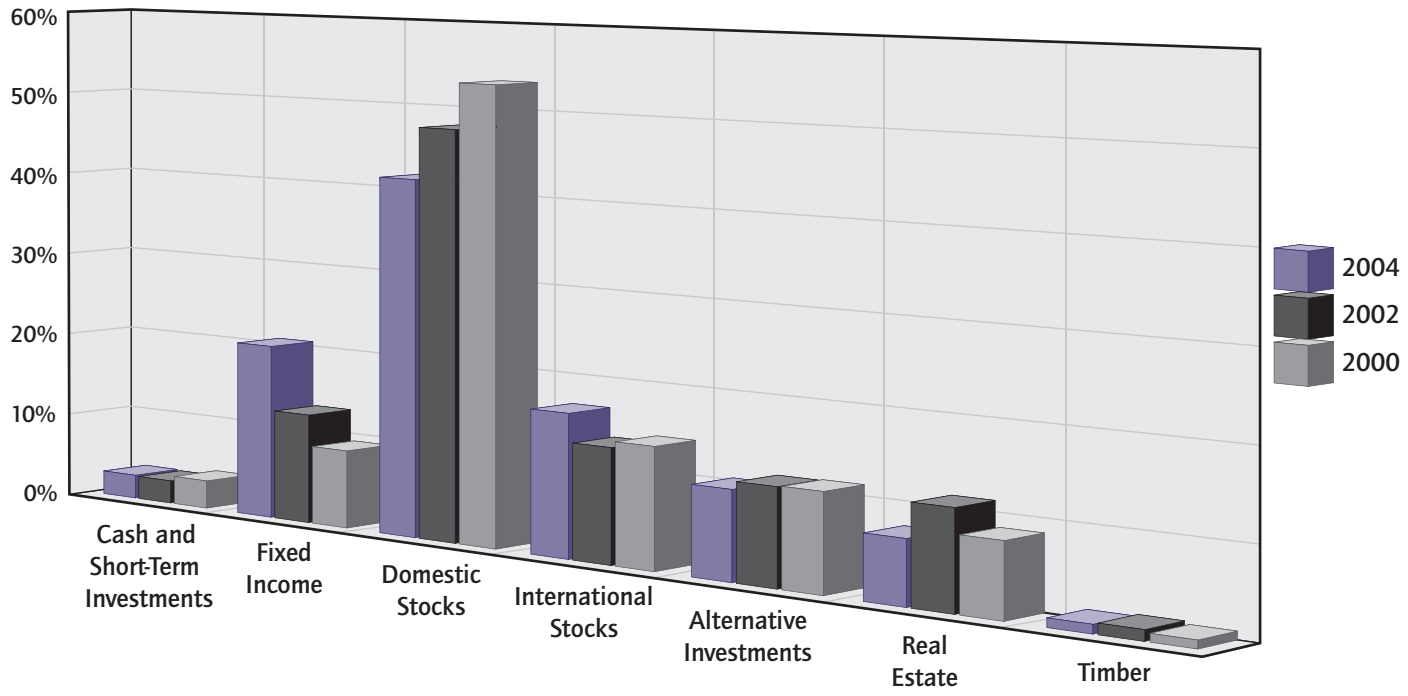
Investment Summary

Does not include the 401(k) Voluntary Investment Program
(In Thousands of Dollars)

	Market Value December 31, 2004	Percent of Total Market Value 2004	2002	2000
Cash and Short-Term Investments	$919,673	2.8%	2.7%	3.3%
Fixed Income				
U.S. Government obligations	3,752,793	11.6%	6.5%	4.6%
Domestic corporate bonds	2,256,712	7.0%	3.3%	2.3%
International fixed income	626,901	1.9%	3.0%	2.2%
Total fixed income	6,636,406	20.5%	12.8%	9.1%
Domestic Stocks	13,457,660	41.7%	47.8%	53.2%
International Stocks	5,309,162	16.5%	13.2%	13.9%
Alternative Investments	3,301,440	10.2%	11.1%	11.2%
Real Estate				
Real estate equity	2,116,637	6.7%	10.0%	7.7%
Real estate debt	202,551	0.6%	1.2%	0.7%
Total real estate	2,319,188	7.3%	11.2%	8.4%
Timber Investments	330,344	1.0%	1.2%	0.9%
Total investments	$32,273,873	100.0%	100.0%	100.0%

Asset Allocation at Market Value

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



Evaluation

R.V. Kuhns and Associates and The Northern Trust Company are retained by Colorado PERA to evaluate fund performance. Russell Real Estate Advisors, Inc. is used 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 compute the annual rates of return. In order to provide fund returns inclusive of all asset classes, performance calculations were prepared using time-weighted rates of return. Domestic stock, international stock, and fixed income returns were prepared in accordance with the standards outlined by the CFA Institute's Performance Presentation Standards.

Asset Allocation

Colorado PERA's long-term strategic asset allocation policy sets forth specific portfolio targets. Asset allocation targets, approved by the PERA Board of Trustees in 2002, are as follows: domestic equity 45 percent, international equity 14 percent, fixed income 25 percent, alternative investments 8 percent, real estate 7 percent, and timber 1 percent.

Total Portfolio Results

For the year ended December 31, 2004, Colorado PERA's total fund returned 14.1 percent, compared to the R.V. Kuhns' Median Public Fund return of 11.9 percent. The Kuhns' Median Public Fund measure is comprised of 82 public pension funds with assets of approximately $1.5 trillion. Colorado PERA's total fund returned 7.6 percent and 2.8 percent on a three- and five-year annualized basis, compared with Kuhns' Median Public Fund returns of 7.9 percent and 3.8 percent, respectively, for these periods. PERA's 10-year annualized rate of return was 10.4 percent compared to the Kuhns' Median Public Fund return of 10.4 percent.

Colorado PERA adopted a policy benchmark, which is a passive representation of the asset allocation policy, as of April 1, 2004. For the nine-month period ended December 31, 2004, the total fund returned 11.0 percent compared to the policy benchmark return of 9.1 percent.

Domestic Stock

After sagging for much of the year, the domestic stock market dramatically reversed course in the fourth quarter. The double digit gains in the stock market over the last 12 months served as an encore to the double-digit gains of 2003. Concerns about terrorism, the election and soaring oil prices were a drag on the market until late October. But starting with the week before the presidential election, the domestic stock market rallied over 11 percent through the end of the year. Stocks finished the year on an uptrend because of a widespread hope that the economy had gone from the kind of furious growth typically seen at the start of a recovery to a steadier pace that could sustain moderate stock growth. In addition, investors focused on solid corporate earnings, benign inflation, and low interest rates.

All of the major industry groups posted positive returns in 2004. Energy stocks, despite weak fourth quarter performance, were by far the best performing sector for the year. The technology and health care sectors were poor performers as these stocks trailed the market in 2004. On a size and style basis, small capitalization stocks outpaced large capitalization stocks. This was the sixth consecutive year that small-cap stocks have outperformed large-cap stocks. Meanwhile, value stocks outperformed growth stocks. Value stocks continued to benefit from strong gains in transportation, real estate investment trust (REIT), and utility stocks.

In 2004, Colorado PERA's total domestic equity portfolio returned 12.1 percent, compared to its benchmark's total return of 12.1 percent. PERA's three–year annualized domestic equity portfolio total return was 4.8 percent, ahead of the benchmark's return of 4.6 percent. The five–year annualized total return for PERA's domestic portfolio was 0.8 percent, compared to the benchmark's total return of negative 1.0 percent.

International Stock

The international equity markets were strong in 2004, despite being range bound during the first half of the year. Geopolitical events and negative economic announcements played an influential role in shaping the performance of the global markets during the first part of the year. The second half of the year saw a strong recovery in the equity markets, fueled by falling oil prices, the resolution of uncertainty surrounding the U.S. elections, and stronger worldwide economic results. The weakness of the U.S. dollar was a key feature of the strong performance in international equities. The U.S. dollar's decline against most world currencies helped positive local currency returns become even stronger during the year.

In 2004, emerging market stocks returned over 25 percent while developed market stocks returned close to 20 percent. Similar to the U.S. stock market, all of the major international industry groups posted positive returns in 2004. The technology and health care sectors were the poorest performers while energy and utility stocks were the top performers for the year.

PERA's international equity return in 2004 was 22.3 percent, compared with 20.0 percent for its benchmark. PERA's three–year annualized international equity portfolio total return figure was 14.0 percent, ahead of the benchmark's return of 12.0 percent. The five–year annualized total return for PERA's international portfolio was 1.9 percent, compared to the benchmark's total return of negative 0.5 percent.

Fixed Income

The bond market defied expectations most of the year. Many investors entered the year expecting interest rates to rise. The Federal Reserve began raising the Federal Funds rate at the June

meeting and continued on a measured pace for the remainder of the year. The Federal Funds rate ended the year at 2.25 percent, 1.25 percent higher than where it began the year. Accordingly, yields on shorter maturities rose in lockstep. The surprise was in the behavior of longer maturity bonds. Long interest rates were actually lower at the end of the year. During 2004, inflation remained reasonably well contained and average payrolls increased at a modest rate. Foreign central banks were large buyers of U.S. fixed income securities, even as the dollar continued to weaken and the deficit grew.

The fixed income portfolio provided a 4.5 percent return for the year trailing the benchmark return of 4.9 percent. The three–year and five–year annualized returns for fixed income were 7.6 and 7.4 percent, respectively, compared to the benchmark returns of 6.4 percent and 7.8 percent, respectively.

Alternative Investments

The global private equity markets had a strong performance in 2004. The robust capital markets provided an ideal environment for the harvesting of existing investments through merger and acquisition transactions, initial public offerings, and recapitalizations. The stable economic climate also provided growth opportunities for unrealized investments. The alternative investments portfolio demonstrated record distributions and strong price appreciation as a result of these favorable conditions. The portfolio funded $600 million in capital calls and received $1.2 billion in distributions for the year.

In 2004, Colorado PERA approved thirteen commitments in alternative investments—five in venture capital, six in leveraged buyouts, and two in special situations—totaling $500 million.

PERA's alternative investments portfolio returned 24.1 percent in 2004 compared with the custom alternatives benchmark return of 15.6 percent. PERA's alternative investments portfolio returned 11.0 percent and 3.3 percent, respectively, for the three– and five–year annualized periods compared with the annualized custom benchmark returns of 8.5 percent and 1.6 percent, respectively, for the same periods. The alternative investment program's net, since inception IRR as of December 31, 2004, is 10.2 percent compared to the custom benchmark's since inception IRR of 10.4 percent.

Real Estate

In the U.S. real estate markets, property fundamentals improved in 2004. Demand for space increased as the U.S. economy continued to expand and add jobs. Sustained investment capital flows increased property values throughout 2004. The trends in the economy and real estate markets continue to support a favorable outlook for private real estate investments.

In 2004, the real estate portfolio had a total return of 25.7 percent, compared to its custom benchmark return of 18.5 percent. The real estate portfolio returned 16.4 percent and 15.3 percent, respectively, for the three– and five–year annualized periods, which compared favorably to the custom benchmark returns of 14.2 percent and 12.7 percent, respectively. The Custom Real Estate Benchmark is comprised of four indices that are weighted according to the real estate asset sector targets prescribed by the Board. Real estate invests in U.S. private equity and international private equity, as well as U.S. public equity and debt.

Timber

PERA's external timber manager made one new $35 million investment in New Zealand and disposed of $45 million of various investments in 2004. PERA's timber portfolio produced one–, three–, and five–year annualized returns of 22.4 percent, 14.0 percent, and 8.2 percent, respectively, compared with the NCREIF Timberland Index returns of 11.2 percent, 6.8 percent, and 3.8 percent, respectively, for these periods.

Schedule of Investment Results

Does not include 401(k) Voluntary Investment Program
As of December 31, 2004

	2004	3-Year	5-Year	10-Year
PERA Total Portfolio	14.1%	7.6%	2.8%	10.4%
Median Plan (R.V. Kuhn's Median Public Fund Universe)	11.9%	7.9%	3.8%	10.4%
Domestic Stocks	12.1%	4.8%	0.8%	11.3%
DJ Wilshire 5000[1]	12.1%	4.6%	(1.0%)	12.4%
International Stocks	22.3%	14.0%	1.9%	7.3%
MSCI ACWI Ex U.S.[1]	20.0%	12.0%	(0.5%)	6.7%
Fixed Income	4.5%	7.6%	7.4%	5.6%
Lehman Brothers Universal[1]	4.9%	6.4%	7.8%	7.8%
Lehman Brothers Aggregate	4.3%	6.2%	7.7%	7.7%
Alternative Investments	24.1%	11.0%	3.3%	18.2%
Custom Alternative Benchmark[2]	15.6%	8.5%	1.6%	14.9%
Real Estate	25.7%	16.4%	15.3%	13.0%
Custom Real Estate Benchmark[3]	18.5%	14.2%	12.7%	10.2%
NCREIF Property Index	14.5%	10.0%	9.9%	10.9%
PERA Timber Investments	22.4%	14.0%	8.2%	9.8%
NCREIF Timberland Property Index	11.2%	6.8%	3.8%	7.8%

Note: Performance calculations were prepared using time-weighted rates of return. Domestic and International Stocks and Fixed Income were prepared in accordance with the CFA Institute's Performance Presentation Standards.

[1] The Colorado PERA Board of Trustees adopted new benchmarks for domestic stock, international stock, and fixed income as of April 1, 2004. Accordingly, the benchmark returns presented represent a blend, as follows:
- Domestic Stocks—S&P 1500 prior to April 1, 2004; DJ Wilshire 5000 beginning April 1, 2004.
- International Stocks—EAFE Custom Index (75 percent MSCI EAFE Index and 25 percent MSCI EAFE excluding Japan) prior to April 1, 2004; MSCI ACWI excluding U.S. beginning April 1, 2004.
- Fixed Income—Lehman Aggregate prior to April 1, 2004; Lehman Universal beginning April 1, 2004.

[2] DJ Wilshire 5000 plus 300 basis points.

[3] 15 percent NAREIT, 45 percent NCREIF Property, 20 percent CITI Mortgage, and 20 percent Global Property Research.

Profile of Investments in Colorado

Does not include 401(k) Voluntary Investment Program
As of December 31, 2004
(In Thousands of Dollars)

	Market Value
Common stock of companies headquartered in Colorado	$160,035
Funds under management of Colorado companies[2]	133,117
Real estate equity	100,403
Committed to future funding	63,652
PERA portion of general partnerships investing in Colorado companies[1]	54,817
Bonds and notes of companies headquartered in Colorado	34,797
Commercial mortgages	6,343
Total	**$553,164**

[1] General Partners based outside of Colorado.
[2] Venture capital partnerships and private placements domiciled in Colorado.

Largest Stock Holdings (Market Value)

As of December 31, 2004
(In Thousands of Dollars)

	Shares	Market Value
General Electric Co	10,079,700	$367,909
Microsoft Corp	10,996,100	293,706
Citigroup Inc	5,189,200	250,016
Exxon Mobil Corp	4,793,100	245,694
Bank of America Corp	3,912,400	183,844
Pfizer Inc	6,831,000	183,686
American International Group Inc	2,589,500	170,052
Wal-Mart Stores Inc	3,065,100	161,899
International Business Machines Corp	1,558,000	153,588
Intel Corp	5,983,300	$139,949

The top ten holdings do not include commingled funds.

A complete list of holdings is available upon request.

Largest Bond Holdings (Market Value)

As of December 31, 2004
(In Thousands of Dollars)

	Par Value	Income Rate	Maturity Date	Market Value
U.S. Treasury Notes	80,000,000	1.500%	7/31/05	$79,509
U.S. Treasury Bonds	40,000,000	6.250%	8/15/23	46,830
U.S. Treasury Notes	37,000,000	3.000%	2/15/08	36,698
U.S. Treasury Notes	35,000,000	4.250%	8/15/14	35,078
FHLB Bond	35,500,000	2.125%	5/15/06	35,034
U.S. Treasury Notes	30,000,000	4.750%	5/15/14	31,263
U.S. Treasury Bonds	24,000,000	7.250%	5/15/16	30,041
FNMA POOL #696399	28,601,674	5.500%	3/1/33	29,062
FNMA POOL #708950	28,839,044	4.375%	6/1/33	28,900
U.S. Treasury Bonds	21,000,000	7.875%	2/15/21	$28,373

The top ten holdings do not include commingled funds.

A complete list of holdings is available upon request.

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

(In Thousands of Dollars)

The Colorado 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 2004, participants were able to make tax-deferred contributions of up to 100 percent of their annual gross salary less the PERA 8 percent deduction, up to a maximum of $13,000 (actual dollars). Participants age 50 or older in 2004 could contribute an additional $3,000 (actual dollars) as catch-up contributions. Contributions to the 401(k) Plan are deducted from the participant's salary, and earnings on 401(k) Plan investments are also tax-deferred. Through May 31, 2004, the PERA "MatchMaker" Program provided an employer match on members' voluntary contributions to tax-deferred defined contribution (DC) plans. The match set by the Board for the 2004 calendar year was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 1 percent of PERA-includable salary per payroll for State and School and Municipal Division members, and 5 percent for Judicial Division members. The MatchMaker Program, which was initiated by the PERA Board of Trustees and authorized in Senate Bill 99-90, was discontinued on May 31, 2004, until the PERA trust funds are funded at 110 percent or higher.

An administrative fee pays for recordkeeping, communications, education, consulting, staff, and other overhead expenses. Through March 31, 2004, the fee equaled $1 (actual dollars) per month per person for the first 12 months of participation in the Plan, then $1.50 (actual dollars) per month thereafter. PERA selected CitiStreet as the new service provider for the 401(k) and beginning April 1, 2004, the fee changed to:

Account Balance	Monthly Fee	Total Fee per Year
$0–$25,000	$2.00	$24.00
$25,000.01–$50,000	$2.25	$27.00
$50,000.01–$75,000	$2.50	$30.00
$75,000.01–$100,000	$2.75	$33.00
$100,000.01–$125,000	$3.00	$36.00
$125,000.01 or greater	$3.25	$39.00

Expenses are offset by a partial return of investment fees by some funds.

On December 31, 2004, the 401(k) Plan had net assets of $1,204,725 and 73,634 accounts, a net increase of 32 percent in the total Plan value in one year, and 2 percent in membership. During the year, $90,618 was withdrawn from plan accounts of which $58,408 was transferred to purchase PERA service credit.

During 2004, participant contributions totaled $166,481 with $13,428 received as rollovers. In addition, PERA-affiliated employers contributed $13,495 consisting of $10,955 in employer matching contributions funded by the PERA MatchMaker program, $1,068 in employer matching contributions funded by the employer, and $1,472 in employer discretionary contributions.

As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the 401(k) Plan has accepted tax-paid and tax-deferred rollovers from 403(b) Deferred Compensation plans in addition to money from 401(a) and 401(k) plans. Tax-deferred rollovers from IRAs are also accepted in the Plan. There was $19,818 loaned from the 401(k) Plan in 2004 in 3,660 loan agreements.

	Year-End Statistics	
	Assets	Number of Accounts
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
2001	674,618	64,632
2002	737,849	70,664
2003	914,015	72,185
2004	**$1,204,725**	**73,634**

2004 Activities

In 2003, the Board of Trustees approved the selection of a new 401(k) Plan service provider. On March 1, 2004, CitiStreet replaced ADP, the former recordkeeper, and assumed additional administrative responsibilities previously handled by PERA staff. With the change to a new service provider, the Board approved the elimination of the Janus Fund, with investments in this fund on February 29, 2004, rolled to the Grantham, Mayo, Van Otterloo (GMO) Growth Fund. The Plan also changed from unit accounting to share accounting for all funds in the Plan that are publicly traded.

In April 2004, the Plan received $79,329 as a result of the merger of the Boulder County 401(k) Plan in to the PERA 401(k) Plan when Boulder County joined PERA as a new affiliated employer.

PERA's 401(k) Voluntary Investment Program Report on Investment Activity
(In Thousands of Dollars)

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.

Northern Trust Short Term 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: 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: 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: 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.

Vanguard Institutional Index Fund: (Formerly the 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.

Dodge & Cox Stock Fund: The fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income. Managed by Dodge & Cox.

PERA Growth & 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: Primarily invests in common stocks and securities convertible into common stocks of companies with high growth potential. Managed by Fidelity Investments.

GMO Growth Fund: Seeks long-term growth of capital by investing in a diversified portfolio of stocks from the 1,000 largest U.S. companies. This fund was added in March 2004 and is managed by Grantham, Mayo, Van Otterloo & Co.

American Funds EuroPacific Growth 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.

Fidelity Freedom Funds: Six funds with varying asset and risk levels based on the retirement dates of participants that are designed for those who do not wish to actively manage their portfolios. Managed by Fidelity Investments.

The following fund was eliminated from the PERA 401(k) Plan in February 2004:

- 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.

401(k) Voluntary Investment Program Schedule of Investment Results

		Annualized Returns	
	2004	3-Year	5-Year
Northern Trust Short Term Fund	1.3%	1.4%	3.0%
PIMCO Low Duration Fund	2.3%	4.2%	5.6%
PIMCO Total Return Fund	5.1%	6.9%	8.4%
Dodge & Cox Balanced Fund	13.2%	11.0%	11.6%
Vanguard Institutional Index Fund	10.8%	3.5%	N/A
Dodge & Cox Stock Fund	19.1%	N/A	N/A
PERA Growth & Income Stock Fund	14.2%	5.2%	(0.4%)
Fidelity Contrafund	15.1%	10.0%	1.7%
GMO Growth Fund[1]	N/A	N/A	N/A
American Funds EuroPacific Growth Fund	19.6%	11.2%	0.0%
Fidelity Freedom Income	3.9%	3.5%	N/A
Fidelity Freedom 2000	4.5%	3.9%	N/A
Fidelity Freedom 2010	7.2%	5.3%	N/A
Fidelity Freedom 2020	9.5%	5.6%	N/A
Fidelity Freedom 2030	10.4%	5.2%	N/A
Fidelity Freedom 2040	11.2%	5.3%	N/A
Janus Fund[2]	N/A	N/A	N/A

Performance is net of management fees from R.V. Kuhns & Associates Inc.

N/A—Fund not in PERA's 401(k) Voluntary Investment Program.
[1] Added GMO Growth Fund on March 1, 2004.
[2] Janus Fund was removed from the PERA 401(k) Voluntary Investment Program on February 29, 2004.

401(k) Voluntary Investment Program Summary

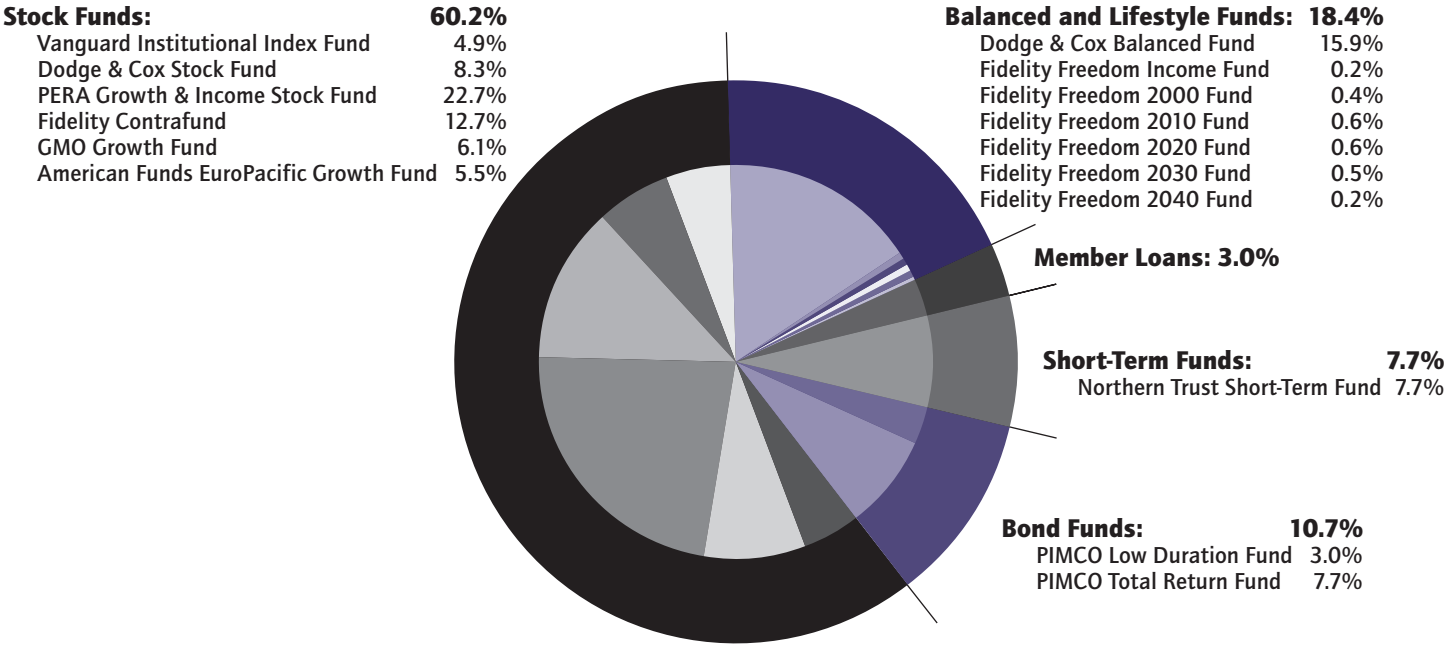
(In Thousands of Dollars)

	Market Value December 31, 2004	Percent of Total Market Value 2004	2002	2000
Northern Trust Short Term Fund	$92,382	7.7%	8.1%	3.3%
PIMCO Low Duration Fund	36,157	3.0%	5.2%	2.9%
PIMCO Total Return Fund	92,334	7.7%	11.5%	5.2%
Dodge & Cox Balanced Fund	190,828	15.9%	14.9%	11.0%
Vanguard Institutional Index Fund	58,942	4.9%	3.0%	0.9%
Dodge & Cox Stock Fund	100,581	8.3%	N/A	N/A
PERA Growth & Income Stock Fund	272,465	22.7%	26.4%	43.4%
Fidelity Contrafund	152,502	12.7%	14.5%	21.0%
GMO Growth Fund[1]	73,196	6.1%	N/A	N/A
American Funds EuroPacific Growth Fund	66,417	5.5%	3.3%	3.7%
Fidelity Freedom Income Fund	2,373	0.2%	0.1%	N/A
Fidelity Freedom 2000 Fund	4,605	0.4%	0.2%	N/A
Fidelity Freedom 2010 Fund	7,097	0.6%	0.2%	N/A
Fidelity Freedom 2020 Fund	7,187	0.6%	0.1%	N/A
Fidelity Freedom 2030 Fund	5,419	0.5%	0.0%	N/A
Fidelity Freedom 2040 Fund	2,265	0.2%	0.0%	N/A
Janus Fund[2]	0	N/A	3.3%	1.9%
Member Loans	$35,451	3.0%	3.4%	2.9%

N/A—Fund not in PERA's 401(k) Voluntary Investment Program.
[1] This fund joined PERA's 401(k) Voluntary Investment Program in March 2004.
[2] This fund was removed from PERA's 401(k) Voluntary Investment Program in February 2004.

Asset Allocation by 401(k) Voluntary Investment Program Investment Funds

As of December 31, 2004



Actuarial Section

The successful climb requires unfaltering dedication. At Colorado PERA, we never lose sight of our vision to be the retirement plan of choice for all of Colorado's public employees.

buckconsultants
an ACS company

June 16, 2005

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

RE: Actuarial Certification of Defined Benefit Plans

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, 2004. PERA provided the participant data and the asset information. Buck reviewed the data for reasonableness. No material changes in the plan provisions have occurred since the prior valuation.

No change in the demographic or economic actuarial assumptions used in the valuations occurred since the prior valuation. These assumptions are based on an experience investigation performed as of December 31, 2000. The demographic assumptions were adopted by the Board in July 2001.

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.

1200 17th Street, Suite 1200 • Denver, CO 80202
720.359.7700 • 720.359.7701 (fax)

Board of Trustees
Public Employees' Retirement Association of Colorado
June 16, 2005
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Buck updated the following schedules for the December 31, 2004 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

Board of Trustees
Public Employees' Retirement Association of Colorado
June 16, 2005
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We certify that this valuation was performed in accordance with standards of practice and by qualified actuaries as prescribed by the Actuarial Standards Board. Both of the consultants listed below have experience in performing valuations for large statewide public retirement systems.

PERA has a funded ratio of 71% based on the actuarial value of assets. The funded ratio on market value of assets is higher, at 74%. It is our opinion that the current funding is sufficient to pay benefit payments through the projected actuarial period of 30 years. However, the contribution rates are currently not sufficient to support the pension system's benefit structure long-term. If there is not a significant recovery in the investment markets in the near future, the long-term ability of the System to support the benefits will be challenged in the absence of a significant increase in the contribution rates.

Sincerely,

David H. Slishinsky, ASA, EA, MAAA
Principal and Consulting Actuary

Thomas Cavanaugh, FSA, FCA, EA, MAAA
Principal and National Director of
Governmental Consulting Services

/mlp

The Colorado 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. Colorado 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

PERA-affiliated employers contribute a percentage of their total payroll to the Fund. Respective employer contribution rates are shown on the Schedule of Contribution Rate History on pages 86–87.

The Schedule of Computed Employer Contribution Rates on page 85 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.

Interest credited to member contribution accounts from January 1, 2004, through June 30, 2004, was credited at a rate of 6.8 percent, compounded annually. Senate Bill 04-132 changed the interest credited on member contribution accounts to a maximum of 5 percent, effective July 1, 2004, set annually by the Board. The Board set 5 percent, compounded annually, as the interest rate on member accounts from July 1, 2004, through December 31, 2004.

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.

Unreduced service retirement benefits are available to members whose age plus years of service total 80 or more, if the members are at least age 55 with a minimum of five years of service credit. Service retirement benefits are also available at age 50 with 30 years of service or at age 65 with five years of service. (Members hired on or after July 1, 2005, will be eligible for

service retirement benefits at any age with 35 years of service, rather than at age 50 with 30 years of service.)

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 these members are reduced 6 percent for each year 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.

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 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 Benefits

PERA provides a two-tiered disability program. 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 and permanently incapacitated from regular and substantial gainful employment. PERA provides reasonable income replacement, or rehabilitation or retraining services. Disability retirement benefits are provided to members who are totally and permanently mentally or physically incapacitated from regular and substantial gainful employment.

Annual Benefit Increases

Each March, benefits are increased 3.5 percent, compounded annually. The first annual increase occurs in the March that immediately follows the calendar year in which the member retired. If the member has not been retired for a full year, the benefit is increased proportionately. (Annual benefit increases for members hired on or after July 1, 2005, will equal 3 percent or the actual change in the Consumer Price Index, whichever is lower.)

MatchMaker Program

In the 2004 calendar year, the PERA MatchMaker program provided an employer match on members' voluntary contributions to tax-deferred defined contribution (DC) plans through payroll periods that ended May 31, 2004. The MatchMaker program, which was initiated by the Board and authorized in Senate Bill 99-90, was contingent on any overfunding in the PERA retirement trust funds. The legislation allowed PERA to direct PERA-affiliated employers to reduce a portion of their employer contributions normally sent to PERA to match members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans.

In July 2003, since PERA was no longer overfunded, the Board voted to seek 2004 legislation that would discontinue the MatchMaker program as soon as possible. Senate Bill 04-132 terminated the MatchMaker program for payroll periods that ended June 1, 2004, or later, and allows gainsharing provisions to resume whenever the PERA funding ratio exceeds 110 percent.

The match set by the Board effective January 2004 through payroll periods that ended May 31, 2004, was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 1 percent of PERA-includable salary for State and School Division members, 1 percent of PERA-includable salary for Municipal Division members, and 5 percent of PERA-includable salary for Judicial Division members.

Actuarial Methods

The cost that a retirement plan such as Colorado 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.

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. The smoothed value of assets recognizes the difference between actual and expected asset performance for each year in equal amounts over a four–year period.

Actuarial Assumptions

Colorado PERA's actuarial assumptions are used to project the Plan's future experience. At least every five years, the actuarial assumptions are studied and an actuarial audit 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 five–year experience study was completed in 2001 by Watson Wyatt, who served as the independent retained actuary throughout 2001. This study compared actual to expected results on all PERA actuarial assumptions for the 1996–2000 period. The most recent audit of actuarial valuation and processes was conducted in 2001 by Gabriel, Roeder, Smith & Company (GRS) before GRS acquired Watson Wyatt's U.S.-based public sector retirement practice and became PERA's independent retained actuary. In 2003, Mellon HRIS was selected as PERA's independent retained actuary effective with the annual valuation for the 2003 calendar year. In 2005, Affiliated Computer Services, Inc. (ACS) acquired Mellon HRIS' Human Resources consulting operation. Mellon HRIS will be renamed Buck Consultants, Inc., and remain PERA's independent retained actuary.

Watson Wyatt's experience study recommended new assumptions for PERA, which were reviewed by GRS, adopted by the Board, and first used in the December 31, 2001, valuation. The new assumptions recognized longer life expectancies, increased rates of retirement by members eligible to retire, and made other changes.

In January 2005, the Board voted to have the actuarial audit performed in 2005, rather than in 2006, to confirm that PERA's funding status is being evaluated appropriately. The Board agreed that the auditing actuary hired in 2005 would be required to do the following:

- Conduct a valuation of liabilities for the pension trust funds and the Health Care Trust Fund based on the same year-end 2004 data, funding method, and assumptions used by the retained actuary.
- Examine and comment on the 2001–2004 experience study conducted by the retained actuary.
- Provide an opinion on specific issues, including the PERA trust funds' current and projected funded status, and what steps are needed to maintain actuarial soundness over the long term. The auditing actuary will be encouraged to

comment on any feature of PERA's actuarial calculations, reporting, or funded condition.

Economic Assumptions

In July 2003, based on the actuary's recommendation that Colorado PERA adjust its investment assumption rate to reflect PERA's new asset allocation mix, the Board voted to reduce PERA's investment return rate from 8.75 percent to 8.5 percent per year, compounded annually, net after administrative expenses, effective with the December 31, 2003, valuation.

The inflation assumption is 3.75 percent per year. The real rate of return is the portion of the total investment return in excess of the inflation rate. Considering other financial assumptions, the 8.5 percent investment return translates into an assumed real rate of return of 4.75 percent.

The overall member payroll was assumed to increase 4.5 percent annually in 2004. Pay increase assumptions for individual members in 2004 are shown for sample ages in Exhibits A, B, and C. Judicial Division pay increases (Exhibit C) 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 is based on Colorado PERA experience and used to estimate the value of benefits expected to be paid. Related values are shown in Exhibit E. 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 F. The probabilities of withdrawal from service, disability, and death-in-service are shown for sample ages in Exhibits A, B, C, and D. It is assumed that 35 percent of the vested members who terminate will elect to withdraw their accounts while the remaining 65 percent 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

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Ultimate Withdrawal[1]		Death		Disability		Merit and Seniority[1]	Inflation and Productivity (Economy)	Increase (Next Year)
Sample Ages	Men	Women	Men	Women	Men	Women			
State Members Other Than State Troopers									
20	21.00%	18.00%	0.025%	0.015%	0.01%	0.01%	4.95%	4.50%	9.45%
25	8.50%	10.25%	0.030%	0.015%	0.04%	0.03%	4.45%	4.50%	8.95%
30	5.00%	6.70%	0.040%	0.025%	0.05%	0.05%	3.60%	4.50%	8.10%
35	3.52%	4.93%	0.055%	0.035%	0.18%	0.16%	2.80%	4.50%	7.30%
40	2.81%	3.63%	0.095%	0.058%	0.24%	0.22%	2.10%	4.50%	6.60%
45	2.49%	3.12%	0.210%	0.102%	0.39%	0.34%	1.40%	4.50%	5.90%
50	2.39%	2.97%	0.425%	0.176%	0.75%	0.66%	0.75%	4.50%	5.25%
55	2.39%	2.89%	0.598%	0.252%	1.01%	0.90%	0.35%	4.50%	4.85%
60	2.39%	2.84%	0.755%	0.383%	1.08%	0.96%	0.00%	4.50%	4.50%
65	2.39%	2.84%	1.179%	0.670%	1.08%	0.96%	0.00%	4.50%	4.50%
State Troopers									
20	6.00%	6.00%	0.025%	0.015%	0.02%	0.02%	5.50%	4.50%	10.00%
25	6.00%	6.00%	0.030%	0.015%	0.08%	0.08%	4.20%	4.50%	8.70%
30	5.10%	5.10%	0.040%	0.025%	0.12%	0.12%	3.20%	4.50%	7.70%
35	2.70%	2.70%	0.055%	0.035%	0.40%	0.40%	2.50%	4.50%	7.00%
40	1.60%	1.60%	0.095%	0.058%	0.54%	0.54%	1.90%	4.50%	6.40%
45	1.10%	1.10%	0.210%	0.102%	0.86%	0.86%	1.50%	4.50%	6.00%
50	1.00%	1.00%	0.425%	0.176%	1.66%	1.66%	1.30%	4.50%	5.80%
55	1.00%	1.00%	0.598%	0.252%	2.24%	2.24%	1.10%	4.50%	5.60%
60	1.00%	1.00%	0.755%	0.383%	2.40%	2.40%	0.90%	4.50%	5.40%
65	1.00%	1.00%	1.179%	0.670%	2.40%	2.40%	0.50%	4.50%	5.00%
School Members									
20	21.00%	18.00%	0.025%	0.015%	0.01%	0.01%	4.95%	4.50%	9.45%
25	8.50%	10.25%	0.030%	0.015%	0.01%	0.02%	4.45%	4.50%	8.95%
30	5.00%	6.70%	0.040%	0.025%	0.01%	0.03%	3.60%	4.50%	8.10%
35	3.52%	4.93%	0.055%	0.035%	0.04%	0.05%	2.80%	4.50%	7.30%
40	2.81%	3.63%	0.095%	0.058%	0.11%	0.08%	2.10%	4.50%	6.60%
45	2.49%	3.12%	0.210%	0.102%	0.18%	0.10%	1.40%	4.50%	5.90%
50	2.39%	2.97%	0.425%	0.176%	0.40%	0.30%	0.75%	4.50%	5.25%
55	2.39%	2.89%	0.598%	0.252%	0.65%	0.50%	0.35%	4.50%	4.85%
60	2.39%	2.84%	0.755%	0.383%	0.80%	0.50%	0.00%	4.50%	4.50%
65	2.39%	2.84%	1.179%	0.670%	0.80%	0.50%	0.00%	4.50%	4.50%

[1] There are no select withdrawal assumptions for State Troopers.

Separations from Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit B—Municipal Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Ultimate Withdrawal[1]		Death		Disability		Merit and Seniority	Inflation and Productivity (Economy)	Increase (Next Year)
Sample Ages	Men	Women	Men	Women	Men	Women			
20	12.00%	15.00%	0.025%	0.015%	0.01%	0.01%	8.40%	4.50%	12.90%
25	7.00%	10.30%	0.030%	0.015%	0.04%	0.04%	6.00%	4.50%	10.50%
30	5.06%	7.63%	0.040%	0.025%	0.07%	0.05%	4.40%	4.50%	8.90%
35	3.77%	6.29%	0.055%	0.035%	0.22%	0.18%	3.20%	4.50%	7.70%
40	2.97%	4.80%	0.095%	0.058%	0.30%	0.24%	2.40%	4.50%	6.90%
45	2.62%	4.12%	0.210%	0.102%	0.47%	0.39%	1.90%	4.50%	6.40%
50	2.56%	3.92%	0.425%	0.176%	0.91%	0.75%	1.60%	4.50%	6.10%
55	2.56%	3.72%	0.598%	0.252%	1.23%	1.01%	1.50%	4.50%	6.00%
60	2.56%	3.60%	0.755%	0.383%	1.32%	1.08%	1.30%	4.50%	5.80%
65	2.56%	3.60%	1.179%	0.670%	1.32%	1.08%	1.00%	4.50%	5.50%

Exhibit C—Judicial Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Ultimate Withdrawal[1]		Death		Disability		Merit and Seniority[1]	Inflation and Productivity (Economy)	Increase (Next Year)
Sample Ages	Men	Women	Men	Women	Men	Women			
30	2.00%	2.00%	0.040%	0.025%	0.06%	0.06%	1.51%	4.50%	6.01%
35	2.00%	2.00%	0.055%	0.035%	0.07%	0.07%	1.20%	4.50%	5.70%
40	2.00%	2.00%	0.095%	0.058%	0.10%	0.10%	0.70%	4.50%	5.20%
45	2.00%	2.00%	0.210%	0.102%	0.17%	0.17%	0.50%	4.50%	5.00%
50	2.00%	2.00%	0.425%	0.176%	0.31%	0.31%	0.50%	4.50%	5.00%
55	2.00%	2.00%	0.598%	0.252%	0.56%	0.56%	0.50%	4.50%	5.00%
60	2.00%	2.00%	0.755%	0.383%	1.19%	1.19%	0.50%	4.50%	5.00%
65	2.00%	2.00%	1.179%	0.670%	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 D

	Percent of Members With Less Than Five Years of Service Withdrawing from Employment Next Year[1]					
	State Category		School Category		Municipal Division	
Sample Ages	Men	Women	Men	Women	Men	Women
0	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
1	15.0%	16.0%	15.0%	16.0%	14.0%	16.0%
2	12.0%	12.5%	12.0%	12.5%	11.0%	14.0%
3	9.0%	9.5%	9.0%	9.5%	9.0%	13.0%
4	7.5%	7.5%	7.5%	7.5%	7.0%	11.0%

[1] There are no select withdrawal assumptions for State Troopers or the Judicial Division.

Single Life Retirement Value Assumptions

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

Sample Attained Ages	Present Value of $1 Monthly for Life Men	Present Value of $1 Monthly for Life Women	Present Value of $1 Monthly Increasing 3.5% Annually Men	Present Value of $1 Monthly Increasing 3.5% Annually Women	Future Life Expectancy (Years) Men	Future Life Expectancy (Years) Women
40	$137.77	$141.42	$206.51	$217.02	40.79	46.04
45	133.88	138.90	196.16	208.84	36.05	41.20
50	129.19	135.54	184.57	199.07	31.53	36.45
55	123.79	131.14	171.94	187.52	27.27	31.81
60	116.53	125.05	156.88	173.51	23.09	27.23
65	106.81	117.21	139.09	157.35	19.01	22.84
70	95.62	107.39	120.36	139.12	15.32	18.68
75	83.48	95.38	101.61	119.03	12.09	14.80
80	70.97	81.84	83.66	98.31	9.36	11.35
85	$58.90	$66.53	$67.42	$77.00	7.13	8.29

Percent of Eligible Members Retiring Next Year Assumptions

Exhibit F

	State and School Division							
	State Category		*State*	*School Category*		**Municipal Division**		**Judicial**
Retirement Ages	Men	Women	*Troopers*	Men	Women	Men	Women	**Division**
50	12%	14%	20%	14%	14%	10%	11%	10%
51	12%	14%	20%	14%	14%	10%	11%	10%
52	12%	14%	20%	14%	14%	10%	11%	10%
53	12%	14%	20%	14%	14%	10%	11%	10%
54	18%	20%	20%	24%	23%	15%	16%	10%
55	18%	20%	20%	24%	23%	15%	16%	10%
56	18%	20%	20%	24%	23%	15%	16%	10%
57	18%	20%	20%	24%	23%	15%	16%	10%
58	18%	20%	20%	24%	23%	15%	16%	10%
59	18%	20%	20%	24%	23%	15%	16%	10%
60	14%	14%	20%	16%	16%	15%	12%	10%
61	14%	14%	36%	16%	16%	15%	12%	10%
62	14%	14%	52%	16%	16%	15%	12%	10%
63	14%	14%	68%	16%	16%	15%	12%	10%
64	14%	14%	84%	16%	16%	15%	12%	10%
65	23%	22%	100%	21%	21%	22%	19%	25%
66	23%	22%	100%	21%	21%	22%	19%	15%
67	23%	22%	100%	21%	21%	22%	19%	15%
68	23%	22%	100%	21%	21%	22%	19%	15%
69	23%	22%	100%	21%	21%	22%	19%	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%	100%
74	100%	100%	100%	100%	100%	100%	100%	100%
75	100%	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.[2]	Payroll—End of Year Annual Benefits	Average Annual Benefits	Increase in Average Benefits
12/31/95	3,174	$54,087,286	1,496	$17,421,180	44,040	$657,482,568	$14,929	4.5%
12/31/96	3,074	53,056,140	1,390	15,449,340	45,716	726,848,793	15,899	6.5%
12/31/97	3,411	71,578,344	1,477	18,628,140	47,621	863,077,468	18,124	14.0%
12/31/98	3,139	78,278,484	1,694	13,692,660	49,808	926,962,944	18,611	2.7%
12/31/99	4,212	115,746,756	1,562	22,867,068	52,458	1,026,797,016	19,574	5.2%
12/31/00	4,369	123,249,792	1,680	28,151,484	55,147	1,142,638,708	20,720	5.9%
12/31/01	4,016	118,919,172	1,247	16,325,628	57,860	1,281,834,264	22,154	6.9%
12/31/02	4,064	123,812,748	1,376	19,675,356	60,548	1,427,278,692	23,573	6.4%
12/31/03	5,145	172,028,340	1,508	23,550,024	63,988	1,620,754,488	25,329	7.4%
12/31/04	**5,522**	**$191,924,148**	**1,610**	**$28,105,056**	**67,900**	**$1,839,310,356**	**$27,089**	**6.9%**

[1] Numbers derived on an accrual basis.
[2] 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 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
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
2001	55,733	263,712	21.1%	1,228,730,063
2002	58,357	271,989	21.5%	1,372,219,187
2003	62,029	278,841	22.2%	1,545,267,772
2004	**65,943**	**292,861**	**22.5%**	**$1,764,716,331**

[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, 2004

State Category Members included in the State Category valuation totaled 53,146 and involved annual salaries totaling $2,044,934,231. The average age for these members (excluding State Troopers) was 44.9 years, and the average service was 9.3 years. The average age for State Troopers was 39.3 years, and the average service was 11.1 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	573	0	0	0	0	0	0	573	$3,377,930
20-24	1,883	32	0	0	0	0	0	1,915	31,627,591
25-29	3,222	471	3	0	0	0	0	3,696	99,837,876
30-34	3,256	1,502	323	11	0	0	0	5,092	172,687,063
35-39	2,889	1,608	962	316	26	0	0	5,801	219,155,772
40-44	4,479	1,628	1,150	880	504	70	4	8,715	318,503,700
45-49	2,740	1,583	1,261	1,092	1,000	824	140	8,640	374,854,683
50-54	2,436	1,399	1,238	1,118	1,028	1,029	523	8,771	397,891,028
55-59	1,685	948	797	821	743	670	547	6,211	279,401,700
60	184	111	104	92	91	65	68	715	32,043,094
61	172	92	99	71	77	63	69	643	28,802,061
62	152	84	86	68	73	54	49	566	24,185,330
63	118	52	44	60	52	41	33	400	17,110,356
64	92	54	37	51	24	27	32	317	12,579,998
65	62	36	29	29	29	19	22	226	9,046,608
66	71	32	26	17	17	11	16	190	6,572,220
67	69	24	24	19	12	5	9	162	4,886,422
68	44	23	13	9	6	6	4	105	2,830,706
69	36	15	12	11	7	6	9	96	3,160,282
70+	152	56	41	17	16	21	9	312	6,379,811
Totals	**24,315**	**9,750**	**6,249**	**4,682**	**3,705**	**2,911**	**1,534**	**53,146**	**$2,044,934,231**

School Category Members included in the School Category valuation totaled 108,237 and involved annual salaries totaling $3,258,504,878. The average age for these members was 43.8 years, and the average service was 8.1 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	1,176	0	0	0	0	0	0	1,176	$6,832,872
20-24	4,444	90	0	0	0	0	0	4,534	79,295,446
25-29	8,582	1,075	22	0	0	0	0	9,679	263,708,094
30-34	6,847	3,524	567	10	0	0	0	10,948	330,749,647
35-39	6,649	2,980	2,103	339	17	0	0	12,088	356,547,303
40-44	9,864	3,443	2,090	1,645	641	47	0	17,730	486,374,747
45-49	6,715	3,641	2,403	1,711	1,839	1,061	90	17,460	557,859,360
50-54	4,699	2,590	2,503	1,956	1,817	2,140	811	16,516	611,075,008
55-59	3,240	1,616	1,360	1,469	1,412	1,193	738	11,028	398,251,459
60	450	155	134	158	165	113	69	1,244	39,893,828
61	360	169	135	137	127	91	72	1,091	33,229,304
62	346	148	114	74	91	62	53	888	25,300,276
63	292	113	90	71	79	49	36	730	18,371,579
64	210	82	68	59	55	44	22	540	12,686,212
65	210	71	48	39	31	27	16	442	8,961,364
66	222	51	42	27	22	29	11	404	7,248,783
67	159	47	30	12	24	11	8	291	5,021,312
68	143	38	31	18	11	7	9	257	3,833,212
69	135	37	21	14	10	7	7	231	3,101,772
70+	600	178	93	30	21	22	16	960	10,163,300
Totals	**55,343**	**20,048**	**11,854**	**7,769**	**6,362**	**4,903**	**1,958**	**108,237**	**$3,258,504,878**

Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 2004

Municipal Division Members included in the Municipal Division valuation totaled 15,184 and involved annual salaries totaling $549,606,754. The average age for these members was 43.2 years, and the average service was 7.0 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	492	0	0	0	0	0	0	492	$2,271,224
20-24	835	28	0	0	0	0	0	863	14,145,428
25-29	1,026	151	3	0	0	0	0	1,180	34,774,329
30-34	1,085	304	81	4	0	0	0	1,474	52,353,048
35-39	1,029	394	157	60	10	0	0	1,650	61,834,412
40-44	1,396	456	273	217	139	29	0	2,510	95,716,359
45-49	1,078	417	297	264	226	191	32	2,505	107,699,766
50-54	847	286	235	189	182	174	122	2,035	90,409,376
55-59	599	169	146	125	134	101	98	1,372	59,411,448
60	88	27	13	14	10	14	12	178	6,421,128
61	94	21	18	13	11	9	5	171	6,359,612
62	56	12	10	12	19	7	13	129	4,734,836
63	43	10	10	5	2	5	4	79	2,551,868
64	46	12	13	5	5	4	2	87	2,697,900
65	42	8	6	4	4	2	3	69	1,811,352
66	32	3	7	3	1	0	2	48	1,347,012
67	20	5	2	1	0	1	1	30	536,544
68	36	3	5	0	1	2	1	48	919,344
69	29	4	3	0	2	1	0	39	778,056
70+	173	27	9	7	3	3	3	225	2,833,712
Totals	**9,046**	**2,337**	**1,288**	**923**	**749**	**543**	**298**	**15,184**	**$549,606,754**

Judicial Division Members included in the Judicial Division valuation totaled 273 and involved annual salaries totaling $26,309,316. The average age for Judicial Division members was 54.7 years, and the average service was 15.0 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	0	0	0	0	0	0	0	0	$–
20-24	0	0	0	0	0	0	0	0	–
25-29	0	0	0	0	0	0	0	0	–
30-34	1	0	0	0	0	0	0	1	94,920
35-39	4	0	0	0	0	0	0	4	333,288
40-44	6	4	4	0	0	0	0	14	1,066,932
45-49	15	7	6	5	2	3	0	38	3,664,212
50-54	19	9	16	10	11	5	3	73	7,126,104
55-59	14	9	14	15	20	14	4	90	8,799,408
60	0	5	0	0	2	2	0	9	761,736
61	2	2	1	2	1	4	0	12	1,123,680
62	0	0	2	0	0	3	1	6	637,176
63	1	0	1	2	2	3	2	11	1,176,192
64	0	0	1	2	0	1	0	4	412,284
65	0	0	0	0	1	1	1	3	325,728
66	0	0	0	1	0	1	1	3	326,412
67	0	1	0	0	0	0	0	1	121,368
68	0	0	0	0	0	0	1	1	21,744
69	0	0	1	0	0	0	2	3	318,132
70+	0	0	0	0	0	0	0	0	–
Totals	**62**	**37**	**46**	**37**	**39**	**37**	**15**	**273**	**$26,309,316**

The Colorado 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.

Until 1999, Colorado PERA's contribution rates were occasionally increased to fund benefit improvements, or temporarily decreased at the State Legislature's direction. (See Schedule of Contribution Rate History on pages 86–87.) Legislation enacted in 1999 and 2000:

- Required a permanent one-time 1 percent of salary reduction in the contribution rate for PERA's State, School, and Judicial employers, and
- Set forth a gainsharing formula in which PERA employer contribution rates fluctuated annually, based on any overfunding in the PERA retirement trust funds. A portion of the amount needed to reduce PERA's overfunding was used toward:
  - Further employer contribution reductions in all PERA Divisions.
  - Increased allocations to the PERA Health Care Trust Fund (HCTF).
  - Matching ("MatchMaker") contributions to PERA members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans.

The results of PERA's annual valuation on December 31, 2004, determined that the funding ratio for the retirement trust funds had declined from 75.6 percent to 70.6 percent. In 2003, in anticipation of this finding, the Board drafted a moderate and balanced 2004 legislative proposal that would improve PERA's financial soundness.

Senate Bill 04-132 ("Modification of Existing Benefit Plans for PERA Members") was passed by the Legislature in 2004. It terminated MatchMaker contributions by June 1, 2004, and reduced the rate of interest credited to member contribution accounts to a maximum of 5 percent per year, beginning July 1, 2004.

Senate Bill 04-257 ("Modifications to Retirement Plans for Public Employees") enacted in 2004 includes provisions that will phase-in increased funding from PERA employers through a payment that will help amortize PERA unfunded liabilities beginning in January 2006 and increasing through 2012. The bill also requires employer contributions on salary paid to PERA retirees who work for PERA-affiliated employers, effective July 1, 2005.

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.

The following solvency test is one means of checking PERA's funding progress. In this 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. The actuarial valuation of December 31, 2004, shows that liability 1 and liability 2 are fully covered by PERA assets.

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

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)
12/31/95	$3,727,497,280	$7,862,779,572	$5,510,030,884	$15,349,515,165	100%	100%	68%
12/31/96	4,040,814,028	8,339,476,944	5,611,614,086	17,321,769,518	100%	100%	88%
12/31/97	4,161,334,387	10,303,331,080	7,029,404,533	19,776,487,860	100%	100%	76%
12/31/98	4,413,349,123	11,659,836,332	7,842,874,545	23,069,582,456	100%	100%	89%
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%
12/31/01	5,562,390,361	16,301,486,412	9,503,435,639	30,935,478,756	100%	100%	95%
12/31/02	6,118,094,036	18,208,961,462	10,268,677,964	30,554,140,114	100%	100%	61%
12/31/03	6,316,579,440	20,884,057,920	13,291,470,411	30,596,661,957	100%	100%	26%
12/31/04	**$6,365,516,299**	**$23,833,957,690**	**$13,370,998,194**	**$30,755,462,303**	**100%**	**100%**	**4%**

[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 Colorado PERA and other defined benefit retirement plans.

The ratio of PERA's assets to accrued liabilities exceeded 100 percent for the first time on December 31, 1999, and again exceeded it in 2000. However, the ratio fell to 88 percent in 2002, 76 percent in 2003, and 71 percent in 2004. Contribution levels on December 31, 2004, are not sufficient to amortize unfunded liabilities within a 40–year period in the State and School Division, the Municipal Division, and in the Judicial Division. Increased unfunded liabilities on December 31, 2004, were attributed to the following factors:

- Recognition of investment losses experienced from 2001–2002.
- Increased early retirements.
- Members purchased PERA service credit at less than the full actuarial cost, although the number of service purchases declined significantly from 2003.
- Employer contribution rates remained below the levels that were in effect in 2000, the last year in which actuarial assets exceeded liabilities. In addition, a portion of each Division's employer contributions was allocated to the MatchMaker program for payroll periods that ended through May 31, 2004. Senate Bill 04-132 suspended MatchMaker contributions effective June 1, 2004.

In 2002, the PERA Board voted to increase the cost of purchasing service credit on purchases initiated by members on or after November 1, 2003. The new rates are closer to the actuarial cost of service credit purchases. In 2003, the Board approved increasing the cost to purchase non-covered service to equal the actuarial cost on purchases initiated on or after November 1, 2006. In 2004, the Board approved increasing the cost to purchase non-covered service to equal the actuarial cost on purchases initiated effective November 1, 2005, instead of on or after November 1, 2006.

PERA initiated legislation in 2003 that would have increased employer contribution rates as needed to properly amortize unfunded liabilities, terminate MatchMaker contributions after December 2003 payrolls, and resume gainsharing only if PERA became 110 percent funded in the future. Although this legislation was vetoed, Governor Owens signed another bill that included a limit of 10 years on the number of years of eligible noncovered employment that may be purchased, for purchases initiated on or after November 1, 2003. Legislation supported by the Board in 2004 contains moderate and balanced provisions that will improve PERA's financial soundness. The Board was gratified that both bills were passed and signed into law.

Senate Bill 04-132 ("Modification of Existing Benefit Plans for PERA Members") as amended, was signed by Governor Owens on April 30, 2004. The bill:

- Terminated MatchMaker contributions by June 1, 2004.
- Reduced the interest rate credited on member contributions to a maximum of 5 percent per year, effective July 1, 2004.
- Reduced the annual post-retirement increase to the lesser of 3 percent or the actual increase in the Consumer Price Index for new employees hired on or after July 1, 2005.
- Eliminates the unreduced service retirement eligibility requirement at age 50 with 30 or more years of service, for new employees hired on or after July 1, 2005.
- Reduced the amount credited to the PERA Health Care Trust Fund (HCTF) from 1.1 percent to 1.02 percent of member payroll by reallocating 0.08 percent of future employer contributions to the PERA pension trust funds, rather than to the HCTF, effective July 1, 2004.

Senate Bill 04-257 ("Modifications to Retirement Plans for Public Employees") as amended, was signed by Governor Owens on June 4, 2004. SB 04-257 includes provisions that will phase-in increased funding from PERA employers with an amortization equalization disbursement beginning in January 2006 through 2012. The bill also requires employer contributions on salary paid to PERA retirees who return to work for PERA-affiliated employers.

Senate Bill 05-73 ("Employment After Retirement for PERA Retirees") was signed by Governor Owens on June 2, 2005. The bill ensures that the amortization equalization disbursement will be paid by employers on the salary they pay to PERA retirees. SB 05-73 also provides for employer contributions to be paid on compensation paid to PERA retirees who are working as independent contractors or in certain other arrangements, and who are performing services for PERA employers.

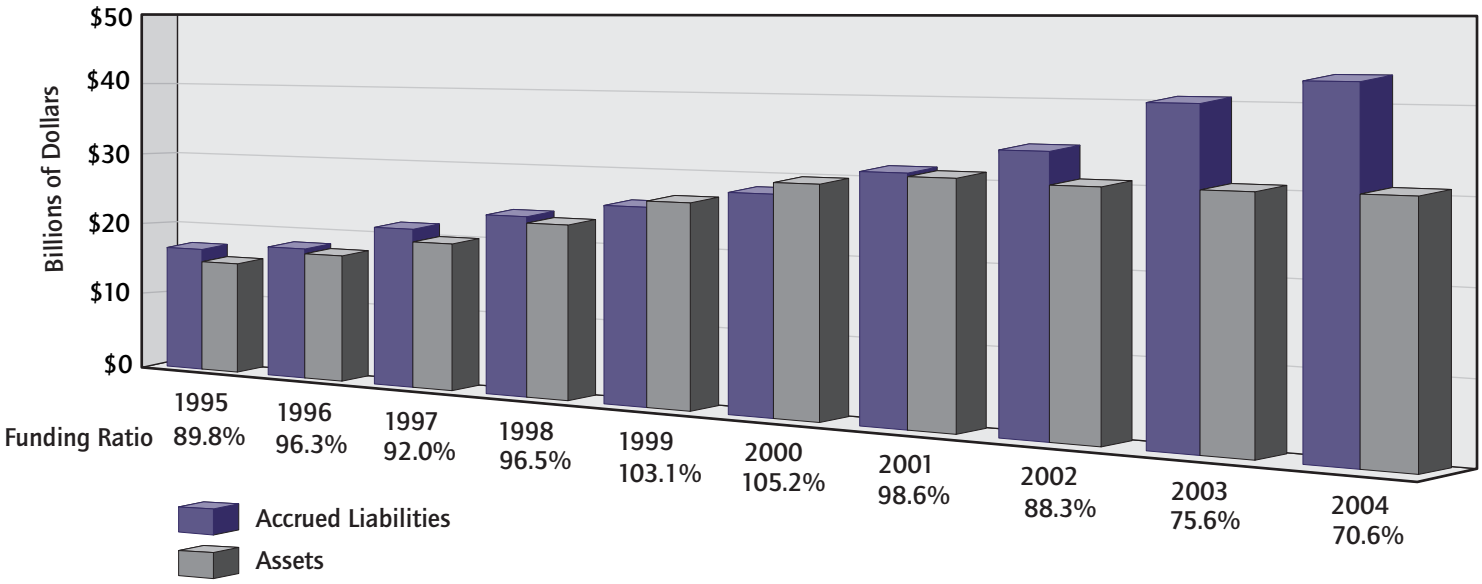
Benefits to retirees are "fully funded," that is, assets reserved for benefits currently being paid equal liabilities for those benefits. Liabilities for members are based on service rendered toward their retirement benefits payable in the future. Unfunded actuarial accrued liabilities exist because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

Since inflation decreases the dollar's value, it is important to examine more than only the dollar amounts of assets, benefits paid, member salaries, and unfunded/overfunded actuarial accrued liabilities when assessing the Plan's financial status. The ratio of unfunded/overfunded actuarial accrued liability dollars divided by member salary dollars can 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 decreased at times over the last decade, but increased sharply in the last four years. This increase reflects the poor investment environment of 2001 and 2002, as well as increased liabilities.

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
12/31/95	$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%)
12/31/01	31,367,312,412	30,935,478,756	98.6%	431,833,656	5,415,327,493	8.0%
12/31/02	34,595,733,462	30,554,140,114	88.3%	4,041,593,348	5,779,703,602	69.9%
12/31/03	40,492,107,771	30,596,661,957	75.6%	9,895,445,814	5,645,468,380	175.3%
12/31/04	**$43,570,472,183**	**$30,755,462,303**	**70.6%**	**$12,815,009,880**	**$5,879,355,179**	**218.0%**

Assets as a Percent of Accrued Liabilities
1995–2004



Schedule of Gains and Losses in Accrued Liabilities

Type of Activity	$ Gain (or Loss) for Years Ended December 31 (In Millions of Dollars) 2004	2003	2002	2001	2000	1999
Age and service retirements[1]	($436.3)	($435.7)	($557.4)	($178.4)	($323.4)	($228.8)
Disability retirements[2]	(0.7)	(19.7)	(3.1)	0.1	0.4	(4.1)
Deaths[3]	(50.7)	(26.0)	5.9	11.5	(12.2)	(6.5)
Withdrawal from employment[4]	13.0	18.1	(20.4)	0.6	21.5	(26.4)
New entrants[5]	(66.3)	(110.7)	(68.6)	(41.0)	(166.1)	(133.9)
Pay increases[6]	97.4	716.4	(182.7)	(495.5)	(39.4)	33.7
Investment income[7]	(1,697.7)	(2,612.1)	(2,710.8)	(780.1)	989.1	1,847.4
Service purchases	(215.0)	(1,241.6)	–	–	–	–
Other	(23.0)	(753.1)	(323.9)	5.7	273.1	180.2
Gain (or loss) during year	(2,379.3)	(4,464.4)	(3,861.0)	(1,477.1)	743.0	1,661.6
Non-recurring items[8]	275.6	(981.3)	–	(572.5)	(288.3)	(92.9)
Composite gain (or loss) during year	($2,103.7)	($5,445.7)	($3,861.0)	($2,049.6)	$454.7	$1,568.7

[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 in actuarial assumptions or method and changes to plan benefits.

Schedule of Computed Employer Contribution Rates for Fiscal Years Beginning in 2006

	Expressed as a Percentage of Member Payroll State and School Division	Municipal Division	Judicial Division
Contributions:			
Service retirement benefits	11.80%	11.08%	13.07%
Disability retirement benefits	0.96%	1.67%	2.30%
Survivor benefits	0.46%	0.58%	1.14%
Termination withdrawals	3.02%	3.62%	1.38%
Total normal cost	16.24%	16.95%	17.89%
Member contributions	8.02%[1]	8.00%	8.00%[2]
Employer normal cost	8.22%	8.95%	9.89%
Percentage available to amortize unfunded actuarial accrued liabilities	1.43%	0.53%	3.25%
Amortization period	Infinite	Infinite	Infinite
Total employer contribution rate for actuarially funded benefits	10.67%	10.50%	14.16%
Health Care Trust Fund	1.02%	1.02%	1.02%
Employer contribution rate for defined benefit plan	9.15%[1]	8.98%	12.64%

[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.

Schedule of Contribution Rate History

			Percent of Payroll Member Contribution Rate	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	6-30-01	8.00%	10.40%
7-1-01	to	6-30-02	8.00%	9.90%
7-1-02	to	6-30-03	8.00%	10.04%
7-1-03	to	**12-31-04**	**8.00%**	**10.15%**
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	6-30-01	10.00%	13.10%
7-1-01	to	6-30-02	10.00%	12.60%
7-1-02	to	6-30-03	10.00%	12.74%
7-1-03	to	**12-31-04**	**10.00%**	**12.85%**

			Percent of Payroll Member Contribution Rate	Employer Contribution Rate[1]
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%
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%

[1] All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2004, include the Health Care Trust Fund allocation.

[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 Contribution Rate History

			Percent of Payroll Member Contribution Rate	Employer Contribution Rate[1]
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%
1-1-01	to	12-31-01	8.00%	9.43%
1-1-02	to	12-31-02	8.00%	9.19%
1-1-03	to	12-31-03	8.00%	9.60%
1-1-04	**to**	**12-31-04**	**8.00%**	**10.00%**
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	6-30-01	8.00%	14.00%
7-1-01	to	6-30-03	8.00%	11.82%
7-1-03	to	**6-30-04**	**8.00%**	**12.66%**
7-1-04	**to**	**12-31-04**	**8.00%**	**13.66%**

			Percent of Payroll Allocated from Employer Contribution to Health Care Trust Fund
State and School Division[3]			
7-1-85	to	6-30-99	0.80%
7-1-99	to	12-31-00	1.10%
1-1-01	to	12-31-01	1.42%
1-1-02	to	12-31-02	1.64%
1-1-03	to	**6-30-04**	**1.10%**
7-1-04	**to**	**12-31-04**	**1.02%**
Municipal Division			
7-1-85	to	6-30-99	0.80%
7-1-99	to	12-31-00	1.10%
1-1-01	to	12-31-01	1.96%
1-1-02	to	12-31-02	2.31%
1-1-03	to	12-31-03	1.69%
1-1-04	**to**	**6-30-04**	**1.10%**
7-1-04	**to**	**12-31-04**	**1.02%**
Judicial Division			
7-1-85	to	6-30-99	0.80%
7-1-99	to	12-31-00	1.10%
1-1-01	to	12-31-01	4.37%
1-1-02	to	12-31-02	4.37%
1-1-03	to	12-31-03	3.11%
1-1-04	**to**	**6-30-04**	**1.10%**
7–1-04	**to**	**12-31-04**	**1.02%**

			Percent of Payroll Available from Employer Contribution for MatchMaker (Maximum Match)
State and School Division[3]			
1-1-01	to	12-31-01	3%
1-1-02	to	12-31-02	3%
1-1-03	to	12-31-03	2%
1-1-04	**to**	**5-31-04[4]**	**1%**
Municipal Division			
1-1-01	to	12-31-01	2%
1-1-02	to	12-31-02	3%
1-1-03	to	12-31-03	2%
1-1-04	**to**	**5-31-04[4]**	**1%**
Judicial Division			
1-1-01	to	12-31-01	7%
1-1-02	to	12-31-02	7%
1-1-03	to	12-31-03	6%
1-1-04	**to**	**5-31-04[4]**	**5%**

[1] All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2004, include the Health Care Trust Fund allocation.

[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.

[4] Legislation enacted in 2004 ended MatchMaker contributions by June 1, 2004.

Schedule of Active Member Valuation Data

Year	Number of Employers	Number of Members	Annual Payroll	Average Annual Salary	% Increase (Decrease) in Average Pay
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%
2001	385	169,833	5,415,327,493	31,886	3.74%
2002	393	172,761	5,779,703,602	33,455	4.92%
2003	399	170,991	5,645,468,380	33,016	(1.31%)
2004	**399**	**176,840**	**$5,879,355,179**	**$33,247**	**0.70%**

Statistical Section

It takes expertise to soar to new heights and conquer each new challenge. Colorado PERA is equipped to reach the apex of each new peak with skill and unwavering precision.

Schedule of Expenses by Type

(In Thousands of Dollars)

Year	Benefit Payments	Refunds[1]	Administrative Expenses	Disability Insurance	Other	Total
State and School Division						
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
2001	1,171,996	90,898	16,363	3,228	1,409	1,283,894
2002	1,307,652	88,793	17,752	4,070	1,649	1,419,916
2003	1,469,343	99,039	19,750	3,592	448	1,592,172
2004	**$1,677,417**	**$108,136**	**$20,949**	**$4,186**	**$13,320**	**$1,824,008**
Municipal Division						
1999	$40,903	$10,210	$1,391	$692	($1,118)	$52,078
2000	44,957	14,619	1,339	418	(131)	61,202
2001	50,294	10,645	1,437	283	(721)	61,938
2002	57,835	10,426	1,539	360	(125)	70,035
2003	67,458	10,453	1,724	326	1,965	81,926
2004	**$78,494**	**$13,500**	**$1,943**	**$432**	**$1,832**	**$96,201**
Judicial Division						
1999	$5,521	$683	$37	$38	$1	$6,280
2000	5,917	–	20	23	(130)	5,830
2001	6,440	282	19	16	281	7,038
2002	6,731	83	20	20	(460)	6,394
2003	8,467	596	22	18	(849)	8,254
2004	**$8,806**	**$98**	**$23**	**$21**	**($103)**	**$8,845**
Health Care Trust Fund						
1999	$64,979	$–	$483	$–	$–	$65,462
2000	77,332	–	1,134	–	–	78,466
2001	103,472	–	679	–	(368)	103,783
2002	113,898	–	5,409	–	–	119,307
2003	120,814	–	6,157	–	–	126,971
2004	**$130,917**	**$–**	**$6,634**	**$–**	**$–**	**$137,551**

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

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	Other	Total Revenues
State and School Division							
1999	$324,504	$422,025	$69,775	$–	$4,130,854	$–	$4,947,158
2000	343,040	420,031	96,023	–	(30,817)	–	828,277
2001	368,968	314,649	119,719	–	(2,287,062)	–	(1,483,726)
2002	397,315	315,825	329,572	–	(3,099,924)	5	(2,057,207)
2003	405,715	387,920	695,516	–	5,203,073	3	6,692,227
2004	**$411,376**	**$452,997**	**$192,033**	**$–**	**$3,663,632**	**$30**	**$4,720,068**
Municipal Division							
1999	$27,893	$31,418	$3,630	$–	$249,209	$–	$312,150
2000	29,392	32,639	4,678	–	(2,134)	–	64,575
2001	32,451	25,435	6,916	–	(141,466)	–	(76,664)
2002	35,202	21,972	30,609	–	(196,652)	–	(108,869)
2003	37,584	31,033	68,056	–	341,545	–	478,218
2004	**$43,496**	**$47,104**	**$18,566**	**$–**	**$255,505**	**$–**	**$364,671**
Judicial Division							
1999	$1,552	$2,689	$121	$–	$23,539	$–	$27,901
2000	1,630	2,726	732	–	(200)	–	4,888
2001	1,806	637	748	–	(13,089)	–	(9,898)
2002	1,982	383	1,928	–	(17,521)	–	(13,228)
2003	2,034	1,011	8,388	–	29,825	–	41,258
2004	**$2,071**	**$2,677**	**$2,203**	**$–**	**$21,789**	**$–**	**$28,740**
Health Care Trust Fund							
1999	$–	$43,136	$–	$25,611	$17,891	$–	$86,638
2000	–	51,351	–	28,751	(94)	–	80,008
2001	–	74,324	–	43,960	(10,818)	–	107,466
2002	–	92,562	–	48,825	(17,742)	1,055	124,700
2003	–	64,443	–	55,668	33,445	2,118	155,674
2004	**$–**	**$60,465**	**$–**	**$59,453**	**$23,117**	**$16,116**	**$159,151**

[1] Member and employer contribution rate history is shown on pages 86–87.

Member and Benefit Recipient Statistics[1]

	State Category	School Category	Municipal Division	Judicial Division	Total
Active members—12/31/04	53,146	108,237	15,184	273	176,840
Retirements during 2004:					
Disability retirements	65	46	8	0	119
Service retirements	1,634	3,128	279	11	5,052
Total	1,699	3,174	287	11	5,171
Retirement benefits:					
Total receiving disability and service retirement benefits on Dec. 31, 2003	24,530	34,313	2,960	226	62,029
Total retiring during 2004	1,699	3,174	287	11	5,171
Cobeneficiaries continuing after retiree's death	234	19	32	4	289
Returning to retirement rolls from suspension	7	20	2	0	29
Total	26,470	37,526	3,281	241	67,518
Retirees and cobeneficiaries deceased during year	767	613	94	12	1,486
Retirees suspending benefits to return to work	39	47	3	0	89
Total receiving retirement benefits	25,664	36,866	3,184	229	65,943
Annual retirement benefits for retirees as of 12/31/04	$710,271,144	$1,011,398,868	$80,111,796	$8,730,924	$1,810,512,732
Average monthly benefit on 12/31/04	$2,306	$2,286	$2,097	$3,177	$2,288
Average monthly benefit for all members who retired during 2004	$3,100	$2,917	$3,100	$5,223	$2,992
Survivor benefit accounts:					
Total survivors being paid on 12/31/04	878	926	139	14	1,957
Annual benefits payable for survivors as of 12/31/04	$14,372,004	$12,212,340	$1,882,044	$331,236	$28,797,624
Future benefits:					
Future retirements to age 60 or 65	3,769	6,562	831	15	11,177
Total annual future benefits	$31,397,519	$37,601,166	$5,705,610	$123,614	$74,827,909
Future survivor beneficiaries of inactive members	200	830	44	0	1,074
Total annual future benefits	$987,426	$2,758,496	$266,185	$0	$4,012,107

[1] In addition, as of 12/31/04, there was a total of 103,770 non-vested terminated members due a refund of their contributions—State and School Division: 94,055; Municipal Division: 9,712; and Judicial Division: 3.

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
12/31/95	$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
12/31/01	1,876	58.6	69.1	21.2
12/31/02	1,997	58.5	68.0	21.6
12/31/03	2,140	58.2	68.4	22.0
12/31/04	**$2,288**	**57.9**	**68.7**	**22.4**

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

Schedule of Benefit Disbursements by Type[1]

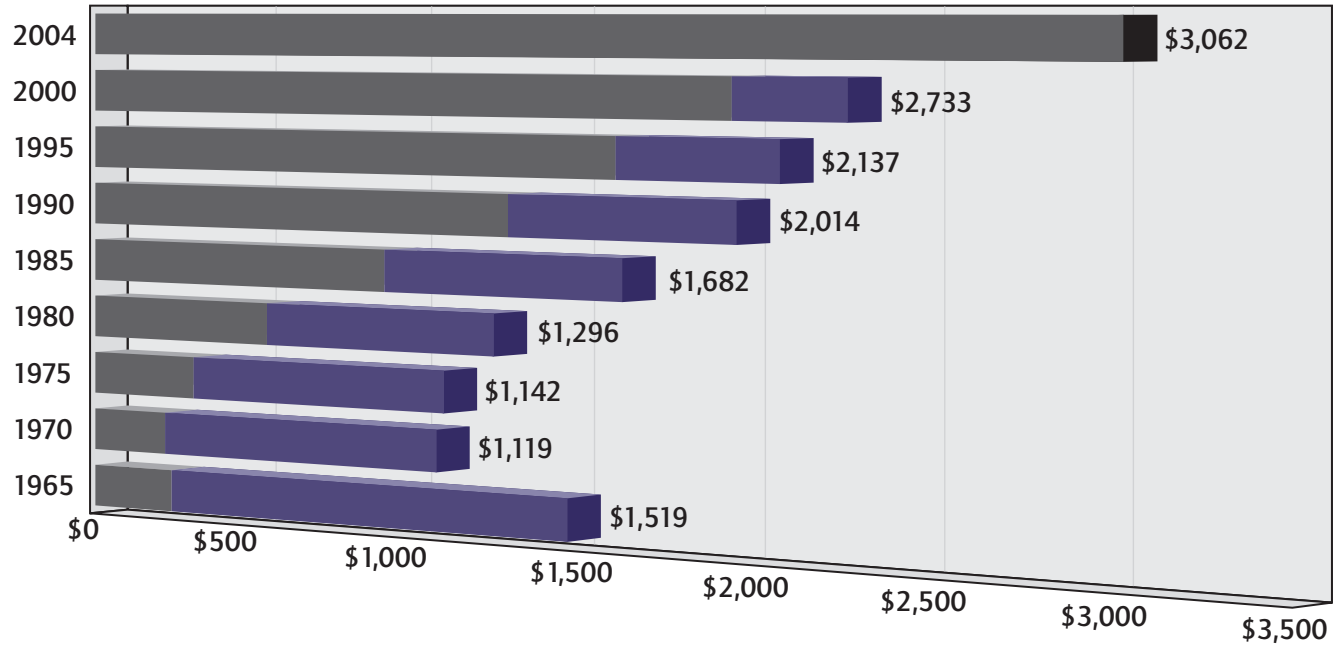
(In Thousands of Dollars)

Year Ended	Retirement Benefits	Survivor Benefits	Contribution Refunds	Interest and Matching Amount Paid	Health Care	Total
12/31/99	$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
12/31/01	1,208,022	20,708	45,928	55,897	103,472	1,434,027
12/31/02	1,350,359	21,859	44,450	54,852	113,898	1,585,418
12/31/03	1,522,877	22,391	48,988	61,100	120,814	1,776,170
12/31/04	**$1,741,245**	**$23,472**	**$55,153**	**$66,581**	**$130,917**	**$2,017,368**

[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, 2004



	1965	1970	1975	1980	1985	1990	1995	2000	**2004**
Original Benefit at Retirement	$260	$238	$334	$577	$955	$1,339	$1,662	$2,406	**$3,062**
Benefit Increases	$1,259	$881	$808	$719	$727	$675	$475	$327	**$0**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2004

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

	Type of Benefit						
Amount of Benefit	Total (Columns 1-5)	1	2	3	4	5	6
$1-$250	2,591	2,323	70	11	144	43	4,722
$251-$500	4,152	3,436	383	12	279	42	2,768
$501-$750	4,324	3,391	609	16	253	55	1,630
$751-$1,000	4,365	3,286	828	11	190	50	827
$1,001-$1,250	4,260	3,092	945	17	174	32	489
$1,251-$1,500	4,248	3,092	980	15	149	12	291
$1,501-$1,750	4,193	3,237	822	9	113	12	198
$1,751-$2,000	3,966	3,197	680	6	75	8	141
Over $2,000	32,517	30,702	1,457	98	232	28	295
Totals	**64,616**	**55,756**	**6,774**	**195**	**1,609**	**282**	**11,361**

	Option Selected					
Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1-$250	1,610	105	328	13	266	71
$251-$500	2,451	226	492	13	522	115
$501-$750	2,519	307	466	20	573	115
$751-$1,000	2,418	389	580	23	570	134
$1,001-$1,250	2,262	513	623	31	471	137
$1,251-$1,500	2,291	513	759	32	359	118
$1,501-$1,750	2,281	526	780	27	356	89
$1,751-$2,000	2,092	590	775	26	290	104
Over $2,000	16,740	6,733	7,061	158	1,133	334
Totals	**34,664**	**9,902**	**11,864**	**343**	**4,540**	**1,217**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2004

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	120	107	1	0	11	1	559
$251-$500	196	164	15	0	14	3	127
$501-$750	245	174	44	2	23	2	70
$751-$1,000	273	172	76	1	19	5	37
$1,001-$1,250	309	164	120	3	22	0	29
$1,251-$1,500	339	192	131	0	15	1	16
$1,501-$1,750	284	176	103	1	4	0	15
$1,751-$2,000	225	147	73	3	2	0	11
Over $2,000	1,346	1,208	117	7	12	2	11
Totals	**3,337**	**2,504**	**680**	**17**	**122**	**14**	**875**

	Option Selected					
Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1-$250	64	4	21	0	16	3
$251-$500	89	8	28	2	45	7
$501-$750	92	14	32	1	68	11
$751-$1,000	121	23	45	1	57	1
$1,001-$1,250	128	39	66	5	41	5
$1,251-$1,500	145	51	80	4	35	8
$1,501-$1,750	126	49	66	2	29	7
$1,751-$2,000	84	34	66	3	24	9
Over $2,000	548	292	420	6	46	13
Totals	**1,397**	**514**	**824**	**24**	**361**	**64**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2004

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	3
$251-$500	11	11	0	0	0	0	1
$501-$750	3	2	1	0	0	0	3
$751-$1,000	9	7	0	0	2	0	1
$1,001-$1,250	9	8	0	0	1	0	0
$1,251-$1,500	9	6	2	0	1	0	4
$1,501-$1,750	17	14	2	0	1	0	0
$1,751-$2,000	11	7	0	0	3	1	0
Over $2,000	172	153	13	0	6	0	3
Totals	**244**	**211**	**18**	**0**	**14**	**1**	**15**

	Option Selected					
Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1-$250	0	0	1	0	2	0
$251-$500	5	1	0	0	5	0
$501-$750	0	0	1	0	2	0
$751-$1,000	1	1	1	0	4	0
$1,001-$1,250	3	0	2	1	2	0
$1,251-$1,500	2	0	2	0	4	0
$1,501-$1,750	1	2	9	1	3	0
$1,751-$2,000	0	1	0	0	6	0
Over $2,000	33	30	65	4	30	4
Totals	**45**	**35**	**81**	**6**	**58**	**4**

Schedule of Average Benefit Payments

Year Retired	Years of Service Credit 0–10	10–15	15–20	20–25	25–30	30+
Period 1/1/04 to 12/31/04						
Average monthly benefit	**$421**	**$629**	**$919**	**$1,729**	**$2,443**	**$3,944**
Average highest average salary	**$2,178**	**$2,543**	**$2,679**	**$3,572**	**$4,110**	**$5,168**
Number of service retirees	**265**	**140**	**188**	**649**	**823**	**2,987**
Period 1/1/03 to 12/31/03						
Average monthly benefit	$337	$538	$901	$1,725	$2,357	$3,851
Average highest average salary	$1,956	$2,100	$2,609	$3,576	$3,992	$5,072
Number of service retirees	231	164	200	627	755	2,725
Period 1/1/02 to 12/31/02						
Average monthly benefit	$322	$653	$1,175	$1,834	$2,649	$3,769
Average highest average salary	$1,961	$2,303	$2,909	$3,565	$4,150	$5,015
Number of service retirees	187	219	178	747	639	1,712
Period 1/1/01 to 12/31/01						
Average monthly benefit	$361	$738	$1,121	$1,796	$2,660	$3,646
Average highest average salary	$2,181	$2,591	$2,777	$3,504	$4,193	$4,872
Number of service retirees	158	193	137	824	708	1,559
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

Schedule of Affiliated Employers

State Category

Agencies and Instrumentalities

CollegeInvest
Colorado Association of School Boards
Colorado Association of School Executives
Colorado College Access Network
Colorado Council on the Arts
Colorado High School Activities Association
Colorado Public Employees' Retirement Association
Colorado Water Resources & Power Development Authority
CoverColorado
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 and Veterans Affairs
Department of Natural Resources
Department of Personnel and Administration
Department of Public Health and Environment
Department of Public Safety
Department of Regulatory Agencies
Department of Revenue
Department of State
Department of the Treasury
Department of Transportation
Fire and Police Pension Association
General Assembly
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 the State Auditor
Pinnacol Assurance
School for the Deaf and the Blind
Special District Association of Colorado
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
Colorado State University at Pueblo
Commission on Higher Education
Denver Community College
Fort Lewis College
Front Range Community College
Lamar Community College
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
Trinidad State Junior College
University of Colorado
University of Northern Colorado
Western State College

School Category

Adams County

Adams 12 Five Star Schools
Adams County School District 14
Bennett School District 29J
Brighton School District 27J
Mapleton School District 1
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
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 16
Garfield School District Re-2
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
Kim Reorganized School District 88
Primero Reorganized School District 2
Trinidad School District 1

Schedule of Affiliated Employers

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 Rural 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-Milliken 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
Windsor School District Re-4

Yuma County
Idalia School District RJ-3
Liberty School District J-4
Wray School District RD-2
Yuma School District 1

Boards of Cooperative Educational Services (BOCES)
Centennial BOCES
East Central BOCES
Expeditionary Learning School BOCES
Grand Valley BOCES
Mountain BOCES
Mount Evans BOCES
Northeast BOCES
Northwest Colorado BOCES
Pikes Peak BOCES
Rio Blanco BOCES
Santa Fe Trail BOCES
South Central BOCES
South Platte Valley BOCES
Southeastern BOCES
Uncompahgre 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

Adams and Jefferson County Hazardous Response Authority
Alamosa Housing Authority
Arapahoe Park and Recreation District
Aurora Housing Authority
Baca Grande Water & Sanitation District
Beulah Water Works District
Black Hawk-Central City Sanitation District
Blanca-Fort Garland Metropolitan District
Boulder County
Boxelder Sanitation District
Brush Housing Authority
Carbon Valley Park & Recreation District
Castle Pines Metropolitan District
Castle Pines North Metropolitan District
Center Housing Authority
City of Alamosa
City of Boulder
City of Colorado Springs
City of Fort Morgan
City of Las Animas
City of Manitou Springs
City of Pueblo
City of Wray
City of Yuma
Collbran Conservancy District
Colorado District Attorneys' Council
Colorado First Conservation District
Colorado Health Facilities Authority
Colorado Housing and Finance Authority
Colorado Library Consortium
Colorado School District Self Insurance Pool
Colorado Springs Utilities
Columbine Knolls-Grove Metropolitan Recreation District
Costilla Housing Authority
County Technical Services
Crown Mountain Park & Recreation District
Cunningham Fire Protection District
Douglas County Housing Partnership
Douglas Public Library District
Durango Fire and Rescue Authority
East Cheyenne Groundwater Management District
East Larimer County Water District
Eaton Housing Authority
Elbert County Library District
Estes Valley Public Library District
Forest Lakes Metropolitan District
Fremont Conservation District
Fremont Sanitation District
Garfield County Housing Authority
Grand Valley Fire Protection District
Green Mountain Water and Sanitation District
GVR Metropolitan District
Housing Authority of Arriba
Housing Authority of the County of Adams
Housing Authority of the Town of Limon
Lamar Housing Authority
Lamar Utilities Board
Left Hand Water District
Longmont Housing Authority
Longs Peak Water District
Louisville Fire Protection District
Meeker Cemetery District
Meeker Regional Library District
Meeker Sanitation District
Memorial Hospital–Colorado Springs
Montrose Fire Protection District
Montrose Recreation District
Monument Sanitation District
Morgan Conservation District
Morgan County Quality Water District
Mountain View Fire Protection District
Mountain Village Metropolitan District
Mountain Water and Sanitation District
Niwot Sanitation District
North Chaffee County Regional Library
Northeast Colorado Health Department
Northeastern Colorado Association of Local Governments
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
Red, White & Blue Fire Protection District

Schedule of Affiliated Employers

Rifle Fire Protection District
Rio Blanco Fire Protection District
Rio Blanco Metropolitan Recreation & Park District
Rio Blanco Water Conservancy District
Routt County Conservation District
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 Library Services
Steamboat II Water and Sanitation District
Steamboat Springs Rural Fire Protection District
St. Vrain Sanitation District
Tabernash Meadows Water and Sanitation District
Town of Alma
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 Lochbuie
Town of Mountain Village
Town of Platteville
Town of Rico
Town of Rye
Town of Seibert
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 Department of Public Health and Environment
West Greeley Conservation District
Western Rio Blanco Metropolitan Recreation and 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
Broomfield 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
Elbert County Court
El Paso 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
Lake County Court
La Plata 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

History

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 on July 1, 1986. Since inception, the Fund has received contributions from affiliated employers. On July 1, 1999, the Fund was converted to the PERA Health Care Trust Fund (HCTF). Legislation enacted in 1999 expanded eligibility in PERA's Health Care Program to PERA-affiliated employers for their active employees, effective January 1, 2001. Also effective for 2001, PERA's Health Care Program was renamed "PERACare."

Funding

The results of Colorado PERA's 1999 actuarial valuation allowed PERA to increase employer contribution allocations to the HCTF, effective January 1, 2001, pursuant to House Bill 00-1458. HB 1458 provided for 30 percent of the amount needed to reduce any overfunding in the PERA retirement trust funds to be allocated to the HCTF. This allocation, in addition to the permanent allocation of 1.1 percent of salaries, was initiated to improve the HCTF's financial condition and assist with the cost associated with an increase in early retirements resulting from the legislation.

Senate Bill 03-98, signed into law on June 5, 2003, included a provision that transfers a portion of a PERA member's service credit purchase payment for non-PERA covered employment to the HCTF when a member retires or dies with survivor benefits paid. This transfer better funds the cost of future retiree health care premium subsidies that the HCTF incurs when a member purchases service credit.

Senate Bill 04-132 decreased the HCTF's permanent allocation from 1.1 percent to 1.02 percent of payroll, by reallocating 0.08 percent of employer contributions to the retirement trust funds, rather than to the HCTF, effective July 1, 2004. This change increased the period for amortizing the HCTF's unfunded liability from 20 years to 34 years, but still left the HCTF actuarially sound.

Contributions to the HCTF from affiliated employers, as a percentage of member salaries, are as follows:

- From 7/1/85 through 7/1/99: 0.8 percent
- From 7/1/99 through 12/31/00: 1.1 percent
- From 1/1/01 through 12/31/01: State and School Division 1.42 percent, Municipal Division 1.96 percent, and Judicial Division 4.37 percent.
- From 1/1/02 through 12/31/02: State and School Division 1.64 percent, Municipal Division 2.31 percent, and Judicial Division 4.37 percent.
- From 1/1/03 through 12/31/03: State and School Division 1.1 percent, Municipal Division 1.69 percent, and Judicial Division 3.11 percent.
- From 1/1/04 through 6/30/04: 1.1 percent.
- From 7/1/04 through 12/31/04: 1.02 percent.

Colorado PERA subsidizes the monthly premium for benefit recipients enrolled in its health care program. In 2004, the maximum subsidies for benefit recipients were $230 per month for benefit recipients under age 65 and not eligible for Medicare, and $115 per month for benefit recipients age 65 or older or under age 65 and on Medicare. If the PERA benefit is based on less than 20 years of PERA service credit, the subsidy is reduced 5 percent for each year of service ($11.50 or $5.75, respectively). Monthly premiums for participants depend on the plan selected, the PERA subsidy amount, Medicare enrollment, and the number of persons covered.

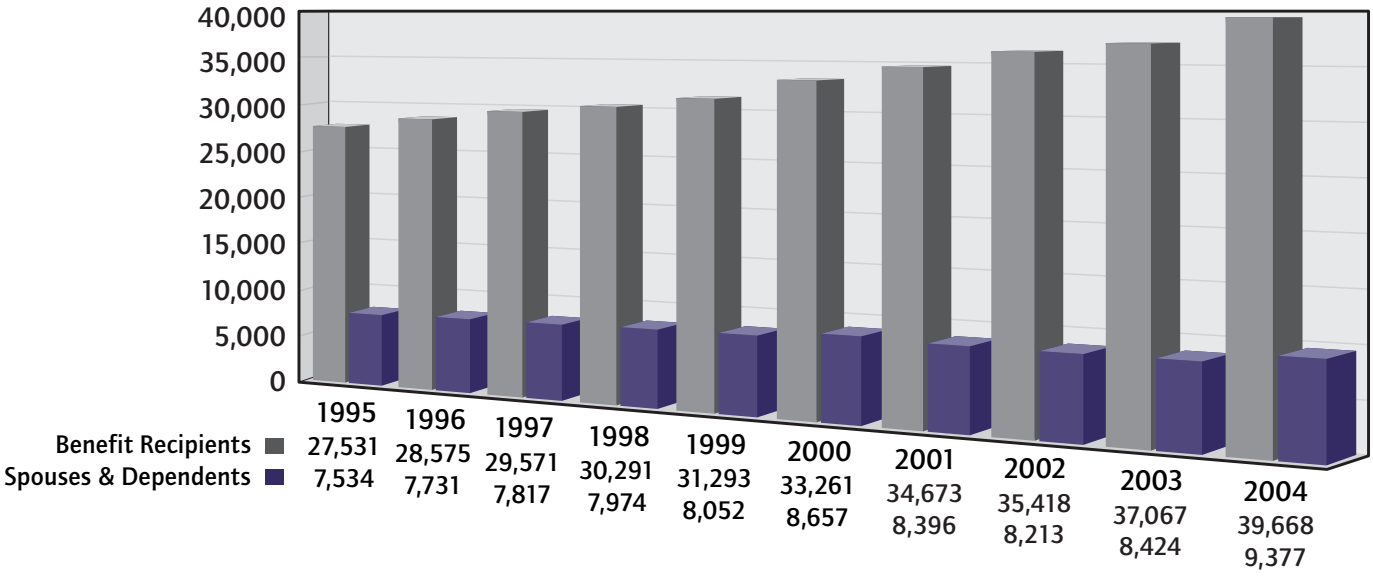
An additional subsidy exists for retirees who have not participated in Social Security and are not otherwise eligible for Medicare Part A for hospital-related services. C.R.S. § 24-51-1206(4) states that the HCTF cannot charge premiums to retirees without Part A that are greater than premiums charged to retirees with Part A for the same plan option, coverage level, and service credit. Currently for each individual retiree, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Parts A and B. Implicit in this process, an additional subsidy is paid by the HCTF on behalf of retirees who are not covered by Medicare Part A.

At the end of 2004, 24 PERA-affiliated employers had opted to offer PERACare (including dental and vision) to over 300 active employees. The PERACare program consisted of the following plans in 2004:

- Two self-insured plans administered by Mutual of Omaha (a preferred provider organization (PPO) plan for pre-Medicare participants, and a Medicare supplement plan). Each plan offers three levels of coverage and is available worldwide. Caremark serves as the prescription benefit manager for both self-insured plans.
- Fully insured plans from Kaiser Permanente, Rocky Mountain Health Plans, and CIGNA HealthCare for active employees and pre-Medicare participants. Each carrier offers three different levels of HMO plan benefits. In addition, CIGNA HealthCare offers a Point-of-Service (POS) plan, and Rocky Mountain Health Plans offers three PPO plans.
- Two HMO plans (one from Kaiser Permanente and one from Rocky Mountain Health Plans) for Medicare participants.
- Two dental care plans (a dental HMO from CIGNA and a PPO plan from United Concordia), and four vision plans (two PPO plans from Cole Managed Vision Plan, and two PPO plans from Vision Service Plan).

Senate Bill 04-94 ("Health Savings Accounts") signed by Governor Owens on May 17, 2004, conformed state law to the 2003 federal law that allows individuals under age 65 who are covered by a High Deductible Health Plan to contribute to a Health Savings Account (HSA). In 2004, two PERACare PPO plans (Mutual of Omaha PPO #2 and Rocky Mountain Health Plans PPO #2), were redesigned to qualify as high-deductible health plans in 2005.

Health Care Program Enrollments



Colorado 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 PERA Board of Trustees transferred the plan underwritten by New York Life to Rocky Mountain Life Insurance Company in 1988. In December 2000, Rocky Mountain Life merged with its Anthem Life affiliate, giving the current decreasing-term life coverage the Anthem Life name. New York Life retained coverage for members and retirees having paid-up policies, and certain disability retirees with waivers of premiums.

Colorado PERA has offered another decreasing-term life insurance policy since 1969. The plan is underwritten by the Prudential Insurance Company and is offered through the National Conference on Public Employee Retirement Systems.

In 1986, PERA assumed responsibility from the State of Colorado for administering two plans with Rocky Mountain Life, now Anthem Life, for retired state employees. These are both closed groups with no provision for new participants.

Active members may join one or both of the decreasing-term life insurance plans offered by Anthem Life and Prudential. The coverage may continue into retirement or after leaving PERA-covered employment if the PERA member retains their PERA account. During the annual open enrollment period, members are not required to furnish evidence of good health for themselves or their dependents. Members may enroll outside the open enrollment period, but must provide a statement of good health.

In 2004, the PERA Board of Trustees selected UnumProvident as PERA's new life insurance program vendor, effective April 1, 2005, and approved consolidating Anthem Life and Prudential benefits into UnumProvident on that date. In anticipation of this change, PERA did not conduct an open enrollment period in 2004, but members were still allowed to enroll in the Anthem Life and Prudential plans. Active members enrolled in the Anthem Life or Prudential plan were automatically moved to UnumProvident in the spring of 2005, when the next annual open enrollment period was held.

Enrollment in the Anthem Life Closed Group plan declined 39 percent in 2004, reflecting the effect of enrollee deaths, voluntary cancellations of coverage, and no new enrollments permitted. Similarly, the amount of claims paid on this closed group plan declined by 53 percent in 2004, corresponding to a 52 percent decrease in the number of enrollee deaths (132 in 2003 versus 69 in 2004).

Life Insurance Program Enrollment

Year	Anthem Life	Prudential	Anthem Life (Closed Group)	New York Life	Total Enrollments
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
2001	37,427	17,759	1,406	14,021	70,613
2002	38,300	18,360	1,373	13,710	71,743
2003	39,296	19,203	893	13,331	72,723
2004	**38,749**	**19,211**	**544**	**12,839**	**71,343**

Life Insurance Program Claims

	Anthem Life		Prudential		Anthem Life (Closed Group)		New York Life		Total Program	
Year	Amt. of Claims Paid	No. of Claims Paid	Amt. of Claims Paid	No. of Claims Paid	Amt. of Claims Paid	No. of Claims Paid	Amt. of Claims Paid	No. of Claims Paid	Amt. of Claims Paid	No. of Claims Paid
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
2001	5,111,123	705	1,579,714	227	241,722	139	345,798	279	7,278,357	1,350
2002	5,749,934	784	1,875,580	311	207,264	152	446,384	380	8,279,162	1,627
2003	5,637,526	836	2,086,882	334	226,137	132	580,157	471	8,530,702	1,773
2004	**$4,983,843**	**755**	**$1,918,416**	**336**	**$105,759**	**69**	**$466,295**	**373**	**$7,474,313**	**1,533**

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