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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 1994



*Automation*



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO



As we approach the millennium, cybernetic advances seem to surpass comprehension. For many people, the thought of moving information along a paperless superhighway is a rather abstract and futuristic concept. But, at PERA the future is now, and we already travel down that road.

In the past year, we dramatically increased the use of electronically media and automated systems in our daily investment and benefits operations – transferring funds, scanning documents, communicating via modem, and employing other new technologies.


But, as we sought ways to be more efficient in this fast-paced environment, at the forefront of our strategies stood our fiduciary responsibility – to protect the security and integrity of the trust fund. And, it will continue to be so!

The Public Employees' Retirement Association provides retirement and survivor benefits for the employees of 360 state, school and local government entities in Colorado.

Statistical Highlights as of December 31, 1994

<input type="checkbox"/>	Benefit Recipients .....	42,362
<input type="checkbox"/>	Contributing Members.....	140,194
<input type="checkbox"/>	Service Retirements.....	2,200
<input type="checkbox"/>	Disability Retirements.....	453
<input type="checkbox"/>	Member Deaths .....	84
<input type="checkbox"/>	Benefit Recipient Deaths.....	1,200
<input type="checkbox"/>	Benefits Paid* .....	\$ 632,219,000
<input type="checkbox"/>	Refunds Paid.....	\$ 32,363,000
<input type="checkbox"/>	Employer Contributions .....	\$ 386,979,000
<input type="checkbox"/>	Member Contributions.....	\$ 269,718,000
<input type="checkbox"/>	Investment Assets .....	\$ 14,119,916,000
<input type="checkbox"/>	1994 Investment Rate of Return.....	1.1%
<input type="checkbox"/>	Five-Year Average Annual Rate of Return .....	8.5%
<input type="checkbox"/>	Ten-Year Average Annual Rate of Return.....	10.9%

\* Includes Health Care Program premium subsidies paid to retirees and other benefit recipients.



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 1994

Robert J. Scott, Executive Director  
1300 Logan Street, Denver, Colorado 80203  
(303) 832-9550  
Prepared by the PERA Staff



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO



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## INTRODUCTORY SECTION



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO



## Letter of Transmittal



### PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

1300 Logan Street Denver, Colorado 80203 General Business Number: (303) 832-9550  
InfoLine: 837-6250 or 1-800-759-PERA (7372)

June 16, 1995

#### Dear Members of the Board of Trustees:

I am pleased to present PERA's *Comprehensive Annual Financial Report* for the fiscal year ended December 31, 1994. We are proud of the achievements during the year outlined on page 6, and we will strive to improve service to our members and benefit recipients in the future.

#### Report Contents

This Report consists of seven sections:

- ❑ **The Introductory Section** contains this Letter of Transmittal, the Board Chairman's Letter, Board of Trustees information, the administrative organizational chart, and a list of consultants used by PERA.

Also included in the Introductory Section is the Plan Summary, which outlines the Association's history, purpose, administrative responsibility, and benefit programs.

- ❑ **The Financial Section** contains the opinion of the independent accountants, Price Waterhouse, and the financial statements of the Association.
- ❑ **The Supporting Schedules Section** presents several schedules that supplement the Financial Section, including administrative expenses.
- ❑ **The Investments Section** presents information regarding investments and performance, including the Investment Policy, Investment Summary, Colorado Investment Profile, listings of the Association's internally managed stocks and externally managed assets, and brokers utilized.
- ❑ **The Actuarial Section** contains the certification of the consulting actuary, Towers Perrin, along with the results of the actuarial valuation and other actuarial statistics.
- ❑ **The Statistical Section** contains tables of significant data pertaining to PERA and a list of the 360 affiliated employers.
- ❑ **The Other Programs Section** presents the scope and activities of other programs in which the Association is involved for the good of its members and benefit recipients. These are the Health Care Program, the Life Insurance Program and PERA's 401(k) Plan.

#### Accounting System and Reports

The Report has been prepared in accordance with generally accepted accounting principles applied on a consistent basis as agreed upon by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Financial Statements are presented in accordance with

guidelines established by Financial Accounting Standards Board (FASB) Statement No. 35, Accounting and Reporting by Defined Benefit Pension Plans. The Notes to Financial Statements were prepared in accordance with GASB Statement No. 5, Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers.

PERA's transactions are reported on the accrual basis of accounting for assets, liabilities, revenues and expenses. Revenues for the Association are taken into account when earned without regard to the date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when the payment is made. Fixed assets are recorded at cost and depreciated through charges to expense over the estimated useful lives of the assets.

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

Contributions are based on the principles of level-cost financing with current service financed on a current basis. Prior service is amortized over varying periods depending on the respective Division, i.e., 25 years for the State Division, 14 years for the School Division, 5 years for the Municipal Division, and 9 years for the Judicial Division.

#### Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERA for its *Comprehensive Annual Financial Report* for the fiscal year ended December 31, 1993. To be awarded a Certificate of Achievement, a public employee retirement system must publish a readable and efficiently organized report that conforms to program standards.

A Certificate of Achievement is valid for a period of only one year. The Association's *Comprehensive Annual Financial Reports* have been awarded this distinction for the past nine years, and we believe our current report continues to meet GFOA requirements. Therefore, this report is being submitted to GFOA to determine its eligibility for another Certificate.

#### Revenues

The revenues needed to finance retirement benefits are accumulated through the collection of employer and member contributions and through income on investments. Contributions and investment income, including unrealized gains and losses for 1994, totaled \$782,181,000.

There was an increase of approximately \$27,003,000 in member and employer contributions in 1994 over 1993 primarily due to increased membership.

## Expenses

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 1994, this totaled \$688,106,000; an increase of 9.5 percent from 1993.

Total revenues of \$782,181,000 exceeded expenses of \$688,106,000 by \$94,075,000 during 1994. Administrative expenses are controlled by an annual budget approved by the PERA Board of Trustees and represent slightly more than 0.1 percent of total assets.

## Value of Accumulated Plan Benefits (Reserves)

Accumulated plan benefits, as presented in our audited financial statements, total \$12,726,387,000. This amount is calculated in accordance with FASB Statement No. 35, which does not take into consideration the effect of future salary increases.

For clarification, we also present, in the "Notes to Combined Financial Statements" and the "Actuarial Section," a summary of PERA's unfunded actuarial accrued liabilities. These are calculated using a "smoothed" market value of assets, which takes the difference between actual market value actuarial gains and expected actuarial gains from investment experience over a four-year period. The effect of projected future salary increases on liabilities is also included.

The "Notes to Combined Financial Statements" on pages 18 to 27 are governed by GASB Statement No. 5, and present the actuarial valuation of pension benefit obligation, which includes future salary increases and assets at market value.

## Economic Condition and Outlook

Despite six short-term interest rate increases by the Federal Reserve Bank during 1994, the national economy grew at a rate of 4 percent as measured by inflation-adjusted gross domestic product. This strong growth caused the Federal Reserve Bank to increase rates again in early 1995. Consumer price inflation rose 2.6 percent in 1994 and is expected to be 3.1 percent for 1995.

Colorado experienced growth in all sectors of its economy during 1994, once again outpacing the national gains. This growth came in spite of the completion of several large public works construction projects, defense-related cutbacks and layoffs at several large employers.

The state's unemployment rate fell to 4.2 percent in 1994, its lowest level since 1974. Further decline is expected in 1995. Colorado inflation will remain above national levels as the state continues to experience a tight employment market and slower growth.

Colorado's population increased 2.6 percent in 1994, culminating the highest three-year influx of people in 20 years. As Colorado's economy slows, the incentive for people to relocate to the state will diminish. About 62,400 more people came to Colorado than left the state in 1994, down about 8,000 from 1993.

## Investments

The investment portfolio income is a major contributor to PERA. The Investment Committee oversees the Fund's portfolio, managers and performance. It also approves potential investment opportunities, with input from PERA staff members, and assesses any potential effects they may have.

In 1994, realized income from both long-term and short-term investments amounted to \$849,594,000. This exceeded the contributions by members and employers of \$269,718,000 and \$386,979,000; respectively.

For the year ended December 31, 1994, the total fund had a rate of return of 1.1 percent on a market value basis. The Association's annualized rate of return over the last five years was 8.5 percent, and over the last 10 years, the average annualized return was 10.9 percent.

A further explanation of PERA's investment policies and strategies is presented in the "Investment Policy Summary" on page 42. Changes in the composition of the total portfolio during the year are reflected in the "Investment Summary" on page 43.

Proper funding and healthy investment returns are very important to the financial soundness of PERA. The ratio of investment earnings to total revenue is evidence of the Association's continued solid financial management.

## Asset Allocation

An integral part of the overall investment policy is the strategic asset allocation policy. This allocation mix is designed to provide an optimal mix of asset categories. This emphasizes a maximum diversification of the portfolio that protects the Fund from declines that a particular asset class may experience in a given period.

Both traditional assets (cash, bonds, domestic stocks, fixed income and mortgages) and non-traditional assets (real estate, guaranteed investment contracts, international stocks and fixed income, venture capital, timber investments and leveraged buyouts) were incorporated into the mix in 1994.

## Funding

The bottom line for a retirement system is its level of funding. If this level is adequate, the ratio of total accumulated assets to total liabilities will be larger, and more funds are available for investment purposes. Also, an adequate funding level gives the participants assurance that their pension benefits are secure.

The advantage of a well-funded plan is that participants can see assets which are irrevocably committed to the payment of promised benefits. Although the historical level of funding for PERA is good (as illustrated by the "Solvency Test" on page 63), continued effort is being directed at maintaining this level. Funding levels are presented in the "Actuarial Section" of this report.

Finally, expressing net assets available for benefits as a percentage of the pension benefit obligation provides another indication of PERA's funding status on a "going-concern" basis. Over time, an analysis of this percentage, as illustrated in the "Schedule of Funding Progress" on page 27, indicates the strength of the system.

# INTRODUCTORY SECTION

## Professional Services

Professional consultants are hired to perform services essential to the efficient operation of the Association. Reports from the independent accountants and actuary are included, and PERA's consultants are listed on page 12.

## Review of Operations and Activities in 1994

In 1994, the only legislation the Colorado General Assembly passed that involved PERA applied the same 110-day limit on work after retirement to certain positions in higher education that already applies to other PERA retirees. This change closed a loophole in the law, which had allowed some higher education faculty and administrators to retire with a PERA benefit but continue working full-time for the same employer.

PERA devotes much attention to advising members and retirees about their current or future benefits, and assisting them in making personal data record changes. During 1994, staff members met individually with more than 6,300 members and benefit recipients in PERA's offices, and responded to nearly 45,000 letters and other inquiries. Also, PERA's Field Counseling Program provided individual counseling to more than 1,300 members around the state. PERA's toll-free telephone information center, InfoLine, answered more than 130,600 calls from members, retirees, employers, and other callers.

Additionally, PERA employees conducted 359 meetings and staffed 33 information tables to provide information about plan benefits at events throughout Colorado. More than 16,000 members, retirees and other persons attended these meetings, and nearly 2,300 persons were contacted at the information tables. Also, 13 meetings were held to educate over 200 PERA-affiliated employer staff members about procedures and policies.

In May 1994, a Board of Trustees election was held. One incumbent Board member, Donna J. Bottenberg (State Division), was re-elected to a four-year term, while another incumbent, Carole Wright (School Division), was re-elected to a two-year term. A new member, Ann Kelly, was elected to complete a one-year term filling a State Division vacancy. Trustee Mark J. Anderson ran unopposed in the Municipal Division for a four-year term.

Trustees William Maguire (State Division) and Marsha M. Jackson (School Division) resigned from the Board upon their retirements. Michael J. Morris was named to fill the vacated School Division position until June 30, 1995.

State Treasurer and ex-officio Board member Gail Schoettler resigned in January 1995 after her election as Colorado's Lieutenant Governor. She was replaced by the new State Treasurer, Bill Owens.

During 1994, four new public employers (Niwot Sanitation District, Baca Grande Water Sanitation District, Rangely Regional Library District, and Montrose Fire Protection District) affiliated with PERA. Two other employers (San Luis Valley Development Resources Group and the Grand Valley Board of Cooperative Educational

Services) affiliated with the Association in 1995. The Rio Blanco Fire Protection District disaffiliated from the Association in 1994.

Optional retirement plans were established for qualified faculty and administrators by Colorado Mountain College, Fort Lewis College, the University of Southern Colorado, Adams State College, Mesa State College, Western State College, and Metropolitan State College of Denver.

Major changes were made to PERA's 401(k) Plan, a tax-deferred voluntary defined contribution retirement plan. These changes included expanded fund choices and loan provisions, convenient monthly account changes, implementation of an interactive telephone system, and new withdrawal options. New investment options were also added. As of April 1, 1994, they are: the Short-Term Bond Fund, managed by Pacific Investment Management Company; the Long-Term Bond Fund, managed by Norwest Investment Management; the Balanced Fund, managed by Dodge & Cox; the Growth and Income Stock Fund, managed by PERA's in-house investment staff; and the Aggressive Stock Fund, managed by Fidelity Investments.

During the year, 401(k) Plan assets grew from \$60.7 million at the end of 1993 to \$78.6 million at the end of 1994. The "Other Programs Section" contains information about the 401(k) Plan on page 80, and a separate annual report is available for the Plan.

Effective July 1, 1994, Mutual of Omaha replaced Blue Cross and Blue Shield of Colorado as the administrator for PERA's two self-insured health care plans. (See the "Other Programs Section" for more details on the Health Care Program.)

## Acknowledgements

The cooperation of our affiliated employers contributes significantly to PERA's success. We thank them for their continuing support.

The compilation of this report reflects the combined efforts of PERA staff. It is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of assets contributed by the members and their employers. The report is being mailed to all affiliated employers and other interested persons; a summary will be published in the next issue of the PERA *Member Report* and *Retiree Report*.

I would like to express my gratitude to the staff, Board of Trustees, consultants and other associates who worked diligently to ensure the successful operation of PERA in 1994.

Respectfully submitted,



Robert J. Scott  
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, 1993

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

Board Chairman's Letter



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
1300 Logan Street Denver, Colorado 80203 General Business Number: (303) 832-9550  
InfoLine: 837-6250 or 1-800-759-PERA (7372)

June 23, 1995

To all PERA Members, Benefit Recipients and Employers:

The 1994 Comprehensive Annual Financial Report of the Public Employees' Retirement Association of Colorado (PERA) presents a detailed view of the financial and actuarial status of your retirement system. In light of last year's economic uncertainties and comparatively low rate of return, the Board of Trustees is very pleased with the overall investment performance of the fund which placed PERA in the top 18th percentile of public pension plans in the nation.

The Board is dedicated to preserving the financial integrity of the fund through a sound fiscal management program. It takes its role very seriously, and has spent considerable time refining its investment and asset allocation strategies and policies.

Although there were no major changes to PERA's benefits in 1994, one bill passed by the State Legislature will affect some PERA members and retirees. Senate Bill 50 applies the same 110-day limit on work after retirement to certain positions in higher education that already applies to other PERA retirees. In the last two years, a loophole in the law allowed some higher educational faculty and administrators to retire with a PERA benefit but continue working full-time with the same employer. The law change discontinued this possibility for future retirees.

I am proud to report that, during the 1994 year, the Board decided to propose major PERA benefit improvements to the Colorado Legislature in 1995. These changes, which are innovative and far-ranging in scope, will primarily benefit members who serve less than a full career in employment covered by PERA or terminate PERA-covered employment before meeting the age requirement for a PERA benefit.

The Board voted to take this action after receiving a report of a study by the PERA staff on the competitiveness of the PERA benefit program. The study was initiated in response to concerns regarding the adequacy of the current benefit structure for shorter-term members, and the establishment of defined contribution plans by several employers as a replacement to PERA's program.

In 1995, the Board supported (through a separate bill) a package of law changes to improve the equity and administration of several PERA benefit features. These changes include recognition of service credit greater than 40 years, relaxation of some requirements for purchasing service credit, easier administration of PERA's voluntary life insurance program, changing the method for calculating Highest Average Salary, and simplifying and standardizing how service credit is determined.

In closing, I extend my thanks for your support and interest in PERA over the years. With it, we continue to be a leader among public employee retirement systems.

Sincerely,

Frank V. Taulli  
Chairman, Board of Trustees

**Board of Trustees**

By state law, the management of the public employees' retirement fund is vested in the Board of Trustees of the Public Employees' Retirement Association of Colorado.

The Board is composed of 16 members, including the State Auditor and the State Treasurer as ex-officio members. The 14 representative members are elected by mail ballot by their respective division members to serve on the Board for a four-year term. Five members are elected from the School Division, four from the State Division, two from the Municipal Division, and one from the Judicial Division. Two members represent benefit recipients. If a Board member resigns, a new member is appointed from the respective Division for the remainder of the year until the next election.

Following is the list of Board members who served during calendar year 1994.

**Frank V. Taulli**

- Chairman of the Board
- Member since 1977
- Represents school employees
- Elementary School Principal, Pueblo City School District 60
- Current term expires June 30, 1998

**Jack Ehnes**

- Vice Chairman of the Board
- Member since 1989
- Represents state employees
- Insurance Commissioner, State of Colorado
- Current term expires June 30, 1997

**Roberta Altenbern**

- Member since 1977
- Represents school employees
- Media Specialist, Adams County School District 14
- Current term expires June 30, 1995

**Ann Kelly**

- Member since 1994
- Represents state employees
- Administrative Program Specialist, Colorado Department of Personnel
- Current term expires June 30, 1995

**Timothy M. O'Brien**

- Member since 1985
- State Auditor
- Continuous term, ex-officio

**Mark J. Anderson**

- Member since 1993
- Represents municipal employees
- Risk Manager, City of Colorado Springs
- Current term expires June 30, 1998

**Patricia K. Kelly**

- Member since 1993
- Represents municipal employees
- Attorney, City of Colorado Springs
- Current term expires June 30, 1995

**Bill Owens**

- Elected State Treasurer in November 1994, effective January 1995
- Continuous term, ex-officio

**Donna J. Bottenberg**

- Member since 1993
- Represents state employees
- Assistant Dean, University of Northern Colorado
- Current term expires June 30, 1998

**William Maguire**

- Member since 1985
- Represented state employees
- Personnel Specialist, Mental Health Institute at Pueblo
- Resigned from Board in June 1994 upon retirement

**Leonard P. Plank**

- Member since 1993
- Represents judges
- Judge, Colorado Court of Appeals
- Current term expires June 30, 1995

**Jack L. Darnell**

- Member since 1992
- Represents state employees
- Colorado State Patrol Sergeant
- Current term expires June 30, 1996

**Michael J. Morris**

- Appointed to Board in 1994
- Represents school employees
- Administrative Assistant, Adams County School District 1
- Current term expires June 30, 1995

**Gail Schoettler**

- Ex-officio member since 1987
- State Treasurer until 1995
- Left Board in January 1995

**Ada Houck**

- Member since 1973
- Represents retirees
- Retired Elementary Teacher
- Current term expires June 30, 1997

**J. Kim Natale**

- Member since 1985
- Represents school employees
- Math and Science Teacher, Jefferson County School District R-1
- Current term expires June 30, 1997

**Carl S. Wilkerson**

- Member since 1987
- Represents retirees (represented School Division members from 1958-1977)
- Retired Deputy Executive Director, PERA
- Current term expires June 30, 1995

**Marsha M. Jackson**

- Member since 1986
- Represented school employees
- Elementary Classroom Teacher, Mesa County Valley School District 51
- Resigned from Board in June 1994 upon retirement

**Carole Wright**

- Member since 1993
- Represents school employees
- Reading Specialist, Aurora Public School District 28J
- Current term expires June 30, 1996

## The Plan Summary

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

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

### Administration of the Plan

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

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

### Member Contributions

Most members contribute 8 percent of their gross salary to a member contribution account. State Troopers contribute 11.5 percent. Generally, salary is compensation for services rendered and is specifically defined in state law.

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

### Employer Contributions

Affiliated employers also contribute a percentage of their total payroll to the Fund. Respective employer contribution rates are shown on the Schedule of PERA's Contribution Rate History on page 67.

The Schedule of Computed Employer Contribution Rates on page 66 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.

### Termination

A member who terminates PERA-covered employment may request a refund of all of the contributions he or she made to PERA plus interest credited from July 1, 1991, or the date of membership, whichever is later, to the date the account is refunded. A refund cancels any accrued PERA benefits. A terminating member may also leave his or her member contribution account at PERA.

If a member has five or more years of service, and leaves his or her contributions in the account, he or she may (without further payment) apply for a benefit when reaching the eligible age for retirement.

### Retirement Benefits

PERA benefits are calculated as a percentage of Highest Average Salary (HAS). This is one-twelfth of the average of the highest three annual salaries earned during calendar year periods on which PERA contributions were paid. A 15 percent limitation applies to annual salary increases in the three years prior to retirement.

Service retirement benefits are calculated at 2.5 percent of HAS for each year of service credit through 20 years, and 1.5 percent of HAS for each year between 20 and 40 years. PERA's maximum benefit is 80 percent of HAS.

Service retirement benefits are available to members at any age with 35 years of service, age 55 with at least 30 years of service, age 60 with at least 20 years of service, or age 65 with at least 5 years of service. A reduced service retirement benefit is calculated the same as a service retirement benefit, then decreased by 0.333 percent for each month prior to the eligible date for a service retirement. The reduction equals 4 percent per year. A member is eligible to receive a reduced service retirement benefit at age 55 with 20 years of service credit, or at age 60 with 5 years of service credit. A member is also eligible to receive a reduced service retirement benefit at age 50 with 25 years of service with a slightly greater reduction.

Retirement benefits for state troopers and members of the Judicial Division differ slightly.

### Survivor Benefits

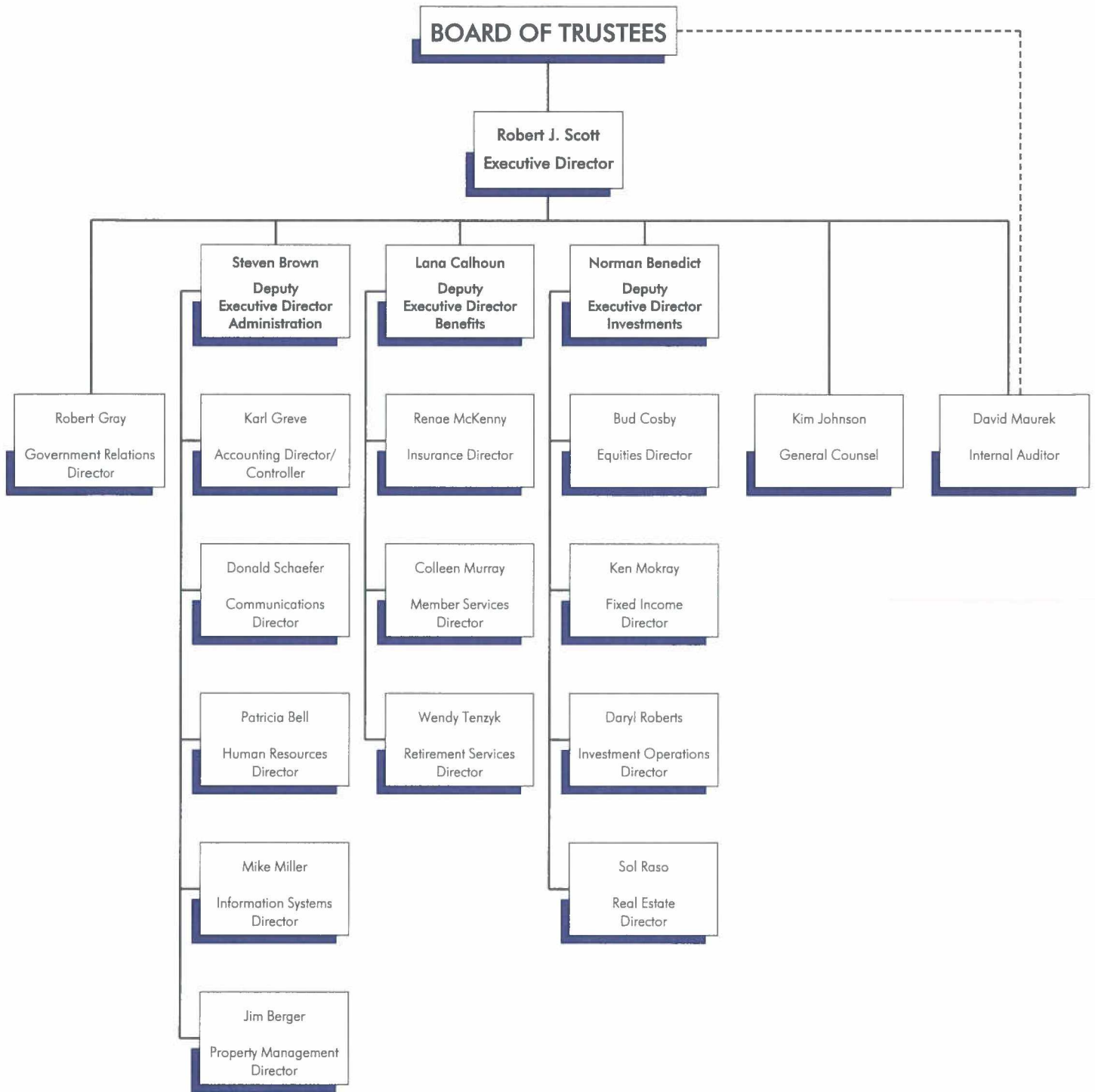
If a member dies before retirement with at least one year of PERA service credit, his or her eligible, unmarried dependent children will receive monthly survivor benefits. Children are eligible if under age 18 or, if enrolled full-time in an accredited school within six months of the member's death, 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 (and the spouse did not remarry), 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.

If the member's death was job-incurred, the service credit minimum is waived. If there are no eligible survivors, the named beneficiary or, if no named beneficiary exists, the estate will receive a single payment of the deceased member's contribution account.

### Disability Retirement Benefits

Members with five or more years of earned service credit, six months of which has been earned since the most recent period of membership, are eligible for disability retirement benefits if determined by the Board to be permanently disabled from performing their jobs. The disability retirement benefit is a percentage of HAS based on actual service credit plus projected service credit to age 65 or 20 years of service, whichever is less. Many disabled retirees receive 50 percent of their HAS.

Administrative Organizational Chart\*



\* As of 6-1-95.

# INTRODUCTORY SECTION

## Consultants

### Health Care Program Actuary

Buck Consultants  
Bank Western Tower  
1675 Broadway, Suite 1950  
Denver, CO 80202

### Independent Accountants

Price Waterhouse LLP  
950 17th St., Suite 2500  
Denver, CO 80202

### Investments — Economists

Lehman Brothers Global Economics  
World Financial Center  
200 Vesey St. - 12th Floor  
New York, NY 10205-1200

The Northern Trust Company  
50 South LaSalle St.  
Chicago, IL 60675

### Investment Performance Analysts

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## FINANCIAL SECTION



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO



Report of the Independent Accountants

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Denver, CO 80202

Telephone 303 893 8100

*Price Waterhouse LLP*



May 26, 1995

To the Participants and Board of Trustees  
of the Public Employees' Retirement Association  
of Colorado and the Legislative Audit Committee  
of the State of Colorado:

In our opinion, the accompanying combined statements of net assets available for benefits and of accumulated plan benefits and the related combined statements of changes in net assets available for benefits and of changes in accumulated plan benefits present fairly, in all material respects, the financial status of the Public Employees' Retirement Association of Colorado ("PERA," a public association of the State of Colorado) at December 31, 1994 and 1993, and the changes in its financial status for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of PERA's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information included in Schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

*Price Waterhouse LLP*



## Combined Statement of Net Assets Available for Benefits

As of December 31, 1994 and 1993  
(In Thousands of Dollars)

<b>Assets</b>	<b>1994</b>	<b>1993</b>
<b>Investments</b> , at fair value:		
U.S. Government obligations .....	\$ 1,261,258	\$ 2,068,779
Domestic corporate bonds .....	2,158,413	1,671,583
Domestic stocks.....	6,436,251	6,291,997
International stocks.....	1,767,991	1,718,818
International fixed income .....	281,436	265,248
Guaranteed investment contracts.....	—	404,058
Fixed rate mortgages .....	361,683	410,113
Real estate .....	687,923	483,507
Participating mortgages .....	65,548	99,760
Leveraged buyout funds .....	169,861	154,343
Venture capital funds .....	122,387	113,426
Timber investments .....	94,455	93,413
Taxable municipal bonds .....	6,151	22,049
<b>Total investments</b> .....	<u>13,413,357</u>	<u>13,797,094</u>
<b>Receivables:</b>		
Employers .....	52,881	48,059
Investment settlements and income .....	133,601	84,977
Other .....	3,088	3,926
<b>Total receivables</b> .....	<u>189,570</u>	<u>136,962</u>
<b>Cash and short-term investments</b> .....	<u>706,559</u>	<u>223,444</u>
<b>Property and equipment</b> , at cost, net of accumulated depreciation of \$7,141 and \$8,513, respectively.....	<u>14,944</u>	<u>14,736</u>
<b>Total assets</b> .....	<u>14,324,430</u>	<u>14,172,236</u>
 <b>Liabilities and Reserves</b>		
<b>Investment settlements and other</b> .....	<u>74,026</u>	<u>15,905</u>
<b>Reserves:</b>		
Insurance dividend reserve .....	13,897	14,937
Health care fund .....	72,761	73,826
<b>Total reserves</b> .....	<u>86,658</u>	<u>88,763</u>
<b>Total liabilities and reserves</b> .....	<u>160,684</u>	<u>104,668</u>
<b>Commitments and contingencies (Note 6)</b> .....	<u>—</u>	<u>—</u>
<b>Net assets available for benefits</b> .....	<u>\$ 14,163,746</u>	<u>\$ 14,067,568</u>

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

# FINANCIAL SECTION

## Combined Statement of Changes in Net Assets Available for Benefits

For the Years Ended December 31, 1994 and 1993  
(In Thousands of Dollars)

	1994	1993
<b>Investment income</b>		
Interest .....	\$ 333,432	\$ 372,768
Dividends .....	185,420	162,569
Net appreciation (depreciation) in fair value of investments .....	(597,990)	1,163,657
Real estate operating income, net .....	53,279	35,804
Foreign exchange translation gains, net .....	95,657	14,837
<b>Total investment income</b> .....	<u>69,798</u>	<u>1,749,635</u>
<b>Contributions</b>		
Employers .....	386,979	368,357
Members .....	269,718	261,337
Retiree health care premiums .....	17,261	16,459
Service credit purchases .....	38,425	19,172
<b>Total contributions</b> .....	<u>712,383</u>	<u>665,325</u>
<b>Transfers</b>		
Benefits paid to retirees/cobeneficiaries .....	(571,655)	(509,629)
Benefits paid to survivors .....	(15,001)	(14,116)
Benefits paid to health care participants .....	(45,563)	(44,538)
Refunds of contribution accounts, including interest .....	(32,363)	(26,751)
Other, net .....	(6,098)	(17,133)
<b>Total transfers</b> .....	<u>(670,680)</u>	<u>(612,167)</u>
<b>Administrative expenses</b> .....	<u>(17,426)</u>	<u>(16,288)</u>
<b>Net decrease (increase) in insurance dividend reserve, net of administrative fees</b> .....	<u>1,040</u>	<u>(1,230)</u>
<b>Net decrease (increase) in reserve for health care fund</b> .....	<u>1,063</u>	<u>(7,567)</u>
<b>Net increase in net assets available for benefits</b> .....	96,178	1,777,708
<b>Net assets available for benefits:</b>		
<b>Beginning of year</b> .....	14,067,568	12,289,860
<b>End of year</b> .....	<u>\$ 14,163,746</u>	<u>\$ 14,067,568</u>

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

## Combined Statement of Accumulated Plan Benefits

As of December 31, 1994 and 1993  
(In Thousands of Dollars)

	1994	1993
<b>Actuarial present value of accumulated plan benefits</b>		
Vested benefits:		
Benefit recipients .....	\$ 7,047,106	\$ 6,432,810
Other members .....	4,791,567	4,588,655
<b>Total vested benefits</b> .....	11,838,673	11,021,465
Non-vested benefits .....	887,714	1,001,125
<b>Total actuarial present value of accumulated plan benefits</b> .....	\$ 12,726,387	\$ 12,022,590

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

## Combined Statement of Changes in Accumulated Plan Benefits

For the Years Ended December 31, 1994 and 1993

	1994	1993
<b>Actuarial present value of accumulated plan benefits at beginning of year</b> .....	\$ 12,022,590	\$ 9,544,193
<b>Increase (decrease) during the year attributable to:</b>		
Benefits accumulated and interest amortization, net of refunds .....	1,290,453	3,002,142
Benefits paid .....	(586,656)	(523,745)
<b>Actuarial present value of accumulated plan benefits at end of year</b> .....	\$ 12,726,387	\$ 12,022,590

# FINANCIAL SECTION

## Notes to Combined Financial Statements

December 31, 1994 and 1993

(In Thousands of Dollars)

### Note 1 - General Description of the Plan:

#### Organization

The Public Employees' Retirement Association of Colorado (PERA) was established in 1931, under Title 24, Article 51, Section 201 of the Colorado Revised Statutes, as amended. PERA is defined as a cost-sharing, multiple-employer defined benefit pension plan (the Plan). The Plan's purpose is to provide benefits to members at retirement or disability, or to their beneficiaries in the event of death. The members 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 Plan 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 number of affiliated active and inactive employers for the four divisions is as follows:

	As of December 31	
	1994	1993
State .....	75	75
School.....	193	193
Municipal.....	86	81
Judicial .....	6	6
<b>Total employers.....</b>	<b>360</b>	<b>355</b>

Benefit recipients and members in PERA consisted of the following as of December 31, 1994 and 1993:

	State	School	Municipal	Judicial	Combined Totals	
					1994	1993
Retirees and beneficiaries currently receiving benefits, and terminated members entitled to benefits but not yet receiving them .....	19,794	24,466	2,297	198	46,755	43,877
Members:						
Vested .....	26,450	40,610	4,538	206	71,804	68,073
Non-vested .....	22,665	39,974	5,710	41	68,390	71,734
<b>Totals.....</b>	<b>68,909</b>	<b>105,050</b>	<b>12,545</b>	<b>445</b>	<b>186,949</b>	<b>183,684</b>

#### Reporting Entity

The Board oversees all funds included in the combined financial statements of PERA. The Board's responsibilities include designation of management, the ability to significantly influence operations, 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.

#### Contributions

Member and employer contributions are based on actuarial valuations performed annually using the methods prescribed by National Council on Governmental Accounting Statement No. 1, Governmental Accounting and Financial Reporting Principles.

Members are required to contribute 8 percent of their gross salary to PERA, except for State Patrol Troopers (State Troopers), who contribute 11.5 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.

Members who terminate PERA-covered employment may request a refund of their member contribution account. PERA members requesting refunds receive interest on their contribution accounts from July 1, 1991, or the date of membership, whichever is later, until the date of withdrawal. The interest rate is set annually by the Board to equal the interest rate earned on 90-day U.S. Treasury Bills at the end of the previous year. However, the interest rate will not be less than the prevailing passbook savings rate in Colorado, nor will it be more than the actuarial investment assumption rate. The 1994 and 1993 interest rates were 3.05 percent and 3.13 percent, respectively.

Notes to Combined Financial Statements

(In Thousands of Dollars)

Member refunds do not include employer contributions, and they cancel any accrued PERA benefits. However, members who previously received a refund of their contributions may reinstate this service credit through lump-sum or installment payments when they have one year of earned service credit. Also, any PERA member can accelerate vesting by purchasing service credit for paid sabbatical leaves and certain periods of non-vested private or public sector employment not covered by PERA through lump-sum or installment payments.

PERA-affiliated employers also contribute a percentage of payroll. The contribution rates for the combined retirement benefits, cost-of-living increases and health care benefits were as follows:

Division	Membership	Contributions as a Percent of Members' Salaries	
		July 1, 1993 through December 31, 1994	January 1, 1993 through June 30, 1993
State	All members except State Troopers .....	11.6%	10.6%
State	State Troopers .....	13.2%	12.2%
School	All members .....	11.6%	11.6%
Municipal	All members .....	10.0%	10.0%
Judicial	All members .....	15.0%	15.0%

These contributions are deposited in a trust fund established for each division for the purpose of creating actuarial reserves for future benefits.

**Benefits**

Members are eligible for service retirement benefits when they meet the following requirements:

Minimum Service Credit	Minimum Age
35 Years	Any Age
30 Years	55
20 Years	60
5 Years	65
60 Months on Payroll	65

PERA retirement benefits are equal to 2.5 percent of Highest Average Salary (HAS) for each year of service credit through 20 years, and 1.5 percent of HAS for each year between 20 and 40 years. HAS is one-twelfth of the average of the highest three annual salaries earned during calendar year periods on which PERA contributions were paid. The maximum benefit payable is 80 percent of HAS.

Members may retire earlier with a reduced benefit at age 55 with 20 or more years of service credit, or at age 60 with five or more years of service credit. A reduced service retirement benefit is calculated the same as a service retirement benefit, then decreased by 0.333 percent for each month prior to the first eligible date for service retirement. The reduction equals 4 percent per year. Members may also receive a reduced service retirement benefit at age 50 with 25 years of service; benefits are reduced 6 percent for each year under age 55, and 4 percent for each year over age 55 that members retire before they would have become eligible for service retirement benefits. Members elect to receive their benefits in the form of single or joint-life monthly payments.

PERA also provides disability retirement and survivor benefits. Members who become permanently disabled with at least five years of earned service, six months of which have been earned since the most recent period of membership, are eligible to apply for disability retirement. This benefit is a percentage of HAS based on actual service credit, plus projected service to age 65 or 20 years of service, whichever is earlier. The HAS calculation is the same calculation used for service retirement. Disability retirees who retired after July 1, 1988, and who are under service retirement age, may have their benefits reduced based on earned income.

A minimum benefit of 25 percent of HAS is paid at some point to the qualified survivors of active members who die, provided such members have earned at least one year of service credit.

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

**Termination of PERA**

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

## Notes to Combined Financial Statements

(In Thousands of Dollars)

### Note 2 - Summary of Significant Accounting Policies:

#### Basis of Accounting and Presentation

The accompanying financial statements are prepared using the accrual basis of accounting, in accordance with generally accepted accounting principles applicable to governmental accounting for a pension trust fund under the criteria of Financial Accounting Standards Board (FASB) Statement No. 35, Accounting and Reporting by Defined Benefit Pension Plans. The various funds have been presented on a combined basis, with all interfund balances and transactions eliminated in the combined financial statements.

#### Fund Accounting

The financial activities of each division, the Health Care Fund, the Insurance Dividend Reserve, and the Common Operating Fund are recorded in separate trust funds. All funds own a percentage of the Combined Investment Fund, except for the Common Operating Fund. Each division maintains separate accounts, and all actuarial determinations are made using separate division-based information.

The Cost of Living Stabilization Fund (CLSF) was funded by employer contributions equal to 2 percent of member salaries. These contributions were collected by each division and deposited in the CLSF. This supplemental benefit was paid directly to PERA's benefit recipients by each division, then reimbursed by transfers from the CLSF. On March 1, 1994, in accordance with House Bill 93-1324, the CLSF was terminated and the assets of the CLSF were transferred to the retirement benefits reserve within each of the four division trust funds. The 2 percent contribution earmarked for the CLSF reverted to the four division trust funds. All cost-of-living increases previously paid became a part of the base benefit paid by the division trust funds. Beginning in 1993, the calculation of total actuarial present value of accumulated plan benefits, included in the Combined Statement of Accumulated Plan Benefits and Combined Statement of Changes in Accumulated Plan Benefits, includes the effect of changes brought on by House Bill 93-1324. Effective March 1994, benefit recipients receive an annual increase at a compounded rate of up to 3.5 percent per year, if the Consumer Price Index (CPI) increases at a similar rate. Each increase is based on the entire benefit, (initial benefit in addition to accumulated cost-of-living increases, if any). The increase in March 1994 was 2.82 percent.

The Health Care Fund (HCF) is funded by employer contributions equal to 0.8 percent of member salaries. These contributions are collected by each division and deposited in the HCF. Beginning July 1, 1986, the HCF began subsidizing the premiums for benefit recipients enrolled in the Health Care Program. Calculation of the total actuarial present value of accumulated plan benefits, included in the Combined Statement of Accumulated Plan Benefits and Combined Statement of Changes in Accumulated Plan Benefits, does not include a provision for subsidized premiums from the HCF.

The Common Operating Fund (COF) accounts for all administrative activities common to the divisions. Operating assets and liabilities held for all divisions are also recorded in the COF. Expenses incurred by PERA are allocated from the COF to the various divisions on the basis of the number of members and retirees in the division to the total membership in PERA. The net assets available for benefits within the COF are allocated to the division funds.

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

#### Investments

Plan investments (excluding short-term investments) are presented at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Other investments that do not have an established market (including participating mortgages, leveraged buyout funds and venture capital funds) are recorded at estimated fair values.

Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Fixed-rate mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate and timber investments is based on independent appraisals. Guaranteed investment contracts (Note 4) are recorded at fair value, representing principal plus accrued interest at the stated contract rate discounted back.

Short-term investments are carried at cost, which approximates fair value.

PERA writes options as an investment technique to enhance portfolio returns. When PERA writes an option, it receives a premium and an amount equal to that premium is recorded as a liability. The liability is adjusted daily to reflect the current market value of the option written. If an option expires unexercised, PERA realizes a gain to the extent of the premium received. If an option is exercised, the premium received is an adjustment to the proceeds from the sale or the cost basis of the purchase of the underlying security or currency in determining whether the Fund has realized a gain or loss. The difference between the premium and the amount paid on effecting a sale transaction is also treated as a realized gain or loss. Gain or loss on written options is recorded as net realized gain (loss) on written option transactions.

PERA, as writer of an option, has no control over whether the underlying securities or currencies may be sold (called) or purchased (put). As a result, PERA bears the market risk of an unfavorable change in the price of the security or currency underlying the written option.

Notes to Combined Financial Statements

(In Thousands of Dollars)

A futures contract is an agreement for delayed delivery of securities 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. Upon entering into a futures contract, PERA is required to pledge to the broker an amount of cash equal to a certain percentage of the contract amount. The amount is known as the "initial margin." 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 for financial statement purposes.

PERA invests in future contracts for portfolio yield enhancement. Should interest rates move unexpectedly, PERA may not achieve the anticipated benefits of the futures contract and may realize a loss. (See Note 7.)

During 1994 and 1993, the Plan's investments appreciated (depreciated) in value by \$(597,990) and \$1,163,657, respectively, as follows:

<i>Fair values measured by quoted prices in</i>	<u>1994</u>	<u>1993</u>
<i>active markets:</i>		
Cash and short-term investments .....	\$ 784	\$ 998
U.S. Government obligations .....	(167,863)	60,591
Domestic corporate bonds .....	(214,736)	84,718
Domestic stocks.....	(112,769)	493,695
International stocks.....	(52,044)	381,034
International fixed income .....	(26,829)	32,983
Taxable municipal bonds .....	(6,684)	8,141
<i>Fair values measured otherwise:</i>		
Guaranteed investment contracts.....	(20,230)	20,230
Fixed rate mortgages .....	(6,928)	5,447
Real estate .....	(20,006)	(13,505)
Participating mortgages .....	(9,913)	(4,625)
Leveraged buyout funds .....	24,480	29,308
Venture capital funds .....	12,277	37,972
Timber investments .....	2,471	26,670
<b>Total .....</b>	<u>\$ (597,990)</u>	<u>\$1,163,657</u>

The Division trust funds, the HCF and the IDR pool their investments into a common 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, 1994 and 1993, the ownership percentages of each fund were as follows:

	<b>Ownership Percentage</b>	
	<b>as of December 31</b>	
	<u>1994</u>	<u>1993</u>
State.....	38.07%	37.92%
School.....	55.52	54.95
Municipal .....	5.24	5.11
Judicial.....	0.54	0.53
CLSF .....	—	0.85
HCF.....	0.53	0.54
IDR.....	0.10	0.10
<b>Total .....</b>	<u>100.00%</u>	<u>100.00%</u>

**Actuarial Valuation**

Accumulated plan benefits are future periodic payments, plus lump-sum distributions, which current members have earned to date. These include benefits expected to be paid to retired or terminated members, or their cobeneficiaries, qualified survivors of members who have died, and present members and their cobeneficiaries.

The actuarial present value of accumulated plan benefits included in the Combined Statement of Accumulated Plan Benefits and Combined Statement of Changes in Accumulated Plan Benefits is presented according to FASB Statement No. 35, Accounting and Reporting by Defined Benefit Pension Plans.

Notes to Combined Financial Statements

(In Thousands of Dollars)

The actuarial present value of accumulated plan benefits was calculated by Towers Perrin for 1994 and 1993, on the basis of the "accrued benefit" cost method. The resulting amount adjusts accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (using adjustments for death, disability, withdrawal and retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions underlying the actuarial calculations for the years ended December 31, 1994 and 1993 are as follows:

Actuarial Assumptions	1994	1993
Investment return	8.5% compounded annually	8.5% compounded annually
Average retirement age	Ranging from 50 to 70 years	Ranging from 50 to 70 years
Life expectancy	Colorado Projected Experience Table - 90	Colorado Projected Experience Table - 90

These assumptions are based on the presumption that PERA will continue as a going concern. If the Association were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Unfunded Actuarial Accrued Liability

Contributions made to the division trust funds are determined by a statutorily defined rate. The adequacy of statutory rates is tested by means of annual actuarial valuations. The current contribution rates are sufficient to fully fund the cost of benefit commitments (excluding health care) made to members. That is, they satisfy normal cost requirements (cost of service this year) and are expected to fund the unfunded portion of the actuarial accrued liability (UAAL) over a reasonable period of future years. Contributions for December 31, 1994 and 1993 were as follows:

	Contributions	
	1994	1993
<b>Contributions made by:</b>		
Employers .....	\$ 349,252	\$ 277,076
Members .....	269,718	261,337
<b>Total contributions .....</b>	<b>\$ 618,970</b>	<b>\$ 538,413</b>
<b>Contributions consisted of:</b>		
Normal cost .....	\$ 481,400	\$ 403,023
Amortization of the UAAL .....	137,570	135,390
<b>Total contributions .....</b>	<b>\$ 618,970</b>	<b>\$ 538,413</b>
Amortization periods computed to fund UAAL .....	5 to 25 years	5 to 22 years

The UAAL is arrived at by reducing the total actuarial accrued liability by PERA plan assets on a smoothed market value basis. Future salary increases are included in the calculation.

For purposes of the contribution rate calculation, the unfunded actuarial accrued liability for the various divisions as of December 31, 1994 and 1993 was as follows:

	Unfunded Actuarial Accrued Liability	
	1994	1993
State .....	\$ 1,155,133	\$ 1,130,346
School .....	853,788	954,955
Municipal .....	31,148	35,133
Judicial .....	6,624	8,496
<b>Total .....</b>	<b>\$ 2,046,693</b>	<b>\$ 2,128,930</b>

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 40 years in the following major classes: vehicles, three years; computer and office equipment, five years; office furniture and leasehold improvements, 10 years; building and building additions, 40 years.



## Notes to Combined Financial Statements

(In Thousands of Dollars)

**Federal Income Tax Status**

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

**Note 3 - Other Post-Employment Benefits:****Cost of Living Stabilization Fund Benefits**

The Cost of Living Stabilization Fund (CLSF) was established in 1980 to offset inflation by providing increased benefits payable to benefit recipients of the Association. Under the program, the CLSF paid a benefit based on a percentage of the PERA initial benefit. The CLSF benefit was paid monthly and the percentage increases were approved by the Colorado General Assembly every other year on even numbered years.

The CLSF was advance funded, but not under an actuarially determined basis, by employer contributions equal to 2 percent of member salaries. In 1994, the CLSF received \$10,831 in contributions from employers. Also in 1994, the CLSF recognized \$10,041 of benefits paid. See the discussion on changes to the CLSF in Note 2.

**Health Care Benefits**

The Health Care Fund (HCF) was established in 1985 to provide a premium subsidy for health care to PERA benefit recipients who are eligible and choose to enroll in PERA's Health Care Program (the Program). The Colorado General Assembly approves the subsidy amount, which is provided monthly. In 1994 and 1993, the HCF paid up to a fixed dollar amount and the benefit recipient paid the remaining portion of the premium. In 1994 and 1993, the maximum subsidy was \$115 for benefit recipients whose retirement benefits were based on 20 years or more of service credit. For those with less service credit, the subsidy was reduced by 5 percent (\$5.75) for each year under 20 years.

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

The HCF is advance funded, but not under an actuarially determined basis, by employer contributions equal to 0.8 percent of member salaries. In 1994, the HCF received \$26,896 in contributions from employers, and \$17,261 in payments made by benefit recipients for their portion of PERA's self-insured plans. Also in 1994, the HCF recognized \$45,563 of benefits paid. The reserve for future post-employment health care benefits as of December 31, 1994 and 1993 totaled \$72,761 and \$73,826, respectively. The future projected liability of claims on the HCF was \$547,894 as of December 31, 1994, as calculated by PERA's consulting health care actuary, Buck Consultants.

**Note 4 - Guaranteed Investment Contracts:**

PERA held seven and eight guaranteed notes on December 31, 1994 and 1993, respectively, issued by various insurance companies, earning interest rates ranging from 9.10 percent to 9.44 percent, guaranteed through varying maturities in 1995. All guaranteed notes held at December 31, 1994, were reclassified as short-term investments due to their maturities in 1995. The cost of these guaranteed notes at December 31, 1994, was \$343,575 with a current fair value of \$343,795.

As with other investments, PERA bears the risk of recovery should the issuers be unable to redeem the notes when due. The insurance firms issuing the seven remaining notes are rated as high quality by Moody's Investor's Service for issuers of guaranteed investment contracts.

In 1993, PERA adopted Statement of Financial Accounting Standards No. 110 (FAS 110), Reporting by Defined Benefit Pension Plans of Investment Contracts. This statement requires a defined benefit pension plan to report an investment contract issued by either an insurance enterprise or other entity at fair value.

**Note 5 - Investments:****Investment Authority**

Under Colorado Revised Statute 24-51-206, as amended, the Board has responsibility for the investment of PERA's funds, with the following investment limitations:

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

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

# FINANCIAL SECTION

## Notes to Combined Financial Statements

(In Thousands of Dollars)

### Cash and Short-Term Investments

The following table presents cash and short-term investments held by PERA as of December 31, 1994:

	Carrying Value	Bank Balance
Deposits (overdrafts) with banks (fully insured by federal depository insurance) .....	\$ (5,782)	\$ 5,998
Money market funds held at bank (fully collateralized by the underlying securities, held by PERA's agent in PERA's name) .....	275,518	275,518
Short-term fixed income securities .....	436,823	436,823
<b>Total cash and short-term investments</b> .....	<u>\$ 706,559</u>	<u>\$ 718,339</u>

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

### Other Investments

The following table presents the remaining investments held by PERA at December 31, 1994, 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 counterparts' trust department or agent in PERA's name.
3. Uncollateralized.

Investments not evidenced by securities are not categorized.

	Category			Amortized Cost	Fair Value
	1	2	3		
U.S. Government obligations .....	\$ 1,383,194	\$ —	\$ —	\$ 1,383,194	\$ 1,261,258
Domestic corporate bonds .....	2,232,661	—	—	2,232,661	2,050,442
Domestic stocks .....	5,341,651	—	—	5,341,651	6,436,251
International stocks .....	1,436,179	—	—	1,436,179	1,767,991
International fixed income .....	283,693	—	—	283,693	281,436
Taxable municipal bonds .....	16,640	—	—	16,640	6,151
<b>Subtotal</b> .....	<u>\$ 10,694,018</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,694,018</u>	<u>\$ 11,803,529</u>
Domestic corporate bonds (private placements) .....				113,734	107,971
Fixed rate mortgages .....				412,184	361,683
Real estate .....				869,966	687,923
Participating mortgages .....				80,236	65,548
Leveraged buyout funds .....				150,670	169,861
Venture capital funds .....				104,626	122,387
Timber investments .....				57,658	94,455
<b>Total investments</b> .....				<u>\$ 12,483,092</u>	<u>\$ 13,413,357</u>
Cash and short-term investments .....	<u>\$ 707,247</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 707,247</u>	<u>\$ 706,559</u>

## Notes to Combined Financial Statements

(In Thousands of Dollars)

**International Investments**

The Plan invests in international investments through the use of outside money managers. It is the intent of the Plan and the money managers to be fully invested in long-term investments; however, cash and short-term investments may be held temporarily and classified as such.

**Securities Lending**

From time to time, PERA enters into various short-term agreements where investments are loaned to various brokers. These arrangements are collateralized by cash, letters of credit and marketable securities. They provide for the return of the investments and for a payment of a fee when the collateral is marketable securities or letters of credit, or interest earned when the collateral is cash on deposit. The securities on loan to the brokers are presented in the Combined Statement of Net Assets Available for Benefits at fair value.

At December 31, 1994, PERA had investments loaned with an aggregate fair value of \$1,687,373 and a total collateral value of \$1,758,984 or 104.24 percent of the total market value outstanding.

The loans are secured at all times by collateral at least equal to the market value of securities loaned. As with other extensions of credit, PERA may bear the risk of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially.

**Note 6 - Commitments and Contingencies:**

At December 31, 1994, PERA was committed to the future purchase of investments at an aggregate cost of approximately \$391,277.

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 (on settlement) an adverse effect on PERA's financial condition.

**Note 7 - Financial Instruments with Off-Balance-Sheet Risk:**

As stated in Note 2, PERA writes options and futures as an investment technique to enhance portfolio returns. These financial instruments include options written and futures contracts, which involve, to varying degrees, elements of market risk in excess of the amount recognized in the Combined Statements of Net Assets Available for Benefits. The following contract or notional amounts of these instruments reflect the extent of PERA's involvement in those classes of financial instruments:

Contracts	Description	Contract or Notional Value
117,448	Covered call options written	\$ 406,272
1,500	Futures contracts - international	\$ 63,513
328	Futures contracts - domestic	\$ 32,778

PERA has written \$406.3 million of covered call options on 477 stocks as of December 31, 1994. Premiums received on the sales of these options were \$58 million and the market value as of December 31, 1994, was \$57 million.

**Note 8 - Funding Status and Progress:**

The amount shown below as "pension benefit obligation" is a standardized disclosure measure, calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 5, of the present value of pension benefits, adjusted for projected salary increases and estimated to be payable in the future as a result of current service credit.

The measure is the actuarial present value of credited projected benefits and is intended to help users assess PERA's funding status on a going-concern basis, assess progress being made in accumulating sufficient assets to pay benefits when due, and allow for comparisons among public employee retirement plans. This measure is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation of the Plan as of December 31, 1994 and 1993. Significant actuarial assumptions used in determining the pension benefit obligation include:

- A rate of return on the investment of present and future assets of 8.5 percent per year compounded annually.
- Projected salary increases of 5.5 percent per year compounded annually, attributable to inflation.
- Additional projected salary increases ranging from zero to 12.9 percent per year depending on age, attributable to seniority/merit.
- The maximum annual increase is 3.5 percent compounded annually. The CLSF was transferred to plan assets on March 1, 1994; this transfer in asset values as of December 31, 1993, was recognized in this valuation.

# FINANCIAL SECTION

## Notes to Combined Financial Statements

(In Thousands of Dollars)

### Note 8 - Funding Status and Progress (continued):

At December 31, 1994 and 1993, assets in excess of (less than) pension benefit obligation, as determined in accordance with generally accepted accounting principles under GASB Statement No. 5, Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers, were as follows:

	State	School	Municipal	Judicial	Combined Totals	
					1994	1993
<b>Pension Benefit Obligation</b>						
Retirees and beneficiaries currently receiving benefits.....	\$ 3,103,325	\$ 3,612,340	\$ 291,973	\$ 39,468	\$ 7,047,106	\$ 6,432,810
Terminated members not yet receiving benefits.....	67,999	83,853	8,161	516	160,529	133,993
Current members:						
Accumulated employee contributions including allocated investment income.....	897,462	1,257,663	141,804	12,347	2,309,276	1,961,499
Employer financed - vested.....	1,761,804	2,780,866	233,883	20,877	4,797,430	4,732,851
Employer financed - non-vested.....	36,630	50,582	7,718	587	95,517	95,029
<b>Total pension benefit obligation.....</b>	<b>5,867,220</b>	<b>7,785,304</b>	<b>683,539</b>	<b>73,795</b>	<b>14,409,858</b>	<b>13,356,182</b>
Net assets available for benefits, at fair value (inclusive of CLSF assets).....	5,428,105	7,910,817	748,545	76,279	14,163,746	14,067,568
<b>Assets in excess of (less than) pension benefit obligation.....</b>	<b>\$ (439,115)</b>	<b>\$ 125,513</b>	<b>\$ 65,006</b>	<b>\$ 2,484</b>	<b>\$ (246,112)</b>	<b>\$ 711,386</b>

## Notes to Combined Financial Statements

(In Thousands of Dollars)

**Note 9 - Ten-Year Historical Trend Information (Unaudited):**

Historical trend information, designed to provide information about the progress PERA has made in accumulating sufficient assets to pay promised benefits, is presented in the Schedule of Funding Progress below. This schedule is not a required part of the basic financial statements, but is presented as supplementary information according to GASB Statement No. 5.

**Schedule of Funding Progress\***

Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Association's funding status on a going-concern basis. Analysis of this percentage over time indicates the financial strength of the system. Generally, the greater the percentage, the stronger the retirement system. Trends in pension benefit obligation in excess of assets and compared to annual covered payroll are both affected by inflation. Expressing the assets in excess of inflation aids analysis of PERA's progress made in accumulating sufficient assets to pay benefits when due.

Fiscal Year	(1) Net Assets Available for Benefits**	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Pension Benefit Obligation in Excess of (Less Than) Assets (2) - (1)	(5) Annual Covered Payroll	(6) Pension Benefit Obligation in Excess of (Less Than) Assets as a Percentage of Covered Payroll (4) ÷ (5)
1994						
State .....	\$ 5,428,105	\$ 5,867,220	92.52%	\$ 439,115	\$ 1,429,026	30.73%
School .....	7,910,817	7,785,304	101.61	(125,513)	1,869,673	(6.71)
Municipal .....	748,545	683,539	109.51	(65,006)	263,249	(24.69)
Judicial .....	76,279	73,795	103.37	(2,484)	17,023	(14.59)
<b>Totals .....</b>	<u>\$ 14,163,746</u>	<u>\$ 14,409,858</u>	<u>98.29%</u>	<u>\$ 246,112</u>	<u>\$ 3,578,971</u>	<u>6.88%</u>
1993 .....	\$ 14,067,568	\$ 13,356,182	105.33%	\$ (711,386)	\$ 3,451,307	(20.61)%
1992 .....	12,181,802	11,335,282	107.47	(846,520)	3,436,694	(24.63)
1991 .....	11,448,389	10,392,124	110.16	(1,056,265)	3,213,117	(32.87)
1990 .....	9,506,158	9,455,989	100.53	(50,169)	2,912,712	(1.72)
1989 .....	9,361,998	8,580,346	109.11	(781,652)	2,755,113	(28.37)
1988 .....	7,941,163	7,863,928	100.98	(77,235)	2,642,686	(2.92)
1987 .....	6,994,675	7,210,454	97.01	215,779	2,531,358	8.52
1986 .....	6,654,457	6,223,736	106.92	(430,721)	2,409,384	(17.88)

\* The information for years prior to 1986 is unavailable.

\*\* At fair value, including CLSF assets.

# FINANCIAL SECTION

## Schedule I - Combining Statement of Net Assets Available for Benefits

As of December 31, 1994, with Comparative Combined Totals for 1993  
(In Thousands of Dollars)

	State Division Trust Fund	School Division Trust Fund
<b>Assets</b>		
Investments, at fair value:		
U.S. Government obligations .....	\$ 480,176	\$ 700,307
Domestic corporate bonds .....	821,735	1,198,446
Domestic stocks.....	2,450,358	3,573,693
International stocks and currency .....	673,095	981,667
International fixed income and currency .....	107,146	156,266
Guaranteed investment contracts.....	—	—
Fixed rate mortgages .....	137,697	200,822
Real estate .....	261,901	381,965
Participating mortgages .....	24,955	36,395
Leveraged buyout funds .....	64,668	94,314
Venture capital funds .....	46,595	67,955
Timber investments .....	35,959	52,446
Taxable municipal bonds .....	2,342	3,415
<b>Total investments</b> .....	<u>5,106,627</u>	<u>7,447,691</u>
Receivables:		
Employers.....	22,172	26,266
Investment settlements and income .....	50,864	74,181
Other .....	4,530	6,507
<b>Total receivables</b> .....	<u>77,566</u>	<u>106,954</u>
Cash and short-term investments .....	269,015	392,342
Property and equipment, at net cost .....	—	—
<b>Total assets</b> .....	<u>5,453,208</u>	<u>7,946,987</u>
<b>Liabilities and Reserves</b>		
Investment settlements and other .....	25,103	36,170
Reserves:		
Insurance dividend reserve .....	—	—
Health care fund .....	—	—
<b>Total reserves</b> .....	<u>—</u>	<u>—</u>
<b>Total liabilities and reserves</b> .....	<u>25,103</u>	<u>36,170</u>
Commitments and contingencies (Note 6) .....	—	—
<b>Net assets available for benefits</b> .....	<u>\$ 5,428,105</u>	<u>\$ 7,910,817</u>

The assets and liabilities of the Combined Investment Fund have been allocated to the trust funds on a pro rata basis.

# FINANCIAL SECTION

Municipal Division Trust Fund	Judicial Division Trust Fund	Cost of Living Stabilization Fund	Health Care Fund	Common Operating Fund	Insurance Dividend Reserve	Combined Totals	
						1994	1993
\$ 66,134	\$ 6,734	\$ —	\$ 6,657	\$ —	\$ 1,250	\$ 1,261,258	\$ 2,068,779
113,177	11,523	—	11,392	—	2,140	2,158,413	1,671,583
337,485	34,362	—	33,972	—	6,381	6,436,251	6,291,997
92,705	9,439	—	9,332	—	1,753	1,767,991	1,718,818
14,757	1,503	—	1,485	—	279	281,436	265,248
—	—	—	—	—	—	—	404,058
18,965	1,931	—	1,909	—	359	361,683	410,113
36,071	3,673	—	3,631	—	682	687,923	483,507
3,437	350	—	346	—	65	65,548	99,760
8,907	907	—	897	—	168	169,861	154,343
6,417	653	—	646	—	121	122,387	113,426
4,953	504	—	499	—	94	94,455	93,413
323	33	—	32	—	6	6,151	22,049
<u>703,331</u>	<u>71,612</u>	<u>—</u>	<u>70,798</u>	<u>—</u>	<u>13,298</u>	<u>13,413,357</u>	<u>13,797,094</u>
4,033	508	—	(98)	—	—	52,881	48,059
7,005	713	—	705	—	133	133,601	84,977
729	33	—	4,605	(13,938)	622	3,088	3,926
<u>11,767</u>	<u>1,254</u>	<u>—</u>	<u>5,212</u>	<u>(13,938)</u>	<u>755</u>	<u>189,570</u>	<u>136,962</u>
<u>37,051</u>	<u>3,772</u>	<u>—</u>	<u>3,730</u>	<u>(52)</u>	<u>701</u>	<u>706,559</u>	<u>223,444</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,944</u>	<u>—</u>	<u>14,944</u>	<u>14,736</u>
<u>752,149</u>	<u>76,638</u>	<u>—</u>	<u>79,740</u>	<u>954</u>	<u>14,754</u>	<u>14,324,430</u>	<u>14,172,236</u>
3,604	359	—	6,979	954	857	74,026	15,905
—	—	—	—	—	13,897	13,897	14,937
—	—	—	72,761	—	—	72,761	73,826
—	—	—	72,761	—	13,897	86,658	88,763
<u>3,604</u>	<u>359</u>	<u>—</u>	<u>79,740</u>	<u>954</u>	<u>14,754</u>	<u>160,684</u>	<u>104,668</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 748,545</u>	<u>\$ 76,279</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,163,746</u>	<u>\$ 14,067,568</u>

# FINANCIAL SECTION

## Schedule II - Combining Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31, 1994, with Comparative Combined Totals for 1993  
(In Thousands of Dollars)

	State Division Trust Fund	School Division Trust Fund
<b>Investment income:</b>		
Interest .....	\$ 127,093	\$ 184,612
Dividends .....	70,589	102,538
Net appreciation (depreciation) in fair value of investments .....	(228,590)	(331,975)
Real estate operating income, net .....	20,308	29,499
Foreign exchange translation gains (losses) .....	36,533	53,059
<b>Total investment income</b> .....	<u>25,933</u>	<u>37,733</u>
<b>Contributions:</b>		
Employers .....	142,913	182,509
Members .....	109,635	139,349
Retiree health care premiums .....	—	—
Service credit purchases .....	15,969	21,215
CLSF transfer .....	49,338	71,524
<b>Total contributions</b> .....	<u>317,855</u>	<u>414,597</u>
<b>Transfers:</b>		
Benefits paid to retirees/cobeneficiaries .....	(254,581)	(290,752)
Benefits paid to survivors .....	(7,431)	(6,218)
Benefits paid for health care participants .....	—	—
Refunds of contribution accounts, including interest .....	(15,772)	(12,908)
Other, net .....	1,481	1,782
<b>Total transfers</b> .....	<u>(276,303)</u>	<u>(308,096)</u>
<b>Administrative expenses</b> .....	<u>(6,014)</u>	<u>(8,656)</u>
<b>Net decrease (increase) in insurance dividend reserve, net of administrative fees</b> .....	<u>—</u>	<u>—</u>
<b>Net decrease (increase) in reserve for health care fund</b> .....	<u>—</u>	<u>—</u>
<b>Net increase in assets available for benefits</b> .....	61,471	135,578
<b>Net assets available for benefits:</b>		
<b>Beginning of year</b> .....	5,366,634	7,775,239
<b>End of year</b> .....	<u>\$ 5,428,105</u>	<u>\$ 7,910,817</u>

<sup>1</sup> Employer contributions into this fund are as follows: State, \$4,356; School, \$5,652; Municipal, \$769; Judicial, \$54.

<sup>2</sup> Employer contributions into this fund are as follows: State, \$10,888; School, \$13,955; Municipal, \$1,944; Judicial, \$129.

<sup>3</sup> Transfers from this fund are as follows: State, \$4,801; School, \$4,775; Municipal, \$385; Judicial, \$80.

The investment income of the Combined Investment Fund has been allocated to the trust funds on a pro rata basis.



# FINANCIAL SECTION

Municipal Division Trust Fund	Judicial Division Trust Fund	Cost of Living Stabilization Fund	Health Care Fund	Common Operating Fund	Insurance Dividend Reserve	Combined Totals	
						1994	1993
\$ 17,309	\$ 1,775	\$ 526	\$ 1,782	\$ —	\$ 335	\$ 333,432	\$ 372,768
9,613	986	292	990	—	412	185,420	162,569
(31,111)	(3,193)	678	(3,229)	—	(570)	(597,990)	1,163,657
2,766	284	84	284	—	54	53,279	35,804
4,973	510	(26)	515	—	93	95,657	14,837
<u>3,550</u>	<u>362</u>	<u>1,554</u>	<u>342</u>	<u>—</u>	<u>324</u>	<u>69,798</u>	<u>1,749,635</u>
21,590	2,240	10,831 <sup>1</sup>	26,896 <sup>2</sup>	—	—	386,979	368,357
19,443	1,291	—	—	—	—	269,718	261,337
—	—	—	17,261	—	—	17,261	16,459
1,082	159	—	—	—	—	38,425	19,172
6,681	692	(128,235)	—	—	—	—	—
<u>48,796</u>	<u>4,382</u>	<u>(117,404)</u>	<u>44,157</u>	<u>—</u>	<u>—</u>	<u>712,383</u>	<u>665,325</u>
(22,831)	(3,491)	—	—	—	—	(571,655)	(509,629)
(1,058)	(294)	—	—	—	—	(15,001)	(14,116)
—	—	—	(45,563)	—	—	(45,563)	(44,538)
(3,636)	(47)	—	—	—	—	(32,363)	(26,751)
272	119	(10,041) <sup>3</sup>	1	1,652	(1,364)	(6,098)	(17,133)
<u>(27,253)</u>	<u>(3,713)</u>	<u>(10,041)<sup>3</sup></u>	<u>(45,562)</u>	<u>1,652</u>	<u>(1,364)</u>	<u>(670,680)</u>	<u>(612,167)</u>
<u>(1,065)</u>	<u>(39)</u>	<u>—</u>	<u>—</u>	<u>(1,652)</u>	<u>—</u>	<u>(17,426)</u>	<u>(16,288)</u>
—	—	—	—	—	1,040	1,040	(1,230)
—	—	—	1,063	—	—	1,063	(7,567)
24,028	992	(125,891)	—	—	—	96,178	1,777,708
<u>724,517</u>	<u>75,287</u>	<u>125,891</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,067,568</u>	<u>12,289,860</u>
<u>\$ 748,545</u>	<u>\$ 76,279</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,163,746</u>	<u>\$ 14,067,568</u>

# FINANCIAL SECTION

## Schedule III- Combining Statement of Accumulated Plan Benefits

As of December 31, 1994, with Comparative Combined Totals for 1993  
(In Thousands of Dollars)

	<u>State Division Trust Fund</u>
<b>Actuarial present value of accumulated plan benefits:</b>	
Vested benefits:	
Benefit recipients.....	\$ 3,103,325
Other members .....	1,839,888
<b>Total vested benefits</b> .....	<u>4,943,213</u>
Non-vested benefits .....	346,995
<b>Total actuarial present value of accumulated plan benefits</b> .....	<u>\$ 5,290,208</u>

## Schedule IV - Combining Statement of Changes in Accumulated Plan Benefits

For the Year Ended December 31, 1994, with Comparative Combined Totals for 1993  
(In Thousands of Dollars)

	<u>State Division Trust Fund</u>
<b>Actuarial present value of accumulated plan benefits at beginning of year</b> .....	\$ 4,975,833
<b>Increase (decrease) during the year attributable to:</b>	
Benefits accumulated and interest amortization, net of refunds.....	576,387
Benefits paid.....	<u>(262,012)</u>
<b>Actuarial present value of accumulated plan benefits at end of year</b> .....	<u>\$ 5,290,208</u>

School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Combined Totals	
			1994	1993
\$ 3,612,340	\$ 291,973	\$ 39,468	\$ 7,047,106	\$ 6,432,810
<u>2,688,487</u>	<u>238,997</u>	<u>24,195</u>	<u>4,791,567</u>	<u>4,588,655</u>
6,300,827	530,970	63,663	11,838,673	11,021,465
<u>478,708</u>	<u>59,873</u>	<u>2,138</u>	<u>887,714</u>	<u>1,001,125</u>
<u>\$ 6,779,535</u>	<u>\$ 590,843</u>	<u>\$ 65,801</u>	<u>\$ 12,726,387</u>	<u>\$12,022,590</u>

School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Combined Totals	
			1994	1993
\$6,433,856	\$549,752	\$63,149	\$ 12,022,590	\$ 9,544,193
642,649	64,980	6,437	1,290,453	3,002,142
<u>(296,970)</u>	<u>(23,889)</u>	<u>(3,785)</u>	<u>(586,656)</u>	<u>(523,745)</u>
<u>\$6,779,535</u>	<u>\$590,843</u>	<u>\$65,801</u>	<u>\$ 12,726,387</u>	<u>\$12,022,590</u>





SUPPORTING SCHEDULES  
FOR FINANCIAL SECTION

(UNAUDITED)



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO



# SUPPORTING SCHEDULES FOR FINANCIAL SECTION

## Schedule of Administrative Expenses

For the Years Ended December 31, 1994 and 1993

	1994	1993
<b>Personnel services:</b>		
Salaries .....	\$ 7,384,154	\$ 7,104,027
Employee benefits.....	1,989,528	1,903,983
<b>Total personnel services.....</b>	<b>9,373,682</b>	<b>9,008,010</b>
<b>Staff education:</b>		
Tuition assistance program.....	62,093	68,494
PERA-required education .....	269,397	242,236
Other .....	156	699
<b>Total staff education.....</b>	<b>331,646</b>	<b>311,429</b>
<b>Professional contracts:</b>		
Actuarial contracts.....	138,297	104,657
Audits.....	98,265	102,873
Medical exams.....	274,313	259,800
Investment counsel.....	261,300	182,076
Legal and legislative counsel.....	487,952	415,158
Computer services and consulting.....	279,429	407,702
Management consulting.....	805,852	291,101
Health care consultants.....	144,283	200,105
Other.....	138,539	117,821
<b>Total professional contracts.....</b>	<b>2,628,230</b>	<b>2,081,293</b>
<b>Miscellaneous:</b>		
Equipment rental and services .....	567,213	470,984
Memberships .....	112,716	82,742
Publications and subscriptions .....	50,733	58,197
Travel and local expense.....	303,771	337,217
Board fiduciary expense.....	2,864	22,082
Auto expense .....	13,478	16,454
Telephone .....	204,013	138,356
Postage.....	542,665	497,265
Insurance.....	124,280	119,073
Printing.....	418,829	320,845
Office supplies.....	456,447	731,503
Building rent, supplies and utilities.....	398,830	285,629
Other.....	0	6,327
<b>Total miscellaneous.....</b>	<b>3,195,839</b>	<b>3,086,674</b>
<b>Total budgeted expense.....</b>	<b>15,529,397</b>	<b>14,487,406</b>
<b>Depreciation expense .....</b>	<b>1,587,331</b>	<b>1,439,722</b>
<b>Total expense.....</b>	<b>17,116,728</b>	<b>15,927,128</b>
<b>Interfund transactions .....</b>	<b>309,123</b>	<b>359,029</b>
<b>Total administrative expense.....</b>	<b>\$ 17,425,851</b>	<b>\$ 16,286,157</b>
<b>Allocation of administrative expense:</b>		
State Division .....	\$ 6,643,981	\$ 6,170,077
School Division .....	9,562,075	8,989,445
Municipal Division.....	1,177,004	1,085,961
Judicial Division .....	42,791	40,674
<b>Total allocation .....</b>	<b>\$ 17,425,851</b>	<b>\$ 16,286,157</b>

# SUPPORTING SCHEDULES FOR FINANCIAL SECTION

## Schedule of Cash Receipts and Disbursements

For the Years Ended December 31, 1994 and 1993  
(In Thousands of Dollars)

	<u>1994</u>	<u>1993</u>
<b>Cash balance at beginning of year</b> .....	\$ (10,196)	\$ (14,214)
<b>Add cash receipts:</b>		
Contributions:		
Members .....	269,718	261,337
Employers .....	386,979	368,357
Health Care Fund .....	17,261	16,459
Investment income .....	849,594	926,746
Purchased service receipts .....	38,425	19,172
<b>Total cash receipts</b> .....	<u>1,561,977</u>	<u>1,592,071</u>
<b>Less cash disbursements:</b>		
Net investment purchases .....	869,457	959,598
Benefit payments .....	632,219	568,283
Refunds .....	32,363	26,751
Administrative expenses .....	17,426	16,288
Other .....	6,098	17,133
<b>Total cash disbursements</b> .....	<u>1,557,563</u>	<u>1,588,053</u>
<b>Cash balance at end of year</b> .....	<u>\$ (5,782)</u>	<u>\$ (10,196)</u>

# SUPPORTING SCHEDULES FOR FINANCIAL SECTION

## Schedule of Disbursements by Function<sup>1</sup>

(In Thousands of Dollars)

	Contribution Refunds	Interest Paid	Benefit Payments <sup>2</sup>	Administrative Expenses <sup>3</sup>	Total Expenses
<b>State Division</b>					
1985.....	\$ 15,246	\$ —	\$ 99,239	\$ 2,248	\$ 116,733
1986.....	13,358	—	111,483	2,810	127,651
1987.....	13,735	—	126,099	2,993	142,827
1988.....	14,679	—	143,901	3,035	161,615
1989.....	19,942	—	155,956	4,134	180,032
1990.....	15,750	—	170,434	4,031	190,215
1991.....	14,005	—	185,345	4,559	203,909
1992.....	15,339	621	205,937	4,919	226,816
1993.....	11,331	731	235,191	5,543	252,796
1994.....	14,715	1,057	262,012	6,014	283,798
<b>School Division</b>					
1985.....	\$ 13,290	\$ —	\$ 92,511	\$ 3,173	\$ 108,974
1986.....	12,152	—	103,500	4,015	119,667
1987.....	11,108	—	118,194	4,318	133,620
1988.....	11,575	—	137,135	4,355	153,065
1989.....	14,419	—	153,409	5,872	173,700
1990.....	13,200	—	172,787	5,775	191,762
1991.....	11,113	—	195,372	6,607	213,092
1992.....	12,082	541	225,225	7,202	245,050
1993.....	10,923	749	263,322	8,075	283,069
1994.....	11,942	966	296,970	8,656	318,534
<b>Municipal Division</b>					
1985.....	\$ 2,796	\$ —	\$ 8,008	\$ 365	\$ 11,169
1986.....	2,661	—	9,352	470	12,483
1987.....	2,690	—	10,860	516	14,066
1988.....	3,358	—	12,703	520	16,581
1989.....	4,017	—	13,856	683	18,556
1990.....	3,640	—	15,248	663	19,551
1991.....	3,176	—	16,880	758	20,814
1992.....	3,815	150	19,146	831	23,942
1993.....	2,832	185	21,696	976	25,689
1994.....	3,402	234	23,889	1,065	28,590
<b>Judicial Division</b>					
1985.....	\$ 85	\$ —	\$ 1,664	\$ 17	\$ 1,766
1986.....	66	—	1,886	21	1,973
1987.....	171	—	2,241	22	2,434
1988.....	43	—	2,446	24	2,513
1989.....	28	—	2,660	32	2,720
1990.....	31	—	2,825	32	2,888
1991.....	85	—	3,047	36	3,168
1992.....	120	6	3,230	36	3,392
1993.....	—	—	3,536	37	3,573
1994.....	45	2	3,785	39	3,871

<sup>1</sup> Information for 1986-1994 is on an accrual basis; information for prior years is on a cash basis.

<sup>2</sup> Benefit payments include both retirement and survivor benefit payments.

<sup>3</sup> Totals for 1986-1994 do not include the Health Care Fund, the Common Operating Fund or the Insurance Dividend Reserve.



# SUPPORTING SCHEDULES FOR FINANCIAL SECTION

## Schedule of Receipts by Source

(In Thousands of Dollars)

	Member Contributions <sup>1</sup>	Employer Contributions <sup>1</sup>	Investment Income <sup>2</sup>	Service Credit Purchases <sup>3</sup>	Misc. Income <sup>4</sup>	Total Revenues
<b>State Division</b>						
1985.....	\$ 71,777	\$ 108,263	\$ 251,086	\$ —	\$ 34	\$ 431,160
1986.....	75,086	87,901	333,992	—	41	497,020
1987.....	79,757	83,022	68,972	—	41	231,792
1988.....	82,706	86,733	321,160	—	—	490,599
1989.....	86,146	100,439	507,304	—	—	693,889
1990.....	90,971	106,133	2,789	1,818	—	201,711
1991.....	111,081	141,456	697,957	3,414	—	953,908
1992.....	107,865	97,956	255,610	3,711	—	465,142
1993.....	107,515	110,902	664,567	8,210	—	891,194
1994.....	109,635	142,913	25,933	15,969	49,338	343,788
<b>School Division</b>						
1985.....	\$ 89,181	\$ 138,009	\$ 329,785	\$ —	\$ 49	\$ 557,024
1986.....	98,030	117,210	447,388	—	47	662,675
1987.....	104,176	119,167	91,707	—	13	315,063
1988.....	108,280	123,744	446,556	—	—	678,580
1989.....	114,701	138,821	716,172	—	—	969,694
1990.....	117,852	142,783	5,560	4,337	—	270,532
1991.....	114,237	121,016	1,002,861	6,534	—	1,244,648
1992.....	132,446	150,641	367,376	5,524	—	655,987
1993.....	134,501	147,969	960,053	10,547	—	1,253,070
1994.....	139,349	182,509	37,733	21,215	71,524	452,330
<b>Municipal Division</b>						
1985.....	\$ 12,033	\$ 15,305	\$ 30,812	\$ —	\$ 7	\$ 58,157
1986.....	13,029	12,044	41,087	—	7	66,167
1987.....	13,738	12,693	8,368	—	7	34,806
1988.....	14,488	12,848	42,562	—	—	69,898
1989.....	14,236	13,169	66,472	—	—	93,877
1990.....	15,781	14,600	529	130	—	31,040
1991.....	16,127	14,707	93,397	450	—	124,681
1992.....	18,122	16,259	34,683	216	—	69,280
1993.....	18,025	16,228	88,915	336	—	123,504
1994.....	19,443	21,590	3,550	1,082	6,681	52,346
<b>Judicial Division</b>						
1985.....	\$ 879	\$ 1,623	\$ 3,469	\$ —	\$ —	\$ 5,971
1986.....	875	1,365	4,438	—	—	6,678
1987.....	872	1,207	1,065	—	—	3,144
1988.....	958	1,401	4,559	—	—	6,918
1989.....	1,023	1,585	7,181	—	—	9,789
1990.....	1,047	1,599	31	28	—	2,705
1991.....	1,143	1,754	9,791	14	—	12,702
1992.....	1,254	1,917	3,552	17	—	6,740
1993.....	1,296	1,977	9,273	79	—	12,625
1994.....	1,291	2,240	362	159	692	4,744

<sup>1</sup> Member and employer contribution rate history is shown on page 67. Employer contributions for 1986-1994 are net of HCF and CLSF contributions.

<sup>2</sup> Investment income for 1986-1994 does not include amounts allocated to the HCF, CLSF and Common Operating Fund.

<sup>3</sup> Receipts for purchased service credit in 1990-1994 are shown as separate line items. In previous years, they were combined with "Other Net Transfers" in the Financial Statements.

<sup>4</sup> Membership fees were discontinued after 1987. Miscellaneous income in 1994 is due to assets transferred from the CLSF as required by House Bill 93-1324.





# INVESTMENTS SECTION

(UNAUDITED)



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO



## PERA Investment Policy Summary

### State Law

State law gives complete responsibility for the investment of PERA's funds to the Board of Trustees, with some restrictions 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.

### Goal

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

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

### Policy

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

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

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

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

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

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

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

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

Preference will be given to Colorado investments, all other things being equal. However, to provide optimal portfolio diversification by geographical location and asset categories, and to maintain fiduciary responsibility, investments located within Colorado can be up to 20 percent of the aggregate (combined) portfolio at cost. Within the 20 percent, every effort will be made to further diversify the available asset classes (commercial real estate mortgages, common stock holdings, corporate debt, equity ownership of real estate, residential mortgage pools and venture capital).

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

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

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

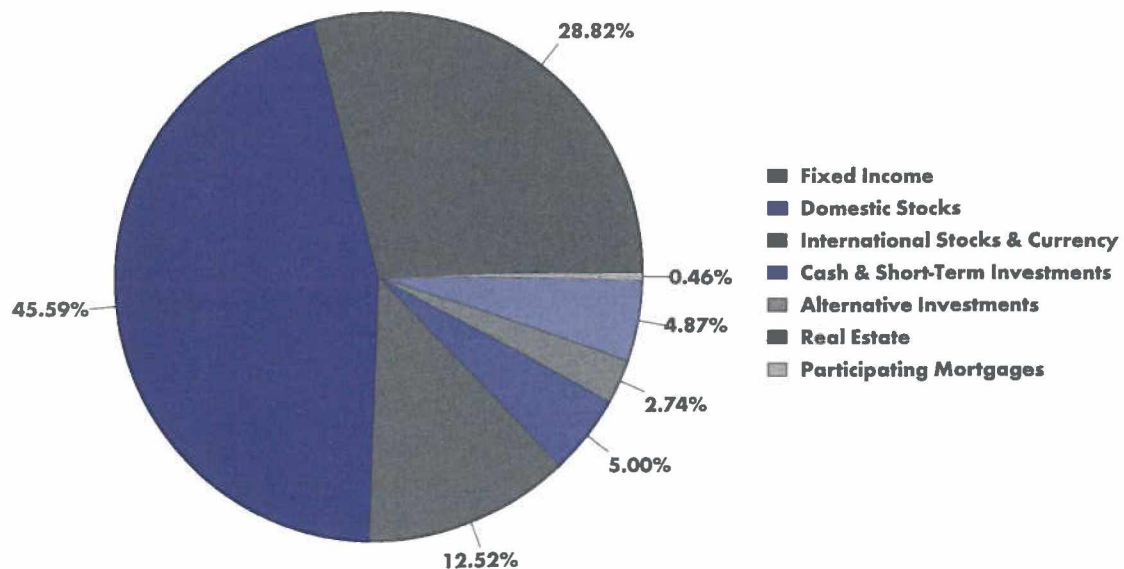
Investment Summary

(In Thousands of Dollars)

Type of Investment	December 31, 1994		December 31, 1993		1994
	Amortized Cost	Market Value	Amortized Cost	Market Value	% Total Market
Cash and short-term investments.....	\$ 707,247	\$ 706,559	\$ 221,296	\$ 223,444	5.00%
Fixed income:					
U.S. Government obligations.....	1,383,194	1,261,258	2,024,789	2,068,779	8.93%
Taxable municipal bonds.....	16,640	6,151	25,855	22,049	0.04%
Domestic corporate bonds .....	2,346,395	2,158,413	1,656,254	1,671,583	15.30%
Fixed-rate mortgages .....	412,184	361,683	461,840	410,113	2.56%
International fixed income and currency.....	283,693	281,436	266,894	265,248	1.99%
Total fixed income .....	4,442,106	4,068,941	4,435,632	4,437,772	28.82%
Domestic stocks.....	5,341,651	6,436,251	4,904,253	6,291,997	45.59%
International stocks and currency .....	1,436,179	1,767,991	1,336,250	1,718,818	12.52%
Real estate .....	869,966	687,923	650,356	483,507	4.87%
Participating mortgages.....	80,236	65,548	104,646	99,760	0.46%
Guaranteed investment contracts .....	0	0	383,828	404,058	0.00%
Alternative investments:					
Timber investments .....	57,658	94,455	57,905	93,413	0.67%
Venture capital funds .....	104,626	122,387	88,848	113,426	0.87%
Leveraged buyout funds .....	150,670	169,861	128,152	154,343	1.20%
Total alternative investments .....	312,954	386,703	274,905	361,182	2.74%
<b>Total investments.....</b>	<b>\$ 13,190,339</b>	<b>\$ 14,119,916</b>	<b>\$ 12,311,166</b>	<b>\$ 14,020,538</b>	<b>100.00%</b>

1994 Investments Chart

At Market as of December 31, 1994



# INVESTMENTS SECTION

## Fund Performance Evaluation

### Evaluation

PERA retains R.V. Kuhns and Associates and The Northern Trust Company to evaluate its fund performance. In their analyses, R.V. Kuhns and Northern Trust include all investments within the portfolio, including cash and accrued income. They also make the calculations using post-closing amounts for annual rates of return.

### Asset Allocation

As of December 31, 1994, the fund was well-diversified and in line with the Association's strategic asset allocation policy. Over the last five years, the fund has averaged 50.8 percent invested in domestic and international stocks, 36.6 percent in bonds, 2.9 percent in cash and short-term investments, and 8.6 percent in other assets.

During 1994, assets at market value were allocated within the following ranges of the total portfolio: domestic and international stocks, 56.5 to 60.2 percent; bonds, 26.2 to 30.0 percent; cash and short-term investments, 1.6 to 3.5 percent; and other assets, 9.3 to 11.2 percent.

### Total Portfolio Results

For the year ended December 31, 1994, the total fund had a return of 1.1 percent, which placed PERA in the 18th percentile when compared with the Median Public Fund's return of a negative 0.8 percent. The Median Public Fund measure is comprised of 92 different public pension funds used for comparative analysis. The Custom Benchmark return for 1994 was 0.6 percent. The Custom Benchmark return is a weighted composite of index returns for asset classes in the same proportion as those asset classes represented in the total PERA fund. These two funds are used to determine the effectiveness of the Association's portfolio managers.

PERA's 1.1 percent return reflected a year characterized by turbulence in both the stock and bond markets. Rising domestic interest rates and increased fears of an inflationary domestic economy, combined with a weak dollar, contributed to below average historical domestic and international stock market returns.

The Association's annualized rate of return over the last five years was 8.5 percent, comfortably exceeding inflation and equaling the actuarial assumption rate. The average return over the last 10 years was 10.9 percent.

### Domestic Stocks

PERA's domestic stock portfolio return of 1.0 percent in 1994 was similar to weak returns realized by the Standard and Poor's (S&P) 500 Index return of 1.3 percent, and the Dow Jones Industrial Average return of 5 percent.

The use of stock options enhanced the PERA stock portfolio by adding a 0.58 percent return to the overall PERA S&P 500 Index return, and a 1.43 percent return to the PERA Index Tilt Portfolio return.

In 1994, one additional external manager was selected to manage \$200 million in domestic stocks, but PERA continues to manage more than 90 percent of the domestic stock portfolio internally.

### International Stocks

In 1994, PERA's 10 international equity managers continued to invest in selected international stocks. The benchmark by which these managers are evaluated is the Europe-Australia-Far East (EAFE) Index. PERA's 1994 composite portfolio return for international equities was 4.1 percent, compared to the EAFE return of 8.1 percent.

Two additional external managers were selected in 1994 for the international stock portfolio to manage \$200 million of PERA funds; \$138 million of this amount was funded in 1994.

### Domestic Bonds

PERA's fixed income performance is compared to the Lehman Brothers Government Corporate Bond Index. For 1994, PERA had a negative return for domestic bonds of negative 2.7 percent, which was better than the Lehman Brothers Government Corporate Bond Index return of negative 3.5 percent.

The 1994 bond market's steep decline, the worst in 40 years, was largely due to dramatic improvements in the nation's economy, which caused interest rates to sharply rise, owing to inflation fears and increased demand for credit.

### International Bonds

The benchmark by which international bonds are measured is the Salomon World Non-U.S. Government Bond Index. PERA's international bonds earned a 2.5 percent rate of return in 1994, compared to Salomon's Index return of 6 percent.

In 1994, PERA's international bonds outperformed domestic bonds primarily due to a weak U.S. dollar.

### Real Estate

In 1994, PERA's real estate portfolio had a total return of 4.7 percent, compared to the Institutional Property Consultants (IPC) Index return of 7.5 percent and the Frank Russell/NCREIF Index return of 6.7 percent.

On an income basis, PERA's real estate portfolio produced a 9.8 percent return during the year versus the IPC Index return of 8.2 percent and the Russell/NCREIF return of 9.2 percent. PERA's portfolio has outperformed both benchmarks for the last four years. PERA's five-year annualized income return was 8 percent versus 6.5 percent for the IPC Index return.

PERA's properties are regularly valued by independent appraisers to establish market values. Until an actual sale of an investment occurs, value changes are included in the appreciation component of returns. The appreciation component of PERA's real estate investment returns over the last five years has negatively affected the overall real estate portfolio.

PERA invested over \$190 million in new equity real estate transactions in 1994 and liquidated five investments for a total of approximately \$34 million.

PERA's mortgage portfolio achieved a 13 percent return in 1994, with a five-year annualized return of 11.4 percent.

Annual Rates of Return

	1990	1991	1992	1993	1994	5-Year Annualized
<b>Total portfolio:</b>						
PERA .....	1.5 %	20.1 %	6.4 %	14.9 %	1.1 %	8.5 %
Median Public Fund .....	2.8 %	21.7 %	7.1 %	12.1 %	(0.8) %	8.3 %
Custom Benchmark .....	1.7 %	19.9 %	5.4 %	13.4 %	0.6 %	8.0 %
<b>Domestic stocks:</b>						
PERA .....	(3.5) %	29.6 %	8.7 %	12.2 %	1.0 %	9.0 %
Standard and Poor's 500 .....	(3.2) %	30.6 %	7.7 %	10.0 %	1.3 %	8.7 %
<b>International stocks:</b>						
PERA .....	(15.4) %	14.3 %	(4.3) %	31.7 %	4.1 %	4.9 %
Europe-Australia-Far East Index (EAFE) .....	(23.2) %	12.5 %	(11.7) %	33.3 %	8.1 %	1.9 %
<b>Domestic bonds:</b>						
PERA .....	7.6 %	16.9 %	7.3 %	11.9 %	(2.7) %	8.0 %
Lehman Brothers Government Corporate Bond Index .....	8.3 %	16.1 %	7.6 %	11.0 %	(3.5) %	7.7 %
<b>International bonds:</b>						
PERA .....	N/A	N/A	5.9 % <sup>1</sup>	18.4 %	2.5 %	N/A
Salomon World Non-U.S. Government Bond Index .....	15.3 %	16.2 %	4.8 %	15.1 %	6.0 %	11.4 %
<b>Real estate/participating mortgages:</b>						
PERA total .....	(6.1) %	(7.5) %	0.5 %	5.6 %	4.7 %	(0.7) %
Income return .....	6.3 %	7.1 %	7.9 %	9.1 %	9.8 %	8.0 %
Property value increase/decrease .....	(11.7) %	(13.9) %	(7.4) %	(3.3) %	(4.8) %	(8.3) %
Institutional Property Consultants Index total .....	0.7 %	(4.4) %	(3.9) %	1.9 %	7.5 %	0.3 %
Income return .....	5.2 %	4.8 %	6.5 %	7.7 %	8.2 %	6.5 %
Property value increase/decrease .....	(4.4) %	(8.9) %	(10.4) %	(5.5) %	(0.5) %	(6.0) %
Frank Russell/NCREIF Index total .....	1.5 %	(6.1) %	(4.6) %	0.9 %	6.7 %	(0.4) %
Income return .....	6.7 %	6.9 %	7.7 %	8.8 %	9.2 %	7.8 %
Property value increase/decrease .....	(5.0) %	(12.3) %	(11.7) %	(7.4) %	(2.3) %	(7.8) %

<sup>1</sup> 1992 was the first full year PERA invested in international bonds.

Colorado Investment Profile

The Association continues to seek out high-quality Colorado investments. Total PERA investments in Colorado are valued at more than \$882 million, a decrease of \$20 million from 1993.

Commercial mortgages .....	\$ 83,000,000
Committed to future funding .....	78,200,000
Common stock of companies headquartered in Colorado .....	73,200,000
Corporate bonds and notes .....	30,400,000
Real estate .....	162,400,000
State and local bonds .....	18,900,000
Funds under management of Colorado companies (venture capital and stock managers) .....	436,200,000
<b>Total .....</b>	<b>\$ 882,300,000</b>

# INVESTMENTS SECTION

## Internally Managed Stocks

As of December 31, 1994

	Shares Held	Cost	Market Value
<b>Equity Portfolio</b>			
Small Cap Equity Fund .....	7,524,430	\$ 119,176,773	\$ 159,114,837
S&P 500 Index Fund .....	68,197,668	2,046,692,526	2,661,537,971
S&P 500 Index Options .....	N/A	(37,807,700)	(38,464,588)
Index Tilt Fund .....	20,193,463	639,563,299	816,596,028
Index Tilt Options .....	N/A	(10,302,004)	(10,462,144)
S&P Mid Cap Index Fund .....	21,135,428	491,477,999	526,971,506
Momentum Fund .....	4,299,830	99,057,047	107,777,736
Growth Fund .....	7,456,900	316,192,088	328,136,113
S&P Index Spread Options .....	N/A	(9,028,627)	(8,842,500)
Low P/E Fund .....	2,408,026	67,732,999	64,364,568
Venture Capital Equity Distribution .....	945,742	20,095,705	11,018,257
<b>Subtotal</b> .....	<b>132,161,487</b>	<b>\$ 3,742,850,105</b>	<b>\$ 4,617,747,784</b>

## Actively Managed Portfolio

AMP, Inc. ....	300,000	\$ 13,692,468	\$ 21,825,000
AT & T Corp. ....	300,000	12,489,370	15,075,000
Abbott Laboratories .....	310,000	4,038,004	10,113,750
Air Products & Chemicals Inc. ....	250,000	11,117,121	11,156,250
American General Corporation .....	150,000	5,017,693	4,237,500
American Home Products Corp. ....	100,000	6,474,750	6,275,000
American International Group, Inc. ....	132,500	9,706,876	12,985,000
Amoco Corp., Inc. ....	150,000	8,324,933	8,868,750
Anadarko Petroleum Corp. ....	225,000	6,185,608	8,662,500
Apache Corp. ....	400,000	9,331,660	10,000,000
Armco Inc. ....	600,000	2,907,781	3,975,000
Atlantic Richfield Co. ....	105,000	11,829,878	10,683,750
Autodesk, Inc. ....	490,000	11,989,662	19,416,250
Avnet, Inc. ....	325,000	8,660,260	12,025,000
Baker Hughes, Inc. ....	600,000	15,832,149	10,950,000
Bard (C.R.), Inc. ....	343,400	9,066,028	9,271,800
Bell Atlantic Corp. ....	260,400	15,631,229	12,954,900
Boeing Co. ....	250,000	11,948,060	11,750,000
Bowater Inc. ....	250,000	5,898,270	6,656,250
Bristol-Myers Squibb Co. ....	180,000	8,536,724	10,417,500
Browning-Ferris Industries, Inc. ....	350,000	9,567,138	9,931,250
Brush Wellman, Inc. ....	588,900	8,466,932	10,232,138
CBI Industries, Inc. ....	200,000	5,166,418	5,125,000



## Internally Managed Stocks

As of December 31, 1994

	Shares Held	Cost	Market Value
Calgon Carbon Corp. ....	380,000	\$ 6,045,286	\$ 3,800,000
Cardinal Health, Inc. ....	70,000	2,730,000	3,246,250
Carnival Cruise Lines, Inc. ....	600,000	9,145,244	12,750,000
Carpenter Technology Corp. ....	56,000	2,634,860	3,136,000
Caterpillar, Inc. ....	225,000	5,263,559	12,403,125
Centex Corp. ....	100,000	2,076,425	2,275,000
Chevron Corp. ....	300,000	7,230,097	13,387,500
Cinergy Corp. ....	450,000	9,635,742	10,575,000
Columbia/HCA Healthcare Corp. ....	363,125	10,394,625	13,254,063
Cosat Corp. ....	500,000	12,120,323	9,312,500
Cooper Industries, Inc. ....	270,000	6,643,746	9,180,000
Corning Inc. ....	300,000	10,165,711	8,962,500
Crown Cork & Seal Co. Inc. ....	125,000	4,669,163	4,718,750
Cypress Semiconductor Corp. ....	400,000	5,518,935	9,250,000
Detroit Edison Company ....	200,000	6,737,000	5,225,000
Dexter Corp. ....	300,000	6,532,833	6,525,000
Disney (Walt) Co. ....	300,000	12,006,870	13,800,000
Dominion Resources Inc. ....	180,000	5,883,700	6,480,000
Donnelley (R.R.) & Sons Co. ....	450,000	12,966,488	13,275,000
Dover Corp. ....	200,000	8,499,675	10,325,000
Dow Chemical Co. ....	162,600	9,884,681	10,934,850
Dresser Industries, Inc. ....	900,000	11,948,808	16,987,500
Du Pont (E.I.) De Nemours & Co. ....	190,000	8,629,176	10,663,750
Dun & Bradstreet Corp. ....	200,000	9,508,897	11,000,000
EG & G, Inc. ....	274,500	5,266,909	3,877,313
E-Systems, Inc. ....	250,000	10,818,104	10,406,250
Emerson Electric Co. ....	275,000	10,056,634	17,153,125
Enron Corp. ....	400,000	7,300,000	12,200,000
ENSERCH Corp. ....	400,000	7,520,168	5,250,000
First Mississippi Corp. ....	115,000	1,817,507	2,875,000
First Union Corp. ....	235,000	6,954,849	9,723,125
FlightSafety International, Inc. ....	120,000	4,569,113	4,875,000
Fluor Corp. ....	140,000	6,784,661	6,037,500
Foster Wheeler Corp. ....	150,000	6,315,415	4,462,500
GTE Corp. ....	400,000	12,716,071	12,150,000
Gap, Inc. ....	250,000	9,691,267	7,625,000
General Electric Co. ....	450,000	17,309,703	22,950,000
General Motors Corp. ....	150,000	4,960,010	5,231,250
General Re Corp. ....	85,000	7,880,572	10,497,500

# INVESTMENTS SECTION

## Internally Managed Stocks

As of December 31, 1994

	Shares Held	Cost	Market Value
General Signal Corp. ....	400,000	\$ 8,851,688	\$ 12,750,000
Genuine Parts Company .....	300,000	9,510,017	10,800,000
Gillette Company .....	200,000	10,587,235	14,975,000
Grainger (W.W.) Inc. ....	250,000	13,702,378	14,437,500
Halliburton Co. ....	370,000	10,575,518	12,256,250
Hasbro, Inc. ....	100,000	3,532,109	2,912,500
Hewlett-Packard Co. ....	125,000	6,615,910	12,484,375
Honeywell, Inc. ....	300,000	11,355,630	9,450,000
Humana Inc. ....	650,000	9,604,942	14,706,250
Illinois Tool Works, Inc. ....	235,000	8,628,913	10,281,250
Illinova Corp. ....	300,000	6,832,713	6,553,200
Ingersoll-Rand Co. ....	390,000	7,828,298	12,285,000
Johnson & Johnson.....	100,000	1,692,013	5,475,000
Kerr-McGee Corp. ....	75,000	3,416,327	3,468,750
Kimberly-Clark Corp. ....	250,000	14,696,615	12,593,750
Laidlaw Inc. ....	590,000	8,514,571	4,646,250
Leggett & Platt, Inc. ....	200,000	4,461,825	7,000,000
Lilly (Eli) & Co. ....	135,000	9,295,898	8,859,375
Limited, Inc. (The) ....	200,000	3,955,375	3,625,000
Lincoln National Corp. ....	250,000	8,464,887	8,750,000
Louisiana Land & Exploration Co. ....	275,000	12,219,020	10,003,125
M/A-Com, Inc. ....	599,400	4,095,604	4,345,650
MCI Communications Corp. ....	700,000	14,352,260	12,862,500
MCN Corp. ....	600,000	8,498,245	10,800,000
Mattel, Inc. ....	375,000	8,135,380	9,421,875
McGraw Hill Inc. ....	200,000	13,454,951	13,375,000
Merck & Co., Inc. ....	50,000	1,672,375	1,906,250
Michaels Stores, Inc. ....	165,000	6,326,721	5,733,750
Minnesota Mining & Manufacturing Co. ....	140,000	4,617,289	7,472,500
Mobil Corp. ....	150,000	7,135,979	12,637,500
Motorola Inc. ....	120,000	6,995,748	6,960,000
Nalco Chemical Co. ....	346,900	8,091,135	11,621,150
Navistar International Corp. ....	100,000	3,499,031	1,512,500
Newmont Mining Corp. ....	224,658	8,313,163	8,087,688
Norwest Corp. ....	220,000	2,760,349	5,142,500
Oregon Steel Mills, Inc. ....	300,000	6,787,863	4,687,500
Pacific Telesis Group.....	300,000	9,311,670	8,550,000
Pall Corp. ....	450,000	7,654,831	8,437,500
Parker-Hannifin Corp. ....	210,600	6,867,995	9,582,300

## Internally Managed Stocks

As of December 31, 1994

	Shares Held	Cost	Market Value
Procter & Gamble Co. ....	290,000	\$ 14,801,933	\$ 17,980,000
Public Service Co. of Colo. ....	340,000	8,219,429	9,987,500
Quaker State Corp. ....	250,000	3,067,651	3,500,000
Raytheon Co. ....	170,000	7,082,561	10,858,750
Rite Aid Corp. ....	165,000	3,700,043	3,856,875
Rockwell International Corp. ....	200,000	6,769,217	7,150,000
Rohm & Haas Co. ....	75,000	4,061,400	4,284,375
Rollins Environmental Services, Inc. ....	763,200	8,649,630	3,816,000
Royal Dutch Petroleum Co. ....	100,000	5,256,385	10,775,000
Schlumberger Ltd. ....	202,000	12,779,032	10,175,750
Shared Medical Systems Corp. ....	325,000	6,673,444	10,643,750
Sherwin-Williams Co. ....	550,000	13,012,568	18,356,250
Skyline Corp. ....	155,000	2,606,106	2,906,250
Snap-On Tools Corp. ....	225,000	7,476,942	7,481,250
Sonat Inc. ....	500,000	12,888,035	14,000,000
SBC Communications, Inc. ....	250,000	10,616,826	10,093,750
Sprint Corp. ....	340,000	9,828,578	9,392,500
Sun Company, Inc. ....	300,000	8,566,230	8,625,000
Sundstrand Corp. ....	200,000	6,496,119	9,100,000
Terra Industries, Inc. ....	187,900	1,430,318	1,949,463
Texaco, inc. ....	175,000	10,871,470	10,478,125
Thiokol Corp. ....	179,600	3,770,458	5,006,350
Thomas & Betts Corp. ....	100,000	5,489,313	6,712,500
Toys 'R' Us, Inc. ....	130,000	2,307,797	3,981,250
UNUM Corp. ....	100,000	4,421,075	3,775,000
Union Camp Corp. ....	206,900	8,891,599	9,750,163
Union Pacific Corp. ....	220,000	7,417,639	9,982,500
U S WEST Communications, Inc. ....	340,000	12,399,942	12,112,500
United Technologies Corp. ....	125,000	5,866,963	7,859,375
Valero Energy Corp. ....	200,000	4,768,563	3,375,000
Viacom, Inc. ....	363,690	5,996,592	14,820,368
Vigoro Corp. (The).....	105,000	3,293,329	3,150,000
Western Atlas Inc. ....	153,000	5,819,422	5,756,625
Williams Companies, Inc. (The).....	540,000	10,134,375	13,567,500
Worthington Industries, Inc. ....	250,000	5,281,563	5,000,000
<b>Total actively managed portfolio.....</b>	<b>37,499,273</b>	<b>\$ 1,072,336,857</b>	<b>\$ 1,231,076,396</b>
<b>Total internally managed domestic stocks.....</b>	<b>169,660,760</b>	<b>\$ 4,815,186,962</b>	<b>\$ 5,848,824,180</b>

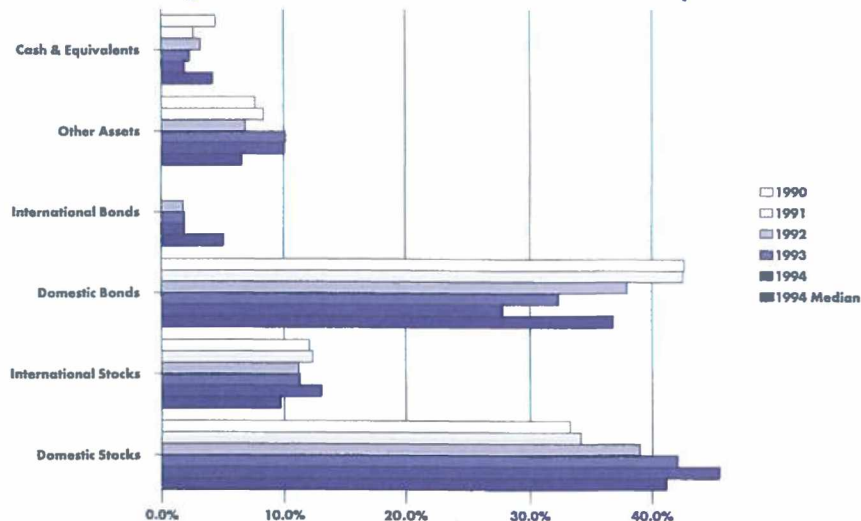
# INVESTMENTS SECTION

## External Equity and Fixed Income Managers

Assets Under Management As of December 31, 1994

	Cost	Market Value
<b>Domestic stock managers:</b>		
Alliance Capital Management L.P. (Large Cap Growth).....	\$ 215,709,655	\$ 209,333,378
Denver Investment Advisors .....	110,042,409	150,224,235
Janus Capital Corp. ....	114,002,090	160,981,587
United Capital Management .....	126,625,004	144,501,244
<b>Total</b> .....	<b>566,379,158</b>	<b>665,040,444</b>
<b>International stock managers:</b>		
Alliance Capital Management L.P. (EAFE) .....	203,629,741	243,309,459
Alliance Capital Management L.P. (Enhanced EAFE).....	90,235,333	96,990,864
Bankers Trust Co. (Southeast Asia Fund) .....	75,000,000	72,198,898
Baring International Investment Ltd. ....	120,717,208	231,838,254
Baring International Investment Ltd. (Emerging Markets).....	27,893,517	25,210,776
BEA Associates .....	63,133,739	54,071,149
Brinson Partners, Inc. ....	205,453,637	257,803,157
Dunedin Fund Managers Ltd.....	116,149,077	138,914,909
Morgan Grenfell Asset Management .....	192,306,895	219,327,234
Nomura Capital Management, Inc.....	190,226,939	221,780,249
Philippe Investment Management, Inc.....	193,742,325	215,413,943
Schroder Capital Management International .....	100,000,000	132,853,417
<b>Total</b> .....	<b>1,578,488,411</b>	<b>1,909,712,309</b>
<b>Domestic bond managers:</b>		
Alliance Capital Management L.P. (Private Placement).....	49,456,648	46,586,228
Fischer-Francis Trees & Watts, Inc.....	277,577,460	274,810,571
LM Capital Management, Inc. ....	32,227,265	30,972,491
NCM Capital Management Group, Inc. ....	31,762,632	30,723,073
TCW Asset Management Company.....	244,191,575	215,107,800
<b>Total</b> .....	<b>635,215,580</b>	<b>598,200,163</b>
<b>International bond manager:</b>		
Julius Baer Investment Management, Inc.....	274,340,398	270,466,541
<b>Total externally managed equities and fixed income assets</b> .....	<b>\$ 3,054,423,547</b>	<b>\$ 3,443,419,457</b>

Average Percent of Asset Allocation Graph



## Investment Brokers/Advisors

A.G. Edwards  
Alex Brown & Sons Inc.  
Bear Stearns & Co., Inc.  
Bridge Information Systems  
Cabot Partners  
Dean Witter Reynolds, Inc.  
Dillon Read & Co.  
Donaldson Lufkin & Jenrette  
Equitable Real Estate  
First Boston Corp.  
First Chicago Corp.  
Goldman Sachs & Co.

Hanifen, Imhoff Inc.  
Heitman Advisory Corp.  
I.T.G. Posit  
InstiNet Corp.  
INVESCO Realty Advisors  
J.P. Morgan Securities, Inc.  
Kidder, Peabody & Co., Inc.  
La Salle Advisors Ltd.  
Lehman Brothers Inc.  
L & B Real Estate Counsel  
Merrill Lynch & Co., Inc.  
Metric Realty Advisors

Oppenheimer & Co., Inc.  
Paine Webber Inc.  
Phoenix Realty Advisors  
Piper Jaffray Inc.  
Prudential Realty Investors  
Prudential Securities Inc.  
RREEF  
Salomon Brothers, Inc.  
Security Capital Realty  
Smith Barney Shearson Inc.  
W.G. Trading Co.  
Zell/Merrill Lynch Opportunity Partners II





# ACTUARIAL SECTION

(UNAUDITED)



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO



Report of the Independent Actuary

One Tabor Center  
1200 Seventeenth Street  
Suite 1200  
Denver, CO 80202-5812  
303 628-4000  
Fax: 303 628-4090

*Towers Perrin*

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May 19, 1995

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

Ladies and Gentlemen:

The basic financial objective of PERA is to establish and receive contributions which, when expressed as percents of active member payroll, will remain approximately level from generation to generation of active members.

Progress toward this objective is measured by means of annual actuarial valuations which determine present financial position and test the adequacy of established contribution rates. The latest completed actuarial valuations were based upon data and assumptions as of December 31, 1994. These valuations indicate that the contribution rates, established by statute for benefits then in effect, are consistent with the basic financial objective.

The actuarial valuations were based upon assumptions regarding future experience in various risk areas that were adopted by the Board in 1992. We believe these assumptions produce results which, in the aggregate, are reasonable.

Based upon the valuation results, it is our opinion that the Public Employees' Retirement Association of Colorado continues in sound financial condition.

Sincerely,



Gene H. Wickes, F.S.A.



David C. LeSueur, F.S.A.



## Summary of Actuarial Methods and Assumptions

### Actuarial Methods:

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

Using the plan's schedule of benefits, 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 future plan benefits.

In the case of 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 briefly below.

### Entry Age Actuarial Cost Method

Under the Entry Age Actuarial Cost Method, projected pension, 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 members entitled to deferred 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 an amortization of the unfunded liability. (In PERA's case, the amortization period cannot exceed 60 years.)

The actuarial assumptions discussed to the right are used to determine 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, which result in an adjustment of the unfunded liability.

### Asset Valuation Method

The method for valuing assets is intended to recognize a "smoothed" market value of assets. This means that the difference between actual market value actuarial gains and the expected actuarial gains is recognized over a four-year period.

### Actuarial Assumptions:

The following economic and non-economic actuarial assumptions were adopted in 1992 by PERA's Board of Trustees based on advice from the consulting actuary. The assumptions, which are reviewed in depth every five years, are used to project the plan's future experience.

### Economic Assumptions

The investment return rate used in the valuations is 8.5 percent per year compounded annually (net after administrative expenses). The real rate of return is the portion of the total investment return, which is in excess of the inflation rate. Considering other financial assumptions, the 8.5 percent investment return rate translates into an assumed real rate of return of 3 percent.

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

### Non-Economic Assumptions

A mortality table (Colorado Projected Experience Table - 90) is based on PERA experience. The table is used to estimate the value of benefits expected to be paid. Related values are shown in Exhibit F. For disability retirement, impaired longevity is recognized by basing benefit values on an adjusted age midway between attained age and normal retirement age.

The probabilities of age and service retirement are shown in Exhibit G. They were updated in 1993 to reflect the plan change that now allows retirement at age 50 with 25 years of service credit.

The probabilities of withdrawal from service, disability and death-in-service are shown for sample ages in Exhibits A, B, C, D and E. It was assumed that all members terminating before age 35 (with less than five years of service) would withdraw their contributions and forfeit their PERA benefits. The percentage of members who terminate after age 35 and elect to withdraw their contributions is assumed to equal 4 percent times the number of years that their age at termination is before age 60 (for example, 4 percent at age 59 and 80 percent at age 40).

# ACTUARIAL SECTION

## Separations From Employment Before Retirement and Individual Pay Increase Assumptions

### Exhibit A — State Division

#### Members Other Than State Troopers

Sample Ages	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year
	Men	Women	Men	Women	Men	Women			
20	8.00%	10.00%	0.05%	0.03%	0.01%	0.01%	5.00%	5.50%	10.50%
25	8.00%	10.00%	0.06%	0.03%	0.04%	0.04%	3.70%	5.50%	9.20%
30	6.33%	9.54%	0.08%	0.05%	0.06%	0.06%	2.70%	5.50%	8.20%
35	4.71%	7.86%	0.11%	0.07%	0.20%	0.20%	2.00%	5.50%	7.50%
40	4.04%	6.00%	0.16%	0.09%	0.27%	0.27%	1.40%	5.50%	6.90%
45	4.00%	5.15%	0.29%	0.14%	0.43%	0.43%	1.00%	5.50%	6.50%
50	4.00%	4.90%	0.53%	0.22%	0.83%	0.83%	0.80%	5.50%	6.30%
55	4.00%	4.65%	0.72%	0.29%	1.12%	1.12%	0.60%	5.50%	6.10%
60	4.00%	4.50%	0.91%	0.44%	1.20%	1.20%	0.40%	5.50%	5.90%
65	4.00%	4.50%	1.42%	0.77%	1.20%	1.20%	—	5.50%	5.50%

#### State Troopers

Sample Ages	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year
	Men	Women	Men	Women	Men	Women			
20	6.00%	6.00%	0.05%	0.03%	0.01%	0.01%	5.00%	5.50%	10.50%
25	6.00%	6.00%	0.06%	0.03%	0.04%	0.04%	3.70%	5.50%	9.20%
30	5.10%	5.10%	0.08%	0.05%	0.06%	0.06%	2.70%	5.50%	8.20%
35	2.70%	2.70%	0.11%	0.07%	0.20%	0.20%	2.00%	5.50%	7.50%
40	1.60%	1.60%	0.16%	0.09%	0.27%	0.27%	1.40%	5.50%	6.90%
45	1.10%	1.10%	0.29%	0.14%	0.43%	0.43%	1.00%	5.50%	6.50%
50	1.00%	1.00%	0.53%	0.22%	0.83%	0.83%	0.80%	5.50%	6.30%
55	1.00%	1.00%	0.72%	0.29%	1.12%	1.12%	0.60%	5.50%	6.10%
60	1.00%	1.00%	0.91%	0.44%	1.20%	1.20%	0.40%	5.50%	5.90%
65	1.00%	1.00%	1.42%	0.77%	1.20%	1.20%	—	5.50%	5.50%

### Exhibit B — School Division

Sample Ages	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year
	Men	Women	Men	Women	Men	Women			
20	7.71%	8.00%	0.05%	0.03%	0.01%	0.01%	2.49%	5.50%	7.99%
25	7.41%	8.00%	0.06%	0.03%	0.04%	0.04%	2.49%	5.50%	7.99%
30	5.77%	7.60%	0.08%	0.05%	0.05%	0.05%	1.70%	5.50%	7.20%
35	3.80%	5.56%	0.11%	0.07%	0.12%	0.12%	1.51%	5.50%	7.01%
40	3.11%	4.26%	0.16%	0.09%	0.19%	0.19%	1.14%	5.50%	6.64%
45	3.00%	3.69%	0.29%	0.14%	0.32%	0.32%	0.79%	5.50%	6.29%
50	3.00%	3.50%	0.53%	0.22%	0.76%	0.76%	0.60%	5.50%	6.10%
55	3.00%	3.50%	0.72%	0.29%	1.10%	1.10%	0.50%	5.50%	6.00%
60	3.00%	3.50%	0.91%	0.44%	1.20%	1.20%	0.49%	5.50%	5.99%
65	3.00%	3.50%	1.42%	0.77%	1.20%	1.20%	—	5.50%	5.50%

Separations From Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit C — Municipal Division

Sample Ages	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year
	Men	Women	Men	Women	Men	Women			
20 .....	8.00%	10.00%	0.05%	0.03%	0.01%	0.01%	7.40%	5.50%	12.90%
25 .....	8.00%	10.00%	0.06%	0.03%	0.04%	0.04%	5.00%	5.50%	10.50%
30 .....	6.33%	9.54%	0.08%	0.05%	0.06%	0.06%	3.40%	5.50%	8.90%
35 .....	4.71%	7.86%	0.11%	0.07%	0.20%	0.20%	2.20%	5.50%	7.70%
40 .....	4.04%	6.00%	0.16%	0.09%	0.27%	0.27%	1.40%	5.50%	6.90%
45 .....	4.00%	5.15%	0.29%	0.14%	0.43%	0.43%	0.90%	5.50%	6.40%
50 .....	4.00%	4.90%	0.53%	0.22%	0.83%	0.83%	0.60%	5.50%	6.10%
55 .....	4.00%	4.65%	0.72%	0.29%	1.12%	1.12%	0.50%	5.50%	6.00%
60 .....	4.00%	4.50%	0.91%	0.44%	1.20%	1.20%	0.30%	5.50%	5.80%
65 .....	4.00%	4.50%	1.42%	0.77%	1.20%	1.20%	—	5.50%	5.50%

Exhibit D — Judicial Division

Sample Ages	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		Death		Disability		Seniority	Base (Economy)	Increase Next Year
	Men	Women	Men	Women	Men	Women			
30 .....	2.00%	2.00%	0.08%	0.05%	0.06%	0.06%	1.51%	5.50%	7.01%
35 .....	2.00%	2.00%	0.11%	0.07%	0.07%	0.07%	1.20%	5.50%	6.70%
40 .....	2.00%	2.00%	0.16%	0.09%	0.10%	0.10%	0.70%	5.50%	6.20%
45 .....	2.00%	2.00%	0.29%	0.14%	0.17%	0.17%	0.51%	5.50%	6.01%
50 .....	2.00%	2.00%	0.53%	0.22%	0.31%	0.31%	0.00%	5.50%	5.50%
55 .....	2.00%	2.00%	0.72%	0.29%	0.56%	0.56%	0.00%	5.50%	5.50%
60 .....	2.00%	2.00%	0.91%	0.44%	1.19%	1.19%	0.00%	5.50%	5.50%
65 .....	2.00%	2.00%	1.42%	0.77%	0.00%	0.00%	0.00%	5.50%	5.50%

Exhibit E

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

Years of Service	State Division (Excluding Troopers)		Municipal Division		School Division	
	Men	Women	Men	Women	Men	Women
	0.....	25.00%	30.00%	25.00%	30.00%	30.00%
1.....	15.00%	18.00%	15.00%	18.00%	18.00%	18.00%
2.....	12.00%	15.00%	12.00%	16.00%	14.00%	14.00%
3.....	10.00%	12.00%	10.00%	14.00%	10.00%	10.00%
4.....	8.00%	10.00%	8.00%	12.00%	8.00%	8.00%

# ACTUARIAL SECTION

## Single Life Retirement Values

Based on the Colorado Projected Experience Table-90 and 8.5 Percent Interest

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

Sample Attained Ages	Present Value of \$1 Monthly for Life		Present Value of \$1 Monthly Increasing 3.5% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
40.....	\$135.42	\$139.95	\$201.41	\$213.90	38.28	44.06
45.....	131.16	137.24	190.45	205.30	33.65	39.29
50.....	126.03	133.62	178.20	195.00	29.24	34.60
55.....	120.02	128.77	164.72	182.69	25.07	30.00
60.....	111.92	122.03	148.63	167.74	20.97	25.45
65.....	101.06	113.36	129.61	150.51	16.97	21.10
70.....	88.59	102.46	109.72	131.08	13.38	16.98
75.....	75.32	89.13	90.17	109.72	10.28	13.16
80.....	61.96	74.32	71.89	88.04	7.72	9.81
85.....	49.58	57.95	56.01	66.21	5.71	6.90

### Percent of Eligible Members Retiring Next Year

#### Exhibit G

Retirement Ages	State Division	State Troopers	School Division	Municipal Division	Judicial Division
50.....	8%	20%	9%	8%	—
51.....	8%	20%	9%	8%	—
52.....	8%	20%	9%	8%	—
53.....	8%	25%	9%	8%	—
54.....	8%	25%	9%	8%	—
55.....	12%	25%	14%	12%	—
56.....	12%	25%	14%	12%	—
57.....	12%	25%	14%	12%	—
58.....	12%	25%	14%	12%	—
59.....	12%	25%	14%	12%	—
60.....	16%	50%	18%	16%	15%
61.....	16%	60%	18%	16%	10%
62.....	16%	70%	18%	16%	10%
63.....	16%	80%	18%	16%	10%
64.....	16%	90%	18%	16%	10%
65.....	40%	100%	50%	40%	40%
66.....	40%	—	40%	40%	20%
67.....	40%	—	50%	40%	20%
68.....	40%	—	60%	40%	20%
69.....	40%	—	80%	40%	20%
70.....	100%	—	100%	100%	40%
71.....	—	—	—	—	60%
72.....	—	—	—	—	100%

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 1994

Division	Number of Benefit Recipients	Type of Benefit					
		1	2	3	4	5	6
State.....	18,225	14,185	3,092	89	760	99	1,526
School.....	21,864	18,460	2,438	47	779	140	2,545
Municipal.....	2,084	1,398	516	10	144	16	205
Judicial.....	189	152	16	0	20	1	9
Total.....	42,362	34,195	6,062	146	1,703	256	4,285

Division	Option Selected				Surviving Cobeneficiary	Surviving Retiree
	1	2	3	4*		
State.....	8,556	2,209	3,925	431	1,666	490
School.....	12,641	2,714	3,518	334	1,170	521
Municipal.....	819	265	489	52	235	54
Judicial.....	32	19	56	10	43	8
Total.....	22,048	5,207	7,988	827	3,114	1,073

- Benefit Types:**
- 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 deferred future benefit.
  - 6 — Former member with deferred future benefit.

- Option Selection:** Age and service retirees and disability retirees select an Option at retirement. They are as follows:
- 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:  
Surviving cobeneficiary — retiree has predeceased the cobeneficiary.  
Surviving retiree — cobeneficiary has predeceased the retiree.

\* No longer offered to members retiring.

Schedule of Member Valuation Data

	Number of Employers	Number of Members	Annual Payroll	Average Annual Salary	% Increase in Average Pay
1985.....	370	98,345	\$2,270,948,105	\$23,092	4.62 %
1986.....	329 <sup>1</sup>	99,977	2,409,384,090	24,099	4.36 %
1987.....	331	100,808	2,531,357,702	25,110	4.20 %
1988.....	339	103,064	2,642,686,201	25,641	2.10 %
1989.....	337	105,377	2,755,113,097	26,145	2.00 %
1990.....	342	106,898	2,912,712,448	27,248	4.22 %
1991.....	359	132,311	3,213,117,152	24,285	5.62 % <sup>2</sup>
1992.....	365	136,898	3,436,693,500	25,104	3.37 %
1993.....	355	139,807	3,451,307,428	24,686	(1.67)%
1994.....	360	140,194	3,578,972,051	25,529	3.41 %

<sup>1</sup> The large reduction in employers in 1986 was due to the realignment of state agencies.

<sup>2</sup> After adjustment for inclusion of temporary, part-time, substitute and seasonal personnel beginning July 1, 1991.

## ACTUARIAL SECTION

### Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll<sup>1</sup>

Year Ended	Added to Payroll		Removed from Payroll		Payroll—End of Year		Cost of Living Stabilization Fund	Average Annual Benefits	Increase In Average Benefits
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits			
12/31/85.....	2,275	\$27,050,513	567	\$3,565,127	26,760	\$170,190,060	\$42,286,322	\$7,940	3.4%
12/31/86.....	2,293	28,173,779	857	4,386,095	28,196	193,978,656	44,138,479	8,445	6.4%
12/31/87.....	3,408	46,690,933	955	4,928,698	30,649	235,742,208	45,122,863	9,164	8.5%
12/31/88.....	2,269	27,914,867	852	3,661,680	32,066	266,034,336	44,537,477	9,685	5.7%
12/31/89.....	2,341	26,812,386	960	3,704,135	33,447	296,210,412	43,993,557	10,171	5.0%
12/31/90.....	2,472	30,727,020	979	4,241,455	34,940	330,668,124	47,742,599	10,830	6.5%
12/31/91.....	2,601	33,363,027	1,119	4,319,340	36,422	367,985,496	51,154,160	11,508	6.3%
12/31/92.....	2,996	44,840,160	1,230	7,905,996	38,188	424,857,912	56,918,725	12,616	9.6%
12/31/93.....	3,624	63,975,396	1,270	9,695,472	40,542	553,966,212	62,009,939	13,664	6.7%
12/31/94.....	3,121	51,809,484	1,301	10,650,936	42,362	605,429,820	N/A <sup>2</sup>	14,292	4.6%

<sup>1</sup> Numbers derived on a accrual basis.

<sup>2</sup> See the discussion on changes to the CLSF in Note 2 of Financial Statements, page 20.

### Member-Retiree Comparison<sup>1</sup>

The number of persons receiving monthly retirement benefits (including retirees and cobeneficiaries) has grown steadily in relation to membership. This trend will continue for many years into the future. The level-cost financing principle is designed so that contribution rates will not have to be raised to meet benefit

promises. The current percentages of salaries should be sufficient to meet the increasing retirement payroll if the benefit provisions contained in the state law are not changed. Retirement benefits include cost-of-living increases paid after 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 <sup>2</sup>	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
1986.....	26,217	104,460	25.1%	217,402,612
1987.....	28,657	107,116	26.8%	247,891,967
1988.....	30,025	110,295	27.2%	286,647,682
1989.....	31,466	111,652	28.2%	315,547,718
1990.....	32,955	115,350	27.4%	350,398,094
1991.....	34,481	146,818	23.5%	401,187,591
1992.....	36,186	162,980	22.2%	453,538,219
1993.....	38,500	174,685	22.0%	523,746,160
1994.....	40,257	187,907	21.4%	586,645,446

<sup>1</sup> Numbers derived on a cash basis.

<sup>2</sup> Includes inactive members.

Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 1994

State Division

Members included in the State Division valuation totaled 49,115 and involved annual salaries totaling \$1,429,026,209. The average age for State Division members (excluding State Troopers) was 42.7 years, and the average service was 7.8 years. The average age for State Troopers was 40.3 years, and the average service was 12.4 years.

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20 .....	575	1						576	\$ 1,851,487
20-24 .....	1,571	23						1,594	17,204,652
25-29 .....	3,089	468	13					3,570	68,300,049
30-34 .....	3,268	1,455	432	37				5,192	124,461,973
35-39 .....	4,250	1,922	1,155	503	31			7,861	203,358,203
40-44 .....	3,591	2,122	1,407	1,174	475	6		8,775	270,879,063
45-49 .....	2,844	1,877	1,372	1,228	1,083	259	3	8,666	293,027,210
50-54 .....	1,737	1,165	886	814	804	671	217	6,294	228,297,863
55-59 .....	920	700	599	524	443	431	189	3,806	135,953,513
60 .....	114	93	80	87	60	44	20	498	17,105,305
61 .....	102	54	87	67	53	51	19	433	15,075,832
62 .....	103	68	58	63	39	36	24	391	12,628,654
63 .....	67	58	47	61	39	23	9	304	9,854,333
64 .....	89	45	49	45	25	23	17	293	8,909,550
65 .....	56	36	47	50	24	21	12	246	7,961,223
66 .....	42	19	23	16	21	9	6	136	3,874,176
67 .....	36	10	12	14	14	11	9	106	3,070,750
68 .....	44	9	12	5	2	3	6	81	1,744,753
69 .....	28	9	8	7	10	4	4	70	1,761,269
70+ .....	139	16	13	26	12	8	9	223	3,706,351
<b>Totals .....</b>	<b>22,665</b>	<b>10,150</b>	<b>6,300</b>	<b>4,721</b>	<b>3,135</b>	<b>1,600</b>	<b>544</b>	<b>49,115</b>	<b>\$ 1,429,026,209</b>

School Division

Members included in the School Division valuation totaled 80,584 and involved annual salaries totaling \$1,869,673,323. The average age for School Division members was 42.7 years, and the average service was 7.7 years.

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20 .....	691							691	\$ 2,205,739
20-24 .....	2,310	12						2,322	23,543,452
25-29 .....	5,535	347	17					5,899	99,482,181
30-34 .....	5,468	2,172	471	14				8,125	151,177,353
35-39 .....	7,682	2,360	1,971	514	16			12,543	230,204,727
40-44 .....	7,290	2,877	2,052	2,330	695	2		15,246	355,198,768
45-49 .....	5,326	3,148	2,305	2,100	2,462	492		15,833	453,284,122
50-54 .....	2,644	1,723	1,708	1,565	1,470	1,327	224	10,661	332,954,220
55-59 .....	1,510	784	876	1,013	734	490	268	5,675	156,347,294
60 .....	232	103	107	127	82	38	27	716	16,359,015
61 .....	194	84	93	95	78	32	15	591	13,049,816
62 .....	175	70	60	74	40	28	15	462	9,291,332
63 .....	135	61	48	62	26	14	12	358	6,618,371
64 .....	129	39	40	57	33	18	11	327	6,452,457
65 .....	123	36	32	45	26	8	6	276	4,540,632
66 .....	93	24	15	18	8	5	5	168	2,042,212
67 .....	101	19	15	16	5	6	1	163	2,009,308
68 .....	79	12	19	7	4	5	2	128	1,339,420
69 .....	53	10	10	8	3		4	88	926,731
70+ .....	204	32	33	20	12	6	5	312	2,646,173
<b>Totals .....</b>	<b>39,974</b>	<b>13,913</b>	<b>9,872</b>	<b>8,065</b>	<b>5,694</b>	<b>2,471</b>	<b>595</b>	<b>80,584</b>	<b>\$ 1,869,673,323</b>

# ACTUARIAL SECTION

## Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 1994

### Municipal Division

Members included in the Municipal Division valuation totaled 10,248 and involved annual salaries totaling \$263,249,408. The average age for Municipal Division members was 39.4 years, and the average service was 6.3 years.

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20 .....	449							449	\$ 1,042,450
20-24 .....	661	3						664	6,009,083
25-29 .....	770	97	5					872	17,020,038
30-34 .....	973	313	122	15				1,423	34,471,083
35-39 .....	916	451	298	123	5			1,793	50,287,494
40-44 .....	808	398	268	180	109	5		1,768	54,500,126
45-49 .....	532	309	215	174	175	44	3	1,452	46,078,649
50-54 .....	252	151	153	115	112	75	19	877	28,437,801
55-59 .....	162	69	79	78	47	50	22	507	15,058,046
60 .....	28	15	12	13	10	7	4	89	2,565,915
61 .....	23	7	13	10	15	4	5	77	2,256,765
62 .....	16	6	7	4	7	2	2	44	1,259,090
63 .....	7	5	6	2	8	1	3	32	1,062,131
64 .....	16	2	6	3	6	1	2	36	810,298
65 .....	15	5	4	2	5		1	32	624,016
66 .....	9	3	3	1	1		1	18	378,011
67 .....	13	5	4	2	1	2	1	28	504,212
68 .....	16	2	1	1			1	21	231,802
69 .....	6		1	2				9	149,102
70+ .....	38	7	6	4			2	57	503,296
<b>Totals .....</b>	<b>5,710</b>	<b>1,848</b>	<b>1,203</b>	<b>729</b>	<b>501</b>	<b>191</b>	<b>66</b>	<b>10,248</b>	<b>\$ 263,249,408</b>

### Judicial Division

Members included in the Judicial Division valuation totaled 247 and involved annual salaries totaling \$17,023,111. The average age for Judicial Division members was 51.8 years, and the average service was 11.5 years.

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
30-34 .....	2							2	\$ 46,324
35-39 .....	3	2						5	334,912
40-44 .....	9	15	7	3				34	2,259,851
45-49 .....	17	23	17	16	1			74	5,153,752
50-54 .....	6	11	18	16	5			56	3,977,834
55-59 .....	1	5	2	8	9	3	1	29	1,905,156
60 .....	1	1	1	2	2			7	512,508
61 .....	1		1	1	1			4	240,757
62 .....		2		1	1	1		5	386,345
63 .....		4	1		2			7	548,249
64 .....			1		1			2	140,991
65 .....			1	3				4	324,872
66 .....			1	1	1	1		4	253,602
67 .....		2		1				3	182,500
68 .....	1		1					2	105,007
69 .....					1			1	86,509
70+ .....		2	2	1	1	2		8	563,942
<b>Totals .....</b>	<b>41</b>	<b>67</b>	<b>53</b>	<b>53</b>	<b>25</b>	<b>7</b>	<b>1</b>	<b>247</b>	<b>\$ 17,023,111</b>



Summary of Solvency Test

The PERA funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service accrued in that year by PERA members. Occasionally rates are increased, but only to add or improve benefit provisions.

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

A short-term solvency test is one means of checking PERA’s funding progress. In a short-term solvency test, the retirement plan’s present assets (investments and cash) are compared with: (1) Member contributions on deposit, (2) the liabilities for future benefits

to persons who have retired, and (3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing, the liabilities for member contributions on deposit (liability 1) and the liabilities for future benefits to present retirees (liability 2) will be fully covered by present assets, except in rare circumstances.

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

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

Total Actuarial Liabilities

Valuation Date	Member Contributions (1)*	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)
12/31/85 .....	\$ 1,042,574,126	\$ 2,020,932,989	\$ 3,405,202,669	\$ 5,194,918,164	100%	100%	62.6%
12/31/86 .....	1,160,217,971	2,216,934,541	3,771,614,184	6,247,694,817	100%	100%	76.1%
12/31/87 .....	1,259,278,057	2,734,034,675	4,213,269,209	7,019,254,128	100%	100%	71.8%
12/31/88 .....	1,381,638,915	3,084,669,583	4,411,273,368	7,775,426,015	100%	100%	75.0%
12/31/89 .....	1,500,592,533	3,455,861,901	4,723,623,212	8,722,658,715	100%	100%	79.7%
12/31/90 .....	1,635,129,849	3,842,084,802	5,076,877,515	9,477,521,126	100%	100%	79.0%
12/31/91 .....	1,834,998,407	4,272,349,404	5,414,471,940	10,508,670,579	100%	100%	81.3%
12/31/92 .....	2,050,729,958	4,887,166,176	5,487,483,258	11,339,310,964	100%	100%	80.2%
12/31/93 .....	2,093,693,307	6,516,956,622	6,186,381,981	12,668,101,503	100%	100%	66.5%
12/31/94 .....	2,395,959,381	7,163,767,095	6,204,351,274	13,717,384,820	100%	100%	67.0%

\* Includes accrued interest on member contributions.

Summary of Unfunded Actuarial Accrued Liabilities

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

The law governing PERA requires that these liabilities be financed systematically over future years. The period for amortizing unfunded actuarial accrued liabilities is currently under the 60-year limit specified in state law in all divisions of PERA. (The law requires that contribution rates be set at a level that if actuarial experience matches plan assumptions, it will pay off unfunded liabilities over 60 years or less.) The amortization periods have shown stability over the last decade.

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

members exceed assets currently on hand for such future benefits.

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

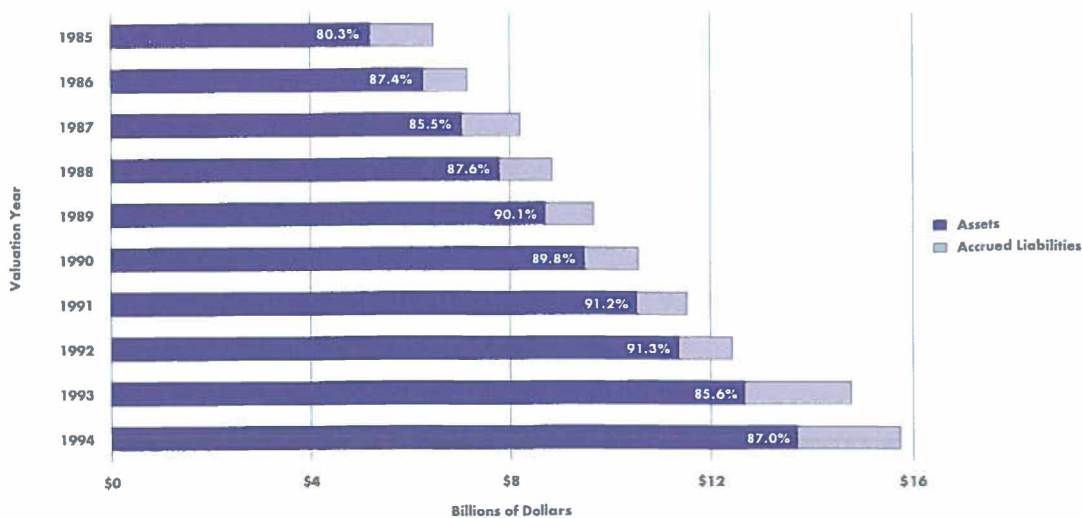
While no one or two measures can fully describe the financial condition of the Plan, unfunded actuarial accrued liability dollars divided by member salary dollars provide a meaningful index. The smaller the ratio, the stronger the system. Observation of this relative index over a period of years will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

Actuarial assumptions were revised in 1992 to recognize higher investment returns expected over the long term. Investment returns during the last several years have helped to increase assets, reduce unfunded actuarial accrued liabilities and lower the ratio of unfunded liabilities to member salaries.

Unfunded Actuarial Accrued Liabilities (UAAL)

Valuation Date	Total Actuarial Accrued Liabilities	Valuation Assets	Assets as a % of Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Member Salaries	UAAL as a % of Member Salaries
12/31/85	\$ 6,468,709,784	\$ 5,194,918,164	80.3%	\$ 1,273,791,620	\$ 2,270,948,105	56.1%
12/31/86	7,148,766,696	6,247,694,817	87.4%	901,071,879	2,409,384,090	37.4%
12/31/87	8,206,581,941	7,019,254,128	85.5%	1,187,327,813	2,531,357,702	46.9%
12/31/88	8,877,578,866	7,775,426,015	87.6%	1,102,145,851	2,642,664,024	41.7%
12/31/89	9,680,077,646	8,722,658,715	90.1%	957,418,931	2,755,113,097	34.8%
12/31/90	10,554,092,157	9,477,521,126	89.8%	1,076,571,031	2,912,712,448	37.0%
12/31/91	11,521,819,751	10,508,670,579	91.2%	1,013,149,172	3,213,117,152	31.5%
12/31/92	12,425,379,392	11,339,310,964	91.3%	1,086,068,428	3,436,693,500	31.6%
12/31/93	14,797,031,910	12,668,101,503	85.6%	2,128,930,407	3,451,307,428	61.7%
12/31/94	15,764,077,750	13,717,384,820	87.0%	2,046,692,930	3,578,972,051	57.2%

Assets as a Percent of Accrued Liabilities Graph 1985-1994



Schedule of Gains and Losses in Accrued Liabilities

Years Ended December 31

Resulting From Differences Between Assumed Experience and Actual Experience

\$ Gain (or Loss) for Year

(In Millions of Dollars)

Type of Activity	1994	1993	1992	1991	1990
Age and service retirements .....	\$ (82.6)	\$ (116.5)	\$ (11.3)	\$ (5.0)	\$ (4.8)
Disability retirements .....	27.2	(26.5)	(6.2)	(6.1)	(4.8)
Death-in-service benefits.....	0.5	1.3	2.9	4.9	(0.2)
Withdrawal from employment .....	(42.3)	(88.6)	(109.2)	(119.9)	(96.8)
New entrants <sup>1</sup> .....	(3.7)	(4.1)	—	—	—
Pay increases .....	207.1	287.4	149.3	71.3	63.1
Investment income .....	(68.5)	180.1	(76.4)	161.8	(53.6)
Other.....	53.8	(1.8)	(71.4)	(15.2)	0.7
Gain (or loss) during year from financial experience.....	91.5	231.3	(122.3)	91.8	(96.4)
Non-recurring items <sup>2</sup> .....	(14.6)	(1,277.1)	71.7	(8.1)	(11.1)
<b>Composite gain (or loss) during year.....</b>	<u>\$ 76.9</u>	<u>\$ (1,045.8)</u>	<u>\$ (50.6)</u>	<u>\$ 83.7</u>	<u>\$ (107.5)</u>

<sup>1</sup> The gain or loss associated with new entrants was not calculated prior to 1993.

<sup>2</sup> Non-recurring items include changes due to law changes, amendments, changes in actuarial method or assumptions, and special transfers to retired life funds.

# ACTUARIAL SECTION

## Schedule of Computed Employer Contribution Rates

Expressed as a Percentage of Member Payroll

	State Division	School Division	Municipal Division	Judicial Division
<b>Contributions:</b>				
Age and service retirements .....	8.73%	9.80%	8.27%	13.03%
Disability retirements .....	1.51%	1.31%	1.49%	0.93%
Survivor benefits.....	0.65%	0.52%	0.62%	1.51%
Future refunds.....	3.39%	3.21%	3.75%	1.59%
<b>Total normal cost.....</b>	<b>14.28%</b>	<b>14.84%</b>	<b>14.13%</b>	<b>17.06%</b>
Member contributions .....	8.06% <sup>1</sup>	8.00%	8.00%	8.00% <sup>2</sup>
Employer normal cost.....	6.22%	6.84%	6.13%	9.06%
Percentage available to amortize unfunded actuarial accrued liabilities .....	4.61%	3.96%	3.07%	5.14%
Amortization period.....	25 years	14 years	5 years	9 years
<b>Total employer contribution rate for actuarially funded benefits .....</b>	<b>10.83%</b>	<b>10.80%</b>	<b>9.20%</b>	<b>14.20%</b>
Health care fund <sup>3</sup> .....	0.80%	0.80%	0.80%	0.80%
<b>Statutory employer contribution rate .....</b>	<b>11.63%<sup>1</sup></b>	<b>11.60%</b>	<b>10.00%</b>	<b>15.00%</b>

<sup>1</sup> Weighted average of more than one statutory rate.

<sup>2</sup> Assumes no judge will elect a refund of contributions made during the 17th and through the 20th year of service.

<sup>3</sup> Used to pay a subsidy towards the health care premiums of benefit recipients enrolled in the Health Care Program.

Schedule of Contribution Rate History

State Division			Member Contribution Rate	Employer Contribution Rate	State Troopers			Member Contribution Rate	Employer Contribution Rate
<b>Members (Other Than State Troopers)</b>					<b>State Troopers</b>				
8-1-31	to	6-30-38	3.50%	0.00%	7-1-45	to	6-30-69	7.00%	7.00%
7-1-38	to	6-30-49	3.50%	3.50%	7-1-69	to	6-30-70	8.00%	8.00%
7-1-49	to	6-30-58	5.00%	5.00%	7-1-70	to	6-30-71	8.00%	9.00%
7-1-58	to	6-30-69	6.00%	6.00%	7-1-71	to	6-30-73	8.00%	9.50%
7-1-69	to	6-30-70	7.00%	7.00%	7-1-73	to	6-30-74	8.75%	10.50%
7-1-70	to	6-30-71	7.00%	8.00%	7-1-74	to	6-30-75	8.75%	11.50%
7-1-71	to	6-30-73	7.00%	8.50%	7-1-75	to	8-31-80	8.75%	11.64%
7-1-73	to	6-30-74	7.75%	9.50%	9-1-80	to	12-31-81	8.75%	13.20%
7-1-74	to	6-30-75	7.75%	10.50%	1-1-82	to	6-30-87	9.00%	13.20%
7-1-75	to	8-31-80	7.75%	10.64%	7-1-87	to	6-30-88	9.00%	11.20%
9-1-80	to	12-31-81	7.75%	12.20%	7-1-88	to	6-30-89	9.00%	13.20%
1-1-82	to	6-30-87	8.00%	12.20%	7-1-89	to	4-30-92	12.30%	13.20%
7-1-87	to	6-30-88	8.00%	10.20%	5-1-92	to	6-30-92	12.30%	7.20% *
7-1-88	to	6-30-91	8.00%	12.20%	7-1-92	to	6-30-93	11.50%	12.20%
7-1-91	to	4-30-92	8.00%	11.60%	7-1-93	to	12-31-94	11.50%	13.20%
5-1-92	to	6-30-92	8.00%	5.60% *					
7-1-92	to	6-30-93	8.00%	10.60%					
7-1-93	to	12-31-94	8.00%	11.60%					
<b>School Division</b>									
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	12-31-94	8.00%	11.60%					
<b>Municipal Division</b>									
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	12-31-94	8.00%	10.00%					
<b>Judicial Division</b>									
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	12-31-94	8.00%	15.00%					

\* Legislation created an annual reduction equal to 1% of salary retroactive to July 1, 1991, to be taken during May and June of 1992.





# STATISTICAL SECTION

(UNAUDITED)



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO



# STATISTICAL SECTION

## Schedule of Benefit Disbursements by Type\*

(In Thousands of Dollars)

Year Ended	Retirement Benefits	Survivor Benefits	Contribution Refunds	Interest Paid	Health Care	Total
12/31/85 .....	\$ 193,936	\$ 7,485	\$ 32,069	\$ —	\$ —	\$ 233,490
12/31/86 .....	217,403	8,818	28,237	—	5,031	259,489
12/31/87 .....	247,963	9,431	27,704	—	16,841	301,939
12/31/88 .....	286,261	9,924	29,655	—	21,282	347,122
12/31/89 .....	315,206	10,675	38,406	—	19,308	383,595
12/31/90 .....	349,931	11,363	32,621	—	29,948	423,863
12/31/91 .....	388,526	12,118	28,379	—	35,540	464,563
12/31/92 .....	440,327	13,211	31,356	1,318	40,904	527,116
12/31/93 .....	509,629	14,116	25,086	1,665	44,538	595,034
12/31/94 .....	571,655	15,001	30,104	2,259	45,563	664,582

\* Numbers are derived on accrual basis.

## Member and Benefit Recipient Statistics\*

	State Division	School Division	Municipal Division	Judicial Division	Total
<b>Active members - 12/31/94 .....</b>	<u>49,115</u>	<u>80,584</u>	<u>10,248</u>	<u>247</u>	<u>140,194</u>
<b>Retirements during 1994:</b>					
Disability retirements .....	203	208	42	0	453
Service retirements .....	896	1,218	79	7	2,200
<b>Total .....</b>	<u>1,099</u>	<u>1,426</u>	<u>121</u>	<u>7</u>	<u>2,653</u>
<b>Retirement benefits:</b>					
Total receiving retirement benefits on Dec. 31, 1993 .....	16,549	19,890	1,830	168	38,437
Total retiring during 1994 .....	1,099	1,426	121	7	2,653
Cobeneficiaries continuing after retiree's death .....	163	115	18	5	301
Returning to retirement rolls from suspension .....	5	4	1	0	10
<b>Total .....</b>	<u>17,816</u>	<u>21,435</u>	<u>1,970</u>	<u>180</u>	<u>41,401</u>
Retirees deceased during year .....	560	569	59	12	1,200
Retirees returning to work .....	6	15	1	0	22
<b>Total receiving retirement benefits- 12/31/94 .....</b>	<u>17,250</u>	<u>20,851</u>	<u>1,910</u>	<u>168</u>	<u>40,179</u>
Total retirement benefits payable on 12/31/94 .....	\$ 259,285,068	\$ 299,221,248	\$ 23,054,664	\$ 3,509,640	\$ 585,070,620
Average monthly benefit on 12/31/94 .....	\$ 1,253	\$ 1,196	\$ 1,006	\$ 1,741	\$ 1,213
Average monthly benefit for members retired during 1994 .....	\$ 1,577	\$ 1,423	\$ 1,066	\$ 2,433	\$ 1,473
<b>Survivor benefit accounts:</b>					
Total benefits being paid on 12/31/94 .....	803	764	145	19	1,731
Total benefits payable on 12/31/94 .....	\$ 8,933,304	\$ 6,757,968	\$ 1,162,200	\$ 315,228	\$ 17,168,700
<b>Deferred benefits:</b>					
Deferred retirements to age 60 or 65 .....	1,526	2,545	205	9	4,285
<b>Total annual future benefits .....</b>	<u>\$ 16,374,821</u>	<u>\$ 20,194,289</u>	<u>\$ 2,085,964</u>	<u>\$ 120,979</u>	<u>\$ 38,776,053</u>
Future survivor beneficiaries .....	43	57	8	0	108
<b>Total annual future benefits .....</b>	<u>\$ 216,502</u>	<u>\$ 169,315</u>	<u>\$ 29,055</u>	<u>\$ 0</u>	<u>\$ 414,872</u>

\* Numbers are actuarially derived.



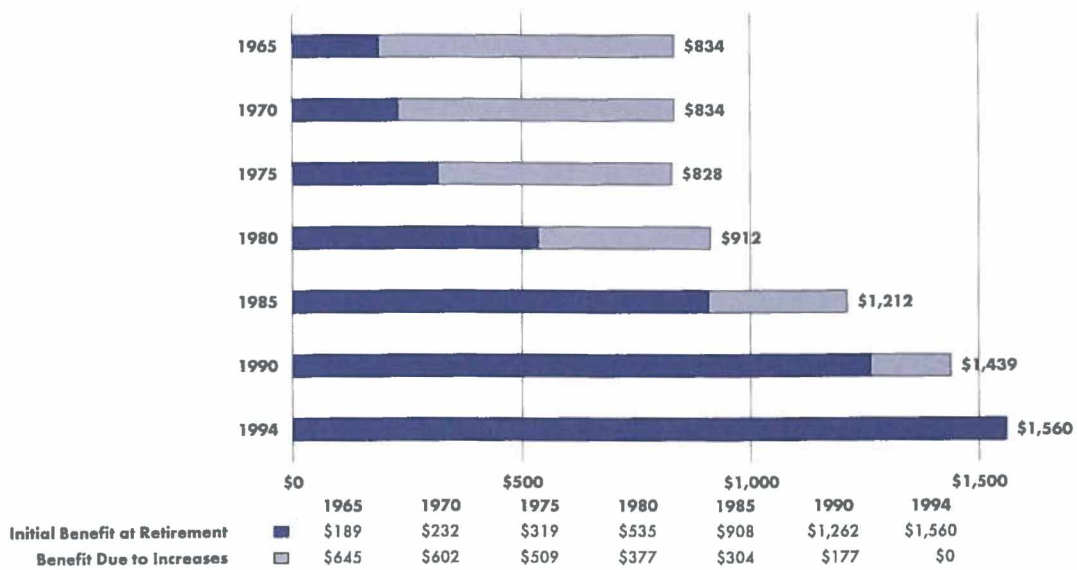
Schedule of Average Retirement Benefits Payable\*

Year Ended	Average Monthly Benefit	Average Age at Retirement	Average Current Age of Retirees	Average Years of Service at Retirement
12/31/85.....	\$ 676	61.8	70.1	17.4
12/31/86.....	727	61.6	70.1	17.5
12/31/87.....	778	61.4	69.7	17.8
12/31/88.....	828	61.7	69.8	18.0
12/31/89.....	864	61.1	70.0	18.2
12/31/90.....	935	60.9	70.0	18.3
12/31/91.....	980	60.7	70.1	18.5
12/31/92.....	1,085	60.5	70.0	18.7
12/31/93.....	1,158	60.2	69.7	19.1
12/31/94.....	1,213	60.0	69.7	19.2

\* Includes disability retirements, but not survivor benefits.

Average Monthly Benefit by Year of Retirement Graph

Service Retiree Accounts as of December 31, 1994



## Schedule of Affiliated Employers

### State Division

#### Agencies and Instrumentalities

Colorado Association of School Boards  
Colorado Compensation Insurance Authority  
Colorado Council on Arts and Humanities  
Colorado High School Activities Association  
Colorado Fair Authority  
Colorado State Student Loan Program  
Colorado Uninsurable Health Insurance Plan  
Colorado Water Resources and  
Power Development Authority  
Department of Administration  
Department of Agriculture  
Department of Corrections  
Department of Education  
Department of Health Care Policy and Financing<sup>1</sup>  
Department of Human Services<sup>1</sup>  
Department of Labor and Employment  
Department of Law  
Department of Local Affairs  
Department of Military Affairs  
Department of Natural Resources  
Department of Personnel  
Department of Public Health and Environment<sup>1</sup>  
Department of Public Safety  
Department of Regulatory Agencies  
Department of Revenue  
Department of State  
Department of Transportation  
Department of the Treasury  
Fire and Police Pension Association  
General Assembly  
Joint Budget Committee  
Judicial Department  
Legislative Council  
Moffat Tunnel Commission (inactive affiliate)  
Office of the District Attorneys  
Office of the Governor  
Office of Legislative Legal Services  
Office of the Lieutenant Governor  
Public Employees' Retirement Association of Colorado  
Special District Association of Colorado  
State Auditor's Office  
State Historical Society

#### Institutions of Higher Education

Adams State College  
Aims Community College  
Arapahoe Community College  
Auraria Higher Education Center  
Aurora Community College  
Colorado Advanced Technology Institute  
Colorado Mountain College  
Colorado Northwestern Community College  
Colorado School of Mines  
Colorado State University  
Commission on Higher Education  
Denver Community College  
Fort Lewis College  
Front Range Community College  
Lamar Community College  
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  
School for the Deaf & Blind  
State Board for Community Colleges and  
Occupational Education  
The State Colleges in Colorado  
Trinidad State Junior College  
University of Colorado at Boulder  
University of Colorado at Colorado Springs  
University of Colorado at Denver  
University of Colorado Health Sciences Center  
University of Northern Colorado  
University of Southern Colorado  
Western State College

<sup>1</sup> During 1994, four State agencies were realigned: the Department of Social Services was renamed the Department of Human Services; the Department of Institutions was eliminated; the Department of Health Care Policy and Financing was created; and the Department of Health became the Department of Public Health and Environment.

Schedule of Affiliated Employers

**School Division**

**Adams County**

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

**Alamosa County**

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

**Arapahoe County**

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

**Archuleta County**

Archuleta County School District 50 Jt

**Baca County**

Campo School District RE-6  
 Pritchett School District RE-3  
 Springfield School District RE-4  
 Vilas School District RE-5  
 Walsh School District RE-1

**Bent County**

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

**Boulder County**

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

**Chaffee County**

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

**Cheyenne County**

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

**Clear Creek County**

Clear Creek School District RE-1

**Conejos County**

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

**Costilla County**

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

**Crowley County**

Crowley County School District RE-1

**Custer County**

Custer County Consolidated School District C-1

**Delta County**

Delta County School District 50(J)

**Dolores County**

Dolores County School District Re No. 2

**Douglas County**

Douglas County School District Re 1

**Eagle County**

Eagle County School District Re 50

**Elbert County**

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

**El Paso County**

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

**Fremont County**

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

**Garfield County**

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

**Gilpin County**

Gilpin County School District Re-1

**Grand County**

East Grand School District 2  
 West Grand School District 1

**Gunnison County**

Gunnison Watershed School District Re1J

**Hinsdale County**

Hinsdale County School District Re-1

## Schedule of Affiliated Employers

### **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

### **Lincoln County**

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

### **Logan County**

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

### **Mesa County**

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

### **Mineral County**

Creede Consolidated School District 1

### **Moffat County**

Moffat County School District Re No.1

### **Montezuma County**

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

### **Montrose County**

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

### **Morgan County**

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

### **Otero County**

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

### **Ouray County**

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

### **Park County**

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

### **Phillips County**

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

### **Pitkin County**

Aspen School District 1

### **Prowers County**

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

### **Pueblo County**

Pueblo City School District 60  
Pueblo County School District 70

### **Rio Blanco County**

Meeker School District RE1  
Rangely School District RE4

Schedule of Affiliated Employers

**Rio Grande County**

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

**Routt County**

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

**Saguache County**

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

**San Juan County**

Silverton School District 1

**San Miguel County**

Norwood School District R-2J  
 Telluride School District R-1

**Sedgwick County**

Julesburg School District Re 1  
 Platte Valley School District Re3

**Summit County**

Summit School District Re 1

**Teller County**

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

**Washington County**

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

**Weld County**

Ault-Highland School District Re-9  
 Briggsdale School District Re-10  
 Eaton School District Re-2  
 Fort Lupton School District Re-8  
 Gilcrest School District Re-1  
 Greeley School District 6  
 Johnstown School District Re-5J  
 Keenesburg School District Re-3  
 Pawnee School District Re-12  
 Platte Valley School District Re-7  
 Prairie School District Re-11  
 Windsor School District Re-4

**Yuma County**

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

**Boards of Cooperative Educational Services (BOCES)**

East Central BOCES  
 Expeditionary Learning School BOCES  
 Grand Valley BOCES (affiliated in 1995)

Mountain BOCES  
 Northeast BOCES  
 Northern Colorado BOCES  
 Northwest Colorado BOCES  
 Pikes Peak BOCES  
 Rio Blanco BOCES  
 South Central BOCES  
 South Platte Valley BOCES  
 Southeastern BOCES  
 Weld BOCES

**Boards of Cooperative Services (BOCS)**

Arkansas Valley BOCS  
 San Juan BOCS  
 San Luis Valley BOCS  
 Southwest BOCS

**Vocational Schools**

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

**Municipal Division**

Alamosa Housing Authority  
 Aurora Housing Authority  
 Baca Grande Water & Sanitation District (affiliated in 1994)  
 Beulah Water Works District  
 Black Hawk-Central City Sanitation District  
 Blanca-Fort Garland Metropolitan District  
 Boxelder Sanitation District  
 Brush Housing Authority  
 Carbon Valley Park & Recreation District  
 Castle Pines Metropolitan District  
 Centennial Soil Conservation District  
 Center Housing Authority  
 City of Alamosa  
 City of Boulder  
 City of Colorado Springs  
 City of Fort Morgan  
 City of Manitou Springs  
 City of Pueblo  
 City of Wray  
 City of Yuma  
 Colorado Housing Finance Authority  
 Colorado Springs Public Utilities  
 Columbine Knolls-Grove Metropolitan Recreation District  
 Costilla Housing Authority  
 Cunningham Fire Protection District  
 Douglas Public Library District  
 East Cheyenne Ground Water Management District  
 East Larimer County Water District  
 Eastern Rio Blanco Parks & Recreation Department  
 Eaton Housing Authority  
 Estes Valley Public Library District  
 Fairmont Fire Protection District (inactive affiliate)  
 Forest Lakes Metropolitan District  
 Fremont Sanitation District  
 Fremont Soil Conservation District  
 Garfield County Housing Authority  
 Housing Authority of Arriba  
 Housing Authority of the County of Saguache  
 Housing Authority of the Town of Limon  
 Lamar Housing Authority  
 Lamar Utilities Board

# STATISTICAL SECTION

## Schedule of Affiliated Employers

Left Hand Water District  
Longmont Housing Authority  
Louisville Fire Protection District  
Meeker Regional Library District  
Memorial Hospital – Colorado Springs  
Montrose Fire Protection District (affiliated in 1994)  
Montrose Recreation District  
Morgan Soil Conservation District  
Mountain View Fire Protection District  
Mountain Village Metropolitan District  
Mountain Water and Sanitation District  
Niwot Sanitation District (affiliated in 1994)  
North Chaffee County Regional Library  
Northeast Colorado Health Department  
Pine Drive Water District  
Pueblo City-County Health Department  
Pueblo Library District  
Rampart Regional Library District  
Rangely Regional Library District (affiliated in 1994)  
Red, White & Blue Fire Protection District  
Rio Blanco Fire Protection District (disaffiliated in 1994)  
Rio Blanco Water Conservancy District  
Routt County Soil Conservation District (inactive affiliate)  
Sable-Altura Fire Protection District  
San Luis Valley Development Resources Group (affiliated in 1995)  
San Miguel County Public Library  
Sheridan Sanitation District # 1  
Southwest Regional Library  
Steamboat II Water and Sanitation District  
Steamboat Springs Rural Fire Protection District  
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 Platteville  
Town of Siebert  
Town of Silver Plume  
Tri-County Health Department  
Washington-Yuma Counties Combined Communications Center  
Weld County Health Department  
West Greeley Soil Conservation District  
Western Rio Blanco Metropolitan Recreation & Park District  
Windsor-Severance Library District  
Yuma Housing Authority

### Judicial Division

1st-23rd District Court  
24th District-Denver Probate Court  
25th District-Denver Juvenile Court  
Adams County Court  
Alamosa County Court  
Arapahoe County Court  
Archuleta County Court  
Baca County Court  
Bent County Court

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



## OTHER PROGRAMS

## SECTION

(UNAUDITED)



PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

# OTHER PROGRAMS SECTION

## Health Care Program

The PERA Health Care Program began covering enrolled benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund (HCF).

The HCF receives employer contributions equal to 0.8 percent of member salaries from affiliated employers. This allocation is invested, and any earnings are added to the Fund.

Under the Program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining part of that premium through an automatic deduction from the monthly retirement benefit. In 1994, the maximum subsidy was \$115 per month for benefit recipients whose retirement benefits were based on 20 years or more of PERA service credit. For those with less service, the subsidy was reduced by 5 percent (\$5.75) for each year under 20 years.

Monthly premium costs for participants depend on the health care plan selected, the total premium, the PERA subsidy amount, the Medicare eligibility, and the number of persons being covered.

Effective July 1, 1994, Mutual of Omaha replaced Blue Cross and Blue Shield of Colorado as the administrator for PERA's two

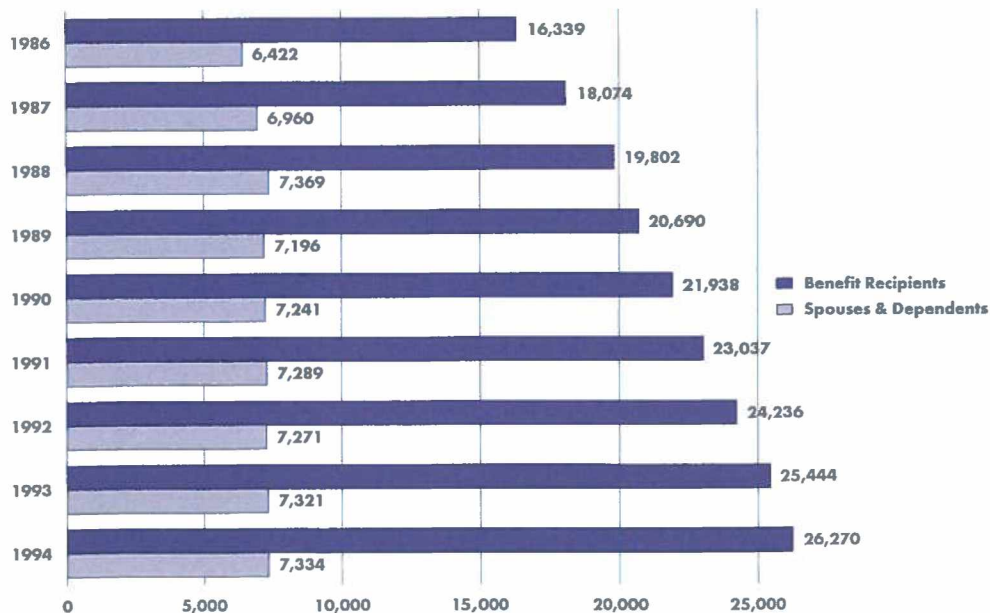
self-insured health care plans, and the prescription drug provider was changed from Prescription Card Service (PCS) and Caremark Prescription Mail Service to ValueRx, an integrated retail and mail order prescription service. These two changes resulted in the reduction of premiums for participants in the self-insured plans.

Also effective July 1, 1994, contracts with five health maintenance organizations (HMOs) were renewed and contracts with two HMOs (Qual-Med HMO and San Luis Valley HMO) were discontinued.

The annual open enrollment for the Health Care Program was held between May 1 and June 30, 1994. During that period, PERA benefit recipients could join the Program for the first time, transfer from one carrier to another, or add or delete eligible dependents.

A special open enrollment period (from November 18, 1994 through December 31, 1994) was authorized by the Board to allow PERA Health Care Program participants enrolled under Comprecare's Advantage 65 Plan to transfer to the PERA Medicare Plan, effective January 1, 1995. This was allowed due to the consolidation of provider networks, caused by the purchase of Comprecare by FHP Health Care (formerly FHP of Colorado).

### Health Care Enrollments Graph





### Life Insurance Program

PERA provides its members with access to two group, decreasing-term life insurance plans — Rocky Mountain Life and Prudential, a plan offered by the National Conference on Public Employee Retirement Systems. In 1988, the Board voted to transfer the plan underwritten by the New York Life Insurance Company to Rocky Mountain Life. Members may join one or both of the plans, and may continue coverage into retirement.

During the annual open enrollment period, members enrolling are not required to furnish evidence of good health for themselves or their dependents. Members may enroll outside the enrollment period, but must provide a health statement from a physician. Monthly premiums are paid by payroll deduction.

PERA also administers a special Rocky Mountain Life plan for retired state employees. This group is closed with no provision for new participants.

In 1995, the Board initiated legislation to change aspects of the administration of the PERA Life Insurance Program. The revised law allows life insurance premiums to be submitted through various means rather than only through employers' monthly contribution reports and payroll deductions, and inactive members will be permitted to continue life insurance coverage. PERA is also allowed to self-insure the Life Insurance Program.

### Life Insurance Enrollment

Year	New York Life/ Rocky Mountain Life	Prudential	Rocky Mountain Life (Closed Retired Group)	Total Enrollments
1985	21,296	13,635	—	34,931
1986	23,052	13,863	5,030	41,945
1987	24,394	14,113	4,800	43,307
1988	25,157	14,152	4,600	43,909
1989	33,241	14,306	4,462	52,009
1990	34,245	15,129	4,208	53,582
1991	36,191	16,332	3,602	56,125
1992	37,028	16,809	3,451	57,288
1993	36,857	16,899	3,051	56,807
1994	36,265	16,555	2,884	55,704

### Life Insurance Death Benefits

Year	New York Life/ Rocky Mountain Life	Number of Payments*	Prudential	Number of Payments*	Rocky Mountain Life (Closed Group)	Number of Payments*	Total Paid	Total Payments*
1985	\$ 1,950,696	—	\$ 910,057	—	—	—	\$ 2,860,753	—
1986	1,670,531	—	802,016	—	\$ 119,000	—	2,591,547	—
1987	2,097,665	—	865,783	—	212,000	—	3,175,448	—
1988	1,121,670	—	711,309	—	297,000	—	2,129,979	—
1989	3,548,164	—	1,080,144	—	209,504	—	4,837,812	—
1990	4,766,110	—	951,121	—	302,809	—	6,020,040	—
1991	5,383,194	808	1,276,347	188	361,256	180	7,020,797	1,176
1992	4,715,336	787	1,264,979	187	277,618	177	6,257,933	1,151
1993	5,114,319	751	1,250,563	169	236,675	155	6,601,557	1,075
1994	5,241,796	876	1,384,378	223	265,185	177	6,891,359	1,276

\* Number of payments not available before 1991.

# OTHER PROGRAMS SECTION

## PERA's 401(k) Plan

PERA's 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 PERA each month.

In 1994, members were able to make tax-deferred contributions of up to 18 percent of their annual gross salary, to a maximum of \$9,240. Contributions are deducted from the participant's monthly salary, and earnings on 401(k) Plan investments are also tax-deferred.

Since inception, the 401(k) Plan offered three investment options: the Short-Term Fund, managed by IDS Trust; the Fixed-Income Fund, managed by Norwest Investment Management; and the Growth Stock Fund, managed by PERA investment staff.

Effective April 1, 1994, major changes that had been approved by the Board in 1993 were implemented. These changes included expanded fund choices, liberalized loan provisions, implementation

of an interactive telephone system, and new withdrawal options. Members are now allowed to change their contribution amount, transfer account balances between funds or change the contribution percentages designated to each fund on a monthly basis. Also on that date, the existing 401(k) Plan loan provision was changed to allow loans for any reason.

Beginning April 1, 1994, the 401(k) Plan's new investment options are: the Short-Term Bond Fund, managed by Pacific Investment Management Company and known as their Low Duration Fund; the Long-Term Bond Fund, managed by Norwest Investment Management and known as their Total Return Bond Fund; the Balanced Fund, managed by Dodge & Cox; the Growth and Income Stock Fund, managed by PERA's investment staff; and the Aggressive Stock Fund, managed by Fidelity Investments and known as their Contrafund.

On December 31, 1994, PERA's 401(k) Plan accumulated assets of \$78,610,567 and 8,080 accounts.

Year	Assets	Number of Accounts
1985 (July-Dec.)	\$ 203,272	236
1986	1,750,673	902
1987	4,292,351	1,322
1988	7,975,075	1,596
1989	13,359,939	2,103

Year	Assets	Number of Accounts
1990	\$ 19,242,631	2,594
1991	30,017,532	3,094
1992	42,368,786	4,545
1993	60,711,080	6,019
1994	78,610,567	8,080

### 1994 401(k) Fund Performance

Fund	Jan-Mar 1994	Apr-Jun 1994	July-Sept 1994	Oct-Dec 1994
Short-Term Fund/Short-Term Bond Fund .....	1.4 % <sup>1</sup>	(0.2) %	1.2 %	(0.04)%
Fixed Income Fund/Long-Term Bond Fund .....	(0.7) % <sup>2</sup>	(0.3) %	0.8 %	1.2 %
Balanced Fund .....	N/A	(0.1) %	3.4 %	0.03 %
Growth and Income Stock Fund .....	(1.3) %	(0.4) %	3.5 %	(1.5) %
Aggressive Stock Fund .....	N/A	(3.3) %	4.8 %	(0.8) %

<sup>1</sup> The rate of return for the Short-Term Fund managed by IDS Trust.

<sup>2</sup> Called the Fixed Income Fund during the first quarter.

### Annual 401(k) Rates of Return

Fund	1986	1987	1988	1989	1990	1991	1992	1993	1994	5-Year Annual Average <sup>4</sup>
Short-Term Fund/Short-Term Bond Fund <sup>1</sup> .....	9.4 %	9.4 %	9.0 %	9.3 %	9.0 %	7.8 %	6.8 %	6.0 %	0.6 % <sup>1</sup>	7.6 %
Fixed Income Fund/ Long-Term Bond Fund <sup>2</sup> .....	13.2 %	4.9 %	7.9 %	10.1 %	11.0 %	17.5 %	8.5 %	11.4 %	1.0 % <sup>2</sup>	9.7 %
Balanced Fund .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.0 % <sup>3</sup>	9.8 %
Growth and Income Stock Fund .....	5.4 %	7.2 %	12.3 %	32.0 %	(4.0)%	30.0 %	5.1 %	17.4 %	0.2 %	9.0 %
Aggressive Stock Fund .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(1.1)% <sup>3</sup>	17.5 %

<sup>1</sup> The Short-Term Fund changed managers in 1994. The 1994 rate of return includes the first quarter period when the current fund was not part of PERA's 401(k) Plan.

<sup>2</sup> Name of fund changed in 1994.

<sup>3</sup> The 1994 rate of return includes the first quarter period when the current fund was not part of PERA's 401(k) Plan.

<sup>4</sup> For funds currently offered in PERA's 401(k) Plan.



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