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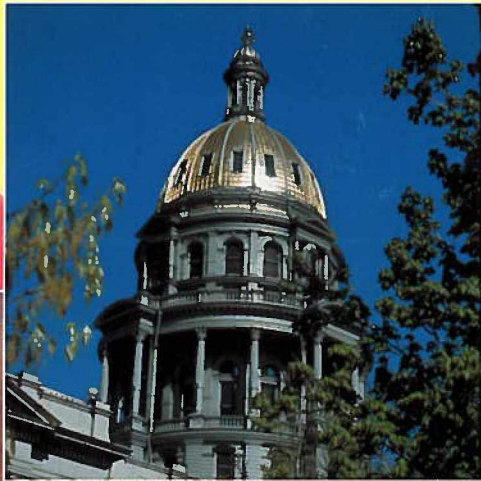


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PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1995**



Throughout Colorado, thousands of public employees support the families, communities, and industries that make the state one of the nation's most popular.

From college campuses to rural school yards, large office buildings to small service bureaus, hospitals and prisons to highways and state parks, public employees serve the state, confident that they have a well-managed retirement plan.

The Public Employees' Retirement Association of Colorado has been a part of the state's history since 1931. While the history and demographics of the state change, the Association's commitment to provide quality retirement and benefit programs for its members and retirees remains constant.

Justifiably, the people of Colorado can be proud of PERA, the premier public pension plan of Colorado.

1995 STATISTICAL HIGHLIGHTS

<input type="checkbox"/> Benefit Recipients	43,605
<input type="checkbox"/> Active Members	144,420
<input type="checkbox"/> Service Retirements	2,134
<input type="checkbox"/> Disability Retirements	454
<input type="checkbox"/> Survivor Benefits Started in 1995	85
<input type="checkbox"/> Benefit Recipient Deaths	1,213
<input type="checkbox"/> Benefits Paid*	\$ 694,541,000
<input type="checkbox"/> Refunds Paid	\$ 43,386,000
<input type="checkbox"/> Employer Contributions	\$ 409,205,000
<input type="checkbox"/> Member Contributions	\$ 311,630,000
<input type="checkbox"/> Investment Assets	\$ 17,579,139,000
<input type="checkbox"/> 1995 Investment Rate of Return	24.6%
<input type="checkbox"/> Five-Year Annualized Rate of Return	13.0%
<input type="checkbox"/> Ten-Year Annualized Rate of Return	11.1%

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

Special thanks to Dan Metzler for use of the Rocky Mountain columbine picture shown on the front cover, and to the Colorado Capitol State Advisory Committee and photographer Roger Whitacre for use of the capitol photo.

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1995

ROBERT J. SCOTT, EXECUTIVE DIRECTOR
1300 LOGAN STREET, DENVER, COLORADO 80203
(303) 832-9550

PREPARED BY THE PERA STAFF



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INTRODUCTORY SECTION

Working in Colorado

In the early years of the state, gold, silver, and other ore from Colorado fueled the nation's economy, and railroad ties made from Colorado timber linked the nation bringing commerce to the West.

Modern Colorado has since branched out to assume a pivotal role in industries of the present and future. Colorado has a developing technology hub comparable to California's Silicon Valley and Boston's Route 128, and is home to the largest cable company and motion picture theater operator in the nation.

Outside of Washington D.C., Colorado hosts the largest number of federal agencies, including the U.S. Air Force Academy, National Renewable Energy Laboratory, and the U.S. Space Command.



Colorado is the satellite center of the country.



Tourism is a \$5.8 billion industry in Colorado.



Service and retail industries are Colorado's largest employers, constituting 54 percent of the state's employment.



Colorado has the most gold mining companies in America.

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 17, 1996

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, 1995. We are proud of the achievements during the year outlined on page 4, 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, Ernst & Young LLP, the general purpose financial statements of the Association, notes to the general purpose financial statements, and required supplemental information.
- 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 367 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

In November 1994, the Governmental Accounting Standards

Board (GASB) issued Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans." PERA adopted the provisions of these standards for the year ended December 31, 1995.

GASB Statement No. 25 establishes financial reporting standards for defined benefit plans and standards for the notes to the financial statements of defined contribution plans. GASB Statement No. 26 provides financial reporting guidance for defined benefit pension plans that administer postemployment healthcare plans. Prior to adoption of these standards, the financial statements were prepared under the criteria of Financial Accounting Standards Board Statement No. 35, "Accounting and Reporting by Defined Benefit Pension Plans," GASB Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers," and GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers."

With the changes in the GASB standards, the net assets of the Health Care Fund are now shown as being available for postemployment benefits for 1995 and 1994 where previously they were not reported as being available. Information about the voluntary investment program, named PERA's 401(k) Plan, has been added to the financial statements of PERA for 1995.

The accounting firm of Ernst & Young LLP provided financial statement audit services for PERA in 1995. This is the first year for Ernst & Young as an auditor for PERA following a scheduled accounting firm review and rotation process determined by the State Auditor's office.

The accompanying general purpose financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. The various funds have also been presented on a combined basis, with all interfund balances and transactions eliminated in the combined financial statements.

In developing and evaluating PERA's accounting system, it was determined 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. The unfunded liability for prior service is amortized over varying

periods depending on the respective Division, i.e., 27 years for the State Division, 11 years for the School Division, 3 years for the Municipal Division, and 6 years for the Judicial Division. The amortization period for the Health Care Fund is 41 years.

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, 1994. 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 10 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 1995, totaled \$4,107,430,000 net of investment expenses.

There was an increase of approximately \$43,650,000 in member and employer contributions in 1995 over 1994, due to increased membership and salaries.

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 1995, this totaled \$757,014,000; an increase of about 9.7 percent from 1994.

Total revenues of \$4,107,430,000 exceeded expenses of \$757,014,000 by \$3,350,416,000 during 1995. Administrative expenses are controlled by an annual budget approved by the PERA Board of Trustees and represent 0.1 percent of total assets.

Economic Condition and Outlook

In 1995, the national economy's inflation-adjusted gross domestic product (GDP) grew 2.1 percent during the year. Consumer price inflation grew 2.8 percent in 1995 and is expected to be 2.6 percent for 1996. Unemployment at a national level was 5.6 percent in 1995.

Colorado experienced the strongest three-year period of growth (from 1993 through 1995) in its post-World War II history. Consumer spending and single-family home building

were the only economic indicators registering significantly slow growth in 1995. The state's economy has been resilient amid softness in single-family home building and significant layoffs at military establishments and public utility and transportation firms. The state's economy is expected to grow at a slower pace in 1996 but will still outpace national growth.

The state's unemployment rate averaged 3.8 percent in 1995, its lowest level since 1974. It is predicted at 4.5 percent for 1996. Colorado ranked fourth in the nation in population growth in 1995. Estimates indicate 55,320 more people moved to Colorado than left the state in 1995. Since 1990, the number of net-entrants was roughly 290,000.

Investments

The investment portfolio income is a major contributor to PERA. The Investment Committee (a committee of the whole Board) 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 1995, net realized income from both long-term and short-term investments amounted to \$860,293,000. This exceeded the contributions by members and employers of \$311,630,000 and \$409,205,000 respectively.

For the year ended December 31, 1995, the total fund had a rate of return of 24.6 percent on a market value basis. The Association's annualized rate of return over the last five years was 13.0 percent, and over the last 10 years, the average annualized return was 11.1 percent.

A further explanation of PERA's investment policies and strategies is presented in the "Investment Policy Summary" on page 36. Changes in the composition of the total portfolio during the year are reflected in the "Investment Summary" on page 37.

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, international stocks and fixed income, venture capital, timber investments and leveraged buyouts) were incorporated into the mix in 1995.

INTRODUCTORY SECTION

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 will be available for investment purposes. Also, an adequate funding level gives the participants assurance that their pension benefits are secure.

The advantage of a well-funded plan is that participants can see 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 57), 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.

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 10.

Review of Operations and Activities in 1995

The 1995 year was a significant one for PERA due to the Colorado Legislature's enactment of two pieces of major legislation proposed by the PERA Board of Trustees. House Bill 1048, the "pension hybrid" bill, included innovative benefit improvements that will primarily help 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. An amendment to the bill changed the law regarding unpaid (mandatory) contributions. Senate Bill 33 improved the equity and administration of several PERA benefit features.

Other legislation passed by the Colorado Legislature pertains to House Bill 1281, which requires PERA to pay interest in most cases when returning erroneous member contributions, and Senate Bill 35, which modified the post-retirement work provisions for Judicial Division retirees.

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 1995, staff members met individually with 5,300 members and benefit recipients in PERA's offices and responded to nearly 45,000 letters and other inquiries. Also, the PERA Field Counseling Program provided individual counseling to nearly 1,300 members around the state. InfoLine, PERA's toll-free telephone information center, answered more than 151,100 calls from members, retirees, employers, and other callers.

PERA employees conducted 324 meetings and staffed 44

information tables at events throughout Colorado to provide information about plan benefits. More than 10,500 members, retirees and other persons attended these meetings, and nearly 1,700 persons were contacted at the information tables. In addition, 16 meetings were held to educate 452 PERA-affiliated employer staff members about procedures and policies.

In May 1995, a Board of Trustees election was held. One incumbent Board member, Ann Kelly-Bunjer (State Division) was re-elected to a four-year term, while another incumbent, Michael J. Morris (School Division) was re-elected to a one-year term. A new member, Julie A. Coleman, was elected to a four-year School Division term. Roberta Altenbern, a Board member since 1977, resigned in 1995 upon her retirement. Trustees Patricia Kelly (Municipal Division) and Leonard Plank (Judicial Division), and former Trustee Bill Maguire (representing retirees) ran unopposed for four-year terms. In July, the Board elected Jack Ehnes as its chairman, and Kim Natale as its vice chairman.

During 1995, eight new public employers—Grand Valley Boards of Cooperative Educational Services, Castle Pines North Metropolitan District, San Luis Valley Development Resources Group, Rifle Fire Protection District, Globe Charter School, Cherry Creek Academy Charter School, Crestone Charter School, and the Town of Mountain Village—affiliated with PERA.

During the year, PERA's 401(k) Plan assets grew from \$78.7 million at the end of 1994 to \$125.7 million at the end of 1995. The "Other Programs Section" contains a detailed report on the 401(k) Plan on page 74, and a separate annual report is available for that Plan.

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 parties; 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 1995.

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, 1994

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.



Timothy H. Rivdan
President

Jeffrey L. Esler
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 24, 1996

To all PERA Members, Benefit Recipients and Employers:

As the Chairman of the Board of Trustees for the Public Employees' Retirement Association of Colorado, I am pleased to present PERA's 1995 Comprehensive Annual Financial Report. This financial report provides a detailed view of the financial and actuarial status of your retirement system.

The strength of the nation's economy throughout 1995 resulted in unusually high investment returns for the PERA investment portfolio. By the end of the year, the fund passed the \$17 billion mark and achieved an annual rate of return on investments of 24.6 percent.

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

With the passage of House Bill 1048, 1995 proved to be a landmark year for PERA. This "pension hybrid" legislation contained major and innovative PERA benefit improvements proposed by the Board of Trustees; these changes will primarily help members who serve less than a full career in employment covered by PERA or terminate that employment before meeting the age requirement for a PERA benefit.

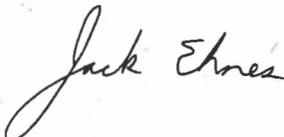
House Bill 1048 modified the existing defined benefit plan by incorporating both an alternate money purchase retirement benefit and a "matching" employer contribution on account refunds. The bill set the interest rate credited to member contribution accounts at 80 percent of the PERA actuarial investment assumption rate (which is currently 8.5 percent), and increased certain lump sum death benefits. In addition to the pension hybrid changes, House Bill 1048 changed the law regarding unpaid or "back mandatory" contributions.

I am also pleased to report that Senate Bill 33, which improved the equity and administration of several PERA benefit features, was enacted into law. That bill allowed for 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, a revision to the periods used in calculating Highest Average Salary, and simplification and standardization of the service credit calculation method.

In other action, the Legislature passed House Bill 1281, which required PERA to pay interest in most cases when returning erroneous member contributions, and Senate Bill 35, which modified the working-after-retirement provisions for retirees of the Judicial Division.

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

Sincerely,



Jack Ehnes
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 1995.

Jack Ehnes

Chairman of the Board

- ◆ Member since 1989
- ◆ Represents state employees
- ◆ Insurance Commissioner, State of Colorado
- ◆ Current term expires June 30, 1997

J. Kim Natale

Vice Chairman of the Board

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

Roberta Altenbern

- ◆ Member since 1977
- ◆ Represented school employees
- ◆ Media Specialist, Adams County School District 14
- ◆ Resigned from Board in June 1995

Mark J. Anderson

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

Dave Barba

- ◆ Member since November 1995 as Acting State Auditor
- ◆ State Auditor since January 1996
- ◆ 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

Julie A. Coleman

- ◆ Member since 1995
- ◆ Represents school employees
- ◆ Physical Education Teacher, Mesa County Valley School District 51
- ◆ Current term expires June 30, 1999

Jack L. Darnell

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

Ada Houck

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

Patricia K. Kelly

- ◆ Member since 1993
- ◆ Represents municipal employees
- ◆ Attorney, City of Colorado Springs
- ◆ Current term expires June 30, 1999

Ann Kelly-Bunjer

- ◆ Member since 1994
- ◆ Represents state employees
- ◆ Administrative Program Specialist, Colorado Department of Personnel
- ◆ Current term expires June 30, 1999

William Maguire

- ◆ Member since 1995
- ◆ Represents retirees (represented State Division members from 1985-1994)
- ◆ Retired Personnel Specialist, Mental Health Institute at Pueblo
- ◆ Current term expires June 30, 1999

Michael J. Morris

- ◆ Member since 1994
- ◆ Represents school employees
- ◆ Middle School Principal, Adams County School District 1
- ◆ Current term expires June 30, 1996

Timothy M. O'Brien

- ◆ Member since 1985
- ◆ State Auditor
- ◆ Resigned from Board in November 1995 upon vacating office as State Auditor

Bill Owens

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

Leonard P. Plank

- ◆ Member since 1993
- ◆ Represents judges
- ◆ Judge, Colorado Court of Appeals
- ◆ Current term expires June 30, 1999

Frank V. Tauli

- ◆ Member since 1977
- ◆ Former Chairman of the Board
- ◆ Represents school employees
- ◆ Elementary School Principal, Pueblo City School District 60
- ◆ Current term expires June 30, 1998 (resigned from Board in June 1996 upon retirement)

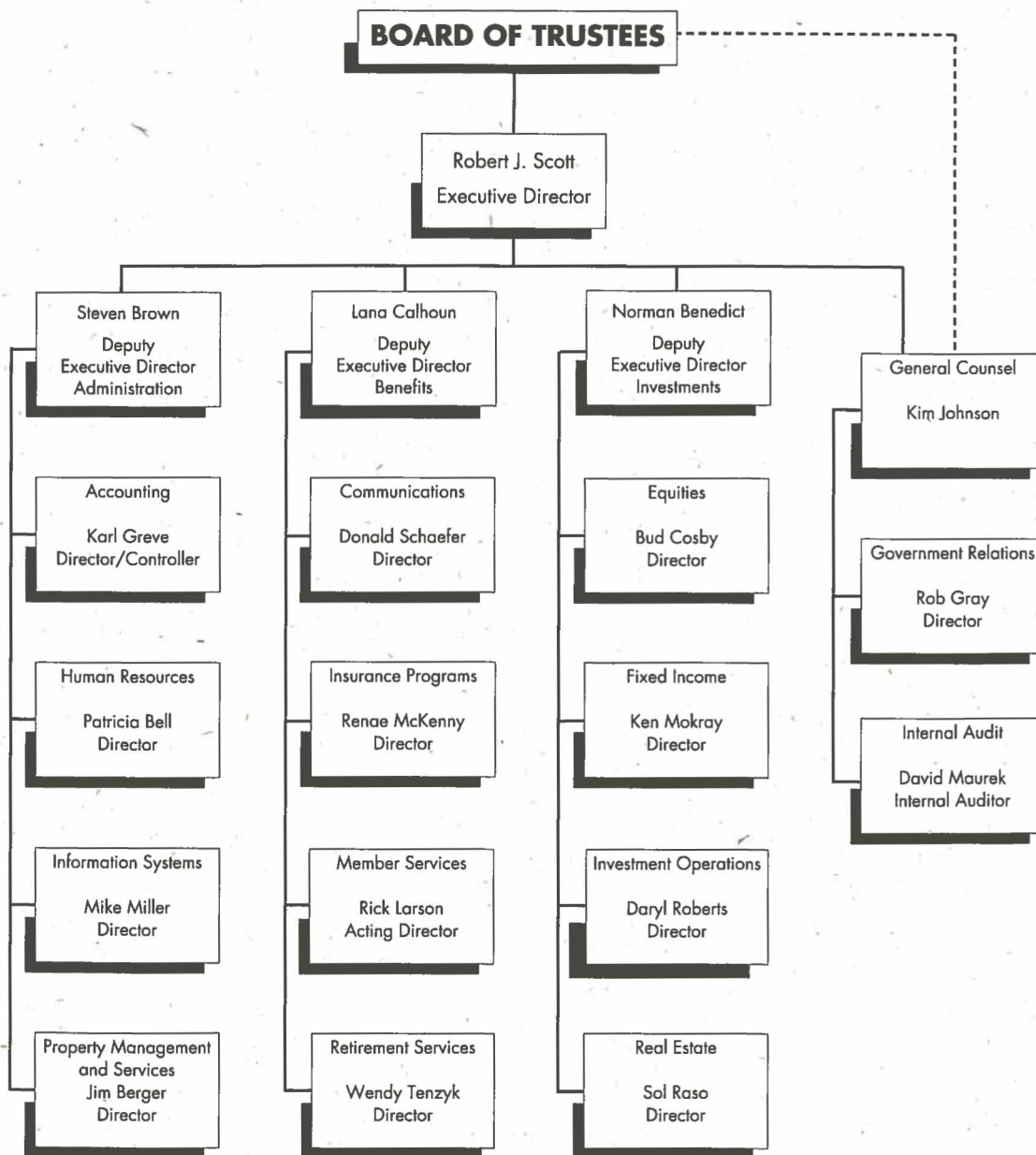
Carl S. Wilkerson

- ◆ Member since 1987
- ◆ Represented retirees (represented School Division members from 1958-1977)
- ◆ Retired Deputy Executive Director, PERA
- ◆ Resigned from Board in June 1995

Carole Wright

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

Administrative Organizational Chart*



* As of 5-1-96

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 61.

The Schedule of Computed Employer Contribution Rates on page 60 shows a detailed explanation of how the employer contributions are determined. These contributions are credited to the respective division for the purpose of creating actuarial reserves, so each member's benefits are fully provided for at retirement. PERA is exempt from federal income taxes under the Internal Revenue Code.

Termination

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

Members who withdraw their account before reaching age 65 or meeting age and service requirements for retirement receive a refund that includes his or her member contributions and interest, and a matching amount equal to 25 percent of the member's contributions and interest. Members who withdraw their account upon or after reaching age 65 or retirement eligibility, receive a 50 percent matching amount. Before July 1, 1995, individuals only received their contributions and interest upon refunding.

Interest credited to member contribution accounts is set at 80 percent of PERA's actuarial investment assumption rate (8.5 percent), currently equaling 6.8 percent. On July 1, 1995, interest at this rate was recalculated and credited to all accounts retroactive to the member's date of membership.

Members who leave their contribution account with PERA until they reach age 65 or meet PERA's age and service requirements may apply for a lifetime monthly benefit instead of withdrawing their account.

Retirement Benefits

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

Defined Retirement Benefits

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

Members who are eligible for service retirement receive defined retirement benefits equal to 2.5 percent of their HAS for each year of service credit through 20 years, and 1.5 percent of their HAS for each year beyond 20 years, up to the amount allowed by federal law. 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 five years of service.

Reduced service retirement benefits are available at age 55 with 20 years of service credit, or at age 60 with five years of service credit. A reduced defined retirement benefit is calculated the same as a service retirement benefit, then decreased by 0.333 percent for each month before the eligible date for service retirement; this reduction equals four percent per year. Members also are eligible to receive reduced service retirement benefits at age 50 with 25 years of service with a slightly greater benefit reduction.

(continued on next page)

INTRODUCTORY SECTION

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

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account and the matching amount equal to 50 percent of the member's contributions and interest, at the member's effective date of retirement.

Survivor Benefits

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

If a member dies with less than one year of PERA service credit, or with no survivors qualified to receive a monthly benefit, the named beneficiary or the estate will receive a lump-sum payment of the member's contribution account, in addition to a matching amount equal to 50 percent of the member's contributions and earned interest. If the member's death was job-incurred, the service credit minimum is waived, and qualified survivors may be eligible for a monthly benefit.

If a member had more than one year of service and qualified survivors at the time of death, a monthly benefit may be paid to the

qualified survivors. If the member is not eligible for retirement, children receive a benefit first. If the member is eligible for retirement, the spouse or cobeneficiary receives the benefit first.

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

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.

Consultants

Health Care Program Actuary

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

Independent Accountants

Ernst & Young LLP
4300 Republic Plaza
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

R.V. Kuhns & Associates, Inc.
1211 SW Fifth Ave., Suite 2850
Portland, OR 97204

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

Investments—Portfolio Consultant

Mercer Investment Consulting, Inc.
3500 Texas Commerce Tower
2200 Ross Ave.
Dallas, TX 75201

Investments—Real Estate

Institutional Property Consultants, Inc.
4330 La Jolla Village Dr., Suite 310
San Diego, CA 92122

Pension Actuary

Towers Perrin
One Tabor Center, Suite 1200
1200 17th St.
Denver, CO 80202

Risk Management

Johnson & Higgins of Colorado, Inc.
950 17th St., Suite 1850
Denver, CO 80202

401(k) Recordkeeper/Consultant

William M. Mercer, Inc.
One United Bank Center
1700 Lincoln St., Suite 3300
Denver, CO 80203

FINANCIAL SECTION

From the Plow to the Pick Ax

Colorado's abundant natural resources make the state a leading agricultural and mineral producer.

Colorado farms gross nearly \$5 billion annually—wheat and corn are the largest crops. State cropland is estimated at just more than 6.1 million acres, and total farmland is slightly more than 33 million.

Mining also utilizes our natural resources. Colorado leads the nation in silver production and is second in gold. Other resources mined include coal, copper, lead, talc, lithium, and barite.



The 1990 census counted 26,500 Colorado farms.



Lettuce and onions are the largest grossing fruit and vegetable crops in Colorado, while apples and peaches grown on the Western Slope also share the market.



Livestock production accounts for more than half of Colorado's farm income.



The largest gold nugget ever found was discovered in Breckenridge in 1887 and weighed 14 pounds and 10 ounces.

Report of the Independent Accountants

■ Suite 4300
370 17th Street
Denver, Colorado 80202-5663

■ Phone: 303 534 4300

Board of Directors
Public Employees' Retirement Association of Colorado

We have audited the accompanying general purpose financial statements, consisting of the State Division Trust Fund, School Division Trust Fund, Municipal Division Trust Fund, Judicial Division Trust Fund (the "Defined Benefit Plans"), the Voluntary Investment Program, the Health Care Fund and the Insurance Dividend Reserve, of the Public Employees' Retirement Association of Colorado ("PERA") as of December 31, 1995, and for the year then ended. These general purpose financial statements are the responsibility of the management of PERA. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial status of PERA as of December 31, 1995, and its changes in financial status for the year then ended in conformity with generally accepted accounting principles.

Ernst & Young LLP

June 12, 1996

FINANCIAL SECTION
General Purpose Financial Statements

Statements of Plan Net Assets
As of December 31, 1995, with Comparative Totals for 1994
(In Thousands of Dollars)

	State Division Trust Fund	School Division Trust Fund
ASSETS		
Cash and short-term investments	\$ 179,045	\$ 262,048
Receivables		
Benefit	23,388	29,962
Interfund due from	0	0
Investment settlement and income	49,804	72,893
Total receivables	73,192	102,855
Investments at fair value:		
U.S. government obligations	660,865	967,248
Domestic corporate bonds	740,967	1,084,485
Domestic stocks	3,304,570	4,836,595
International stocks	922,301	1,349,888
International fixed income	134,479	196,825
Mortgages	138,618	202,883
Real estate equity	299,951	439,010
Participating mortgages	21,292	31,162
Leveraged buyouts	94,498	138,310
Venture capital	77,897	114,011
Timber investments	53,133	77,765
Taxable municipal bonds	690	1,008
Total investments	6,449,261	9,439,190
Properties, at cost, net of accumulated depreciation of \$7,803 and \$7,141, at December 31, 1995, and 1994 respectively	5,194	8,070
Total assets	6,706,692	9,812,163
Liabilities		
Investment settlements and other	36,786	52,745
Interfund due to	605	1,471
Total liabilities	37,391	54,216
Reserves and fund balance:		
Insurance dividend reserve	0	0
Voluntary investment fund balance	0	0
Total reserves and fund balance	0	0
Commitments and contingencies (Note 5)		
Net assets held in trust for pension benefits and postemployment healthcare benefits (A schedule of funding progress for each plan is presented on page 27)	\$ 6,669,301	\$ 9,757,947

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

FINANCIAL SECTION
General Purpose Financial Statements

Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans	Voluntary Investment Program	Total Pension Trust Funds	Health Care Fund	Insurance Dividend Reserve (Agency Fund)	Combined Totals (Memorandum Only)	
							1995	1994
\$ 25,142	\$ 2,512	\$ 468,747	\$ 2,587	\$ 471,334	\$ 2,313	\$ 452	\$ 474,099	\$ 711,374
4,879	590	58,819	3,205	62,024	1,520	9	63,553	57,719
0	0	0	0	0	2,463	0	2,463	0
6,994	698	130,389	87	130,476	644	126	131,246	133,893
11,873	1,288	189,208	3,292	192,500	4,627	135	197,262	191,612
92,805	9,268	1,730,186	0	1,730,186	8,541	1,666	1,740,393	1,261,258
104,053	10,391	1,939,896	47,498	1,987,394	9,576	1,868	1,998,838	2,192,883
464,058	46,342	8,651,565	73,376	8,724,941	42,710	8,329	8,775,980	6,473,988
129,518	12,934	2,414,641	0	2,414,641	11,920	2,324	2,428,885	1,767,991
18,885	1,886	352,075	0	352,075	1,738	339	354,152	281,436
19,466	1,944	362,911	0	362,911	1,792	349	365,052	361,683
42,122	4,206	785,289	0	785,289	3,877	756	789,922	687,923
2,990	299	55,743	0	55,743	275	54	56,072	65,548
13,270	1,325	247,403	0	247,403	1,221	238	248,862	169,861
10,940	1,092	203,940	0	203,940	1,007	196	205,143	122,387
7,461	745	139,104	0	139,104	687	134	139,925	94,455
97	10	1,805	0	1,805	9	2	1,816	6,151
905,665	90,442	16,884,558	120,874	17,005,432	83,353	16,255	17,105,040	13,485,564
943	34	14,241	0	14,241	0	0	14,241	14,944
943,623	94,276	17,556,754	126,753	17,683,507	90,293	16,842	17,790,642	14,403,494
5,527	509	95,567	885	96,452	9,275	1,247	106,974	74,403
210	1	2,287	176	2,463	0	0	2,463	0
5,737	510	97,854	1,061	98,915	9,275	1,247	109,437	74,403
0	0	0	0	0	0	15,595	15,595	13,897
0	0	0	125,692	125,692	0	0	125,692	78,687
0	0	0	125,692	125,692	0	15,595	141,287	92,584
\$ 937,886	\$ 93,766	\$ 17,458,900	\$ 0	\$ 17,458,900	\$ 81,018	\$ 0	\$ 17,539,918	\$ 14,236,507

FINANCIAL SECTION
General Purpose Financial Statements

Statements of Changes in Plan Net Assets
For the Year Ended December 31, 1995, with Comparative Combined Totals for 1994
(In Thousands of Dollars)

	State Division Trust Fund	School Division Trust Fund
Additions		
Contributions		
Employers	\$ 153,472	\$ 200,889
Members	114,278	148,784
Purchased service	7,294	11,825
Retiree health care premiums	0	0
Total contributions	<u>275,044</u>	<u>361,498</u>
Investment income		
Appreciation (depreciation) in fair value of investments, net	1,033,642	1,510,753
Interest	144,074	210,649
Dividends	76,712	112,161
Real estate operating income (loss), net	24,239	35,441
	<u>1,278,667</u>	<u>1,869,004</u>
Less investment expense	(13,635)	(19,935)
Net investment income	<u>1,265,032</u>	<u>1,849,069</u>
Total additions	1,540,076	2,210,567
Deductions		
Benefits paid to retirees/cobeneficiaries	274,998	318,549
Benefits paid to survivors	8,377	7,270
Benefits paid to health care participants	0	0
Total benefits	<u>283,375</u>	<u>325,819</u>
Refunds of contribution accounts including match and interest	18,507	17,185
Administrative expense	6,565	9,834
Other transfers, net	(9,567)	10,599
Total deductions	<u>298,880</u>	<u>363,437</u>
Net change in voluntary investment program	0	0
Net change in assets available	<u>1,241,196</u>	<u>1,847,130</u>
Net assets available for pension and healthcare benefits		
Beginning of year	5,428,105	7,910,817
Ending of year	<u>\$ 6,669,301</u>	<u>\$ 9,757,947</u>

Employer contributions into this fund are as follows: State \$11,338; School \$14,880; Municipal \$2,116; Judicial \$133.

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

FINANCIAL SECTION
General Purpose Financial Statements

Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans	Voluntary Investment Program	Total Pension Trust Funds	Health Care Fund'	Combined Totals (Memorandum Only)	
						1995	1994
\$ 23,980	\$ 2,353	\$ 380,694	\$ 44	\$ 380,738	\$ 28,467	\$ 409,205	\$ 387,017
20,852	1,326	285,240	26,390	311,630	0	311,630	290,168
1,152	131	20,402	0	20,402	0	20,402	38,425
0	0	0	0	0	17,795	17,795	17,261
45,984	3,810	686,336	26,434	712,770	46,262	759,032	732,871
144,102	14,493	2,702,990	19,064	2,722,054	13,925	2,735,979	(503,067)
20,113	2,020	376,856	2,611	379,467	1,936	381,403	355,083
10,709	1,076	200,658	1,515	202,173	1,031	203,204	185,721
3,384	340	63,404	0	63,404	326	63,730	56,603
178,308	17,929	3,343,908	23,190	3,367,098	17,218	3,384,316	94,340
(1,903)	(191)	(35,664)	(71)	(35,735)	(183)	(35,918)	(24,277)
176,405	17,738	3,308,244	23,119	3,331,363	17,035	3,348,398	70,063
222,389	21,548	3,994,580	49,553	4,044,133	63,297	4,107,430	802,934
24,808	3,794	622,149	0	622,149	0	622,149	571,655
1,309	396	17,352	0	17,352	0	17,352	15,001
0	0	0	0	0	55,040	55,040	45,563
26,117	4,190	639,501	0	639,501	55,040	694,541	632,219
5,149	53	40,894	2,492	43,386	0	43,386	35,262
1,183	43	17,625	283	17,908	0	17,908	17,690
599	(225)	1,406	(227)	1,179	0	1,179	4,674
33,048	4,061	699,426	2,548	701,974	55,040	757,014	689,845
0	0	0	(47,005)	(47,005)	0	(47,005)	(17,976)
189,341	17,487	3,295,154	0	3,295,154	8,257	3,303,411	95,113
748,545	76,279	14,163,746	0	14,163,746	72,761	14,236,507	14,141,394
\$ 937,886	\$ 93,766	\$ 17,458,900	\$ 0	\$ 17,458,900	\$ 81,018	\$ 17,539,918	\$ 14,236,507

FINANCIAL SECTION

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

NOTE 1—PLAN DESCRIPTION:

ORGANIZATION

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

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

The number of affiliated active and inactive employers for the four divisions is as follows:

	As of December 31	
	1995	1994
State	74	75
School	197	193
Municipal	90	86
Judicial	6	6
Total employers	367	360

MEMBERSHIP

Division Trust Funds—Defined Benefit Pension Plans

Benefit recipients and members of PERA consisted of the following as of December 31, 1995 and 1994:

	State	School	Municipal	Judicial	Combined Totals 1995	1994
Retirees and beneficiaries currently receiving benefits, and terminated members entitled to benefits but not yet receiving them	20,775	26,193	2,459	212	49,639	46,755
Active Members:						
<i>Vested</i>						
General Employees	27,661	43,335	4,963	204	76,163	71,356
State Troopers	440	0	0	0	440	448
<i>Non-vested</i>						
General Employees	21,707	40,434	5,431	44	67,616	68,228
State Troopers	201	0	0	0	201	162
Total Active Members	50,009	83,769	10,394	248	144,420	140,194
Totals	70,784	109,962	12,853	460	194,059	186,949

Voluntary Investment Program

See Note 7.

Health Care Fund

Enrollment in the Health Care Fund (HCF) is voluntary for any PERA benefit recipients; guardians of children receiving PERA survivor benefits if children are enrolled in the HCF; retirees temporarily not receiving PERA benefits; surviving spouses of deceased retirees who are not receiving PERA benefits, but were enrolled in the Program when death occurred; and divorced spouses of retirees who are not receiving PERA benefits, but were enrolled in the Program when the divorce occurred. As of December 31, 1995, the HCF has 27,383 enrollees of which 7,072 are under 65 and 20,311 are 65 or older.

Notes to General Purpose Financial Statements
(In Thousands of Dollars)

BENEFIT PROVISIONS

Division Trust Funds-Defined Benefit Pension Plans

Retirement benefits are determined by the higher of a defined retirement benefit or a money purchase benefit. Members are eligible to receive a monthly retirement benefit when they reach age 65 or meet the age and service requirements listed below. Members elect to receive their benefits in the form of single or joint-life monthly payments.

Service Retirement Benefit		Reduced Service Retirement Benefit	
Minimum Service Credit	Minimum Age	Minimum Service Credit	Minimum Age
35 or more years	Any Age	25 years	50
30 years	55	20 years	55
20 years	60	5 years	60
5 years	65		
60 months on payroll	65		

Service retirement benefits are based on the member's years of service, age, and Highest Average Salary (HAS). Members who meet the eligibility for service retirement receive monthly defined retirement benefits equal to 2.5 percent of their HAS for each year of service credit through 20 years, and 1.5 percent of their HAS for each year beyond 20 years, up to the amount allowed by federal law. Prior to July 1, 1995, state law limited the maximum benefit payable to 80 percent of HAS.

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

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account (as of the date of retirement). The value of the member's account at the time of valuation includes a 50 percent matching amount of the member's contributions and interest.

A reduced service retirement benefit is calculated the same as a service retirement benefit, then decreased by 0.333 percent for each month before the eligible date for service retirement; this reduction equals four percent per year. However, a higher benefit reduction applies on reduced defined retirement benefits for members who retire under age 55. In these cases, 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.

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.

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

If a member dies with less than one year of PERA service credit, or with no survivors qualified to receive a monthly benefit, the named beneficiary or the estate will receive a lump-sum payment of the member's contribution account, in addition to a matching amount equal to 50 percent of the member's contributions and interest.

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

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

Effective July 1, 1995, members who withdraw their account before reaching age 65 or meeting the age and service requirements for retirement eligibility receive a refund that includes their member contributions and interest, and a matching amount equal to 25 percent of the member's contributions and interest. Members who withdraw their account upon or after reaching age 65 or retirement eligibility, receive a 50 percent matching amount. Before July 1, 1995, individuals only received their contributions and interest upon refunding.

Until July 1, 1995, interest was 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; the interest rate could not be less than the prevailing passbook savings rate in Colorado, nor could it be more than the actuarial investment assumption rate. The interest rate in effect January 1, 1995, through June 30, 1995, was 5.66 percent.

FINANCIAL SECTION

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

Effective July 1, 1995, interest credited to member contribution accounts was set at 80 percent of PERA's actuarial investment assumption rate (8.5 percent), currently equaling 6.8 percent. Interest at this rate was recalculated and credited to all accounts retroactive to the member's date of membership.

Members who previously received a refund of their contributions may reinstate this service credit through lump-sum or installment payments once they have one year of service credit. Also, any PERA member can accelerate vesting by purchasing service 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.

Voluntary Investment Program

See Note 7.

Health Care Fund

The HCF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries who choose to enroll in PERA's Health Care Program (the Program). Title 24, Article 51, Part 12 of the C.R.S., as amended, specifies the eligibility for enrollment and the amount of the premium subsidy. In 1995 and 1994, 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 benefit recipient paid the remaining portion of the premium if the subsidy did not cover the entire amount.

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.

Insurance Dividend Reserve

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

Federal Income Tax Status

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

TERMINATION OF PERA

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY

The Board oversees all funds included in the general purpose financial statements of PERA. 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 general purpose financial statements are not included in the financial statements of any other organization.

BASIS OF ACCOUNTING AND PRESENTATION

In November 1994, the Governmental Accounting Standards Board (GASB) issued Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans." PERA adopted the provisions of these standards for the year ended December 31, 1995.

GASB Statement No. 25 establishes financial reporting standards for defined benefit plans and standards for the notes to the financial statements of defined contribution plans. GASB Statement No. 26 provides financial reporting guidance for defined benefit pension plans that administer postemployment healthcare plans. Prior to adoption of these standards, the financial statements were prepared under the criteria of Financial Accounting Standards Board Statement No. 35, "Accounting and Reporting by Defined Benefit Pension Plans," GASB Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers," and GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers."

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

With the changes in the GASB standards, the net assets of the Health Care Fund are now shown as being available for postemployment healthcare benefits where previously they were not reported as being available. The 401(k) Voluntary Investment Program has been added to the general purpose financial statements of PERA in 1995 and 1994.

In May 1995, the Governmental Accounting Standards Board issued Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions." The Statement prescribes the reporting of securities lending cash collateral as assets and liabilities resulting from these transactions on the Statement of Net Plan Assets. Additionally, the costs of securities lending transactions should be reported as expenditures and should not be netted against income from the investment of the collateral. The Statement is effective for the year ended December 31, 1996. Accordingly, the effect of implementing the Statement has not been determined for these financial statements.

The accompanying general purpose financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when incurred regardless of when payment is made.

FUND ACCOUNTING

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

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, 1995 and 1994, the ownership percentages of each fund were as follows:

	Ownership Percentage as of December 31	
	1995	1994
State	37.97%	38.07%
School	55.58	55.52
Municipal	5.33	5.24
Judicial	0.53	0.54
HCF	0.49	0.53
IDR	0.10	0.10
Total	100.00%	100.00%

FAIR VALUE OF INVESTMENTS

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

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

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.

RECLASSIFICATION OF PRIOR YEAR AMOUNTS

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

NOTE 3—CONTRIBUTIONS:

CONTRIBUTIONS

Division Trust Funds—Defined Benefit Pension Plans

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

Members are required to contribute 8 percent of their gross salary to PERA, except for State Troopers and Colorado Bureau of Investigations officers, 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.

FINANCIAL SECTION

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

PERA-affiliated employers also contribute a percentage of payroll. The contribution rates for the combined retirement benefits and health care benefits from January 1, 1995, through December 31, 1995, were as follows:

Contributions as a Percent of Members' Salaries January 1, 1995 through December 31, 1995

Division	Membership	Contributions
State	All members, except State Troopers	11.6%
State	State Troopers	13.2%
School	All members	11.6%
Municipal	All members	10.0%
Judicial	All members	15.0%

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

Voluntary Investment Program

See Note 7.

Health Care Fund

The HCF is funded by affiliated employer contributions equal to 0.8 percent of covered salaries, included in the above combined rates, for all PERA members as set by statute. The contribution requirements for the affiliated employers are established under Title 24, Article 51, Section 208 of the C.R.S., as amended.

NOTE 4—INVESTMENTS:

INVESTMENT AUTHORITY

Under C.R.S. 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.

INVESTMENT CONCENTRATIONS

No investments (other than those issued or guaranteed by the U.S. government) represent 5 or more percent of the plan net assets.

CASH

The following table presents the PERA combined total deposits and money market funds as of December 31, 1995:

	Carrying Value	Bank Balance
Deposits (overdrafts) with banks (fully insured by federal depository insurance)	\$ (9,834)	\$ 3,257
Deposits held at bank (fully collateralized by the underlying securities, held by PERA's agent in PERA's name)	114,678	114,678
Money market funds held at bank (fully collateralized by the underlying securities, held by PERA's agent in PERA's name)	160,100	160,100
Total deposits and money market funds	<u>\$ 264,944</u>	<u>\$ 278,035</u>

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

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

The carrying value of cash and short-term investments at December 31, 1995, on the Statements of Plan Net Assets includes short-term fixed income investments of \$163,840, short-term mortgages of \$45,315, and deposit and money market funds of \$264,944 for a total of \$474,099. PERA considers fixed income and mortgage investments purchased with a maturity of 12 months or less to be short-term investments.

OTHER INVESTMENTS

The following table presents the combined PERA total investments held at December 31, 1995, categorized to give an indication of the level of risk assumed by PERA. The categories are:

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

Investments not evidenced by securities are not categorized.

	Category			Carrying Amount (Fair Value)
	1	2	3	
U.S. government obligations	\$ 1,740,393	\$—	\$—	\$ 1,740,393
Domestic corporate bonds	1,830,073	—	—	1,830,073
Domestic stocks	8,775,980	—	—	8,775,980
International stocks	2,428,885	—	—	2,428,885
International fixed income	354,152	—	—	354,152
Short-term fixed income	163,840	—	—	163,840
Taxable municipal bonds	1,816	—	—	1,816
Subtotal	\$15,295,139	\$—	\$—	\$15,295,139
Domestic corporate bonds (private placements)				\$ 168,765
Fixed rate mortgages				365,052
Short-term fixed rate mortgages				45,315
Real estate				789,922
Participating mortgages				56,072
Leveraged buyout funds				248,862
Venture capital funds				205,143
Timber investments				139,925
Total investments				\$17,314,195

Short-term fixed income of \$163,840 and short-term mortgages of \$45,315 are included in the total investment amount shown in this disclosure while being included in cash and short-term investments in the financial statements, due to their maturity being less than 12 months.

SECURITIES LENDING

From time to time, PERA enters into various short-term agreements in which 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 Statements of Plan Net Assets at fair value.

At December 31, 1995, PERA had investments loaned with an aggregate fair value of \$2,487,511 and a total collateral value of \$2,512,386 or 101.00 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 5—COMMITMENTS and CONTINGENCIES:

At December 31, 1995, PERA was committed to the future purchase of investments at an aggregate cost of approximately \$796,405.

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

FINANCIAL SECTION

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

NOTE 6—FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK:

COVERED CALL OPTIONS

PERA writes covered call options as an investment technique to enhance portfolio returns and reduce portfolio volatilities. When a call option is sold (written), it obligates the seller to deliver stock at a set price for a specific period of time. When PERA writes an option, a premium is received and the value of the option is recorded as a liability because of the obligation to deliver stock. The liability is continually adjusted to reflect the current market value of the options written. Market value is the amount that PERA would pay to terminate the contracts at the reporting date. 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 realized as a gain. A gain or loss is also realized on the purchase and subsequent sale of the underlying security to satisfy the delivery obligation.

PERA may repurchase a call option written at its discretion when it is favorable to do so. When a contract is repurchased, the liability is reduced and the difference between the premium received and the amount paid to close the contract is realized as a gain or loss.

PERA has written covered call options on 301 companies as of December 31, 1995. Premiums received on the sales of these options were \$196,000 and the market value as of December 31, 1995, was \$239,000.

PERA has no control over whether a written option contract may be exercised, but may repurchase the contract to close the position. As a result, PERA bears the market risk of an unfavorable change in the price of the security underlying the written option.

INDEX OPTIONS

PERA writes put and call spread options on domestic and international indexes to enhance portfolio returns. The mix of put and call spreads varies in order to take advantage of option premium levels and market conditions. The domestic spread options are exchange traded with margin required. The international options are over-the-counter (OTC) options traded directly between PERA's portfolio manager and its counterparties. There is no margin requirement on an OTC option. Since OTC options are privately negotiated instruments, they are subject to counterparty credit risk and are less liquid than listed options. PERA does not expect the counterparties (clearing brokers) to default on their obligations.

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

OPTIONS ON FUTURES

This is an option contract, the exercise of which results in the holder and writer of the option exchanging futures positions. The buyer of a call or put option has unlimited profit potential with the risk limited to the premium paid for the option. The option seller accepts potentially unlimited risk in return for the option premium received. The option seller or buyer can terminate such exposure in a closing transaction. A position is offset by completing the opposite transaction with the same option. Refer to the above paragraph for the accounting treatment.

FORWARD FOREIGN EXCHANGE CONTRACTS

A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry counterparty risk. Forwards are usually transacted OTC. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation. They are entered into with the foreign exchange department of a bank located in a major money market. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, PERA records the unrealized translation gain or loss.

FUTURES

A futures contract is an agreement for delayed delivery of securities, commodities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specific price or yield. 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 a realized gain or loss for financial statement purposes.

PERA buys and sells 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.

SWAP

PERA entered into an Australian equity (AUD)/U.S. dollar (USD) London Inter-Bank Office Rate (LIBOR) swap with a counterparty whereby PERA, in effect, borrowed a notional amount of U.S. dollars from a counterparty to buy a basket of Australian equities from the counterparty in October 1995. This enables PERA to receive the benefits of owning this basket of securities without purchasing the securities. The notional amount of the transaction was \$2,942 based on the market value of the securities at the transaction date using the prevailing AUD/USD

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

exchange rate. No principal amount exchanged hands. On a monthly basis, PERA pays interest to the counterparty on the nominal value at the rate of one month LIBOR less 10 basis points. In exchange, PERA receives (or pays) the change in market value of the basket of Australian securities and receives the dividend income on the securities. The LIBOR interest paid to the counterparty, the net change in unrealized gain/loss on the underlying portfolio, and the dividend income are all netted and reported as a realized gain or loss on a monthly basis. The notional value of the swap at December 31, 1995, is \$2,968. PERA is exposed to credit risk in the event of nonperformance by the counterparty to the financial instrument, but does not expect the counterparty to fail to meet their obligation. Market risk results from an unfavorable change in the value of the underlying securities.

The financial instruments discussed above include options, options on futures, futures contracts, currency forwards and a swap which involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amount recognized in the Statements of Plan Net Assets. The market risk associated with options, futures, forwards and swaps arises from the potential unfavorable change in the value of the underlying instruments. The following contract or notional amounts of these instruments reflect the extent of PERA's involvement in the particular class of financial instrument. The contract or notional amounts do not represent the exposure to market loss.

Contracts	Description	Contract or Notional Value
234,601	Covered call options written - domestic	\$ 1,344,353
19,475	Long index call options - domestic	1,448,975
19,475	Short index call options - domestic	1,448,975
101	Long futures contracts - domestic	11,159
84	Short futures contracts - domestic	10,203
- 105	Call options on futures - domestic	12,032
97,459	Long index call options - international	35,973
97,338	Short index call options - international	24,840
9,824	Long index put options - international	31,790
9,945	Short index put options - international	42,923
475	Long index futures contracts - international	64,412
55	Long forward foreign exchange contracts	614,543
55	Short forward foreign exchange contracts	614,543
1	Australian equity/USD LIBOR swap	2,968

NOTE 7—VOLUNTARY INVESTMENT PROGRAM—PERA'S 401(k) DEFINED CONTRIBUTION PENSION PLAN NOTE DISCLOSURES:

PLAN DESCRIPTION

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

Members may contribute up to 18 percent of covered salary, to a maximum of \$9,240 (actual dollars) for 1995; employer contributions are optional. The contribution requirements for the program are established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. At December 31, 1995, there were 10,155 members with account balances.

Members of the program are allowed to change their contribution amount, transfer account balances among five investment funds, or change the contribution percentages designated to each fund on a monthly basis. The five investment options are: Short-Term Bond, Long-Term Bond, Balanced, Growth and Income Stock, and Aggressive Stock. Members may access their funds through loans, in-service withdrawals and distributions as allowed under the Internal Revenue Code. Plan Provisions are established or are authorized to be established by the PERA Board of Trustees under Title 24, Article 51, Part 14 of the C.R.S., as amended.

SIGNIFICANT ACCOUNTING POLICIES—401(k) VOLUNTARY INVESTMENT PROGRAM

Basis of Accounting

The voluntary investment program financial statements are prepared using the accrual basis of accounting. Employer and member contributions are recognized in the period that the contributions are due.

FINANCIAL SECTION

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

Method Used to Value Investments

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

Investment Concentrations

The Voluntary Investment Program participants invest in the following mutual funds; the shares owned, total market value, and percentage of plan net assets invested in these funds are also listed.

	As of December 31, 1995		
	Shares Owned	Total Market Value	Percentage of Plan Net Assets
PIMCO Low Duration Fund	1,293,769	\$13,080	10.4%
Norwest Total Return Bond Fund	2,268,765	\$22,325	17.8%
Dodge & Cox Balanced Fund	221,490	\$12,093	9.6%
Fidelity Contrafund	558,540	\$21,236	16.9%

All other investments are managed by PERA investment staff and none of these investments represent 5% or more of total plan net assets.

NOTE 8—INSURANCE DIVIDEND RESERVE NOTE DISCLOSURES:

The following represents the changes in the net assets for the Insurance Dividend Reserve for the year ended 1995.

	Balance 1/1/95	Net Change	Balance 12/31/95
Assets			
Cash and short-term investments	\$ 701	(\$249)	\$ 452
Receivables	755	(620)	135
Investments at fair value	13,298	2,957	16,255
Total assets	14,754	2,088	16,842
Liabilities			
Investment settlements and other	857	390	1,247
Total liabilities	857	390	1,247
Net assets	<u>\$ 13,897</u>	<u>\$1,698</u>	<u>\$ 15,595</u>

	1995
Net investment income	\$ 3,325
Insurance premiums	(1,627)
Net increase in net assets	<u>\$ 1,698</u>

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

	Valuation Year				
State Division Trust Fund	1995	1994	1993	1992	1991
Actuarial Value of Assets (a)	\$5,838,863	\$5,239,957	\$4,862,052	\$4,374,736	\$4,076,028
Actuarial Accrued Liability (b)	6,922,184	6,395,090	5,992,398	5,021,226	4,640,201
Total Unfunded Actuarial					
Accrued Liability (UAAL) (b-a)	1,083,321	1,155,133	1,130,346	646,490	564,172
Funded Ratio (a/b)	84.4%	81.9%	81.1%	87.1%	87.8%
Covered Payroll (c)	1,510,353	1,429,026	1,398,002	1,420,758	1,313,048
UAAL as Percentage of Covered Payroll	71.7%	80.8%	80.9%	45.5%	43.0%
School Division Trust Fund	1995	1994	1993	1992	1991
Actuarial Value of Assets (a)	\$8,599,151	\$7,675,230	\$7,076,984	\$6,318,500	\$5,827,203
Actuarial Accrued Liability (b)	9,248,544	8,529,017	8,031,939	6,760,744	6,257,307
Total Unfunded Actuarial					
Accrued Liability (UAAL) (b-a)	649,393	853,788	954,955	442,244	430,104
Funded Ratio (a/b)	93.0%	90.0%	88.1%	93.5%	93.1%
Covered Payroll (c)	1,994,914	1,869,673	1,790,555	1,754,969	1,673,724
UAAL as a Percentage of Covered Payroll	32.6%	45.7%	53.3%	25.2%	25.7%
Municipal Division Trust Fund	1995	1994	1993	1992	1991
Actuarial Value of Assets (a)	\$829,117	\$728,217	\$660,431	\$584,649	\$548,237
Actuarial Accrued Liability (b)	842,576	759,365	695,564	577,622	562,714
Total Unfunded Actuarial					
Accrued Liability (UAAL) (b-a)	13,459	31,148	35,133	(7,026)	14,477
Funded Ratio (a/b)	98.4%	95.9%	94.9%	101.2%	97.4%
Covered Payroll (c)	280,999	263,249	245,471	244,327	210,725
UAAL as a Percentage of Covered Payroll	4.8%	11.8%	14.3%	-2.9%	6.9%
Judicial Division Trust Fund	1995	1994	1993	1992	1991
Actuarial Value of Assets (a)	\$82,384	\$73,981	\$68,635	\$61,427	\$57,202
Actuarial Accrued Liability (b)	87,003	80,605	77,131	65,788	61,598
Total Unfunded Actuarial					
Accrued Liability (UAAL) (b-a)	4,619	6,624	8,496	4,360	4,396
Funded Ratio (a/b)	94.7%	91.8%	89.0%	93.4%	92.9%
Covered Payroll (c)	17,533	17,023	17,279	16,640	15,620
UAAL as a Percentage of Covered Payroll	26.3%	38.9%	49.2%	26.2%	28.1%
			Valuation Year		
Health Care Fund	1995	1992	1990		
Actuarial Value of Assets (a)	\$72,423	\$65,021	\$52,647		
Actuarial Accrued Liability (b)	551,699	501,684	548,172		
Total Unfunded Actuarial					
Accrued Liability (UAAL) (b-a)	479,276	436,663	495,525		
Funded Ratio (a/b)	13.1%	13.0%	9.6%		
Covered Payroll (c)	3,803,799	3,436,694	2,912,712		
UAAL as a Percentage of Covered Payroll	12.6%	12.7%	17.0%		

FINANCIAL SECTION

Required Supplementary Information

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

	1995	1994	1993	1992	1991
State Division Trust Fund					
Dollar Amount of ARC	\$153,472	\$147,269	\$137,587	\$124,665	\$136,331
Annual Required Contribution *(ARC)	10.83%	10.83%	10.33%	9.33%	11.12%
% ARC Contributed	100%	100%	100%	100%	100%
School Division Trust Fund					
Dollar Amount of ARC	\$200,889	\$188,161	\$181,593	\$183,743	\$152,582
Annual Required Contribution *(ARC)	10.80%	10.80%	10.80%	11.10%	11.55%
% ARC Contributed	100%	100%	100%	100%	100%
Municipal Division Trust Fund					
Dollar Amount of ARC	\$23,980	\$22,359	\$20,763	\$22,080	\$18,915
Annual Required Contribution *(ARC)	9.20%	9.20%	9.20%	9.20%	9.30%
% ARC Contributed	100%	100%	100%	100%	100%
Judicial Division Trust Fund					
Dollar Amount of ARC	\$2,353	\$2,294	\$2,301	\$2,231	\$2,041
Annual Required Contribution *(ARC)	14.20%	14.20%	14.20%	14.20%	14.20%
% ARC Contributed	100%	100%	100%	100%	100%

	1995	1992	1990
Health Care Fund			
Dollar Amount of ARC	\$28,467	\$27,460	\$20,974
Annual Required Contribution *(ARC)	0.80%	0.80%	0.80%
% ARC Contributed	100%	100%	100%

*As a percent of covered payroll.

Notes to Required Supplementary Information

NOTE 1—DESCRIPTION

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

Information for the required supplementary schedules of funding progress and employer contributions is only available for five years for the Division Trust Funds. The Health Care Fund required supplementary information is provided for six years for each biennial actuarial valuation.

NOTE 2—ACTUARIAL ASSUMPTIONS AND METHODS

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

	State Division Trust Fund	School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Health Care Fund
Valuation date	12/31/95	12/31/95	12/31/95	12/31/95	12/31/95
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percent	Level percent	Level percent	Level percent	Level percent
	Open	Open	Open	Open	Open
Remaining amortization period	27	11	3	6	41
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions					
Investment rate of return*	8.50%	8.50%	8.50%	8.50%	8.50%
Projected salary increases*	5.5-10.5%	5.5-7.99%	5.5-12.9%	5.5-7.01%	Not applicable
*Includes inflation at	5.50%	5.50%	5.50%	5.50%	5.50%
Cost-of-living adjustments	CPI increase maximum 3.5%	CPI increase maximum 3.5%	CPI increase maximum 3.5%	CPI increase maximum 3.5%	None
Health care inflation factor	Not applicable	Not applicable	Not applicable	Not applicable	Zero

NOTE 3—SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

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

- The interest rate credited on member contribution accounts was changed to equal 80 percent of the actuarial investment assumption rate of 8.5%, which is 6.8%.
- Interest credited on member contribution accounts is calculated from date of membership rather than just calculated from July 1, 1991.
- Established a "matching" amount upon refund before retirement eligibility age equal to 25% of contributions and interest or equal to 50% of contributions and interest after retirement eligibility age or age 65.
- The money purchase benefit was established and is actuarially determined based on the member contribution account and the matching contribution amount and interest.

1994 Changes in Plan Provisions Since Prior Year—State, School, Municipal, and Judicial Division Trust Funds:

- No significant changes in plan provisions.

1993 Changes in Plan Provisions Since Prior Year—State, School, Municipal, and Judicial Division Trust Funds:

- The annual benefit adjustment was changed from a simple increase of 4% per year to a compound increase of 3.5% per year.
- The Cost of Living Stabilization Fund was merged into the State, School, Municipal, and Judicial Division Trust Funds.

Notes to Required Supplementary Information

1992 Changes in Plan Provisions Since Prior Year—State, School, Municipal, and Judicial Division Trust Funds:

- The benefit formula for years over 20 was changed retroactively from 1.25% to 1.50% of HAS beginning July 1992.
- The annual benefit adjustment was changed from a simple increase of 3% per year to 4% per year.
- The method of valuing assets was changed from a cost method to the 4-year smoothed market value of assets method.
- The investment rate of return assumption was increased from 7.5% to 8.5%.

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

- No significant changes in plan provisions.

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

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

SUPPORTING SCHEDULES FOR FINANCIAL SECTION (UNAUDITED)

Always Learning

Education is an important aspect of life for Coloradans. From universities to public schools, making sure that the youth continue to excel and achieve their academic goals is a major focus of the population.

Colorado graduates more than 30,000 high school students annually, the second largest number in the eight-state region. And, with many educational and scientific institutions in the state, opportunities for higher education abound.



Colorado's first public schoolhouse was built in Boulder County in 1860.



Of all 50 states, Colorado has the highest ratio of university graduates per capita.



Colorado has 176 public school districts.



In 1874, the territorial legislature established the University of Colorado; its first class in 1883 had seven graduates.

SUPPORTING SCHEDULES FOR FINANCIAL SECTION

Schedule of Administrative Expenses

For the Year Ended December 31, 1995

(In Thousands of Dollars)

	1995
Personnel services:	
Salaries	\$7,769
Employee benefits	2,158
Total personnel services	9,927
Staff education:	
Tuition assistance program	68
PERA-required education	307
Total staff education	375
Professional contracts:	
Actuarial contracts	119
Audits	93
Medical exams	262
Investment counsel	398
Legal and legislative counsel	558
Computer services and consulting	498
Management consulting	376
Health care consultants	36
Other	218
Total professional contracts	2,558
Miscellaneous:	
Equipment rental and services	636
Memberships	109
Publications and subscriptions	66
Travel and local expense	352
Board fiduciary expense	0
Auto expense	15
Telephone	153
Postage	592
Insurance	138
Printing	487
Office supplies	546
Building rent, supplies, and utilities	385
Total miscellaneous	3,479
Total budgeted expense	16,339
Depreciation expense	1,136
401(k) voluntary investment program expense	283
Total expenses	17,758
Interfund transactions	150
Total administrative expense	\$17,908
Allocation of administrative expense:	
State Division	\$6,565
School Division	9,834
Municipal Division	1,183
Judicial Division	43
401(k) voluntary investment program	283
Total allocation	\$17,908

SUPPORTING SCHEDULES FOR FINANCIAL SECTION

Schedule of Disbursements by Function

(In Thousands of Dollars)

	Contribution Refunds	Interest and Matching Amount Paid	Benefit Payments ¹	Administrative Expenses ²	Total Expenses
State Division					
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
1995.....	12,109	6,398	283,375	6,565	308,447
School Division					
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
1995.....	10,903	6,282	325,819	9,834	352,838
Municipal Division					
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
1995.....	3,572	1,577	26,117	1,183	32,449
Judicial Division					
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
1995.....	32	21	4,190	43	4,286

¹ Benefit payments include both retirement and survivor benefit payments.

² Totals do not include the Health Care Fund, the Common Operating Fund, the Insurance Dividend Reserve, or the 401(k) voluntary investment program.

SUPPORTING SCHEDULES FOR FINANCIAL SECTION

Schedule of Receipts by Source

(In Thousands of Dollars)

	Member Contributions ¹	Employer Contributions ¹	Investment Income ²	Service Credit Purchases ³	Misc. Income ⁴	Total Revenues
State Division						
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
1995.....	114,278	153,472	1,265,032	7,294	—	1,540,076
School Division						
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
1995.....	148,784	200,889	1,849,069	11,825	—	2,210,567
Municipal Division						
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
1995.....	20,852	23,980	176,405	1,152	—	222,389
Judicial Division						
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
1995.....	1,326	2,353	17,738	131	—	21,548

¹ Member and employer contribution rate history is shown on page 61. Employer contributions are net of HCF and Cost of Living Stabilization Fund (CLSF) contributions.

² Investment income does not include amounts for the HCF, Insurance Dividend Reserve, and 401(k) voluntary investment program.

³ Receipts for purchased service credit in 1990–1995 are shown as separate line items. In previous years, they were combined with "Other Net Transfers" in the Financial Statements.

⁴ 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)

The Spirit of Colorado

Cities and towns are the convergence of life in Colorado, and it's no wonder they are some of the most fascinating places in the state.

From the International Bell Museum in Evergreen, which houses a collection of 3,500 bells dating from 1,000 B.C., to Pagosa Springs, which has the world's hottest mineral spring, to Florissant, home of the largest tree stump ever found, the list goes on. And these are just three of Colorado's 266 municipal districts!



Julesburg was the only town in Colorado with a Pony Express station.



The first Colorado town to have electric lights was Aspen.



At 10,188 feet, Leadville is the highest incorporated city in the United States.



Alamosa is known as the place where the West meets the Southwest.

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 stipulations including:

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

Goal

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

The future investment performance of 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.

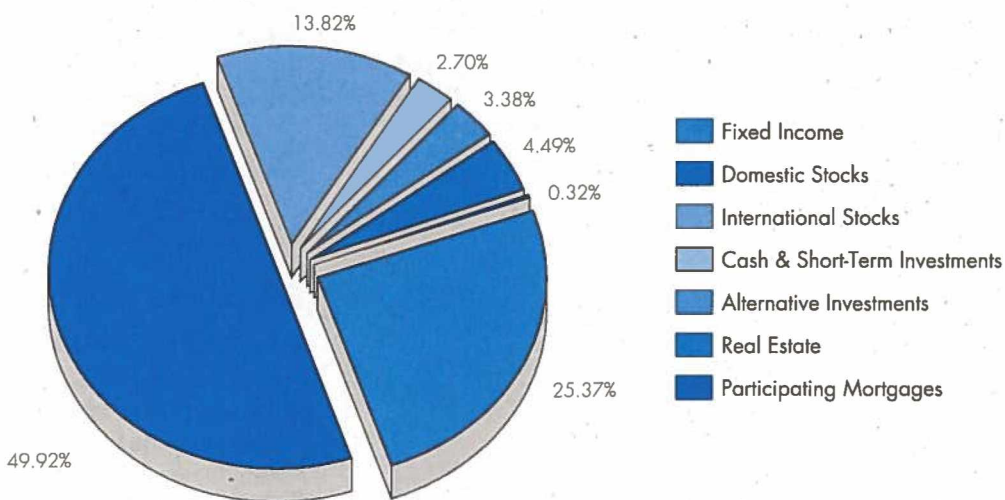
Investment Summary

(In Thousands of Dollars)

Type of Investment	December 31, 1994		December 31, 1995		1995 % Total Market
	Cost	Market Value	Cost	Market Value	
Cash and short-term investments.....	\$ 712,062	\$ 711,374	\$ 481,800	\$ 474,099	2.70%
Fixed income:					
U.S. government obligations.....	1,383,194	1,261,258	1,705,864	1,740,393	9.90%
Taxable municipal bonds.....	16,640	6,151	1,735	1,816	0.01%
Domestic corporate bonds.....	2,376,532	2,192,883	1,940,559	1,998,838	11.37%
Fixed-rate mortgages.....	412,184	361,683	380,000	365,052	2.08%
International fixed income.....	283,693	281,436	338,302	354,152	2.01%
Total fixed income.....	4,472,243	4,103,411	4,366,460	4,460,251	25.37%
Domestic stocks.....	5,375,681	6,473,988	5,873,519	8,775,980	49.92%
International stocks.....	1,436,179	1,767,991	1,963,371	2,428,885	13.82%
Real estate.....	869,966	687,923	974,915	789,922	4.49%
Participating mortgages.....	80,236	65,548	80,449	56,072	0.32%
Alternative investments:					
Timber investments.....	57,658	94,455	94,293	139,925	0.80%
Venture capital buyout funds.....	104,626	122,387	156,673	205,143	1.17%
Leveraged buyout funds.....	150,670	169,861	164,116	248,862	1.41%
Total alternative investments.....	312,954	386,703	415,082	593,930	3.38%
Total investments.....	\$13,259,321	\$14,196,938	\$14,155,596	\$17,579,139	100.00%

1995 Investments

At Market as of December 31, 1995



Fund Performance Evaluation

Evaluation

PERA retains R.V. Kuhns and Associates and The Northern Trust Company to evaluate its fund performance. Institutional Property Consultants is utilized for the real estate portfolio performance evaluation and industry comparisons.

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 for annual rates of return using post-closing amounts.

Asset Allocation

As of December 31, 1995, 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 54.1 percent invested in domestic and international stocks, 34.6 percent in domestic and international bonds, 2.5 percent in cash and short-term investments, and 9.1 percent in other assets.

During 1995, assets at market value varied within the following ranges of the total portfolio: domestic and international stocks, 58.8 to 65.0 percent; domestic and international bonds, 23.0 to 28.1 percent; cash and short-term investments, 1.4 to 5.4 percent; and other assets, 9.8 to 11.5 percent.

Total Portfolio Results

For the year ended December 31, 1995, the total fund returned 24.6 percent, compared to the R.V. Kuhn's Median Public Fund and Custom Benchmark returns of 24.8 percent and 25.3 percent, respectively.

The R.V. Kuhn's Median Public Fund measure is comprised of 104 different public pension funds with total assets of approximately \$800 billion used for comparative analysis. 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 benchmarks are used to evaluate the performance of the Association's portfolio managers.

The PERA return of 24.6 percent resulted from a strong "bull market" year for both stocks and bonds. Falling domestic interest rates, a gradually slowing economy unaffected by the possibility of renewed inflation, combined with a strong dollar, led to impressive domestic stock and bond market returns.

The Association's five-year annualized rate of return of 13.0 percent surpassed the R.V. Kuhn's Median Public Fund and Custom Benchmark returns of 12.6 percent and 12.5 percent, respectively.

PERA's 10-year annualized rate of return of 11.1 percent exceeded inflation and PERA's 8.5 percent actuarial assumption rate.

Domestic Stocks

Domestic stock returns rose dramatically in 1995, due to lowered interest rates and corporate profits that continued in spite of the nation's slowing economy. PERA's robust domestic stock portfolio return of 35.3 percent trailed the Standard and

Poor's (S&P) 500 Index return of 37.5 percent. However, PERA's Small Cap Portfolio returned 41.5 percent, compared with the Russell 2000 Index return of 28.4 percent.

In 1995, the Board approved PERA's initiation of a Value Small Cap Equities fund, which became operational in May, and a Convertible Equities fund, which became operational in June.

International Stocks

In 1995, 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.

Although PERA's composite international equity portfolio returned 9.9 percent compared to the EAFE return of 11.5 percent, PERA's 10.5 percent five-year annualized return for the international stock portfolio exceeded the 9.8 percent five-year annualized EAFE return. The PERA returns include cash and short-term investments.

Domestic Bonds

PERA's fixed income performance is compared to the Lehman Brothers Government Corporate Bond Index. PERA's domestic bond return of 20.6 percent outperformed the Lehman Brothers Government Corporate Bond Index return of 19.3 percent.

The bond market's surprisingly strong performance in 1995—the third best year during the past 70 years and the best year in a decade—is attributed to a number of factors, including the Federal Reserve Board's initial tightening of credit and subsequent policy reversal, combined with large purchases of U.S. Treasury securities by foreign investors, particularly central banks.

During the first quarter of 1995, the Federal Reserve increased short-term interest rates, which slowed economic growth and lowered inflation. However, the Federal Reserve's two rate decreases during the last two quarters of the year caused short-term interest rates to fall to their lowest level since the 1960's, while bond prices rose.

International Bonds

The benchmark by which international bonds are measured is the Salomon World Non-U.S. Government Bond Index. In 1995, PERA's international bonds yielded a strong 25.3 percent rate of return, thus surpassing the Salomon Index return of 19.6 percent.

Private Equity and Alternative Investments

In 1995, the Board approved PERA's funding of nine private equity investments. Four of the investments are in domestic non-hostile leveraged buyout funds, four are international private equity funds (including Hancock International Private Equity Partners, an international fund-of-funds investment), and one is both a domestic leveraged buyout and an international private equity fund.

Fund Performance Evaluation (continued)

Real Estate

In 1995, PERA's real estate portfolio had a total return of 7.7 percent, compared to the Institutional Property Consultants (IPC) Benchmark return of 7.5 percent and the Frank Russell/NCREIF (NCREIF) Index return of 7.7 percent. On a total return basis, PERA has performed at or above both of these indices for the one-, three-, and five-year periods ending December 31, 1995.

On an income basis, PERA's real estate portfolio produced a 9.7 percent return during the year versus the IPC Benchmark return of 8.9 percent and the NCREIF Index return of 9.1 percent. PERA has outperformed both of these indices for the last five years. PERA's five-year annualized income return was 8.7 percent versus 7.3 percent for the IPC Benchmark and 8.1 percent for the NCREIF Index.

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 \$141.2 million in new equity real estate transactions in 1995 and liquidated four investments for a total of approximately \$55.3 million. Unfunded commitments to both debt and equity investments at year-end 1995 totaled \$234.1 million.

PERA's mortgage portfolio achieved a 18.1 percent return in 1995 with a five-year annualized return of 13.1 percent, versus its benchmark, the Salomon Pass Thru Index, which had a return of 16.9 percent in 1995 with a five-year annualized return of 9.0 percent. New mortgage investments in 1995 totaled \$128.1 million and mortgages sold or paid off totaled \$43.6 million.

Annual Rates of Return

	1991	1992	1993	1994	1995	5-Year Annualized
Total Portfolio:						
PERA	20.1%	6.4%	14.9%	1.1%	24.6%	13.0%
Median Fund	21.7%	7.1%	12.1%	(0.8)%	24.8%	12.6%
Custom Benchmark	19.9%	5.4%	13.4%	0.6%	25.3%	12.5%
Domestic Stocks:						
PERA	29.6%	8.7%	12.2%	1.0%	35.3%	16.6%
Standard & Poor's (S&P) 500	30.6%	7.7%	10.0%	1.3%	37.5%	16.6%
International Stocks:						
PERA	14.3%	(4.3)%	31.7%	4.1%	9.9%	10.5%
Europe-Australia-Far East (EAFE) Index	12.9%	(12.2)%	33.3%	8.1%	11.5%	9.8%
Domestic Bonds:						
PERA	16.9%	7.3%	11.9%	(2.7)%	20.6%	10.4%
Lehman Brothers Government Corporate Bond Index	16.1%	7.6%	11.0%	(3.5)%	19.3%	9.8%
International Bonds:						
PERA	N/A	5.9%	18.4%	2.5%	25.3%	N/A
Salomon World Non-U.S. Government Bond Index	16.2%	4.8%	15.1%	6.0%	19.6%	12.2%
Mortgages:						
PERA total	17.0%	4.8%	13.3%	13.0%	18.1%	13.1%
Salomon Pass Thru Index	15.9%	7.6%	6.7%	(1.3)%	16.9%	9.0%
Real estate/participating mortgages:						
PERA total	(6.9)%	0.5%	5.5%	4.8%	7.7%	2.2%
Income return	7.0%	7.9%	9.0%	9.8%	9.7%	8.7%
Property value increase/decrease	(13.9)%	(7.5)%	(3.5)%	(5.0)%	(1.8)%	(6.4)%
Institutional Property Consultants Index total	(5.3)%	(4.6)%	1.1%	7.8%	7.5%	1.1%
Income return	5.6%	6.2%	7.4%	8.2%	8.9%	7.3%
Property value increase/decrease	(10.9)%	(10.8)%	(6.3)%	(0.4)%	(1.4)%	(6.1)%
Frank Russell/NCREIF Index total	(5.6)%	(4.3)%	1.2%	6.4%	7.7%	0.9%
Income return	6.8%	7.6%	8.2%	8.8%	9.1%	8.1%
Property value increase/decrease	(11.8)%	(11.2)%	(6.6)%	(2.3)%	(1.3)%	(6.7)%

INVESTMENTS SECTION

Internally Managed Stocks

As Of December 31, 1995

Equity Portfolio	Shares Held	Cost	Market Value
Small Cap Equity Fund	7,241,383	\$ 124,550,677	\$ 214,815,345
Value Small Cap Fund	2,609,393	56,818,810	66,985,544
S&P 500 Index Fund	75,251,941	2,135,636,987	3,642,430,208
S&P 500 Index Options	N/A	(140,312,104)	(164,260,538)
Index Tilt Fund	23,431,682	711,280,333	1,158,445,850
Index Tilt Options	N/A	(55,878,946)	(75,028,228)
S&P Mid Cap Index Fund	22,345,906	501,451,751	643,159,132
Momentum Fund	4,977,858	104,969,796	139,991,888
Growth Fund	9,521,900	379,788,046	531,862,713
S&P Index Spread Options	N/A	(62,181,980)	(77,613,438)
Low P/E Fund	3,404,890	83,768,894	89,988,265
Venture Capital Equity Distribution	1,331,157	24,356,491	19,079,104
LBO Equity Distribution	845,478	21,401,162	30,120,154
Subtotal	150,961,588	\$ 3,885,649,916	\$ 6,219,976,000

Actively Managed Portfolio

AMP Inc.	300,000	\$ 6,949,986	\$ 11,475,000
AMR Corp.	140,000	10,311,814	10,395,000
AT&T Corp.	400,000	17,406,870	25,900,000
Abbott Laboratories	285,000	3,712,359	11,863,125
Adaptec, Inc.	290,000	12,264,131	11,890,000
Ahmanson (HF) & Co.	410,000	10,459,401	10,865,000
Air Products & Chemicals, Inc.	200,000	8,893,697	10,550,000
American General Corp.	350,000	12,040,366	12,206,250
American Home Products Corp.	150,000	10,383,500	14,550,000
American International Group	168,750	8,241,687	15,609,375
Ameritech Corp.	300,000	12,778,994	17,662,500
Amoco Corp.	150,000	8,324,933	10,725,000
Anadarko Petroleum Corp.	225,000	6,185,608	12,178,125
Analog Devices Inc.	309,400	9,459,419	10,945,025
Apache Corp.	400,000	9,331,660	11,800,000
Armco Inc.	600,000	2,907,781	3,525,000
Atlantic Richfield Co.	105,000	11,829,878	11,628,750
Autodesk, Inc.	490,000	11,989,662	16,782,500
Avnet, Inc.	325,000	8,660,260	14,543,750
Baker Hughes, Inc.	600,000	15,832,149	14,625,000
Banc One Corp.	315,000	12,268,987	11,851,875
Bandag, Inc.	60,000	3,684,219	3,247,500
BankAmerica Corp.	180,000	11,596,166	11,655,000
Bard (C.R.), Inc.	343,400	9,066,028	11,074,650
Bausch & Lomb, Inc.	255,000	10,373,321	10,104,375
Bell Atlantic Corp.	160,400	9,628,453	10,726,750
Biogen, Inc.	200,000	12,337,504	12,300,000
Biomet, Inc.	630,000	10,408,046	11,261,250
Boeing Co.	250,000	11,948,060	19,593,750
Bristol Myers Squibb Co.	185,000	9,066,965	15,886,875
British Petroleum Co. Ltd.	100,000	9,805,000	10,212,500
Browning-Ferris Industries, Inc.	410,000	11,583,888	12,043,750
Brush Wellman, Inc.	588,900	8,466,932	10,158,525
CSX Corp.	240,000	10,016,937	10,950,000

Internally Managed Stocks
As of December 31, 1995

	Shares Held	Cost	Market Value
Calgon Carbon Corp.	380,000	\$ 6,045,286	\$ 4,560,000
Campbell Soup Co.	150,000	7,751,042	9,000,000
Cardinal Health, Inc.	140,000	6,669,061	7,665,000
Chase Manhattan Corp.	190,000	11,654,620	11,471,250
Cinergy Corp.	450,000	9,635,742	13,781,250
Cisco Systems Inc.	100,000	7,843,130	7,462,500
Citicorp	155,000	10,187,318	10,423,750
Clorox Co.	100,000	5,969,789	7,162,500
Coast Savings Financial, Inc.	380,000	11,764,879	13,157,500
Colgate Palmolive Co.	200,000	14,575,779	14,050,000
Columbia Healthcare Corp.	260,000	7,442,623	13,195,000
Cooper Cameron Corp.	170,579	1,865,487	6,055,555
Cooper Industries, Inc.	264,187	7,488,453	9,708,872
Cooper Tire & Rubber Co.	300,000	8,317,883	7,387,500
Corestates Financial Corp.	290,000	11,152,286	10,983,750
CPC International Inc.	118,800	7,135,191	8,152,650
Crane Co.	277,500	9,811,352	10,232,813
Crown Cork & Seal Co., Inc.	250,000	9,649,453	10,437,500
Cypress Semiconductor Corp.	800,000	5,518,935	10,100,000
DPL Inc.	350,000	7,297,094	8,662,500
DSC Communications Corp.	150,000	5,592,054	5,531,250
DTE Energy Co.	200,000	6,737,000	6,900,000
Dover Corp.	200,000	4,249,837	7,375,000
Dresser Industries, Inc.	900,000	11,948,808	21,937,500
Duke Realty Investments, Inc.	400,000	11,200,136	12,550,000
EG&G Inc.	100,000	1,918,728	2,425,000
Emerson Electronic Co.	275,000	10,056,634	22,481,250
Enron Corp.	400,000	7,300,000	15,250,000
Enron Oil & Gas Co.	490,000	10,657,500	11,760,000
Federal Home Loan Mortgage Co.	150,000	11,715,613	12,525,000
Flight Safety International, Inc.	120,000	4,569,113	6,030,000
Fluor Corp.	185,000	9,400,248	12,210,000
Foster Wheeler Corp.	300,000	12,043,977	12,750,000
Frontier Corp.	300,000	6,180,090	9,000,000
GTE Corp.	600,000	21,351,751	26,325,000
GAP Inc.	100,000	3,540,280	4,200,000
General Electric Co.	450,000	17,309,703	32,400,000
General Motors Corp CL'E'	300,000	13,828,233	15,600,000
General Motors Corp CL'H'	250,000	9,072,295	12,281,250
General RE Corp.	70,000	6,489,883	10,850,000
General Signal Corp.	400,000	9,299,414	12,950,000
Genuine Parts Co.	300,000	9,510,017	12,300,000
Gillette Co.	400,000	10,587,235	20,850,000
Goodrich (BF) Co.	100,000	4,421,667	6,800,000
Halliburton Co.	370,000	10,575,518	18,731,250
Health Management Asso. Inc.	485,000	10,546,512	12,670,625
Hewlett-Packard Co.	220,000	5,822,001	18,425,000
Hillenbrand Industries, Inc.	160,000	5,004,242	5,420,000
Horizon CMS Healthcare Corp.	200,000	4,947,500	5,050,000
Humana, Inc.	550,000	8,127,259	15,056,250

INVESTMENTS SECTION

Internally Managed Stocks

As of December 31, 1995

	Shares Held	Cost	Market Value
Illinois Tool Works, Inc.	235,000	\$ 8,628,913	\$ 13,865,000
Illinova Corp.	300,000	6,832,713	9,000,000
Ingersoll-Rand Co.	285,000	7,826,913	10,010,625
International Paper Co.	150,000	5,800,905	5,681,250
Interpublic Group of Companies	300,000	11,111,741	13,012,500
Johnson & Johnson Co.	135,000	4,319,570	11,542,500
Kerr-McGee Corp.	75,000	3,416,327	4,762,500
Kimberly-Clark Corp.	250,000	14,185,966	20,687,500
Lilly (Eli) & Co.	270,000	9,295,898	15,187,500
Limited Inc. (The)	240,000	4,905,284	4,110,000
Lincoln National Corp.	250,000	8,464,887	13,437,500
Living Centers Of America, Inc.	224,600	7,249,554	7,861,000
Loral Corp.	120,000	2,805,000	4,245,000
MCN Corp.	600,000	8,498,245	13,950,000
May Department Stores Co.	150,000	6,536,159	6,318,750
MBNA Corp.	240,000	9,364,139	8,850,000
McDonalds Corp.	280,000	10,833,701	12,635,000
Merck & Company, Inc.	220,000	10,113,125	14,437,500
Merrill Lynch & Co.	200,000	11,218,059	10,200,000
Microsoft Corp.	100,000	8,687,500	8,775,000
Mobil Corp.	150,000	7,135,979	16,762,500
Motorola Inc.	300,000	17,623,325	17,100,000
Nalco Chemical Co.	246,900	5,758,723	7,437,863
Nationsbank Corp.	140,000	9,440,363	9,747,500
Newell Co.	500,000	10,924,938	12,937,500
Octel Communications Corp.	300,000	12,353,285	9,675,000
Olin Corp.	85,000	5,179,662	6,311,250
Oxford Health Plans, Inc.	100,000	7,020,624	7,387,500
PNC Bank Corp.	450,000	13,135,443	14,512,500
Pall Corp.	450,000	7,654,831	12,093,750
Parker-Hannifin Corp.	240,000	5,217,850	8,220,000
Proctor & Gamble Co.	290,000	14,801,933	24,070,000
Providian Corp.	260,000	10,598,726	10,595,000
Public Service Company of Colo.	340,000	8,219,429	12,027,500
Quaker State Corp.	250,000	3,067,651	3,187,500
Raytheon Co.	340,000	7,082,561	16,065,000
Repsol, S.A.	150,000	4,324,500	4,931,250
Rite Aid Corp.	165,000	3,700,043	5,651,250
Rollins Environmental Services, Inc.	563,200	6,382,955	1,619,200
Royal Dutch Petroleum Co.	100,000	5,256,385	14,112,500
Sara Lee Corp.	300,000	7,738,685	9,600,000
SBC Communications, Inc.	450,000	20,279,086	25,762,500
Schlumberger Ltd.	202,000	12,779,032	13,988,500
Scientific Atlanta, Inc.	600,000	13,328,578	9,000,000
Sherwin Williams Co.	550,000	13,012,568	22,412,500
Sonat, Inc.	500,000	12,888,035	17,812,500
Sonoco Products Co.	210,000	4,701,647	5,512,500
St. Jude Medical, Inc.	240,000	8,180,377	10,320,000
Sun Company, Inc.	200,000	5,710,820	5,475,000
Sunamerica, Inc.	225,000	10,414,889	10,687,500

Internally Managed Stocks
As of December 31, 1995

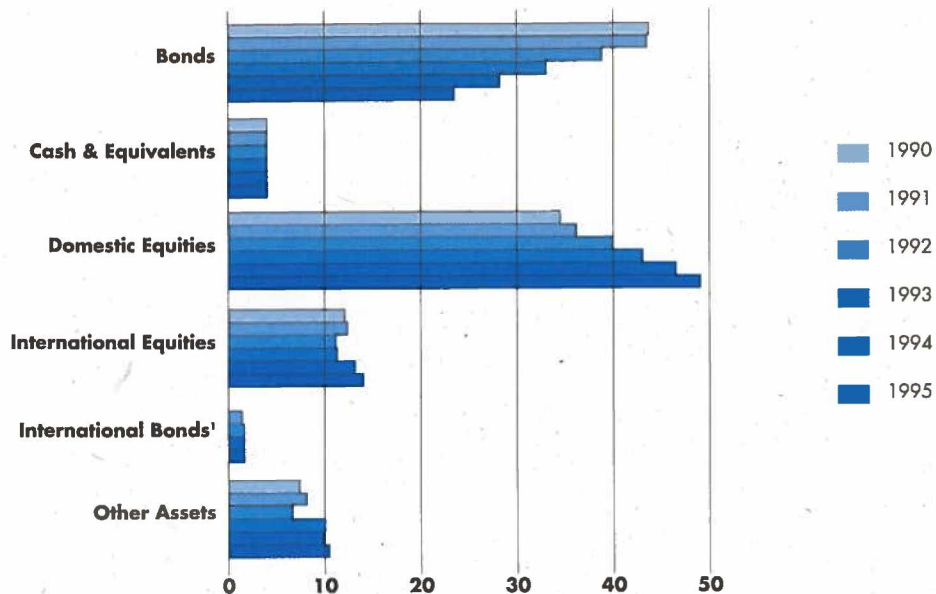
	Shares Held	Cost	Market Value
Sunstrand Corp.	200,000	\$ 6,496,119	\$ 14,075,000
Sungard Data Systems, Inc.	178,900	4,523,625	5,098,650
Thiokol Corp.	100,000	2,099,364	3,387,500
Travelers Group, Inc.	100,000	3,840,643	6,262,500
Union Pacific Corp.	150,000	6,430,819	9,900,000
Union Texas Petroleum	600,000	13,275,000	11,625,000
United Technologies Corp.	125,000	5,866,963	11,859,375
Valero Energy Corp.	200,000	4,768,563	4,900,000
Viacom, Inc. CL'B'	363,690	5,996,592	17,229,814
Wendys International, Inc.	150,000	2,735,625	3,187,500
Western Atlas, Inc.	153,000	5,819,422	7,726,500
Williams Companies, Inc.	540,000	10,134,375	23,692,500
Worldcom, Inc.	300,000	7,601,398	10,575,000
Worthington Industries, Inc.	250,000	5,281,563	5,203,000
Total actively managed portfolio	41,499,206	\$ 1,288,870,897	\$ 1,691,377,491
Total internally managed domestic stocks	192,460,794	\$ 5,174,520,813	\$ 7,911,353,491

INVESTMENTS SECTION

External Stock and Bond Managers Assets Under Management As of December 31, 1995

	Cost	Market Value
Domestic Stock Managers:		
Alliance Capital Management L.P. (Large Cap Growth)	\$ 249,296,857	\$ 283,370,305
Denver Investment Advisors	124,808,298	190,288,589
Janus Capital Corp.	142,415,890	179,286,587
United Capital Management	147,305,672	161,293,673
Total	<u>663,826,717</u>	<u>814,239,154</u>
International Stock Managers:		
Alliance Capital Management L.P. (EAFE)	296,842,087	362,730,574
Alliance Capital Management L.P. (Enhanced EAFE)	104,467,318	111,578,578
Bankers Trust Co. (Southeast Asia Fund)	100,000,000	105,446,220
Baring International Investment Ltd.	169,962,678	312,579,682
Baring International Investment Ltd. (Emerging Markets)	27,893,517	21,840,029
BEA Associates	92,349,816	89,422,595
Brinson Partners, Inc.	295,687,720	377,188,768
Dunedin Fund Managers Ltd.	166,094,885	186,746,867
Morgan Grenfell Asset Management	273,303,024	315,479,237
Nomura Capital Management, Inc.	264,043,264	302,499,380
Philippe Investment Management, Inc.	201,594,532	238,106,056
Schroder Capital Management International	137,000,000	180,416,395
Total	<u>2,129,238,841</u>	<u>2,604,034,381</u>
Domestic Bond Managers:		
Fischer Francis Trees & Watts, Inc.	287,420,533	296,279,514
LM Capital Management, Inc.	34,850,776	36,131,204
NCM Capital Management Group, Inc.	34,298,024	-35,362,775
Trust Company of the West (TCW) Asset Management Company	256,542,035	255,660,172
Alliance Capital Management L.P. (Private Placement)	58,766,599	60,457,411
Total	<u>671,877,967</u>	<u>683,891,076</u>
International Bond Manager:		
Julius Baer Investment Management, Inc.	323,907,554	336,980,781
Total externally managed stock and bond assets	<u>\$ 3,788,851,079</u>	<u>\$ 4,439,145,392</u>

Average Percent of Asset Allocation



¹PERA began investing in international bonds in 1992.

Colorado Investment Profile

The Association continues to pursue quality investments located in Colorado. The total PERA investments in Colorado are valued at more than \$1 billion, an increase of more than \$206 million during 1995.

Commercial mortgages	\$ 91,400,000
Committed to future funding	110,100,000
Common stock of companies headquartered in Colorado	95,000,000
Bonds and notes	58,300,000
Real estate	172,600,000
Funds under management of Colorado companies (Venture capital and stock managers)	561,300,000
Total	\$ 1,088,700,000

Investment Brokers/Advisors

A.G. Edwards
 Alex Brown & Sons Inc.
 Bankers Trust
 Bear Stearns & Co., Inc.
 Bridge Information Systems
 Cabot Partners
 Chicago Corp.
 Dean Witter Reynolds, Inc.
 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.
 La Salle Advisors Ltd.
 Lehman Brothers Inc.
 L & B Real Estate Counsel
 Merrill Lynch & Co., Inc.

Metric Realty Advisors
 Morgan Stanley
 Oppenheimer & Co., Inc.
 Paine Webber Inc.
 Piper Jaffray Inc.
 Prudential Realty Investors
 Prudential Securities Inc.
 RREEF
 Salomon Brothers, Inc.
 Smith Barney Shearson Inc.
 W.G. Trading Co.

ACTUARIAL SECTION

(UNAUDITED)

“The Centennial State”

Colorado earned this moniker when it was admitted into the Union in 1876, a century after the signing of the Declaration of Independence.

The state's name means ruddy or red in Spanish, and was named by Coronado's explorers for the color of the Colorado River. The colors of the Colorado flag were chosen carefully to symbolize the red of its earth, the gold in its soil, the white of its snow, and the blue of its skies.



The Rocky Mountain columbine was declared the state flower on April 4, 1899.



The Rocky Mountain bighorn sheep was adopted as the state animal in 1961.



In 1996, House Bill 122 designated the hairstreak butterfly as Colorado's state insect.



In 1982, an executive order named the stegosaurus as Colorado's state fossil.

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

May 17, 1996

The Board of Trustees
Public Employees' Retirement Association
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 valuations are based on plan provisions, data and assumptions in effect on December 31, 1995. The data used for the valuation was provided by PERA and checked for reasonableness by our firm. The asset information was also provided by PERA. There were several changes in plan provisions since the last valuation:

1. The interest rate credited on member contribution accounts was changed to be a rate equal to eighty percent of the actuarial investment assumption rate.
2. A matching employer contribution percentage was established for individuals who elect a lump sum refund and for individuals eligible for a money purchase benefit.
3. A money purchase benefit was established and is actuarially determined based on the member contribution account and the matching employer contributions.

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, the member data and a carefully selected set of actuarial assumptions, the Plan's actuary estimates the cost of the benefits that will be paid. Then, using a particular actuarial funding method, the actuary allocates these costs and determines a systematic manner to fund for future plan benefits.

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

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

The excess of the total actuarial accrued liability over the value of the Plan assets is called the "unfunded actuarial accrued liability." Funding requirements under the Entry Age Actuarial Cost Method are determined by adding the normal cost and an amortization of the unfunded liability. (Under Colorado state law, the amortization period cannot exceed 60 years.)

The actuarial assumptions discussed to the right are used to determine the projected benefits and cost factors. The effect of differences between these assumptions and the actual experience of the Plan is calculated each year when the annual actuarial valuation is performed. These differences produce either actuarial gains or losses, 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 its independent 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

The 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.

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

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

*Percent of Members
Separating Within the Next Year*

*Pay Increase Assumptions
for an Individual Member*

Sample Ages	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

*Percent of Members
Separating Within the Next Year*

*Pay Increase Assumptions
for an Individual Member*

Sample Ages	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%	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%	20%	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, 1995**

Division	Number of Benefit Recipients	Type of Benefit					
		1	2	3	4	5	6
State	18,785	14,602	3,225	88	779	91	1,918
School	22,865	19,309	2,578	50	800	128	3,237
Municipal	2,189	1,457	559	10	148	15	256
Judicial	201	163	16	0	21	1	11
Total	44,040	35,531	6,378	148	1,748	235	5,422

Division	Option Selected				Surviving Cobeneficiary	Surviving Retiree
	1	2	3	4		
State	8,776	2,309	4,090	404	1,734	514
School	13,115	2,944	3,723	313	1,247	545
Municipal	861	269	529	51	246	60
Judicial	36	20	60	10	44	9
Total	22,788	5,542	8,402	778	3,271	1,128

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

Option Selected: 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. (No longer offered to members retiring.)

Surviving Cobeneficiary: Retiree has predeceased the cobeneficiary.
 Surviving Retiree: Cobeneficiary has predeceased the retiree.

Schedule of Member Valuation Data

	Number of Employers	Number of Members	Annual Payroll	Average Annual Salary	% Increase in Average Pay
1986	329	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 % ¹
1992	365	136,898	3,436,693,500	25,104	3.37 %
1993	355	139,807	3,451,307,428	24,686	(1.67)%
1994	360	140,194	3,578,972,051	25,529	3.41 %
1995	367	144,420	3,803,799,573	26,338	3.17 %

¹ 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 Payroll¹

Year Ended	Added to Payroll		Removed from Payroll		Payroll—End of Year		Cost of Living Stabilization Fund (CLSF)	Average Annual Benefits	Increase in Average Benefits
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits			
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	64,202,904	12,809	11.3%
12/31/93	3,624	63,975,396	1,270	9,695,472	40,542	492,925,488	61,040,724	13,664	6.7%
12/31/94	3,121	51,809,484	1,301	10,650,936	42,362	605,429,820	N/A ²	14,292	4.6%
12/31/95	3,174	54,087,286	1,496	17,421,180	44,040	657,482,568	N/A ²	14,929	4.5%

¹ Numbers derived on an accrual basis.

² On March 1, 1994, in accordance with House Bill 93-1324, the CLSF was terminated and the assets of the CLSF were transferred to the retirement benefits reserve within each of the four division trust funds. The 2 percent contribution earmarked for the CLSF reverted to the four division trust funds.

Member-Retiree Comparison¹

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

Year	Number of Retiree Accounts on 12/31	Number of Member Accounts on 12/31 ²	Retiree Accounts as % of Members on 12/31	Total Benefits Paid - Year Ended 12/31
1940.....	93	3,715	2.5%	\$ 72,588
1945.....	171	5,585	3.1%	137,442
1950.....	280	11,853	2.4%	237,866
1955.....	747	21,185	3.5%	745,679
1960.....	1,775	33,068	5.4%	2,055,139
1965.....	3,631	49,701	7.3%	5,486,225
1970.....	6,308	65,586	9.6%	13,115,234
1975.....	11,650	84,781	13.7%	32,820,433
1980.....	17,301	96,473	17.9%	71,289,456
1985.....	24,842	101,409	24.5%	192,456,029
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
1995.....	41,909	203,102	20.6%	\$ 639,501,796

¹ Numbers derived on a cash basis.

² Includes inactive member accounts.

Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 1995

State Division Members included in the State Division valuation totaled **50,009** and involved annual salaries totaling \$1,510,353,254. The average age for State Division members (excluding State Troopers) was 42.9 years, and the average service was 8.1 years. The average age for State Troopers was 39.5 years, and the average service was 11.4 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	\$ 2,199,256
20-24.....	1,622	21						1,643	17,738,753
25-29.....	3,245	558	16					3,819	75,725,843
30-34.....	3,134	1,499	426	28				5,087	126,077,123
35-39.....	3,937	1,976	1,175	514	41			7,643	204,313,630
40-44.....	3,275	2,286	1,432	1,172	492	7		8,664	276,441,728
45-49.....	2,824	2,134	1,419	1,347	1,188	292	5	9,209	321,113,447
50-54.....	1,632	1,281	960	885	878	660	232	6,528	246,699,779
55-59.....	879	780	633	577	459	448	224	4,000	150,371,046
60.....	108	117	78	80	65	55	38	541	19,300,377
61.....	95	89	59	76	51	30	13	413	14,211,971
62.....	80	61	70	55	47	49	21	383	13,697,600
63.....	72	60	42	62	30	34	25	325	10,781,934
64.....	67	41	41	49	37	20	8	263	8,193,380
65.....	63	34	48	33	24	13	13	228	7,293,396
66.....	40	28	28	29	17	20	11	173	5,470,339
67.....	39	16	15	14	15	4	4	107	2,935,694
68.....	39	6	13	8	12	5	8	91	2,322,449
69.....	41	5	9	4	2	2	4	67	1,181,776
70+.....	141	27	19	24	16	12	10	249	4,283,733
Totals.....	21,908	11,020	6,483	4,957	3,374	1,651	616	50,009	\$ 1,510,353,254

School Division Members included in the School Division valuation totaled 83,769 and involved annual salaries totaling \$1,994,914,219. The average age for School Division members was 42.7 years, and the average service was 8.0 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.....	830							830	\$ 2,804,011
20-24.....	2,316	20						2,336	24,296,764
25-29.....	6,170	459	6					6,635	115,911,256
30-34.....	5,449	2,250	457	17				8,173	157,950,221
35-39.....	7,903	2,478	1,996	519	13			12,909	238,585,865
40-44.....	6,857	3,070	2,073	2,250	690	2		14,942	351,784,015
45-49.....	5,413	3,425	2,651	2,289	2,601	632		17,011	496,668,763
50-54.....	2,606	1,844	1,770	1,709	1,538	1,462	229	11,158	360,391,880
55-59.....	1,464	856	917	1,130	795	545	298	6,005	173,494,406
60.....	201	104	106	177	95	47	35	765	19,082,211
61.....	185	93	82	120	64	33	22	599	13,815,836
62.....	156	98	76	85	67	32	15	529	11,765,007
63.....	126	49	52	65	38	21	14	365	7,575,524
64.....	123	52	41	56	28	11	12	323	5,759,626
65.....	103	42	31	48	27	15	8	274	5,253,404
66.....	83	38	22	29	23	6	2	203	3,146,067
67.....	89	20	16	10	6	4	6	151	1,544,489
68.....	77	17	12	11	3	3	1	124	1,420,465
69.....	71	10	8	7	5	3	3	107	984,568
70+.....	212	37	27	23	17	6	8	330	2,679,841
Totals.....	40,434	14,962	10,343	8,545	6,010	2,822	653	83,769	\$ 1,994,914,219

ACTUARIAL SECTION

Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 1995

Municipal Division

Members included in the Municipal Division valuation totaled 10,394 and involved annual salaries totaling \$280,999,411. The average age for Municipal Division members was 39.8 years, and the average service was 6.8 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.....	383							383	\$ 925,850
20-24.....	632	4						636	6,098,079
25-29.....	831	109	6					946	19,123,491
30-34.....	887	338	111	14				1,350	33,209,518
35-39.....	869	431	330	138	6			1,774	52,186,822
40-44.....	717	452	275	214	111	4		1,773	55,922,273
45-49.....	522	353	262	230	165	55	4	1,591	53,125,334
50-54.....	263	174	156	150	107	77	36	963	33,203,822
55-59.....	148	90	81	75	49	39	25	507	15,274,611
60.....	22	19	13	15	12	10	8	99	3,259,160
61.....	21	14	14	11	7	6	6	79	2,353,501
62.....	21	5	12	9	11	1	5	64	1,819,086
63.....	17	6	5	4	6	3	2	43	1,249,238
64.....	6	2	6	2	6	1	4	27	901,032
65.....	10	4	5	2	4	1	1	27	637,750
66.....	9	5	5	3	1	0	1	24	474,728
67.....	6	2	1	1	1	0	1	12	297,053
68.....	17	1	2	3	0	1	1	25	332,506
69.....	13	2	1	0	1	0	1	18	228,925
70+.....	37	8	3	4	0	0	1	53	376,632
Totals.....	5,431	2,019	1,288	875	487	198	96	10,394	\$ 280,999,411

Judicial Division

Members included in the Judicial Division valuation totaled 248 and involved annual salaries totaling \$17,532,689. The average age for Judicial Division members was 51.5 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
Under 20.....	0							0	\$ 0
20-24.....	0							0	0
25-29.....	1							1	57,000
30-34.....	1							1	24,786
35-39.....	6	3						9	527,922
40-44.....	8	14	6	1				29	2,031,034
45-49.....	18	21	14	16	2			71	4,838,411
50-54.....	5	7	21	17	5	1		56	4,167,242
55-59.....	3	6	6	12	7	2		36	2,565,134
60.....	0	2	0	1	3	2	1	9	641,395
61.....	1	1	1	2	1	0	0	6	445,692
62.....	1	0	1	1	1	0	0	4	248,874
63.....	0	2	0	1	1	1	0	5	396,663
64.....	0	4	0	1	2	0	0	7	561,336
65.....	0	0	1	0	0	0	0	1	71,591
66.....	0	0	0	3	1	0	0	4	334,605
67.....	0	0	0	2	1	0	0	3	178,820
68.....	0	2	0	0	0	0	0	2	107,750
69.....	0	0	0	0	0	0	0	0	0
70+.....	0	0	0	2	1	1	0	4	334,434
Totals.....	44	62	50	59	25	7	1	248	\$ 17,532,689

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)
12/31/86	\$ 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%
12/31/95	3,727,497,280	7,862,779,572	5,510,030,884	15,349,515,165	100%	100%	68.2%

* Includes accrued interest on member contributions.

ACTUARIAL SECTION

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.

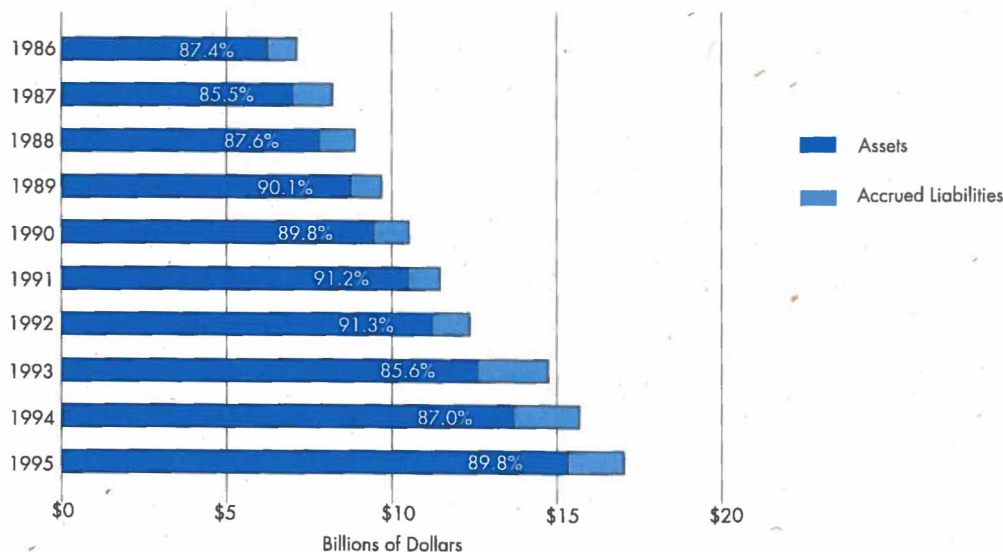
While no one or two measures can fully describe the financial condition of the Plan, unfunded actuarial accrued liability dollars divided by member salary dollars provide a meaningful index. The smaller the ratio, the stronger the system. Observation of this relative index over a period of years will 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
12/31/86.....	\$ 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%
12/31/95.....	17,100,307,736	15,349,515,165	89.8%	1,750,792,571	3,803,799,573	46.0%

Assets as a Percent of Accrued Liabilities 1986-1995



**Schedule of Gains and Losses in Accrued Liabilities
Resulting From Differences Between Assumed Experience and Actual Experience**

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

Type of Activity	1995	1994	1993	1992	1991
Age and service retirements.....	\$ (60.5)	\$ (82.6)	\$ (116.5)	\$ (11.3)	\$ (5.0)
Disability retirements.....	(19.2)	27.2	(26.5)	(6.2)	(6.1)
Death-in-service benefits.....	(8.6)	.5	1.3	2.9	4.9
Withdrawal from employment.....	(137.4)	(42.3)	(88.6)	(109.2)	(119.9)
New entrants ¹	(22.7)	(3.7)	(4.1)	-	-
Pay increases.....	109.7	207.1	287.4	149.3	71.3
Investment income.....	461.2	(68.5)	180.1	(76.4)	161.8
Other.....	(63.6)	53.8	(1.8)	(71.4)	(15.2)
Gain (or loss) during year.....	258.9	91.5	231.3	(122.3)	91.8
Non-recurring items ²	39.2	(14.6)	(1,277.1)	71.7	(8.1)
Composite gain (or loss) during year.....	\$ 298.1	\$ 76.9	\$ (1,045.8)	\$ (50.6)	\$ 83.7

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

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

Schedule of Computed Employer Contribution Rates

Expressed as a Percentage of Member Payroll

	State Division	School Division	Municipal Division	Judicial Division
Contributions:				
Service retirement benefits	8.67%	9.77%	8.30%	12.31%
Disability retirement benefits	1.47%	1.30%	1.46%	0.93%
Survivor benefits	0.78%	0.59%	0.74%	1.80%
Termination withdrawals.....	4.17%	3.72%	4.29%	1.66%
Total normal cost	15.09%	15.38%	14.79%	16.70%
Member contributions	8.06% ¹	8.00%	8.00%	8.00% ³
Employer normal cost.....	7.03%	7.38%	6.79%	8.70%
Percentage available to amortize unfunded actuarial accrued liabilities	3.80%	3.42%	2.41%	5.50%
Amortization period	27 years	11 years	3 years	6 years
Total employer contribution rate for actuarially funded benefits	10.83%	10.80%	9.20%	14.20%
Health care fund ²	0.80%	0.80%	0.80%	0.80%
Statutory employer contribution rate	11.63%¹	11.60%	10.00%	15.00%

¹ Weighted average of more than one statutory rate.

² Used to pay a portion of health care premiums for benefit recipients.

³ Assumes no judge will elect a refund of contributions made for the 17th through the 20th year of service.

Schedule of Contribution Rate History

Percent of Payroll				Percent of Payroll					
		Member	Employer			Member	Employer		
		Contribution	Contribution			Contribution	Contribution		
		Rate	Rate			Rate	Rate		
State Division									
<i>Members (Other Than State Troopers)</i>				<i>State Troopers</i>					
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	12-31-95	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	12-31-95	8.00%	11.60%					
School Division									
1-1-44	to	12-31-49	3.50%	3.50%	7-1-49	to	6-30-57	5.00%	5.00%
1-1-50	to	6-30-58	5.00%	5.00%	7-1-57	to	6-30-73	6.00%	12.00%
7-1-58	to	6-30-69	6.00%	6.00%	7-1-73	to	6-30-80	7.00%	12.00%
7-1-69	to	12-31-69	7.00%	6.00%	7-1-80	to	8-30-80	7.00%	13.00%
1-1-70	to	12-31-70	7.00%	7.50%	9-1-80	to	12-31-81	7.00%	15.00%
1-1-71	to	12-31-71	7.00%	8.50%	1-1-82	to	6-30-87	8.00%	15.00%
1-1-72	to	6-30-73	7.00%	9.25%	7-1-87	to	6-30-88	8.00%	13.00%
7-1-73	to	12-31-73	7.75%	9.25%	7-1-88	to	12-31-95	8.00%	15.00%
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	12-31-95	8.00%	11.60%					
Municipal Division									
1-1-44	to	12-31-49	3.50%	3.50%					
1-1-50	to	6-30-58	5.00%	5.00%					
7-1-58	to	6-30-69	6.00%	6.00%					
7-1-69	to	12-31-69	7.00%	6.00%					
1-1-70	to	12-31-70	7.00%	7.00%					
1-1-71	to	6-30-73	7.00%	7.50%					
7-1-73	to	12-31-73	7.75%	7.50%					
1-1-74	to	12-31-74	7.75%	8.50%					
1-1-75	to	12-31-75	7.75%	9.50%					
1-1-76	to	12-31-80	7.75%	9.86%					
1-1-81	to	12-31-81	7.75%	10.20%					
1-1-82	to	6-30-91	8.00%	10.20%					
7-1-91	to	12-31-95	8.00%	10.00%					

* 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)

Something for Everyone

Both historical and modern landmarks attract millions of visitors to Colorado every year. Whether exploring the natural wonders or taking a glimpse back to the historic West, visitors and residents have an endless selection of sights to choose from.

Even the state capitol is a "can't-miss" attraction. Its dome, covered with 24 karat gold leaf, first was covered in 1908 with 200 ounces of gold. Today, the gold alone is valued at slightly more than \$220,000.



At 1,053 feet, the Royal Gorge Bridge across the Arkansas River is the world's highest suspension bridge.



Buffalo Bill's grave is atop Lookout Mountain, just 15 miles west of Denver.



The Santa Fe Trail was one Colorado's main transportation routes from the Mexican War until the Santa Fe Railroad's completion in 1872.



At 50 square miles, Denver International Airport is the largest airport in the world.

STATISTICAL SECTION

Schedule of Benefit Disbursements by Type*

(In Thousands of Dollars)

Year Ended	Retirement Benefits	Survivor Benefits	Contribution Refunds	Interest and Matching Amount Paid	Health Care	Total
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
12/31/95	622,149	17,352	26,616	14,278	55,040	735,435

*Numbers do not include 401(k) voluntary investment program.

Member and Benefit Recipient Statistics*

	State Division	School Division	Municipal Division	Judicial Division	Total
Active members - 12/31/95	50,009	83,769	10,394	248	144,420
Retirements during 1995:					
Disability retirements	211	191	52	0	454
Service retirements	771	1,254	95	14	2,134
Total	982	1,445	147	14	2,588
Retirement benefits:					
Total receiving disability and service retirement benefits on Dec. 31, 1994	17,250	20,851	1,910	168	40,179
Total retiring during 1995	982	1,445	147	14	2,588
Cobeneficiaries continuing after retiree's death	136	114	17	3	270
Returning to retirement rolls from suspension	5	14	0	0	19
Total	18,373	22,424	2,074	185	43,056
Retirees and cobeneficiaries deceased during year	570	574	63	6	1,213
Retirees returning to work	3	11	0	0	14
Total receiving retirement benefits - 12/31/95	17,800	21,839	2,011	179	41,829
Total retirement benefits payable on 12/31/95	\$278,896,020	\$327,201,347	\$25,244,364	\$3,907,536	\$635,249,267
Average monthly benefit on 12/31/95	\$ 1,306	\$ 1,249	\$ 1,046	\$ 1,819	\$ 1,266
Average monthly benefit for members retired during 1995	\$ 1,573	\$ 1,503	\$ 1,179	\$ 2,001	\$ 1,514
Survivor benefit accounts:					
Total benefits being paid on 12/31/95	824	784	148	20	1,776
Total benefits payable on 12/31/95	\$ 9,456,912	\$ 7,239,120	\$ 1,235,280	\$ 331,308	\$ 18,262,620
Future benefits:					
Future retirements to age 60 or 65	1,918	3,237	256	11	5,422
Total annual future benefits	\$ 17,394,727	\$ 23,436,760	\$ 2,225,638	\$ 144,716	\$ 43,201,841
Future survivor beneficiaries	72	91	14	0	177
Total annual future benefits	\$ 502,819	\$ 341,955	\$ 68,460	\$ 0	\$ 913,234

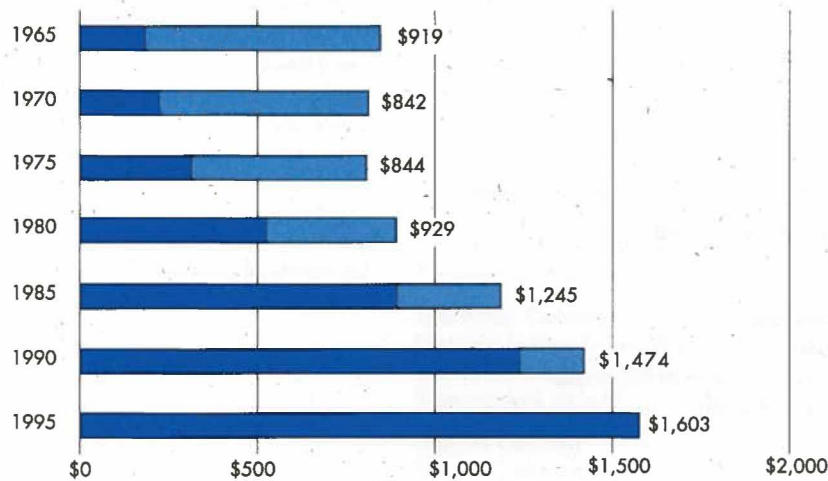
*Numbers are actuarially derived.

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
12/31/86.....	\$ 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
12/31/95.....	1,266	59.7	69.7	19.4

* Includes disability retirements, but not survivor benefits.

Average Monthly Benefit by Year of Retirement
Service Retiree Accounts as of December 31, 1995



	1965	1970	1975	1980	1985	1990	1995
Initial Benefit at Retirement	\$203	\$230	\$317	\$531	\$909	\$1,261	\$1,603
Benefit Due to Increases	\$716	\$612	\$527	\$398	\$336	\$ 213	\$ 0

STATISTICAL SECTION

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 State Fair Authority
Colorado State Student Loan Program
Colorado Uninsurable Health Insurance Plan
Colorado Water Resources and
 Power Development Authority
Department of Agriculture
Department of Corrections
Department of Education
Department of Health Care Policy and Financing
Department of Human Services
Department of Labor and Employment
Department of Law
Department of Local Affairs
Department of Military Affairs
Department of Natural Resources
Department of Public Health and Environment
Department of Public Safety
Department of Regulatory Agencies
Department of Revenue
Department of State
Department of Transportation
Department of the Treasury
Fire and Police Pension Association
General Assembly
General Support Services¹
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

¹The Department of Personnel and Department of Administration merged, effective July 1995, creating General Support Services.

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

Huerfano County

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

Jackson County

North Park School District R-1

STATISTICAL SECTION

Schedule of Affiliated Employers

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

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

Schedule of Affiliated Employers

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

Charter Schools

Cherry Creek Academy Charter School (*affiliated in 1995*)
Crestone Charter School (*affiliated in 1995*)
Globe Charter School (*affiliated in 1995*)

Vocational Schools

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

MUNICIPAL DIVISION

Alamosa Housing Authority
Aurora Housing Authority
Baca Grande Water & Sanitation District
Beulah Water Works District
Black Hawk-Central City Sanitation District
Blanca-Fort Garland Metropolitan District
Boxelder Sanitation District
Brush Housing Authority
Carbon Valley Park & Recreation District
Castle Pines Metropolitan District
Castle Pines North Metropolitan District (*affiliated in 1995*)
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
Castilla 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
Left Hand Water District
Longmont Housing Authority
Louisville Fire Protection District
Meeker Regional Library District
Memorial Hospital-Colorado Springs
Montrose Fire Protection District
Montrose Recreation District
Morgan Soil Conservation District
Mountain View Fire Protection District
Mountain Village Metropolitan District
Mountain Water and Sanitation District
Niwot Sanitation District
North Chaffee County Regional Library
Northeast Colorado Health Department
Pine Drive Water District
Pueblo City-County Health Department
Pueblo Library District
Rampart Regional Library District
Rangely Regional Library District

STATISTICAL SECTION

Schedule of Affiliated Employers

Red, White & Blue Fire Protection District
Rifle Fire Protection District (*affiliated in 1995*)
Rio Blanco Fire Protection District (*disaffiliation pending*)
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
Soldier Canyon Filter Plant (*affiliated in 1996*)
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 Mountain Village (*affiliated in 1995*)
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

JUDICIAL DIVISION (CONTINUED)

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)

Open Spaces and Uncharted Places

It was the mystery and beauty of the land that brought the first settlers, the Anasazi, to Colorado more than 2,000 years ago. Today, the state's natural splendors coax modern explorers to discover what's around the next bend.

There are plenty of bends to explore, since more than half of Colorado's 104,247 square miles is designated for public use. With 35 state parks and 11 national forests, Colorado is a haven for wildlife. More than 9,000 miles of streams and 2,000 lakes also offer an angler's paradise.



In 1893, while gazing at Pike's Peak, Katherine Lee Bates was inspired to compose "*America the Beautiful*."



With 300 days of sunshine a year, Denver receives more basking time than San Diego or Miami.



Colorado has more 14,000-foot peaks than any other state, an average altitude of 6,800 feet, and more than 10 million skiers annually.



The Colorado River, the state's longest river, runs through Colorado, Utah, and Arizona, and borders Nevada and California.

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 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 1995, 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, Medicare eligibility, and the number of persons being covered.

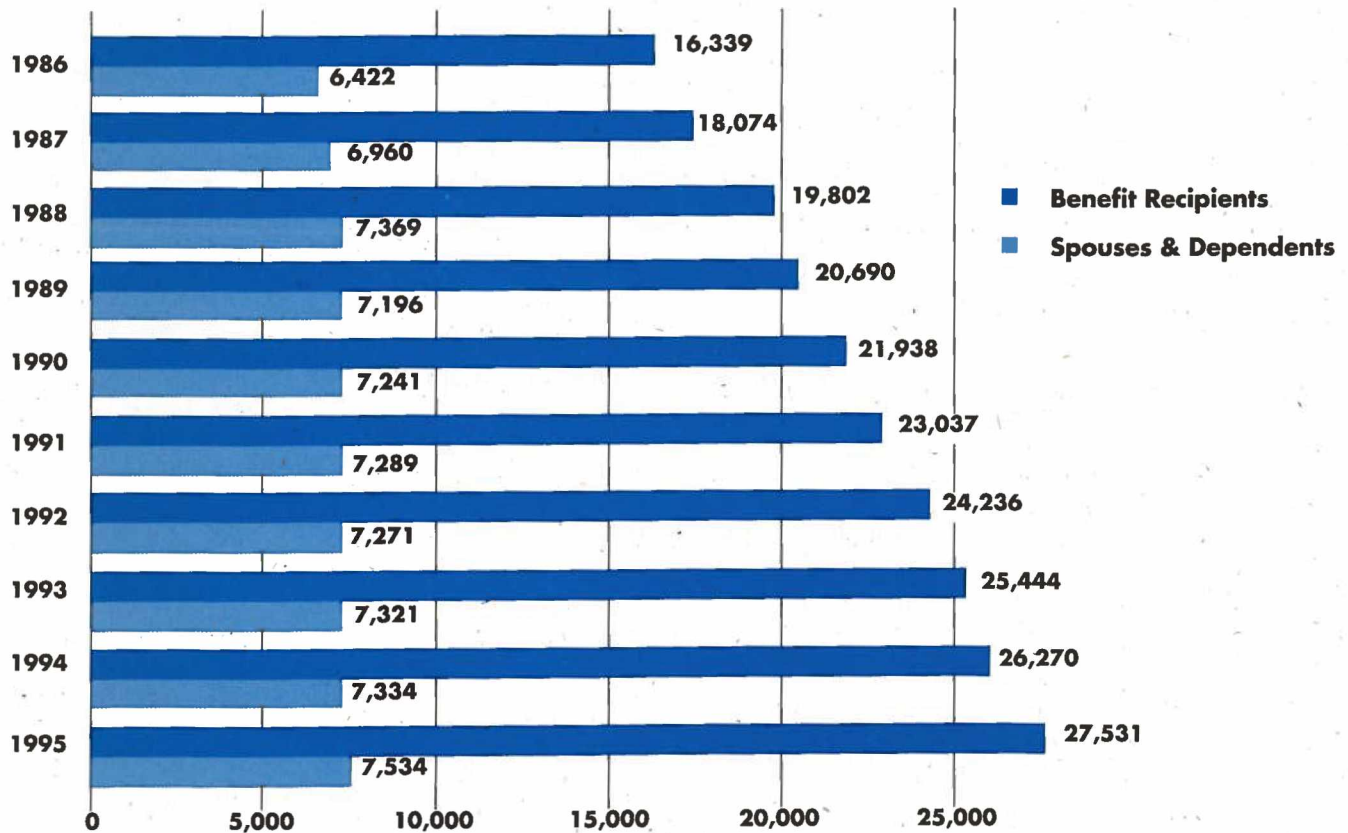
Mutual of Omaha continues to administer the two self-insured plans. A claims audit was completed in 1995 for Mutual of Omaha and ValueRx, the Program's prescription drug provider.

Effective July 1, 1995, contracts with four health maintenance organizations (HMOs) were renewed: FHP Health Care, Kaiser Permanente, Rocky Mountain HMO, and Foundation Health, formerly known as Southern Colorado Health Plan. (Comprecare and TakeCare Colorado, HMOs in the previous Program, were merged into FHP Health Care during the 1995 year.)

The annual open enrollment for the Health Care Program was held between May 1 and June 30, 1995. During that period, PERA benefit recipients could join the Program for the first time, transfer from one carrier to another, or add and/or delete eligible dependents.

The Board approved deleting the pre-existing medical conditions limitation policy for the self-insured plans, and adding some preventive health care benefits for individuals under age 65 who are in the PERA Point-of-Service plan. These changes were implemented on July 1, 1995.

Health Care Enrollments



Life Insurance Program

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

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

Currently, PERA offers two group, decreasing-term life insurance plans—the Rocky Mountain Life coverage and a plan offered by the National Conference on Public Employee

Retirement Systems through Prudential. Active members may join one or both of the plans, and may continue coverage into retirement or after leaving PERA-covered employment if they retain their PERA account. During the annual open enrollment period, members enrolling are not required to furnish evidence of good health for themselves or their dependents. Members may enroll outside the enrollment period, but must provide a statement of good health.

Legislation in 1995 designed to facilitate administration of the PERA Life Insurance Program was initiated by the Board of Trustees and enacted by the Colorado Legislature. This law allows PERA to self-insure the Life Insurance Program, and to receive life insurance premiums through means other than payroll deductions by employers. It also allows inactive members to continue life insurance coverage as long as they retain their PERA member contribution account.

Life Insurance Program Enrollment

Year	Rocky Mountain Life	Prudential	Rocky Mountain Life (Closed Group)	New York Life ¹	Total Enrollments
1986	23,052 ²	13,863	5,030	—	41,945
1987	24,394 ²	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
1995	36,979	16,032	2,576	18,738	74,325

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

² Plan handled by New York Life before 1988.

Life Insurance Program Claims

Year	Rocky Mountain Life		Prudential		Rocky Mountain Life Closed Group		New York Life ²		Total Program	
	Amt. of Claims Paid	No. of Claims Paid ¹	Amt. of Claims Paid	No. of Claims Paid ¹	Amt. of Claims Paid	No. of Claims Paid ¹	Amt. of Claims Paid	No. of Claims Paid	Amt. of Claims Paid	No. of Claims ¹
1986	\$1,670,531 ³	N/A	\$ 802,016	N/A	\$119,000	N/A	—	—	\$2,591,547	N/A
1987	2,097,665 ³	N/A	865,783	N/A	212,000	N/A	—	—	3,175,448	N/A
1988	1,121,670 ³	N/A	711,309	N/A	297,000	N/A	—	—	2,129,979	N/A
1989	3,548,164	N/A	1,080,144	N/A	209,504	N/A	—	—	4,837,812	N/A
1990	4,766,110	N/A	951,121	N/A	302,809	N/A	—	—	6,020,040	N/A
1991	5,383,194	808	1,276,347	188	361,256	180	—	—	7,020,797	1,176
1992	4,715,336	787	1,264,979	187	277,618	177	—	—	6,257,933	1,151
1993	5,114,319	751	1,250,563	169	236,675	155	—	—	6,601,557	1,075
1994	5,241,796	876	1,384,378	223	265,185	177	—	—	6,891,359	1,276
1995	5,064,415	653	1,561,740	246	288,416	172	\$444,602	282	7,359,173	1,353

¹ Number of claims paid not available before 1991.

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

³ Plan handled by New York Life before 1988.

OTHER PROGRAMS SECTION

PERA's 401(k) Plan

The PERA voluntary investment program (detailed in the "Financial Section" of this Report) is officially titled PERA's 401(k) Plan. It 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. This section includes additional information about the 401(k) Plan, however, a separate 401(k) Plan Annual Report is published and mailed to all Plan participants.

In 1995, 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. An administrative fee of 0.5 percent of the account value was assessed.

Initially, the 401(k) Plan offered three investment options: a Short-Term Fund, managed by IDS Trust; a Fixed-Income Fund, managed by Norwest Investment Management; and a Growth Stock Fund, managed by PERA's investment staff. In 1994, the 401(k) Plan's investment options were changed to include: a Short-Term Bond Fund (Pacific Investment Management

Company's Low Duration Fund), a Long-Term Bond Fund (Norwest Investment Management's Total Return Bond Fund), a Balanced Fund (Dodge & Cox), a Growth and Income Stock Fund managed by PERA's investment staff, and an Aggressive Stock Fund (Fidelity Investments' Contrafund).

During 1995, the Plan's loan provisions were liberalized by allowing multiple loans (up to three outstanding loans at one time). Hardship provisions were expanded to include withdrawals for all educational expenses. Other changes approved by the Board in 1995 include the exemption of existing 401(k) Plan participants from the federal earnings limit of \$150,000 under Section 415 of the Internal Revenue Service Code, and an administrative fee waiver for one year, effective January 1, 1996.

On December 31, 1995, the 401(k) Plan had accumulated assets of \$125,691,516 and 10,155 accounts, a net increase of approximately 26 percent in membership and 60 percent in the total Plan value in one year. The 1995 401(k) fund returns reflect an unusually strong year for the bond and stock markets due to low domestic interest rates, slow economic growth, low inflation, and continuing profit growth.

Year	Assets	Number of Accounts
1986	\$ 1,750,673	902
1987	4,292,351	1,322
1988	7,975,075	1,596
1989	13,359,939	2,103
1990	19,242,631	2,594

Year	Assets	Number of Accounts
1991	\$ 30,017,532	3,094
1992	42,368,786	4,545
1993	60,711,080	6,019
1994	78,687,163	8,080
1995	125,691,516	10,155

1995 401(k) Fund Performance

Fund	Jan-Mar 1995	Apr-Jun 1995	July-Sept 1995	Oct-Dec 1995
Short-Term Bond Fund	2.6%	3.6%	2.1%	3.1%
Long-Term Bond Fund	3.2%	5.4%	.9%	3.7%
Balanced Fund	7.9%	8.0%	5.4%	4.2%
Growth and Income Stock Fund	9.6%	8.1%	7.4%	7.1%
Aggressive Stock Fund	5.9%	13.9%	10.4%	1.7%

Annual 401(k) Rates of Return

Fund	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	5-Year Annual Average ⁴
Short-Term Bond Fund ¹	9.4%	9.4%	9.0%	9.3%	9.0%	7.8%	6.8%	6.0%	0.6% ¹	11.9%	8.2% ⁴
Long-Term Bond Fund ²	13.2%	4.9%	7.9%	10.1%	11.0%	17.5%	8.5%	11.4%	1.0%	14.4%	10.3%
Balanced Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.0% ³	27.9%	15.1% ⁴
Growth and Income Stock Fund	5.4%	7.2%	12.3%	32.0%	(4.0)%	30.0%	5.1%	17.4%	0.2%	36.2%	16.9%
Aggressive Stock Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(1.1)% ³	35.4%	24.1% ⁴

¹ 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.

² Name of fund changed in 1994.

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

⁴ The 5-year annual average returns include periods when the specific fund was not part of the 401(k) Plan.

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