Public Employees' Retirement Association of Colorado

Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1997

Striving to provide competitive retirement programs is not a solo act. PERA relies on the input and support of its employers, members, and retirees to help make these programs successful.

And, as PERA works together on these programs that help the members with their financial futures, the membership assumes a greater responsibility in working for the public good. They are maintaining our roads, keeping us safe, preparing young minds for the future, ensuring that there is drinkable water, and helping to preserve natural resources within Colorado. These are just a few of the important functions accomplished by PERA employers and members.

Just as PERA continues to work hard to provide beneficial programs and services, PERA members work hard to make Colorado a better place to live for all of us. The photos that appear in this year's Report are just a few of the thousands of public employees—PERA members—who work toward that end.

1997 Statistical Highlights

The Public Employees' Retirement Association of Colorado provides retirement and survivor benefits for the employees of 373 state, school, and local government entities in Colorado.

❖ Benefit Recipients		47,621
❖ Contributing Members		152,475
❖ Service Retirements		2,583
❖ Disability Retirements		446
❖ Survivor Benefits Started		76
❖ Benefit Payments	$	846,780,000
❖ Refunds Paid	$	77,989,000
❖ Net Assets Available for All Benefits	$	23,439,908,000
❖ 1997 Investment Rate of Return		20.1%
❖ Investment Income	$	3,638,475,000
❖ Three-Year Annualized Rate of Return		19.4%
❖ Five-Year Annualized Rate of Return		14.6%
❖ Ten-Year Annualized Rate of Return		12.8%
❖ Employer Contributions	$	454,669,000
❖ Member Contributions	$	366,680,000

Public Employees' Retirement Association of Colorado

Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1997

1997

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

Table of Contents

- *The Judicial Division had 254 members in 1997.*

- *The State Category in the State and School Division had 51,042 members in 1997. The Department of Corrections is this Category's largest employer reporting unit with about 4,200 employees.*

- *The School Category in the State and School Division had 90,419 members in 1997. Its largest employer reporting unit is Jefferson County School District R-1 with about 11,500 employees.*

- *The Municipal Division had 10,760 members in 1997. The City of Colorado Springs including its Public Utilities Department is this Division's largest employer with about 3,500 employees.*

1997 Introductory Section

Letter of Transmittal

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

June 30, 1998

Dear Members of the Board of Trustees,

I am pleased to present PERA's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 1997. We are proud of PERA's achievements during the year, and we will continue striving to improve service to our members and benefit recipients in the future. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with PERA's management.

Report Contents

This Report consists of five sections:

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

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

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

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

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

Plan Overview

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

Major Initiatives

In 1997, PERA's Board of Trustees initiated a major piece of legislation that was enacted by the Legislature during the legislative session. House Bill 97-1082 increased PERA's retirement formula to 2.5 percent per year for all years of service over 20, effective July 1, 1997, replacing the previous 1.5 percent formula. Current benefits were recalculated using the new retirement formula for more than 22,000 benefit recipients with more than 20 years of service credited before July 1, 1997. HB 97-1082 also:

- Established a new two-tier disability retirement program applicable to vested members who apply for disability retirement benefits on or after January 1, 1999. Disability retirement benefits will be provided to members who are totally and permanently disabled while temporary disability benefits (replacement income) will be provided to members who are disabled but might be able to do other work in instances when retraining, rehabilitation, or recovery would be possible.
- Combined the State and School Division Trust Funds since benefits and contribution rates are the same for both groups.
- Permanently reduced the state and school employer contribution rates to PERA by 0.1 percent of salary from 11.6 percent to 11.5 percent, and to 13.1 percent for State Troopers. This will reduce employer contributions to PERA by about $3 million annually. This resulted in a reduction of the cost to purchase service credit for employment not previously covered by PERA from 19.1 percent to 18.75 percent of Highest Average Salary. Member contribution rates remain unchanged.
- Provided for a one-year Highest Average Salary for judges so judges who retire shortly after a legislated salary increase will be able to benefit from a more current salary level.
- Included a partial employer contribution match to PERA's 401(k) Plan in the original draft of this legislation. However, the Board withdrew this proposal in response to concerns expressed by IRC 457 and 403(b) plan participants.

Also in 1997, HB 97-1114 was initiated by PERA's Board and enacted into law. In addition to allowing PERA to establish a long-term care insurance program, HB 97-1114 specifies changes affecting survivor benefits, 401(k) Plan funds used to

Letter of Transmittal (continued)

purchase service credit, the amortization period (reducing the maximum amortization from 60 to 40 years), and other administrative changes. Also, a bill initiated by PERA and the State Department of Personnel to establish an authority to purchase group health care coverage for Colorado public entities was defeated.

Accounting System and Reports

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB) in Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans," as well as generally accepted accounting principles that apply to government accounting for fiduciary funds.

GASB Statement No. 25 establishes financial reporting standards for defined benefit plans and standards for the notes to the financial statements of defined contribution plans. GASB Statement No. 26 provides financial reporting guidance for defined benefit pension plans that administer postemployment health care plans. In 1997, PERA adopted GASB Statement No. 30, "Risk Financing Omnibus," an amendment of GASB Statement No. 10.

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

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

Recognition of Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Association for its CAFR for the fiscal year ended December 31, 1996. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid only for one year. PERA has been awarded this distinction for the last 12 years. We believe this report continues to meet GFOA requirements. Therefore, we are submitting it to the GFOA to determine its eligibility for another Certificate.

Additions to Plan Net Assets

The collection of employer and member contributions, as well as income from investments, provide the reserves needed to finance retirement and health care benefits. Defined benefit, health care, and 401(k) Plan contributions and investment income, including unrealized gains and losses for 1997, totaled $4,508,170,000. Member and employer contributions increased by $23,708,000 (5.5 percent) and $29,444,000 (8.7 percent), respectively. The increase in contributions was due to increased membership and salaries.

Deductions to Plan Net Assets

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 1997, expenses totaled $940,324,000, an increase of about 12.3 percent from 1996. The increase in expenses was largely due to an increase in retirement benefits and the passage of HB 97-1082.

Revenues of $4,508,170,000 exceeded expenses of $940,324,000 by $3,567,846,000 during 1997. Administrative expenses are controlled by an annual budget approved by the PERA Board of Trustees and represented less than 0.1 percent of total assets.

Economic Condition and Outlook

Growth in the nation's economy accelerated in 1997, making the current national expansion the third-longest period in history. Inflation-adjusted gross domestic product (GDP) rose 3.8 percent, while the nation's unemployment rate averaged 5.0 percent in 1997. The Consumer Price Index increased by only 2.3 percent in 1997, following a 2.9 percent increase in 1996. In 1998, low inflation and low unemployment is anticipated to continue. This is the first time in a generation that the national economy is experiencing relatively low inflation accompanied with strong economic activity.

In 1997, Colorado's economy was robust. Although growth in the state's economy is expected to slow in 1998, a healthy level of economic activity is still forecasted. Job growth rose 4.0 percent in 1997, surpassing the 3.6 percent rate in 1996. Job growth in 1998 is assumed to be slightly lower (3.5 percent). A tight labor market now exists in Colorado, with labor shortages reported in entry level, semi-skilled, and many skilled and technical fields. The record-low 3.3 percent unemployment rate in 1997 is expected to occur again in 1998. Population growth remained steady in Colorado last year, with a 2.0 percent increase posted in both the 1997 and 1996 years. The 1998 population growth rate is assumed to average 1.9 percent in the state.

Inflation has remained low in Colorado (3.3 percent in 1997, down from 3.5 percent in 1996). The Denver-Boulder inflation rate is expected to average 3.4 percent in 1998, slightly higher

Letter of Transmittal (continued)

than the national inflation rate. Stronger economic growth in Colorado relative to the nation's growth will account for this difference. However, rising costs in the labor, housing, and commercial markets have eroded the competitive low-cost advantage that previously existed for the state. In 1998, the construction industry is expected to be an important contributor to Colorado's economy. The state's tight labor market and increased costs could begin to constrain Colorado's economic growth.

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 reviews and approves potential investment opportunities, with input from PERA staff members.

In 1997, net investment income totaled $3,638,475,000. This exceeded the total contributions by members and employers of $366,680,000 and $454,669,000, respectively.

For the year ended December 31, 1997, the total fund had a rate of return of 20.1 percent on a market value basis. The Association's annualized rate of return over the last three years was 19.4 percent, and over the last five years it was 14.6 percent. The average annualized market rate of return over the last 10 years was 12.8 percent. PERA assumes an investment return of 8.75 percent over the long term.

Proper funding and healthy investment returns are very important to the financial soundness of PERA. The ratio of investment earnings to total revenue is evidence of the Association's continued solid financial management. Changes in the composition of the portfolio are reflected in the "Investment Summary" on page 38.

An integral part of the overall investment policy is the strategic asset allocation policy. The targeted strategic asset allocation is designed to provide an optimal diversification to reduce risk and maximize total rate of return relative to risk. This emphasizes a maximum diversification of the portfolio that protects the Fund from declines that a particular asset class may experience in a given period. Both traditional and nontraditional assets were incorporated into the asset allocation mix in 1997. PERA has incorporated a derivatives program in the equity portfolio as an investment technique to reduce volatility and enhance the portfolio returns over a full-market cycle.

A further explanation of PERA's investment policies and strategies is presented in the "PERA Report on Investment Activity" on page 36.

Funding

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

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

The "funding ratio" and "solvency test" calculations are two ways of measuring a retirement system's funding progress. PERA directs its efforts at keeping the funding ratio (the ratio of assets to accrued liabilities) at a minimum of 80 percent. On December 31, 1997, PERA's funding ratio equaled 92.0 percent. The historical level of funding for PERA is exemplary, as is illustrated by the solvency test shown on page 58.

The difference between the actuarial assets and the actuarial liability is the unfunded liability. PERA's unfunded liability is amortized over varying periods depending on the respective Division (e.g., 12 years for the State and School Division, 5 years for the Municipal Division, and 3 years for the Judicial Division). The amortization period for the Health Care Fund was 40 years as of December 31, 1997.

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

The most recent five-year actuarial review was conducted by Watson Wyatt Worldwide, based on PERA's 1995 experience data. The review's findings were received by PERA's Board of Trustees during mid-1996. The most recent five-year review of actuarial assumptions was conducted by Towers Perrin, the independent retained actuary, based on PERA's 1991–1995 experience data. A presentation of PERA's actuarial assumptions and methods is provided in the Actuarial Section of this Report on page 51.

Members and Retirees Served by PERA

In 1997, the net membership of PERA increased by 3.3 percent to 152,475, and the number of benefit recipients increased by 5.0 percent to 47,621. New service and disability retirees during the year numbered 2,583 and 446, respectively. There were also 1,354 benefit recipient deaths and 76 survivor benefits that began during the year.

Review of Operations and Activities in 1997

A few years ago, PERA embarked on a major Strategic Plan designed to make the PERA retirement program fully competitive within the pension industry and achieve superior customer service. In 1997, several actions were taken by the staff to ensure that PERA's service meets the membership's needs: a Strategic Work Plan was prepared by the Benefits Department, recommendations were issued by a Customer Service Enhancement Group, the Member Services Division

Letter of Transmittal (continued)

merged with the Retirement Services Division to form the Benefit Services Divison, a Customer Service Center, and a Records and Information Management Unit became operational, and the staff received team-building training. Other changes designed to improve PERA's internal and external communication included the introduction of PERA's Internet Web site and Intranet Web site, which provide a wide range of information on benefits, legislation, and Board and administrative issues.

To help PERA members and retirees protect themselves from the potentially devastating costs of long-term care, the Board and staff prepared for the implementation of an innovative Long-Term Care (LTC) Program on January 1, 1998. Following a competitive proposal process, U.S. Care, Inc. was selected by the Board to serve as the program's manager. MEDAmerica, a subsidiary of Finger Lakes companies associated with Blue Cross/Blue Shield, is the program's underwriter. To determine the specific needs of PERA's active members and retirees, U.S. Care held focus groups and conducted telephone surveys for PERA in October 1997. In addition to traditional nursing home care, the LTC program features home and community based care and the assistance of Care Advisors.

Also in 1997, the Board selected Standard Insurance Company as the insurance carrier for the new Short-Term Disability Program, which becomes effective on January 1, 1999.

PERA devotes much effort to advising members and retirees about their current or future benefits, assisting them in making personal data record changes, and in communicating with our membership. In 1997:

- Field counselors provided individual counseling to 1,308 members in 21 locations around the state.
- The Customer Service Center/InfoLine answered more than 165,000 calls from members, retirees, employers, and other callers.
- Throughout Colorado, PERA staff conducted 489 meetings and 88 information tables to provide information about plan benefits. More than 17,000 members, retirees, and other persons attended these meetings, and more than 4,000 persons were contacted at the information tables. In addition, 6 meetings were held to educate 71 PERA-affiliated employer staff members about procedures and policies.
- The Communications Division received a first-place award from *Pension and Investments* magazine for PERA's 401(k) Plan video and 401(k) Plan information material.

The annual Board of Trustees election was held in May 1997. Incumbent Board members Gloria Santistevan-Feeback and Kim Natale were re-elected to a four- and one-year term, respectively, in the School Division. Jack Ehnes, chairman of the Board since 1996, was re-elected to a four-year term in the State Division. Retirees elected Richard Lansford (school retiree) to serve as a trustee filling the position vacated by Ada Houck, who resigned from the Board upon her retirement in 1997 after serving nearly 24 years as a trustee.

Also in 1997, four new public employers affiliated with PERA: Longs Peak Water District, Colorado School District Self-Insurance Pool, the Town of Rico, and the Upper Colorado Environmental Plant Center.

During the year, 401(k) Plan net assets grew from $186,541,000 at the end of 1996 to $272,053,000 at the end of 1997, and more than 3,300 members joined the Plan. Effective January 1, 1998, the Board of Trustees reinstated the 401(k) Plan's administrative fee to pay for recordkeeping, communication, education, consulting, and staff costs. PERA had waived the fee in 1996 and 1997. The Investment Section contains a detailed report on the 401(k) Plan on page 43.

In addition, PERA is aware and very concerned about the year 2000 problem and the possible impact to our members. In 1997, PERA began a thorough evaluation of our internal and external computer systems. We have started to resolve any problems that have been uncovered and will continue this process in 1998 and beyond in order to ensure that our membership will not be impacted.

Professional Services

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

Acknowledgments

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 issues of the PERA *Member Report* and *Retiree Report*.

Finally, 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 1997.

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, 1996

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.

Linda K. Savitsky

President

Jeffrey L. Esser

Executive Director

Board Chairman's Report

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

June 30, 1998

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 1997 Comprehensive Annual Financial Report. This financial report offers a detailed view of the financial and actuarial status of your retirement system.

The nation's economy enjoyed exceptionally low unemployment, low inflation, low interest rates, and steady economic growth this past year. Despite turmoil in Asia's financial markets, U.S. stock and bond markets enjoyed a bull market. By the end of 1997, the PERA portfolio was at the $23 billion mark and achieved an annual rate of return on investments of 20.1 percent.

The Board works on a proactive basis to improve the quality of PERA's benefits and services. Passage of a major piece of legislation (House Bill 97-1082) initiated by the Board in 1997 has equalized the formula for all years of service credit, consequently improving the benefits for long-service PERA members. Effective July 1, 1997, PERA's retirement formula equals 2.5 percent of Highest Average Salary for all years of service, up to a maximum of 100 percent. The legislation provided for a recalculation of all benefits being paid as of that date that were based on more than 20 years of service credit. As a result, PERA increased more than 22,000 benefit payments.

Protecting the financial security of PERA members who become disabled and helping these disabled members to re-enter the workforce was another high priority for the Board. Passage of House Bill 97-1082 allows members approved for short-term disability payments on or after January 1, 1999, to receive reasonable income replacement, rehabilitation or retraining services, or a combination of these features.

Other efforts by the Board last year will help PERA members and retirees protect themselves from the potentially devastating costs of long-term care. With the enactment of House Bill 97-1114, which was initiated by the Board, PERA was able to make available a Long-Term Care Program to our membership and their families.

Mindful of a climate that has grown increasingly unfriendly toward defined benefit plans, the Board closely monitors legislative proposals that could weaken the actuarial soundness of PERA's trust fund. The Board opposed legislation initially introduced in 1998 that would have allowed all PERA members to join a defined contribution plan instead of PERA's defined benefit plan, believing that passage of this legislation could jeopardize the strength of PERA's defined benefit plan benefits.

In closing, I extend my appreciation for your continued support and interest in PERA. With it, we continue to be a leader among public employee retirement systems providing competitive retirement programs and excellent customer service.

Sincerely,

Jack Ehnes

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 Category and four from the State Category in the State and School Division, two from the Municipal Division, and one from the Judicial Division. Two members 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 1997.

Jack Ehnes
Chairman of the Board
Member since 1989; Represents state employees
Insurance Commissioner, State of Colorado
Current term expires June 30, 2001

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, 1998

Mark J. Anderson
Member since 1993
Represents municipal employees
Insurance and Claims Manager, City of Colorado Springs
Current term expires June 30, 1998

Dave Barba
Member since November 1995
State Auditor
Continuous term, ex-officio

Donna J. Bottenberg
Member since 1993
Represents state employees
Executive Assistant to the President, 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, 2000

Ada Houck
Member since 1973
Represented retirees
Retired Elementary Teacher
Resigned from Board on June 30, 1997

Patricia K. Kelly
Member since 1993
Represents municipal employees
Assistant General Counsel, Colorado Springs Utilities
Current term expires June 30, 1999

Ann Kelly-Bunjer
Member since 1994
Represents state employees
Workplace Issues Coordinator, Colorado Department of Personnel/GSS
Current term expires June 30, 1999

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

William Maguire
Member since 1995
Represents retirees (represented State Division members from 1985-1994)
Retired Personnel Specialist
Current term expires June 30, 1999

Michael J. Morris
Member since 1994
Represents school employees
Principal, Boulder Valley Public Schools
Current term expires June 30, 2000

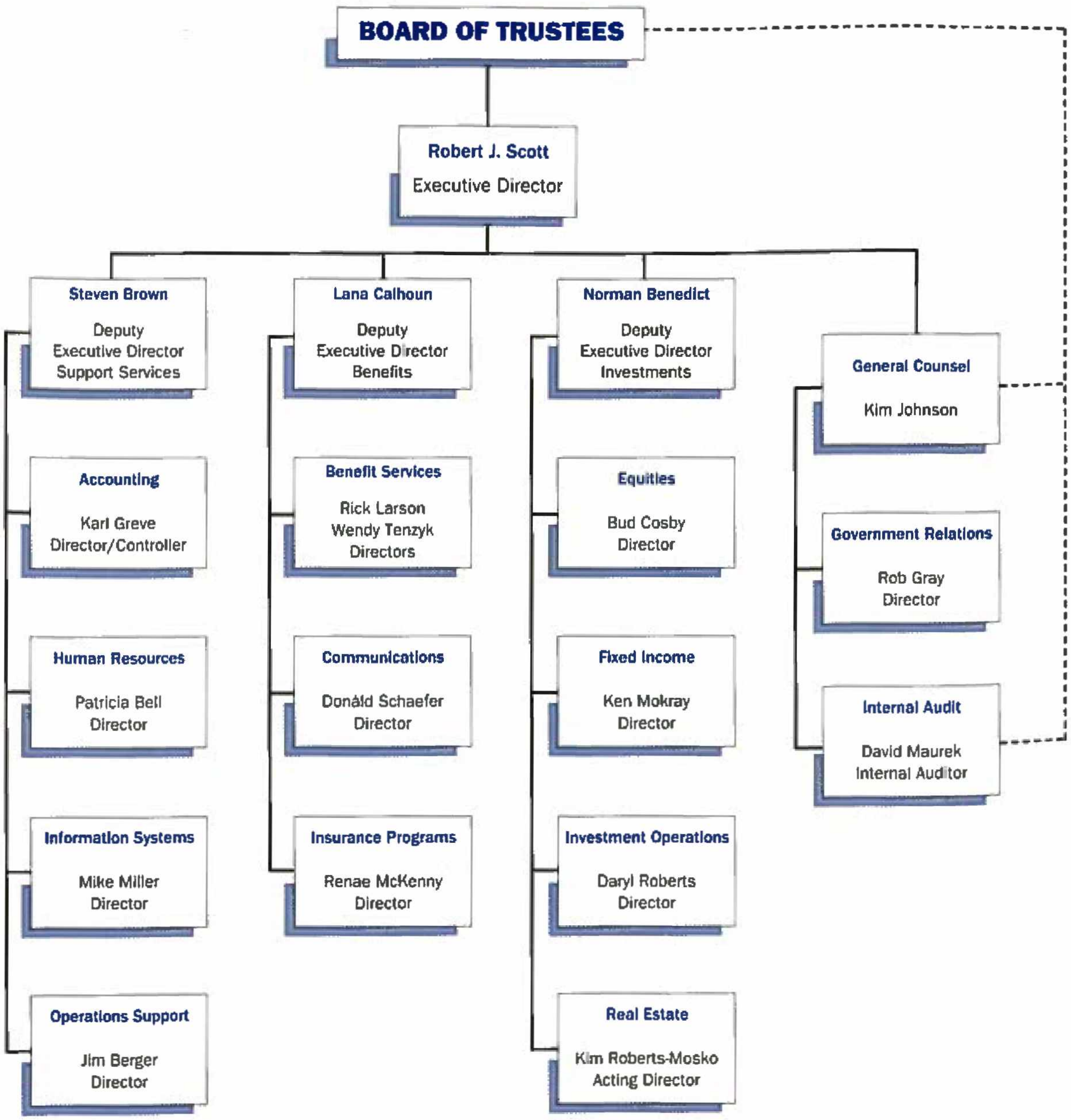
Bill Owens
Member since January 1995
State Treasurer
Continuous term, ex-officio

Leonard P. Plank
Member since 1993
Represents judges
Judge, Colorado Court of Appeals
Current term expires June 30, 1999

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

Carole Wright
Member since 1993
Represents school employees
Reading Specialist, Aurora Public School District 28J
Current term expires June 30, 2000

Administrative Organizational Chart*



* As of 5-1-98

Consultants

Health Care Program Actuary

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

Independent Accountants

Ernst & Young LLP
370 17th St.
Suite 4300
Denver, CO 80202

Investments–Economists

Primark Decision Economics, Inc.
1 World Trade Center, 18th Floor
New York, NY 10048

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.
777 South Figueroa St.
Suite 2000
Los Angeles, CA 90017

Investments–Real Estate

Institutional Property Consultants, Inc.
4330 La Jolla Village Dr., Suite 300
San Diego, CA 92122

Pension Actuary

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

Risk Management

J & H Marsh McLennan
1225 17th St.
Suite 2100
Denver, CO 80202

401(k) Recordkeeper/Consultant

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

- *Boulder's city government was formalized in November 1871 when the town of Boulder was incorporated, and joined PERA in 1944. Boulder employs 1,000 standard employees and approximately 1,700 seasonal and temporary employees.*
- *Pueblo was founded in the 1840s as Fort El Pueblo. It has evolved through the years as a trading post, mining town, and mill town to its present-day status as a business, industrial, and residential community. Today, the City of Pueblo employs about 700 people. Pueblo also is known as the "Home of Heroes" because it is the hometown of four living Congressional Medal of Honor recipients.*
- *Purchased by the City of Colorado Springs in 1943, Memorial Hospital provides highly specialized care through its centers of excellence in maternity, pediatrics, emergency and trauma, cancer, and heart disease. With some 350 beds and 2,800 employees, Memorial provides comprehensive medical, surgical, and critical care for adults and children for any type of illness or injury.*

1997 Financial Section

Report of the Independent Accountants

ERNST & YOUNG LLP

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

Phone: 303 534 4300

Board of Trustees
Public Employees' Retirement Association of Colorado

We have audited the accompanying general-purpose financial statements, consisting of the State and School Division Trust Fund, Municipal Division Trust Fund, Judicial Division Trust Fund (the "Defined Benefit Plans"), the Voluntary Investment Program, the Health Care Fund and the Insurance Dividend Reserve, of the Public Employees' Retirement Association of Colorado ("PERA") as of December 31, 1997, 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, 1997, and its changes in financial status for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The schedule of administrative expenses contained in the Financial Section is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Ernst + Young LLP

May 12, 1998

Statements of Pension Plan and Postemployment Healthcare Plan Net Assets

As of December 31, 1997, with Comparative Totals for 1996
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund
ASSETS		
Cash and short-term investments		
Cash and short-term investments	$ 821,679	$ 48,225
Securities lending collateral	1,688,239	99,085
Total cash and short-term investments	2,509,918	147,310
Receivables		
Benefit	62,335	4,613
Interfund	0	0
Investment settlement and income	88,773	5,210
Total receivables	151,108	9,823
Investments, at fair value:		
U.S. government obligations	606,879	35,619
Domestic corporate bonds	1,711,016	100,422
Domestic stocks	12,205,125	716,334
International stocks	2,875,349	168,758
International fixed income	293,344	17,217
Real estate equity	1,569,047	92,089
Real estate debt	316,356	18,567
Alternative investments	1,166,434	68,460
Total investments	20,743,550	1,217,466
Properties, at cost, net of accumulated depreciation of $11,086 and $9,276, at December 31, 1997, and 1996 respectively	13,879	980
Total assets	23,418,455	1,375,579
LIABILITIES		
Investment settlements and other	47,558	3,166
Security lending obligations	1,688,239	99,085
Interfund	2,671	220
Total liabilities	1,738,468	102,471
Commitments and contingencies (Note 6)		
Net assets held in trust for pension plan benefits and postemployment healthcare plan benefits	$21,679,987	$ 1,273,108
Net assets held in trust for:		
Defined contribution pension plan benefits	$ 0	$ 0
Postemployment healthcare plan benefits*	0	0
Defined benefit pension plan benefits*	21,679,987	1,273,108
Net assets held in trust for pension plan benefits and postemployment healthcare plan benefits	$21,679,987	$ 1,273,108

* (A schedule of funding progress is presented for each plan on page 29.)

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

Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Fund	Insurance Dividend Reserve (Agency Fund)	Totals (Memorandum Only) 1997	1996
$ 4,670	$ 874,574	$ 27,754	$ 902,328	$ 3,736	$ 729	$ 906,793	$ 584,658
9,595	1,796,919	0	1,796,919	7,675	1,498	1,806,092	1,701,975
14,265	2,671,493	27,754	2,699,247	11,411	2,227	2,712,885	2,286,633
873	67,821	6,558	74,379	1,741	0	76,120	65,849
0	0	188	188	2,708	0	2,896	2,639
505	94,488	314	94,802	404	79	95,285	115,521
1,378	162,309	7,060	169,369	4,853	79	174,301	184,009
3,449	645,947	0	645,947	2,759	539	649,245	776,994
9,724	1,821,162	50,423	1,871,585	7,778	1,518	1,880,881	1,699,210
69,366	12,990,825	182,894	13,173,719	55,485	10,832	13,240,036	10,728,334
16,342	3,060,449	5,105	3,065,554	13,072	2,552	3,081,178	3,094,749
1,667	312,228	0	312,228	1,334	260	313,822	387,645
8,918	1,670,054	0	1,670,054	7,133	1,392	1,678,579	1,199,123
1,798	336,721	0	336,721	1,438	281	338,440	442,426
6,629	1,241,523	0	1,241,523	5,303	1,035	1,247,861	832,487
117,893	22,078,909	238,422	22,317,331	94,302	18,409	22,430,042	19,160,968
35	14,894	0	14,894	0	0	14,894	14,668
133,571	24,927,605	273,236	25,200,841	110,566	20,715	25,332,122	21,646,278
383	51,107	1,183	52,290	11,719	19,217	83,226	69,602
9,595	1,796,919	0	1,796,919	7,675	1,498	1,806,092	1,701,975
5	2,896	0	2,896	0	0	2,896	2,639
9,983	1,850,922	1,183	1,852,105	19,394	20,715	1,892,214	1,774,216
$123,588	$23,076,683	$272,053	$23,348,736	$ 91,172	$ 0	$23,439,908	$ 19,872,062
$ 0	$ 0	$272,053	$ 272,053	$ 0	$ 0	$ 272,053	$ 186,541
0	0	0	0	91,172	0	91,172	83,239
123,588	23,076,683	0	23,076,683	0	0	23,076,683	19,602,282
$123,588	$23,076,683	$272,053	$23,348,736	$ 91,172	$ 0	$23,439,908	$ 19,872,062

Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets

For the Year Ended December 31, 1997, with Comparative Totals for 1996
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund
Additions		
Contributions		
Employers	$ 392,898	$ 27,253
Members	293,059	23,701
Purchased service	27,029	853
Retiree health care premiums	0	0
Total contributions	712,986	51,807
Investment income		
Net appreciation (depreciation) in fair value of investments	2,819,404	164,114
Interest	257,008	14,981
Dividends	249,287	14,531
Real estate operating income (loss), net	89,906	5,241
Securities lending income	101,577	5,921
	3,517,182	204,788
Less investment expense	(61,777)	(3,601)
Less securities lending borrower rebates	(90,133)	(5,254)
Less securities lending agent fees	(3,286)	(192)
Net investment income	3,361,986	195,741
Total additions	4,074,972	247,548
Deductions		
Benefits		
Benefits paid to retirees/cobeneficiaries	732,958	31,526
Benefits paid to survivors	16,355	1,297
Benefits paid to health care participants	0	0
Total benefits	749,313	32,823
Refunds of contribution accounts, including match and interest	60,686	8,112
Administrative expense	14,090	996
Other transfers, net	377	150
Total deductions	824,466	42,081
Net increase in assets available	3,250,506	205,467
Net assets available for pension plan and postemployment healthcare plan benefits		
Beginning of year	18,429,481	1,067,641
Ending of year	$21,679,987	$ 1,273,108

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

Judicial Division Trust Fund	**Total Defined Benefit Plans**	**401(k) Voluntary Investment Program**	**Total Pension Trust Funds**	**Health Care Fund**	**Totals (Memorandum Only) 1997**	**Totals (Memorandum Only) 1996**
$ 2,636	$ 422,787	$ 132	$ 422,919	$31,750	$ 454,669	$ 430,961
1,485	318,245	48,435	366,680	0	366,680	337,236
340	28,222	0	28,222	0	28,222	14,407
0	0	0	0	20,124	20,124	18,932
4,461	769,254	48,567	817,821	51,874	869,695	801,536
16,002	2,999,520	39,790	3,039,310	13,194	3,052,504	1,643,266
1,461	273,450	2,779	276,229	1,192	277,421	304,358
1,417	265,235	3,396	268,631	1,156	269,787	245,333
511	95,658	0	95,658	417	96,075	82,822
577	108,075	775	108,850	471	109,321	112,575
19,968	3,741,938	46,740	3,788,678	16,430	3,805,108	2,388,354
(351)	(65,729)	(72)	(65,801)	(286)	(66,087)	(42,139)
(512)	(95,899)	(692)	(96,591)	(418)	(97,009)	(99,392)
(19)	(3,497)	(25)	(3,522)	(15)	(3,537)	(4,395)
19,086	3,576,813	45,951	3,622,764	15,711	3,638,475	2,242,428
23,547	4,346,067	94,518	4,440,585	67,585	4,508,170	3,043,964
4,646	769,130	0	769,130	0	769,130	677,181
346	17,998	0	17,998	0	17,998	17,170
0	0	0	0	59,652	59,652	57,102
4,992	787,128	0	787,128	59,652	846,780	751,453
145	68,943	9,046	77,989	0	77,989	70,370
35	15,121	523	15,644	0	15,644	15,546
(53)	474	(563)	(89)	0	(89)	143
5,119	871,666	9,006	880,672	59,652	940,324	837,512
18,428	3,474,401	85,512	3,559,913	7,933	3,567,846	2,206,452
105,160	19,602,282	186,541	19,788,823	83,239	19,872,062	17,665,610
$123,588	$23,076,683	$272,053	$23,348,736	$91,172	$23,439,908	$19,872,062

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

NOTE 1—PLAN DESCRIPTION

Organization

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

Responsibility for the organization and administration of the Division Trust Funds, Health Care Fund (HCF), 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. With the passage of HB 97-1082 on July 1, 1997, the State Division Trust Fund and School Division Trust Fund were merged together into the State and School Division Trust Fund.

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

	As of December 31	
	1997	1996
State and School	271	272
Municipal	96	92
Judicial	6	6
Total employers	373	370

Membership

Division Trust Funds—Defined Benefit Pension Plans

Benefit recipients and members of PERA consisted of the following as of December 31, 1997, and 1996:

	State and School	Municipal	Judicial	Totals 1997	Totals 1996
Retirees and beneficiaries currently receiving benefits	45,006	2,398	217	47,621	45,716
Terminated members entitled to benefits, but not yet receiving them	6,638	436	11	7,085	6,520
Non-vested Inactive Members	55,349	6,699	2	62,050	57,502
Active Members:					
Vested					
General Employees	77,514	5,374	206	83,094	81,111
State Troopers	426	0	0	426	462
Non-vested					
General Employees	63,274	5,386	48	68,708	65,882
State Troopers	247	0	0	247	215
Total Active Members	141,461	10,760	254	152,475	147,670
Totals	248,454	20,293	484	269,231	199,906

Voluntary Investment Program

See Note 7.

Health Care Fund

See Note 8.

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

Benefit Provisions

Division Trust Funds-Defined Benefit Pension Plans

Benefit provisions for the defined benefit pension plans are established by and may be amended by state statute. C.R.S. § 24-51-208, establishes eligibility provisions and benefit provisions for the defined benefit pension plans of the Division Trust Funds. 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. The benefit shall not exceed 100 percent, nor shall it exceed the maximum amount allowed by federal law. Prior to July 1, 1997, members with more than 20 years of service received monthly defined retirement benefits equal to 2.5 percent of their HAS for each year of service up to 20 years, and 1.5 percent of their HAS for each year over 20. With the passage of HB 97-1082, all years receive a monthly defined retirement benefit equal to 2.5 percent and all existing benefit recipients, as of July 1, 1997, with more than 20 years of service had their benefits recalculated.

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

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account (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 4 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 are under service retirement age may have their benefits reduced based on earned income. In 1997, HB 97-1082 was passed, which establishes a two-tiered disability retirement program applicable to members who apply for disability on or after January 1, 1999. The two-tier program will provide short-term disability payments where retraining, rehabilitation, or recovery is possible, and disability retirement benefits for members who are permanently and totally disabled.

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.

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

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

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.

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 of the member's contributions and interest.

Interest credited to member contribution accounts is set at 80 percent of PERA's actuarial investment assumption rate. For 1997 the actuarial investment assumption rate was 8.75 percent and the member interest rate was 80 percent of that, or 7.0 percent.

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.

On May 27, 1998, the Governor signed into law HB 98-1191. This legislation provides for unreduced retirement for members who have 30 years of service and are at least 50 years old, and it provides for a reduction of the formula for reduced service retirement for those persons between age 55 and 60 who have from 20 through 29 years of service credit. Also, this legislation allows statewide elected officials, legislators, and most of the staff of the Governor and Legislature to choose a defined contribution plan in lieu of PERA's defined benefit plan.

Voluntary Investment Program
See Note 7.

Health Care Fund
See Note 8.

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

Federal Income Tax Status
PERA is exempt from federal income taxes under the Internal Revenue Code.

Termination of PERA

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board oversees all funds included in the general purpose financial statements of PERA. 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 Presentation

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

Basis of Accounting

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 compensation is paid to the member by the employer. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Changes in Accounting Policies

In February 1996, the GASB issued Statement No. 30, "Risk Financing Omnibus," an amendment of GASB Statement No. 10. The Statement amends GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." PERA adopted the provisions of this standard for the year ended December 31, 1997.

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

Fund Accounting

The financial activities of the State and 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 and School, Municipal, and Judicial Divisions maintain separate accounts, and all actuarial determinations are made using separate Division-based information.

The Division Trust Funds, the HCF, and the IDR pool their investments into a combined investment portfolio. Investment value and earnings of the investment pool are allocated among the funds based on each fund's percentage ownership. As of December 31, 1997, and 1996, the ownership percentages of each fund were as follows:

	Ownership Percentage as of December 31	
	1997	1996
State and School	93.48%	93.51%
Municipal	5.49	5.41
Judicial	0.53	0.53
HCF	0.42	0.46
IDR	0.08	0.09
Total	100.00%	100.00%

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

Fair Value of Investments

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

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

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.

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

PERA-affiliated employers also contribute a percentage of payroll. The contribution rates for the combined retirement benefits and health care benefits from January 1, 1997, through December 31, 1997, were as follows:

Contributions as a Percent of Members' Salaries
January 1, 1997, through June 30, 1997

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%

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

Contributions as a Percent of Members' Salaries
July 1, 1997, through December 31, 1997

Division	Membership	Contributions
State and School	All members, except State Troopers	11.5%
State and School	State Troopers	13.1%
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 HCF, in a trust fund established for each Division for the purpose of creating actuarial reserves for future benefits.

On May 18, 1998, the Governor signed into law HB 98-1242. This legislation permanently reduces the contribution rate for State and School Division employers by 0.1 percent of salary from 11.5 percent to 11.4 percent, beginning July 1, 1998.

Voluntary Investment Program
See Note 7.

Health Care Fund
See Note 8.

NOTE 4—INVESTMENTS

Investment Authority

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

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

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

Investment Concentrations

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

Cash

The following table presents the PERA combined total deposits and money market funds as of December 31, 1997:

	Carrying Value	Bank Balance
Deposits (overdrafts) with banks (fully insured by federal depository insurance)	$ (18,221)	$ 4,245
Deposits held at bank (fully collateralized by the underlying securities, held by PERA's agent in PERA's name)	155,218	155,218
Money market funds held at bank (fully collateralized by the underlying securities, held by PERA's agent in PERA's name)	397,991	397,991
Total deposits and money market funds	$ 534,988	$ 557,454

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

The carrying value of cash and short-term investments at December 31, 1997, on the Statements of Pension Plan and Postemployment Healthcare Plan Net Assets includes short-term fixed income investments of $371,805 and deposit and money market funds of $534,988 for a total of $906,793. 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, 1997, 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.

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

	Carrying Amount (Fair Value)
Investments—Category 1 (held by PERA's agent in PERA's name)	
U.S. government obligations	$ 586,290
Domestic corporate bonds	1,640,513
Domestic stocks	12,035,152
International stocks	2,565,980
International fixed income	219,828
Short-term domestic fixed income	255,606
Short-term international fixed income	53,845
Subtotal	17,357,214
Investments—Not categorized	
Investments held by broker-dealers under securities loans with cash collateral	
U.S. government obligations	41,440
Short-term U.S. government obligations	410
Domestic corporate bonds	206,746
Domestic stocks	1,044,902
International stocks	341,305
International fixed income	60,710
Short-term international fixed income	45,681
Investments held by broker-dealers under securities loans with pooled non-cash collateral	
U.S. government obligations	21,515
Domestic corporate bonds	11,591
Domestic stocks	159,982
International stocks	173,893
International fixed income	33,284
Securities lending short-term collateral investment pool	1,806,092
Domestic corporate bonds (private placements)	22,031
Short-term fixed income (mortgages)	16,263
Real estate equity	1,678,579
Real estate debt	338,440
Alternative investments	1,247,861
Total Investments	$ 24,607,939

Short-term domestic fixed income of $256,016, short-term private debt of $16,263, and short-term international fixed income of $99,526 are included in the total investment amount shown in this disclosure while being included in cash and short-term investments in the financial statements, due to their maturity being less than 12 months.

Securities Lending Transactions

C.R.S. § 24-51-206, and Board of Trustees' policies permit PERA to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. PERA's custodian, The Northern Trust Company, lends securities of the type on loan at year-end for collateral in the form of U.S. and non-U.S. currencies, G-10 government securities, equities, or irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102 percent of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105 percent of the fair value of the securities plus any accrued interest except that fixed income securities can be loaned against same currency collateral at 102 percent plus any accrued interest. Collateral is marked to market daily. There are no restrictions on the amount of securities that can be lent at one time. Securities lent at year-end for cash and securities collateral are classified according to the category for the collateral in the preceding schedule of custodial credit risk.

As of December 31, 1997, PERA had no credit risk exposure to borrowers because the amounts PERA owes the borrowers exceed the amounts the borrowers owe PERA. The contract with PERA's custodian requires it to indemnify PERA if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent). PERA had no losses on securities lending transactions resulting from the default of a borrower or the lending agent for the year ended December 31, 1997.

All securities loans can be terminated on demand by either PERA or the borrower, although the average term of overall loans is 34 days. Cash open collateral is invested in a custom collateral account made up of a combination of The Northern Trust Company's Collective Short-Term Investment Fund (35.4 percent), The Northern Trust Company's Collective Short-Term Extendible Portfolio (63.4 percent), and The Northern Trust Company's Short-Term Advantage Fund (1.2 percent). Though the weighted average maturities of these funds as of December 31, 1997, were 27, 64, and 237 days, respectively, withdrawals can be made within two days. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. PERA cannot pledge or sell non-cash collateral unless the borrower defaults.

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

The following represents the balances relating to the securities lending transactions as of December 31, 1997, and December 31, 1996.

Securities Lent	Carrying Amount (Fair Value) of Underlying Securities December 31, 1997	Carrying Amount (Fair Value) of Underlying Securities December 31, 1996
U.S. government obligations	$ 62,955	$ 380,783
Short-term U.S. government obligations	410	0
Domestic corporate bonds	218,337	158,413
Domestic stocks	1,204,884	1,330,644
International stocks	515,198	378,482
International fixed income	93,994	67
Short-term international fixed income	45,681	0
Total	$ 2,141,459	$ 2,248,389

As of December 31, 1997, the fair value of lent securities was $2,141,459. The fair value of associated collateral was $2,229,294. Of this amount, $1,806,092 represents the fair value of cash collateral and $423,202 represents the fair value of the non-cash collateral. Non-cash collateral which PERA does not have the ability to pledge or sell unless the borrower defaults is not reported in the balance sheet. The system's income net of expenses from securities lending was $8,775 for the year ended December 31, 1997. As of December 31, 1996, the fair value of lent securities was $2,248,389. The fair value of associated collateral was $2,365,187, of this amount, $1,701,975 represents the fair value of cash collateral and $663,212 represents the fair value of the non-cash collateral. The system's income net of expenses from securities lending was $8,788 for the year ended December 31, 1996.

Alternative Investments

The following table presents the categories of investments within the alternative investment asset class at December 31, 1997.

	Fair Value at December 31, 1997
Venture capital	$ 326,338
Leveraged buyout funds	538,417
International private equity funds	145,013
Timber investments	238,093
Total Alternative Investments	$ 1,247,861

NOTE 5—FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Covered Call Options

PERA writes covered call options as an investment technique to enhance portfolio returns and 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, it receives a premium 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 fair value of the options written. Fair 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 264 companies' securities as of December 31, 1997. Premiums received on the sales of these options were $1.2 billion and the fair value as of December 31, 1997, was ($1.4) billion.

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

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

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. PERA traded international index options during 1997, but had no international index option contracts open as of December 31, 1997.

Premiums paid are recorded as an asset and premiums received 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.

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. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. 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 based on the applicable forward exchange rates.

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 realized gain or loss in the financial statements.

PERA buys and sells futures 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.

The financial instruments discussed above include options, futures contracts, and currency forwards 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 Pension Plan and Postemployment Healthcare Net Assets. The market risk associated with options, futures, and forwards 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 as of December 31, 1997. The contract or notional amounts do not represent the exposure to market loss.

Contracts	Description	Contract or Notional Value
700,418	Covered call options written - domestic	$ 4,160,906
57,600	Long index call options - domestic	$ 5,589,677
57,600	Short index call options - domestic	$ (5,589,677)
626	Long index futures contracts - international	$ 94,019
48	Long forward foreign exchange contracts	$ 582,289
48	Short forward foreign exchange contracts	$ (582,289)

NOTE 6—COMMITMENTS AND CONTINGENCIES

At December 31, 1997, PERA was committed to the future purchase of investments at an aggregate cost of approximately $2,220,608.

PERA is a limited partner in a land development project with the Lincoln Property Company. PERA executed a third-party agreement between the construction lender and PERA, whereby PERA is obligated to pay off the $14.2 million land loan upon default by Lincoln Property Company or if the land parcels are not sold prior to maturity of the loan on March 31, 1999. As of December 31, 1997, there were land sale commitments of $6.4 million, leaving a $7.8 million contingent obligation to PERA.

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.

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

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

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

Members may contribute up to 18 percent of covered salary, to a maximum of $9,500 (actual dollars) for 1997; employer contributions are optional. The contribution requirements for the program are established under C.R.S. § 24-51-1402. At December 31, 1997, there were 16,391 participants with account balances.

Members of the program are allowed to change their contribution amount, transfer account balances among seven investment funds, or change the contribution percentages designated to each fund on a monthly basis. The seven investment funds are: Money Market, Short-Term Bond, Long-Term Bond, Balanced, Growth and Income Stock, International, 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.

Significant Accounting Policies—401(k) Voluntary Investment Program

Basis of Accounting

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

Method Used to Value Investments

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

Investment Concentrations

No investments of the Voluntary Investment Program represent 5 or more percent of the total plan net assets.

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

Plan Description and Benefit Provisions

The Health Care Fund (HCF) provides a health care premium subsidy to participating PERA benefit recipients and their eligible beneficiaries who choose to enroll in the Program. Title 24, Article 51, Part 12 of the C.R.S., specifies the eligibility for enrollment and the amount of the premium subsidy. In 1997, the maximum monthly subsidy was $115 (actual dollars) 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 HCF offers two general types of health plans—"insurance-purchasing pools" and "risk-sharing pools." The health maintenance organization (HMO) plans the HCF uses are considered to be insurance-purchasing pools. The Mutual of Omaha health care plan and the ValueRx prescription drug program the HCF uses are considered to be self-insured risk-sharing pools.

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

Membership

Enrollment in the Health Care Program (the Program) is voluntary for the following: (1) any PERA benefit recipient; (2) guardians of children receiving PERA survivor benefits if children are enrolled in the Program; (3) retirees temporarily not receiving PERA benefits; (4) surviving spouses of deceased retirees who are not receiving PERA benefits, but were enrolled in the Program when death occurred; and (5) divorced spouses of retirees who are not receiving PERA benefits, but were enrolled in the Program when the divorce occurred. As of December 31, 1997, the Program had 29,571 enrollees of whom 7,097 were under 65 and 22,474 who were 65 or older.

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

Contributions

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 C.R.S. § 24-51-208.

Schedule of Benefits Paid

Breakdown of "Risk-Sharing Pool" and "Insurance-Purchasing Pool" HCF Benefits Paid to Participants

Risk-Sharing Pool Benefits Paid	1997
Mutual of Omaha claims expenses before insured but not reported (IBNR) adjustment	$ 27,466
Net change in Mutual of Omaha IBNR adjustment expense for current and prior years	1,160
Total Mutual of Omaha claims and claims adjustment expenses	28,626
Mutual of Omaha administrative expenses before adjustment for IBNR run-out	3,089
Accrual of administrative expenses for IBNR run-out adjustments	64
Total administrative expenses including adjustments for IBNR run-out	3,153
ValueRx prescription drug expenses	15,090
Total risk-sharing pool benefits paid	46,869
Insurance-Purchasing Pool Benefits Paid	
Premium subsidy for non-risk sharing HMO health care plans	12,783
Total benefits paid to health care participants	$ 59,652

Basis for Estimated Liabilities for "Risk-Sharing Pools"

The HCF establishes claims liabilities based on the estimates of the ultimate costs of claims (including future claims adjustment expenses) that have been "incurred but not reported" (IBNR). The estimated claims liability for the self-insured health care plan was calculated by Mutual of Omaha, the Fund's third-party administrator, acting as an actuary, using a variety of actuarial and statistical techniques and then adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Estimated IBNR claim liability for year ended December 31, 1997, is $7,399. The IBNR for the self-insured prescription drug program is negligible due to the speed in processing the claims.

The estimated IBNR related to Administration Fee charged by Mutual of Omaha is calculated as 15 percent of the average Administration Fee for the Year. The estimated Administration Fee IBNR is calculated at $494 for the year ended December 31, 1997.

The following represents the changes in the aggregate estimated claims liability IBNR and related Administration Fee IBNR for the self-insured policies (accurate information on year services were incurred was not available for years prior to 1997):

Changes in Estimated Claims Liability

	1997
Unpaid claims and claims adjustment expenses at beginning of year	$ 6,239
Incurred claims and claims adjustment expenses:	
Provision for insured events of current year	43,135
Increase (decrease) in provision for insured events of prior years	581
Total incurred claims and claim adjustment expenses	43,716
Payments:	
Claims and claims adjustment expenses attributable to insured events of current year	35,736
Claims and claims adjustment expenses attributable to insured events of prior years	6,820
Total claims payments	42,556
Unpaid Claims and Claims Adjustment Expenses at Year End	$ 7,399

Notes to General Purpose Financial Statements

(In Thousands of Dollars)

NOTE 9—INSURANCE DIVIDEND RESERVE NOTE DISCLOSURES

The following represents the changes in assets and liabilities for the Insurance Dividend Reserve (Agency Fund) for the year ended 1997.

	Balance 1/1/97	Net Change	Balance 12/31/97
Assets			
Cash and short-term investments	$ 539	$ 190	$ 729
Securities lending collateral	1,576	(78)	1,498
Receivables	270	(191)	79
Investments at fair value	17,574	835	18,409
Total assets	$ 19,959	$ 756	$ 20,715
Liabilities			
Investment settlements and other	$ 18,383	$ 834	$ 19,217
Securities lending obligations	1,576	(78)	1,498
Total liabilities	$ 19,959	$ 756	$ 20,715

Required Supplementary Information

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

Valuation Year

State and School Division Trust Fund	1997
Actuarial Value of Assets (a)	$ 18,572,185
Actuarial Accrued Liability (b)	20,264,739
Total Unfunded Actuarial Accrued Liability (UAAL) (b-a)	1,692,553
Funded Ratio (a/b)	91.6%
Covered Payroll (c)	3,877,988
UAAL as a Percentage of Covered Payroll	43.6%

State Division Trust Fund*	1996	1995	1994	1993	1992
Actuarial Value of Assets (a)	$ 6,562,389	$ 5,838,863	$ 5,239,957	$ 4,862,052	$ 4,374,736
Actuarial Accrued Liability (b)	7,211,331	6,922,184	6,395,090	5,992,398	5,021,226
Total Unfunded Actuarial Accrued Liability (UAAL) (b-a)	648,942	1,083,321	1,155,133	1,130,346	646,490
Funded Ratio (a/b)	91.0%	84.4%	81.9%	81.1%	87.1%
Covered Payroll (c)	1,546,194	1,510,353	1,429,026	1,398,002	1,420,758
UAAL as a Percentage of Covered Payroll	42.0%	71.7%	80.8%	80.9%	45.5%

School Division Trust Fund*	1996	1995	1994	1993	1992
Actuarial Value of Assets (a)	$ 9,717,424	$ 8,599,151	$ 7,675,230	$ 7,076,984	$ 6,318,500
Actuarial Accrued Liability (b)	9,767,811	9,248,544	8,529,017	8,031,939	6,760,744
Total Unfunded Actuarial Accrued Liability (UAAL) (b-a)	50,386	649,393	853,788	954,955	442,244
Funded Ratio (a/b)	99.5%	93.0%	90.0%	88.1%	93.5%
Covered Payroll (c)	2,114,118	1,994,914	1,869,673	1,790,555	1,754,969
UAAL as a Percentage of Covered Payroll	2.4%	32.6%	45.7%	53.3%	25.2%

Municipal Division Trust Fund	1997	1996	1995	1994	1993	1992
Actuarial Value of Assets (a)	$ 1,098,291	$ 949,049	$ 829,117	$ 728,217	$ 660,431	$ 584,649
Actuarial Accrued Liability (b)	1,121,444	920,713	842,576	759,365	695,564	577,622
Total Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	23,153	(28,336)	13,459	31,148	35,133	(7,026)
Funded Ratio (a/b)	97.9%	103.1%	98.4%	95.9%	94.9%	101.2%
Covered Payroll (c)	314,167	289,818	280,999	263,249	245,471	244,327
UAAL as a Percentage of Covered Payroll	7.4%	(9.8)%	4.8%	11.8%	14.3%	(2.9)%

Judicial Division Trust Fund	1997	1996	1995	1994	1993	1992
Actuarial Value of Assets (a)	$ 106,012	$ 92,908	$ $82,384	$ 73,981	$ 68,635	$ 61,427
Actuarial Accrued Liability (b)	107,888	92,051	87,003	80,605	77,131	65,788
Total Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	1,876	(856)	4,619	6,624	8,496	4,360
Funded Ratio (a/b)	98.3%	100.9%	94.7%	91.8%	89.0%	93.4%
Covered Payroll (c)	19,666	18,832	17,533	17,023	17,279	16,640
UAAL as a Percentage of Covered Payroll	9.5%	(4.5)%	26.3%	38.9%	49.2%	26.2%

Valuation Year

Health Care Fund	1997	1995	1992	1990
Actuarial Value of Assets (a)	$ 76,957	$ 72,423	$ 65,021	$ 52,647
Actuarial Accrued Liability (b)	595,597	551,699	501,684	548,172
Total Unfunded Actuarial Accrued Liability (UAAL) (b-a)	518,639	479,276	436,663	495,525
Funded Ratio (a/b)	12.9%	13.1%	13.0%	9.6%
Covered Payroll (c)	4,211,821	3,803,799	3,436,694	2,912,712
UAAL as a Percentage of Covered Payroll	12.3%	12.6%	12.7%	17.0%

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

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

Required Supplementary Information

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

State and School Division Trust Fund	**1997**					
Dollar Amount of ARC	$392,898					
Annual Required Contribution *(ARC)	10.71%					
% ARC Contributed	100%					
State Division Trust Fund**		**1996**	**1995**	**1994**	**1993**	**1992**
Dollar Amount of ARC		$159,057	$153,472	$147,269	$137,587	$124,665
Annual Required Contribution *(ARC)		10.83%	10.83%	10.83%	10.33%	9.33%
% ARC Contributed		100%	100%	100%	100%	100%
School Division Trust Fund**						
Dollar Amount of ARC		$214,155	$200,889	$188,161	$181,593	$183,743
Annual Required Contribution *(ARC)		10.80%	10.80%	10.80%	10.80%	11.10%
% ARC Contributed		100%	100%	100%	100%	100%
Municipal Division Trust Fund	**1997**					
Dollar Amount of ARC	$ 27,253	$ 25,149	$ 23,980	$ 22,359	$ 20,763	$ 22,080
Annual Required Contribution *(ARC)	9.20%	9.20%	9.20%	9.20%	9.20%	9.20%
% ARC Contributed	100%	100%	100%	100%	100%	100%
Judicial Division Trust Fund						
Dollar Amount of ARC	$ 2,636	$ 2,531	$ 2,353	$ 2,294	$ 2,301	$ 2,231
Annual Required Contribution *(ARC)	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%
% ARC Contributed	100%	100%	100%	100%	100%	100%

Health Care Fund	**1997**	**1995**	**1992**	**1990**
Dollar Amount of ARC	$ 31,750	$ 28,467	$ 27,460	$ 20,974
Annual Required Contribution *(ARC)	0.80%	0.80%	0.80%	0.80%
% ARC Contributed	100%	100%	100%	100%

* As a percent of covered payroll.

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

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

Notes to Required Supplementary Information

NOTE 1—DESCRIPTION

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

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

NOTE 2—ACTUARIAL ASSUMPTIONS AND METHODS

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

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Health Care Fund
Valuation date	12/31/97	12/31/97	12/31/97	12/31/97
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percent Open	Level percent Open	Level percent Open	Level percent Open
Remaining amortization period	12	5	3	40
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions				
Investment rate of return*	8.75%	8.75%	8.75%	8.75%
Projected salary increases*	5.0-10.0%	5.5-12.9%	5.0-6.01%	Not applicable
*Includes inflation at	4.50%	4.50%	4.50%	4.50%
Cost-of-living adjustments	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	Zero

NOTE 3—SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

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

- The Highest Average Salary (HAS) for members of the Judicial Division was changed from a three-year average to the highest one year's salary.
- The State Division Trust Fund and the School Division Trust Fund were merged into the State and School Division Trust Fund.
- Reduced the maximum amortization period for the three Division Trust Funds from 60 years to 40 years.
- The employer contribution rate for the State and School Division was reduced 0.1 percent to 11.5 percent.
- The benefit formula for years over 20 was changed retroactively from 1.5 percent to 2.5 percent of HAS beginning July 1997, up to a maximum of 100 percent of HAS.

1996 Changes in Plan Provisions Since Prior Year—State, School, Municipal, and Judicial Division Trust Funds:

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

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

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

Notes to Required Supplementary Information

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 percent per year to a compound increase of 3.5 percent per year.
- The Cost of Living Stabilization Fund was merged into the State, School, Municipal, and Judicial Division Trust Funds.

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 percent to 1.50 percent of HAS beginning July 1992.
- The annual benefit adjustment was changed from a simple increase of 3 percent per year to 4 percent 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 percent to 8.5 percent.

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

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

1995 Changes in Plan Provisions Since Prior Actuarial Valuation—Health Care 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 percent during the year of this change.
- The method of valuing assets was changed from a cost method to the 4-year smoothed market value of assets method.
- The investment rate of return assumption was increased from 7.5 percent to 8.5 percent.

Notes to Required Supplementary Information

Health Care Fund
Required Supplemental Schedule of Claims Development Information

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

1. This line shows the total of the year's gross earned premiums and reported investment revenues.
2. This line shows the year's other operating costs of the Health Care Fund including overhead and claims expenses not allocable to individual claims.
3. This line shows the incurred claims and allocated claims adjustment expenses, claims assumed by re-insurers, and net incurred claims and claims adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called service year).
4. This section shows the cumulative amounts paid on the Mutual of Omaha and ValueRx policies as of the end of successive years for each service year.
5. This line shows the latest re-estimated amount of claims assumed by re-insurers for each successive year. The Health Care Fund did not use reinsurance agreements in 1997.
6. This section shows how each service year's incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data of individual service years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature service years.

Claims Development Information Table
(In Thousands of Dollars)

	1997
1. Premium revenues and investment income:	
Total premium revenues	$ 20,124
Total investment income	15,711
Total premium revenue and investment income	$ 35,835
2. HCF unallocated expenses:	
Premium subsidy expense	$ 12,783
3. Estimated losses and expenses,	
Administrative expense	$ 3,089
ValueRx claims expense	15,090
Mutual of Omaha IBNR claims	7,399
Mutual of Omaha administrative fees for IBNR	495
Mutual of Omaha claims expense	27,466
Total estimated losses and expenses	$ 53,539
4. Claims paid as of end of service year	$ 35,736
5. Re-estimated ceded losses and expenses	$ 0
6. Re-estimated net incurred losses and expenses at end of service year	$ 53,539
7. Increase (decrease) in estimated net incurred losses and expenses from end of service year	$ 0

Schedule of Administrative Expenses

For the Year Ended December 31, 1997
(In Thousands of Dollars)

	1997
Personnel services:	
Salaries	$ 8,269
Employee benefits	2,206
Total personnel services	10,475
Staff education:	
Tuition assistance program	56
PERA-required education	312
Total staff education	368
Professional contracts:	
Actuarial contracts	310
Audits	82
Medical exams	333
Investment counsel	457
Legal and legislative counsel	353
Computer services and consulting	418
Management consulting	210
Health care consultants	102
Other	187
Total professional contracts	2,452
Miscellaneous:	
Equipment rental and services	728
Memberships	84
Publications and subscriptions	72
Travel and local expense	531
Auto expense	17
Telephone	154
Postage	639
Insurance	129
Printing	424
Office supplies	307
Building rent, supplies, and utilities	441
Other	87
Total miscellaneous	3,613
Total budgeted expense	16,908
Depreciation expense	1,352
401(k) Voluntary Investment Program expense	523
Total expenses	18,783
Interfund–tenant and other expense	111
Interfund–CIF investment expense	(3,250)
Total administrative expense	$15,644
Allocation of administrative expense:	
State and School Division	$14,090
Municipal Division	996
Judicial Division	35
401(k) Voluntary Investment Program	523
Total allocation	$15,644

- *Jefferson County School District R-1 is PERA's largest affiliated employer and is home to 92 elementary schools, 18 middle schools, 16 senior highs, 8 alternative schools, and 8 charter schools. There are 87,000 students in the district.*

- *The Poudre School District R-1 in Larimer County covers 1,856 square miles and includes Fort Collins, LaPorte, Timnath, and Wellington. This is an area one and one-half times the size of the state of Rhode Island.*

- *In November 1995, a bond issue passed that allowed La Junta Middle School to preserve the original face of the 1921 schoolhouse and remodel the school into a state-of-the-art educational facility. Two retired teachers came to the rescue when there were not enough funds to landscape the school. They helped raise $30,000 so that the surroundings of the school were as beautiful as the building itself. Since 1923, every La Junta student (except the class of 1968) attended the 1921 school building as either a middle school or high school student.*

1997 Investment Section

PERA Report on Investment Activity

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

State Law

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

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

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.

Outline of Investment 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 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, and real estate may contain substantially higher risk than with individual issues. Consequently, primary effort will be made to reduce the risk of the total portfolio through optimal diversification, as opposed to concentrating on individual issues.

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

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

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

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

PERA Report on Investment Activity (continued)

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

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 financial audit and the annual actuarial evaluation shall be reviewed in conjunction with an evaluation of the 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.

Corporate Governance

Board of Trustees' Statutory Fiduciary Responsibility

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

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

Board of Trustees Shareholder Responsibility Committee

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

Proxy Voting Policy

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

Companies Targeted by PERA Annually

The Board takes an active role as fiduciaries in safeguarding the investments held in trust for current and future PERA beneficiaries. Approximately 57 percent of PERA's assets are invested in domestic stock of public companies. PERA monitors the performance of PERA's domestic stock investments based on the ratings of companies included in the S&P 500 Index* and the S&P 400 throughout a five-year period.

As part of this review process, PERA's Board Chairman mails letters annually to the board chairmen of the 10 best and 10 worst performing companies listed in the S&P 500 Index and the S&P MidCap 400 Index for those domestic companies with stock held by PERA.

Letters sent to the top performing companies thank them for their excellent investment performance. Letters directed to the poor performing companies express PERA's concerns about the adverse impact of their stock's performance on PERA beneficiaries' retirement assets, and explain that PERA will be withholding votes from nominees for that company's Board of Directors.

**Market capitalization is computed by multiplying a company's common shares outstanding by its stock price.*

Investment Brokers/Advisors

A.G. Edwards
Bankers Trust
Bear Stearns & Co., Inc.
Bridge Information Systems
Cabot Partners
Chicago Corp.
Cowen & Co.
Dean Witter Reynolds, Inc.
Deutsche Bank
Donaldson Lufkin & Jenrette
ERE Yarmouth AKA Equitable R.E.
First Boston Corp.
First Chicago Corp.
Goldman Sachs & Co.
Hanifen, Imhoff Inc.
Heitman Advisory Corp.
ING–Barings
InstiNet Corp.
INVESCO Realty Advisors
J.P. Morgan Securities, Inc.
La Salle Advisors Ltd.
Lehman Brothers Inc.
Merrill Lynch & Co., Inc.
Morgan Stanley
Oppenheimer & Co., Inc.
Paine Webber Inc.
Piper Jaffray Inc.
Prudential Realty Investors
RREEF
Salomon Brothers, Inc.
Sanford Bernstein
Smith Barney Shearson, Inc.
UST Securities
W.G. Trading Co.

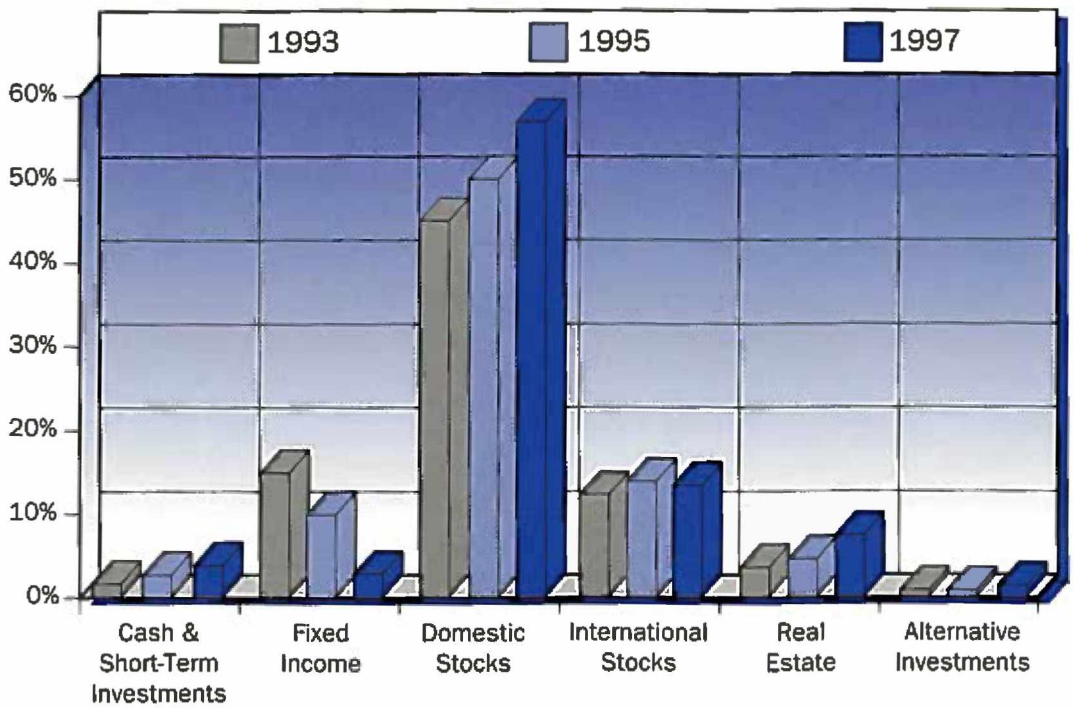
Investment Summary

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

	(In Thousands of Dollars) Market Value December 31, 1997	Percent of Total Market Value 1997	1995	1993
Cash and Short-Term Investments	$ 879,039	3.8%	2.7%	1.6%
Fixed Income:				
U.S. Government Obligations	649,245	2.8%	9.9%	14.9%
Domestic Corporate Bonds	1,830,458	7.9%	11.4%	11.9%
Guaranteed Investment Contracts	0	0.0%	0.0%	2.9%
International Fixed Income	313,822	1.4%	2.0%	1.9%
Total Fixed Income	2,793,525	12.1%	23.3%	31.6%
Domestic Stocks	13,057,142	56.7%	49.9%	44.9%
International Stocks	3,076,073	13.3%	13.8%	12.2%
Real Estate				
Real Estate Equity	1,678,579	7.3%	4.5%	3.5%
Real Estate Debt	338,440	1.5%	2.4%	3.6%
Total Real Estate	2,017,019	8.8%	6.9%	7.1%
Alternative Investments				
Venture Capital	326,338	1.4%	0.8%	0.8%
Leveraged Buyout Funds	538,417	2.3%	1.2%	1.1%
International Private Equity Funds	145,013	0.6%	0.0%	0.0%
Timber Investments	238,093	1.0%	1.4%	0.7%
Total Alternative Investments	1,247,861	5.3%	3.4%	2.6%
Total Investments	$ 23,070,659	100.0%	100.0%	100.0%

Asset Allocation At Market Value

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



Fund Performance Evaluation

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

Evaluation

PERA retains R.V. Kuhns and Associates and The Northern Trust Company to evaluate its Fund performance. Institutional Property Consultants is utilized for the real estate portfolio performance evaluation and industry comparisons. In their analyses, R.V. Kuhns and The Northern Trust include all investments within the portfolio, including cash and accrued income. They also make the calculations for annual rates of return. Information prepared and presented in this Report is in compliance with the Global Investment Performance Standards of the Association for Investment Management and Research.

Asset Allocation

The Association's long-term strategic asset allocation policy sets the following portfolio targets: 45 percent in domestic equity, 20 percent in international equity, 16 percent in domestic fixed income, 2 percent in international fixed income, 12 percent in real estate, and 5 percent in alternative investments. To accommodate changing market valuations, the Board has approved an allocation range for each asset category in which staff must invest.

Total Portfolio Results

For the year ended December 31, 1997, the total fund returned 20.1 percent, compared to the R.V. Kuhns' Median Public Fund return of 18.2 percent. The R.V. Kuhns' Median Public Fund measure is comprised of 89 different public pension funds with assets of approximately $935.2 billion used for comparative analysis. This universe is used to determine the effectiveness of the respective performance of the Association's portfolio managers. In 1997, PERA's return was in the top 20 percent of these funds.

The financial markets generated excellent returns for investors this past year. Steady growth, low inflation, full employment, and the Federal Reserve's reluctance to raise interest rates were the contributing factors in the domestic market's success. Defying conventional expectations, the overall stock market posted unprecedented 20 percent plus returns for the third consecutive year. It was also a stellar year for bonds with major indices experiencing the third straight year of positive returns. Since the middle of the 1997 year, Treasury securities even outperformed the Dow Jones Industrial Average (DJIA).

Apart from this historic bull market, the other noteworthy news was the market's extreme volatility. On any given day, it was not unusual for the DJIA to swing up or down 50, 100, or even 150 points.

The Association's three- and five-year annualized rates of return of 19.4 percent and 14.6 percent, respectively, surpassed the R.V. Kuhns' Median Public Fund returns of 18.8 percent and 13.3 percent, respectively, for these periods. PERA's five-year annualized return was eighth out of 89 public pension funds in the Kuhns' universe. PERA's 10-year annualized rate of return of 12.8 percent exceeded inflation and PERA's actuarial investment assumption rate of 8.75 percent.

Domestic Stocks

The past year proved to be an outstanding and highly volatile one for domestic equities. In March, the overall stock market dropped almost 10 percent in response to unfounded fears of rising inflation. On October 27, the growing Asian financial crisis caused the DJIA to tumble 554 points. At the close of the year, the DJIA climbed to 7908, an increase of almost 23 percent since the end of 1996.

In 1997, PERA's domestic stock portfolio return of 29.3 percent trailed the Standard and Poor's (S&P) 500 Index return of 33.4 percent. The equity portfolio is invested through 10 different portfolio styles, each of which impacts the overall equity return. The return also is impacted by PERA's derivatives program, used to reduce volatility and enhance portfolio returns over a full-market cycle. Four of the 10 styles performed at or above their respective benchmark indices, e.g., the Growth Equity portfolio yielded 40.4 percent, the Value Small Capitalization and Small Capitalization portfolios returned 37.4 percent and 30.6 percent respectively, surpassing their benchmark Russell 2000 Index return of 22.4 percent.

During the year, PERA terminated United Capital Management as an external manager for the domestic stock portfolio: $177 million was reallocated from United Capital Management's portfolio to PERA's internal equity funds. In addition, the Board approved a reallocation of approximately $900 million of PERA's actively managed domestic equity portfolio into PERA's Index Tilt and other small capitalization portfolios managed in-house. The shift was completed by year-end.

International Stocks

The benchmark by which our international equity managers are evaluated is a custom benchmark using 75 percent of the Europe-Australia-Far East (EAFE) Index and 25 percent of the EAFE Excluding Japan Index. Turbulence in the Asian financial markets in the fourth quarter of 1997 adversely affected international equity investments. PERA's composite international equity portfolio returned 0.8 percent compared with the custom benchmark return of 5.2 percent in 1997. PERA's 10.9 percent five-year annualized return for the international stock portfolio fell below the 13.2 percent custom benchmark return for this period. PERA's returns include cash and short-term investments.

During 1997, the Board approved allowing Nomura Capital Management, one of PERA's external international equity managers, to invest up to 20 percent of the $400 million in funds it manages for PERA, in emerging public equity markets.

Fund Performance Evaluation (continued)

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

Domestic Fixed Income

The bond market ignored market declines early in the year and rebounded dramatically in the third quarter. During the year, many institutional investors took advantage of rising bond prices in their perception of an overvalued stock market.

PERA's domestic fixed income investments returned 8.4 percent in 1997 compared to its benchmark, the Lehman Brothers Government Corporate Bond Index that returned 9.8 percent. However, PERA's five-year annualized return of 8.1 percent for the domestic fixed income portfolio surpassed its benchmark return of 7.6 percent for this period.

To adapt to changing market conditions this past year, the Board of Trustees approved increasing the maximum allowable investment in high-yield bonds from 25 to 40 percent of the fixed income portfolio. During the year, PERA terminated Alliance Capital Management as an external manager of private placements in the domestic fixed income portfolio.

International Fixed Income

The benchmark by which international fixed income is measured is the Salomon World Non-U.S. Government Bond Index. International fixed income returns in 1997 reflected the escalating instability in Asia's financial markets, with PERA's international fixed income portfolio returning (3.2) percent, compared with the Salomon Index return of (4.3) percent.

In 1997, the Board of Trustees approved allowing a maximum of 10 percent of the internal fixed income portfolio to be invested in non-dollar denominated international high yield bonds. Julius Baer Investment Management, PERA's external international fixed income manager, also received Board approval to invest up to 20 percent of its PERA portfolio in emerging fixed income markets.

Alternative Investments

In 1997, the Board approved PERA's funding of eight alternative investments: five in domestic non-hostile leveraged buyout funds and three in international private equity funds. Also, the Board raised the minimum allowable investment (except for in-state investments) to $50 million for more well-established segments of the alternative investment asset class and $30 million for newly developing forms of alternative investments (such as international private equity). PERA's allocation to such an investment cannot be more than 45 percent of that fund's total investment.

In 1997, PERA's venture capital, leveraged buyout, and timberland partnerships returned 46.1 percent, 25.1 percent, and 9.4 percent, respectively. The alternative investment portfolio composite, which includes international private equity partnerships, returned 31.8 percent in 1997, and 26.4 percent and 24.1 percent on a three- and five-year annualized basis, respectively. Since international private equity investments were made for the first time in 1997 and only for part of the year, no rates of return are available for this asset class in 1997.

Real Estate

PERA's objective is to invest 12 percent of its total net assets in real estate, 9.6 percent in real estate equity, and 2.4 percent in real estate debt. At year-end 1997, 8.7 percent of PERA's total net assets were invested in real estate: 7.1 percent in equity real estate and 1.6 percent in real estate debt.

In 1997, PERA's real estate equity portfolio returned 19.2 percent, compared to the Institutional Property Consultants (IPC) Portfolio Index return of 16.8 percent and the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index return of 13.1 percent. PERA's equity properties are regularly valued every three years 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. Although the appreciation component of the real estate investment return over three of the last five years has negatively affected the overall real estate portfolio performance, this component has positively impacted the 1997 and 1996 performances. The total return over the five-year period exceeds both the IPC Portfolio Index and the NCREIF Index (10.6 percent for PERA versus 8.4 percent for the IPC Portfolio Index and 7.7 percent for the NCREIF Index).

On an income basis, PERA's real estate portfolio produced an 8.2 percent return during the year versus the IPC Benchmark return of 8.8 percent and the NCREIF Index return of 9.0 percent. On a five-year annualized income return basis, PERA returned 9.2 percent versus 8.4 percent for the IPC Portfolio Index and 8.8 percent for the NCREIF Index.

PERA invested $370.9 million in equity real estate transactions in 1997 and liquidated 10 investments for a total of $145.5 million. Unfunded commitments to equity investments at year-end totaled $658.2 million.

PERA's mortgage portfolio yielded 12.1 percent in 1997 and 12.8 percent on a five-year annualized basis. The benchmark by which the mortgage portfolio is measured is the Salomon Pass-Thru Index, which returned 9.5 percent in 1997 and 7.3 percent on a five-year annualized basis. In 1997, new mortgage investments totaled $15.6 million and no mortgages were sold or paid off.

Schedule of Investment Results

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

	1997	3-Year Annualized	5-Year Annualized	10-Year Annualized
PERA Total Portfolio	**20.1%**	**19.4%**	**14.6%**	**12.8%**
Median Plan (R.V. Kuhns' Median Public Fund)	18.2%	18.8%	13.3%	12.7%
Domestic Stocks	**29.3%**	**27.2%**	**18.5%**	**16.8%**
Standard & Poor's (S&P 500)	33.4%	31.2%	20.2%	18.0%
International Stocks	**0.8%**	**6.9%**	**10.9%**	**N/A**
Europe-Australia-Far East (EAFE) Custom Index**	5.2%	8.9%	13.2%	N/A
Domestic Fixed Income	**8.4%**	**10.7%**	**8.1%**	**9.4%**
Lehman Brothers Government Corporate Bond Index	9.8%	10.5%	7.6%	9.2%
International Fixed Income	**-3.2%**	**10.1%**	**10.1%**	**N/A**
Salomon World Non-U.S. Government Bond Index	-4.3%	6.0%	7.8%	N/A
Real Estate Equity	**19.2%**	**14.4%**	**10.6%**	**4.3%**
Frank Russell/NCREIF Index*	13.1%	10.3%	7.7%	4.3%
Real Estate Debt	**12.1%**	**12.6%**	**12.8%**	**N/A**
Salomon Pass Thru Index	9.5%	10.6%	7.3%	N/A
Alternative Investments	**31.8%**	**26.4%**	**24.1%**	**N/A**
PERA Venture Capital Funds	**46.1%**	**28.0%**	**25.7%**	**N/A**
PERA LBO Funds	**25.1%**	**28.8%**	**22.8%**	**N/A**
PERA Timber Investments	**9.4%**	**N/A**	**N/A**	**N/A**

* National Council of Real Estate Investment Fiduciaries

** Custom Index of 75 percent EAFE Index/25 percent EAFE Excluding Japan

Colorado Investment Profile

(Does not include 401(k) Voluntary Investment Program)
As of December 31, 1997
(In Thousands of Dollars)

The Association continues to seek out high-quality Colorado investments. During 1997 it was necessary to terminate one of our Colorado-based investment managers, United Capital Management. This reduced our funds under management of Colorado companies by more than $177 million. However, at the end of 1997, PERA's investments in Colorado were valued at more than $1.25 billion, an increase of more than $27 million from 1996.

	Market Value
Commercial mortgages	$ 106,000
Committed to future funding	103,400
Common stock of companies headquartered in Colorado	89,500
Bonds and notes	56,200
Real estate	213,800
Funds under management of Colorado companies (Venture capital and stock managers)	684,800
Total	$ 1,253,700

Largest Stock Holdings (Market Value)
As of December 31, 1997
(In Thousand of Dollars)

	Shares	Stocks	Market Value
1.	2,691,300	General Electric Co.	$197,474
2.	2,038,800	Coca Cola Co.	135,962
3.	985,000	Microsoft Corp.	127,311
4.	2,033,900	Exxon Corp.	124,449
5.	992,900	Merck and Company, Inc.	105,247
6.	3,280,358	Equity Office Properties Trust	103,536
7.	1,762,600	Royal Dutch Petroleum	95,511
8.	1,342,300	Intel Corp.	94,297
9.	1,991,700	Philip Morris Companies, Inc.	90,124
10.	1,110,300	Procter and Gamble Co.	88,616

Largest Bond Holdings (Market Value)
As of December 31, 1997
(In Thousands of Dollars)

	Par	Bonds	Market Value
1.	$55,000	U. S. Treasury Bonds 5.750% due 11/30/02	$55,043
2.	32,121	FNMA 97-11 Cl. N 7.500% due 10/18/24	32,808
3.	29,850	MBNA Capital 8.278% due 12/01/26	31,224
4.	28,844	FHLMC Ser. 1923 Cl. B 7.000% due 01/15/23	28,934
5.	29,125	FNMA 1997-13-Q 6.500% due 04/18/27	27,860
6.	25,000	Transport de Gas del Sur S.A. 10.25% due 04/25/01	26,188
7.	24,699	FHLMC 1905 Cl. G Seg. 7.500% due 04/15/24	25,478
8.	24,652	FHLMC 1944 GB 7.500% due 04/17/24	25,338
9.	23,400	Transamerica Cap. 7.650% due 12/01/26	24,698
10.	22,950	USF & G Cap. II 8.470% due 01/10/27	24,359

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

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

In 1997, members were able to make tax-deferred contributions of up to 18 percent of their annual gross salary, to a maximum of $9,500. Contributions to the 401(k) Plan are deducted from the participant's monthly salary, and earnings on 401(k) Plan investments are also tax-deferred. (Effective January 1, 1998, the Small Business Job Protection Act of 1996 allowed 401(k) Plan participants to invest up to 23 percent of their PERA-reportable salary, plus deductions to Section 125 flexible spending accounts; the maximum annual dollar contribution was increased to $10,000.)

On December 31, 1997, the 401(k) Plan had net assets of $272,053,000 and 16,391 accounts, a net increase of nearly 46 percent in the total Plan value in one year, and 25.4 percent in membership.

Year-End Statistics (In Thousands of Dollars)

Year	Assets	Number of Accounts
1991	$ 30,018	3,094
1992	42,369	4,545
1993	60,711	6,019
1994	78,687	8,080
1995	125,692	10,155
1996	186,541	13,064
1997	272,053	16,391

1997 Activities

In late 1997, the Board approved transferring management of the Long-Term Bond Fund to the Pacific Investment Management Company (PIMCO), where it is part of PIMCO's Total Return Fund. Previously, the fund was managed by Norwest Investment Management in its Total Return Bond Fund; this change was effective January 1, 1998.

The Board of Trustees reinstated the 401(k) Plan's administrative fee to pay for recordkeeping, communication, education, consulting, staff, and other overhead costs, effective January 1, 1998. PERA had waived the administrative fee for 401(k) Plan accounts throughout the 1996 and 1997 calendar years. The new fee is an annual rate of 0.25 percent of each participant's account balance (0.0625 percent quarterly) with a minimum fee of $25 per year per account and a maximum fee of $100 per year per account.

Legislation initiated by PERA's Board and enacted into law in 1997 allows a trustee-to-trustee transfer from any tax-qualified retirement plan to be used by PERA members to purchase service credit at any time during their PERA membership. This means that PERA 401(k) Plan participants are now able to use 401(k) Plan funds to purchase service credit at any time during their PERA careers.

The Board also included in its legislative package for 1997 a provision that allowed for a 401(k) Plan matching contribution by PERA to the accounts of Plan participants. However, due to issues surrounding the requests of members who wanted the match extended to other tax-deferred investment plans, the Board withdrew this provision.

The financial markets generated excellent returns for investors this past year. Steady growth, low inflation, full employment, and the Federal Reserve's reluctance to raise interest rates were the contributing factors in the domestic market's success. Defying conventional expectations, the overall stock market posted unprecedented 20 percent plus returns for the third consecutive year. It was also a stellar year for bonds with major indices experiencing the third straight year of positive returns. Apart from this historic bull market, the other noteworthy news was the market's volatility. In March, the overall stock market dropped almost 10 percent in response to unfounded fears of rising inflation, and on October 27, in response to the growing financial crisis in Southeast Asia, the Dow Jones Industrial Average (DJIA) plummeted 554 points. Returns for PERA's 401(k) Plan funds in 1997 reflected these developments.

Investment Policy and Objectives

The 401(k) Plan conforms to the following policies and objectives set forth by PERA's Board of Trustees.

The PERA 401(k) Plan is designed to provide members with a savings vehicle that meets their needs for financial protection and serves as members' primary supplemental tax-deferred retirement savings arrangement. While this Plan is primarily intended to create resources to supplement PERA's basic retirement benefits, members should be able to access their funds to meet other long-term financial needs.

All services supporting the Plan (e.g. investment of assets and recordkeeping) need not be performed by PERA staff. Costs of operation should be kept to a minimum, while providing state-of-the-art services to members. To maximize the utility of the 401(k) Plan for all members, the Plan should be actively managed and compare favorably with all other funds competing for members' contributions in the following areas:

- Level of tax-deferred savings.
- Availability of funds.
- Range and flexibility of investment choices.
- Accessibility of information about fund balances and Plan features.
- Cost of service (both actual and perceived) to participants.

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

Investment Options

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

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

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

Long-Term Bond Fund (managed by PIMCO effective January 1, 1998, and by Norwest prior to that date): Primarily invests in U.S. government and corporate securities based on an analysis of major changes in the direction of long-term interest rates.

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

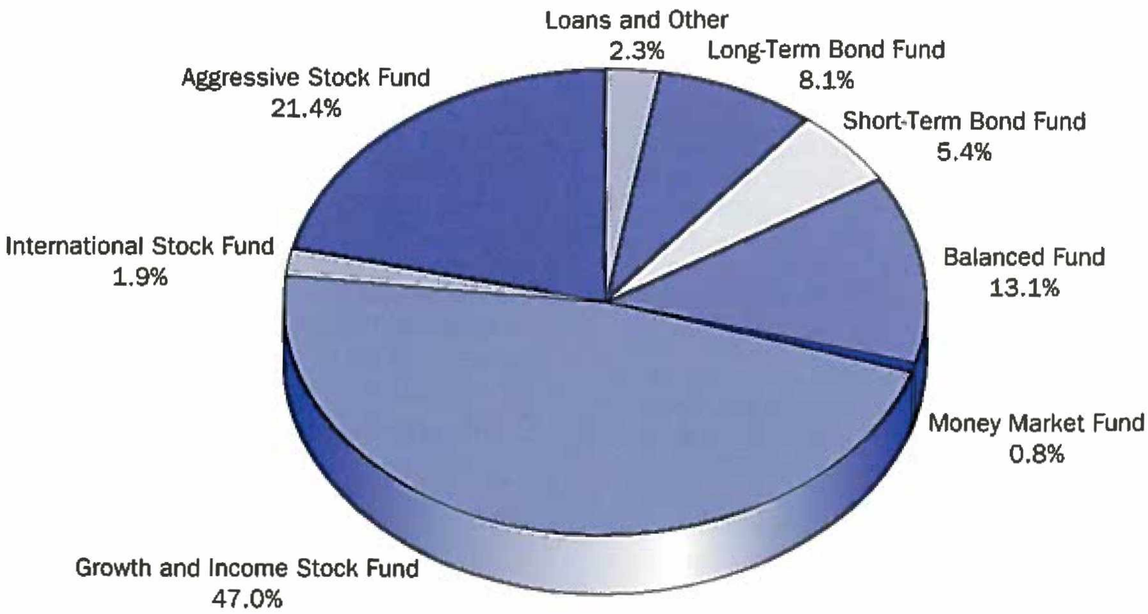
Growth and Income Stock Fund (managed by PERA's Investment Staff): Primarily invests in common stocks of high-quality companies with a broad range of capitalization.

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

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

Asset Allocation by 401(k) Voluntary Investment Program Money Managers

As of December 31, 1997



401(k) Voluntary Investment Program Schedule of Investment Results

Fund	1997	1996	Annualized Returns 3-Year	5-Year	10-Year
Money Market Fund[2]	5.7%	5.5%	5.8%	4.9%	6.1%
Short-Term Bond Fund[1]	8.0%	6.0%	8.6%	6.9%	8.4%
Long-Term Bond Fund	8.4%	2.9%	8.5%	7.4%	9.2%
Balanced Fund[1]	21.0%	14.8%	21.1%	16.1%	14.6%
Growth and Income Stock Fund	30.3%	30.8%	32.4%	22.2%	18.1%
International Stock Fund[2]	8.9%	18.6%	13.5%	14.9%	13.8%
Aggressive Stock Fund[1]	22.8%	21.9%	26.6%	19.7%	23.0%

[1] This fund joined PERA's 401(k) Plan in April 1994.
[2] This fund joined PERA's 401(k) Plan in January 1997.

401(k) Voluntary Investment Program Total Assets

(In Thousands of Dollars)

	Market Value December 31, 1997	Market Value December 31, 1996	Percent of Total Portfolio at Market Value 1997	1995	1993
Money Market Fund[2]	$ 2,134	—	0.8%	N/A[2]	N/A[2]
Short-Term Bond Fund[1]	$ 14,767	$ 14,416	5.4%	10.5%	N/A[1]
Long-Term Bond Fund	$ 21,989	$ 21,410	8.1%	17.8%	30.7%
Balanced Fund[1]	$ 35,665	$ 22,721	13.1%	9.7%	N/A[1]
Growth and Income Stock Fund	$127,806	$ 84,399	47.0%	42.3%	48.1%
International Stock Fund[2]	$ 5,134	—	1.9%	N/A[2]	N/A[2]
Aggressive Stock Fund[1]	$ 58,141	$ 38,600	21.4%	17.0%	N/A[1]
Loans, receivables, cash, and other	$ 6,416	$ 5,739	2.3%	2.7%	1.9%

[1] This fund joined PERA's 401(k) Plan in April 1994.
[2] This fund joined PERA's 401(k) Plan in January 1997.

◆ *Every year the Brand Inspection Division of the Department of Agriculture administers 35,000 livestock brands to identify ownership of cattle, sheep, mules, burros, horses, elk, and fallow deer.*

◆ *With a staff of 4,200, the Department of Corrections has 20 correctional facilities throughout Colorado supervising 11,500 offenders in secure settings.*

◆ *The Colorado Department of Transportation is responsible for a 9,137-mile highway system, including 3,517 bridges. Each year these highways handle over 20 billion vehicle miles of travel.*

◆ *Ever wonder how the State Patrol dispatched calls before modern technology? In the 1930s, one Trooper in Holyoke, Colorado, would drive by his home to see if the porch light was flashing. If it was, he knew that the dispatcher had called his wife and she was flashing the porch light to signal him that he needed to contact the dispatcher to find out where the accident was.*

1997 Actuarial Section

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 22, 1998

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, 1997. 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. Since the last valuation, the following changes occurred in the plan provisions:

1. The Monthly Benefit Amount for service retirement was changed to 2.5% of HAS times years of service up to 40 for current and future retirees.
2. The State and School Divisions were combined.
3. The Employer Contribution Rate for regular members of the State and School Division was reduced to 11.5%, and for State Troopers it was reduced to 13.1%.
4. The Highest Average Salary (HAS) for members of the Judicial Division was changed from a three-year average to the highest one year's salary.
5. The statutory maximum amortization period was reduced from 60 to 40 for all Divisions.

The actuarial valuations were based upon assumptions regarding future experience in various risk areas that were adopted by the Board in 1996. We believe these assumptions produce results which, in the aggregate, are reasonable. It is also our opinion that the assumptions and methods used meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

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

Sincerely,

David C. LeSueur

The Plan Summary For Calendar Year 1997

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 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.

The interest rate used to credit member contribution accounts is set at 80 percent of PERA's actuarial investment assumption rate. The rate used to credit interest to member contribution accounts in 1997 was 7.0 percent.

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. Legislation enacted in 1997 established a one-year HAS for judges retiring on or after July 1, 1997.

Until July 1, 1997, members who were eligible for service retirement received 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. Effective July 1, 1997, defined retirement benefits equal 2.5 percent of HAS for each year of service credit up to a maximum of 100 percent of HAS.

Service retirement benefits are available to members at any age with 35 years of service, age 55 with at least 30 years of service, age 60 with at least 20 years of service, or age 65 with at least 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 4 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.

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

The Plan Summary For Calendar Year 1997 (continued)

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. Until July 1, 1997, the order in which qualified survivors received benefits depended on whether or not the member was eligible for service retirement at the time of the member's death. Effective July 1, 1997, the order in which qualified survivors receive benefits depends on whether or not the member is eligible for retirement (whether reduced service or service) 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 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's death was job-incurred, the service credit minimum is waived, and qualified survivors may be eligible for a monthly benefit. If the member is not eligible for retirement, children receive a benefit first. Effective July 1, 1997, if the member is eligible for retirement, the cobeneficiary receives the benefit first.

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

Disability Retirement Benefits

Members with five or more years of earned service credit, six months of which have 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.

A revision to the law governing PERA in 1997 provides for PERA to establish a two-tiered disability program applicable to disability applicants on and after January 1, 1999. Permanent benefits would be provided to members who are totally and permanently mentally or physically incapacitated from regular and substantial gainful employment. Temporary benefits would be provided to members who are mentally or physically incapacitated from performance of essential job duties with reasonable accommodation, but who are not totally or permanently incapacitated from regular and substantial gainful employment. PERA shall provide reasonable income replacement, or rehabilitation or retraining services.

Annual Benefit Increases

Benefits are increased up to 3.5 percent compounded annually from the date of the initial benefit if the Consumer Price Index has increased at a similiar rate. This increase is recalculated on the last workday of each March and is based on the total benefit.

**Before July 1, 1997, spouses of members with less than 10 years of service credit who remarried were not eligible to receive survivor benefits.*

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. Legislation enacted in 1997 reduced the maximum amortization period from 60 years to 40 years effective July 1, 1997.

The actuarial assumptions are used to determine the projected benefits and cost factors. The effect of differences between these assumptions and the actual experience of the Plan is calculated each year when the annual actuarial valuation is performed. These differences produce either actuarial gains or losses, 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. The "smoothed market" method of valuing assets was adopted by PERA's Board of Trustees in 1992.

Actuarial Assumptions

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

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

The most recent actuarial review was conducted by Watson Wyatt Worldwide, based on PERA's 1995 experience data. The review's findings were received by PERA's Board of Trustees during mid-1996. The most recent five-year review of actuarial assumptions was conducted by Towers Perrin, the independent retained actuary, based on PERA's 1991-1995 experience data. As a result, Towers Perrin recommended new assumptions, which were reviewed by Watson Wyatt Worldwide and adopted by the PERA Board. These new assumptions were first used in the valuation for the 1996 plan year.

Economic Assumptions

The investment return rate used in the 1997 valuations is 8.75 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 8.75 percent investment return rate translates into an assumed real rate of return of 4.25 percent.

The overall member payroll was assumed to increase 5.5 percent annually in 1997. Pay increase assumptions for individual members in 1997 are shown for sample ages in Exhibits A,B,C, and D. At each age, 4.5 percent of the increase is attributable to the assumed inflation rate, and the remainder is for merit and seniority increases. Judicial Division pay increases (Exhibit D) are determined by the State Legislature.

Non-Economic Assumptions

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

The probabilities of age and service retirement are shown in Exhibit G.

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

Separations From Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit A—State Category

MEMBERS OTHER THAN STATE TROOPERS

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

STATE TROOPERS

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

Exhibit B—School Category

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

Separations From Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit C—Municipal Division

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

Exhibit D—Judicial Division

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

* Pay raises are subject to legislative approval. Percentages are based on prior experience.

Exhibit E

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

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

** There are no select withdrawal assumptions for the Judicial Division.

Single Life Retirement Values

Based on the Colorado Projected Experience Table and 8.75 Percent Interest

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

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

Percent of Eligible Members Retiring Next Year

Exhibit G

Retirement Ages	State Category Men	State Category Women	State Troopers	School Category Men	School Category Women	Municipal Division Men	Municipal Division Women	Judicial Division
50	4%	6%	15%	6%	6%	4%	5%	10%
51	4%	6%	15%	6%	6%	4%	5%	10%
52	4%	6%	15%	6%	6%	4%	5%	10%
53	4%	6%	15%	6%	6%	4%	5%	10%
54	4%	6%	15%	6%	6%	4%	5%	10%
55	14%	12%	25%	20%	16%	11%	14%	10%
56	14%	12%	25%	20%	16%	11%	14%	10%
57	14%	12%	25%	20%	16%	11%	14%	10%
58	14%	12%	25%	20%	16%	11%	14%	10%
59	14%	12%	25%	20%	16%	11%	14%	10%
60	16%	14%	50%	18%	18%	15%	15%	10%
61	16%	14%	60%	18%	18%	15%	15%	10%
62	16%	14%	70%	18%	18%	15%	15%	10%
63	16%	14%	80%	18%	18%	15%	15%	10%
64	16%	14%	90%	18%	18%	15%	15%	10%
65	30%	30%	100%	25%	25%	25%	25%	25%
66	30%	30%	100%	25%	25%	25%	25%	15%
67	30%	30%	100%	25%	25%	25%	25%	15%
68	30%	30%	100%	25%	25%	25%	25%	15%
69	30%	30%	100%	25%	25%	25%	25%	15%
70	100%	100%	100%	100%	100%	100%	100%	40%
71	100%	100%	100%	100%	100%	100%	100%	40%
72	100%	100%	100%	100%	100%	100%	100%	100%
73	100%	100%	100%	100%	100%	100%	100%	–
74	100%	100%	100%	100%	100%	100%	100%	–
75	100%	100%	100%	100%	100%	100%	100%	–

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

Year Ended	Added to Payroll No.	Added to Payroll Annual Benefits	Removed from Payroll No.	Removed from Payroll Annual Benefits	Payroll—End of Year No.[3]	Payroll—End of Year Annual Benefits	Cost of Living Stabilization Fund (CLSF)	Average Annual Benefits	Increase in Average Benefits
12/31/88	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%
12/31/96	3,074	53,056,140	1,390	15,449,340	45,716	726,848,793	N/A[2]	15,899	6.5%
12/31/97	3,411	71,578,344	1,477	18,628,140	47,621	863,077,468	N/A[2]	18,124	14.00%

[1] Numbers derived on an accrual basis.

[2] On March 1, 1994, in accordance with House Bill 93-1324, the CLSF was terminated and the assets of the CLSF were transferred to the retirement benefits reserve within each of the four Division Trust Funds. The 2 percent of salary contribution earmarked for the CLSF reverted to the then four Division Trust Funds.

[3] The number includes benefits not being paid at the end of the year (e.g., future spousal benefits).

Member-Retiree Comparison[1]

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

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

[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, 1997

State Category

Members included in the State Category valuation totaled 51,042 and involved annual salaries totaling $1,611,761,442. The average age for these members (excluding State Troopers) was 43.2 years, and the average service was 8.4 years. The average age for State Troopers was 38.9 years, and the average service was 10.8 years.

	Years of Service to Valuation Date							*Totals*	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20	781							781	$ 2,846,823
20-24	1,608	17						1,625	$ 18,983,941
25-29	3,363	499	19					3,881	$ 82,038,888
30-34	2,979	1,373	368	30				4,750	$ 123,388,377
35-39	4,050	1,801	1,186	443	31			7,511	$ 206,167,253
40-44	2,974	2,145	1,529	1,045	479	21	1	8,194	$ 268,943,957
45-49	2,677	2,140	1,686	1,226	1,120	338	10	9,197	$ 333,784,808
50-54	1,743	1,505	1,261	1,054	1,002	761	208	7,534	$ 295,811,147
55-59	955	887	801	645	526	501	274	4,589	$ 180,298,369
60	130	134	99	85	72	56	37	613	$ 22,641,359
61	103	114	78	73	42	37	39	486	$ 18,344,466
62	67	90	73	50	40	35	30	385	$ 13,863,747
63	65	62	55	49	39	20	9	299	$ 10,330,973
64	51	50	46	44	29	12	25	257	$ 9,137,854
65	48	52	32	33	20	17	18	220	$ 7,172,833
66	43	25	22	30	17	12	5	154	$ 4,882,061
67	38	24	20	21	11	7	5	126	$ 3,688,389
68	40	19	14	18	8	10	4	113	$ 3,055,988
69	27	15	5	9	8	3	4	71	$ 1,748,551
70+	130	41	19	22	19	13	12	256	$ 4,631,658
Totals	21,872	10,993	7,313	4,877	3,463	1,843	681	51,042	$ 1,611,761,442

School Category

Members included in the School Category valuation totaled 90,419 and involved annual salaries totaling $2,266,226,576. The average age for these members was 42.9 years, and the average service was 8.0 years.

	Years of Service to Valuation Date							*Totals*	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20	925							925	$ 3,326,407
20-24	2,675	28						2,703	$ 31,366,592
25-29	6,747	749	3					7,499	$ 144,509,854
30-34	5,554	2,564	351	16				8,485	$ 177,544,675
35-39	8,366	2,794	1,905	439	12			13,516	$ 260,269,607
40-44	6,719	3,603	2,109	1,952	552	16		14,951	$ 348,505,058
45-49	5,069	4,151	2,641	2,100	2,436	634	2	17,033	$ 510,129,328
50-54	2,878	2,645	2,334	2,000	1,829	1,901	300	13,887	$ 476,805,664
55-59	1,434	1,251	1,130	1,231	945	734	359	7,084	$ 224,248,958
60	191	169	138	160	106	78	29	871	$ 23,421,357
61	167	129	97	101	89	54	21	658	$ 16,518,214
62	147	118	67	97	74	34	19	556	$ 13,201,100
63	128	101	55	78	43	29	12	446	$ 9,654,847
64	121	75	49	59	50	25	13	392	$ 8,067,581
65	99	66	29	42	25	15	10	286	$ 5,296,781
66	93	44	28	27	21	6	4	223	$ 3,319,374
67	87	46	12	24	8	14	7	198	$ 3,005,612
68	64	35	19	14	12	7	0	151	$ 1,958,625
69	63	29	8	3	9	4	3	119	$ 1,123,049
70+	221	124	30	30	16	7	8	436	$ 3,953,893
Totals	41,748	18,721	11,005	8,373	6,227	3,558	787	90,419	$ 2,266,226,576

Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 1997

Municipal Division

Members included in the Municipal Division valuation totaled 10,760 and involved annual salaries totaling $314,166,869. The average age for these members was 40.5 years, and the average service was 7.1 years.

	Years of Service to Valuation Date							*Totals*	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20	400							400	$ 1,218,400
20-24	604	7						611	$ 5,966,492
25-29	787	144	6					937	$ 19,982,465
30-34	963	270	89	5				1,327	$ 33,182,539
35-39	821	451	294	133	9			1,708	$ 53,953,095
40-44	688	478	327	236	86	8		1,823	$ 60,497,840
45-49	512	403	283	231	149	90	2	1,670	$ 61,243,523
50-54	274	269	179	169	134	105	35	1,165	$ 44,172,978
55-59	173	122	90	111	63	42	33	634	$ 21,907,751
60	24	11	12	16	7	3	1	74	$ 2,233,964
61	17	18	4	14	4	1	6	64	$ 1,689,077
62	12	22	2	14	8	5	4	67	$ 2,182,029
63	21	11	10	7	6	4	3	62	$ 1,525,027
64	15	9	7	7	2	5	1	46	$ 1,191,328
65	11	6	4	3	3	1	3	31	$ 965,533
66	6	1	4	0	3	2	2	18	$ 780,441
67	4	4	1	4	2	0	0	15	$ 375,214
68	8	2	3	1	2	0	0	16	$ 206,273
69	7	1	2	0	1	0	1	12	$ 161,641
70+	56	11	5	4	2	0	2	80	$ 731,259
Totals	5,403	2,240	1,322	955	481	266	93	10,760	$ 314,166,869

Judicial Division

Members included in the Judicial Division valuation totaled 254 and involved annual salaries totaling $19,665,514. The average age for Judicial Division members was 52.1 years, and the average service was 12.1 years.

	Years of Service to Valuation Date							*Totals*	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20									
20-24									
25-29									
30-34	1							1	$ 76,951
35-39	4	4						8	$ 432,738
40-44	6	9	5					20	$ 1,532,869
45-49	15	20	20	8	4			67	$ 5,095,279
50-54	12	13	19	16	9	2		71	$ 5,548,499
55-59	5	3	12	13	12	4		49	$ 4,047,613
60	1	0	0	1	2	0		4	$ 313,699
61	0	0	0	1	0	0		1	$ 15,847
62	0	2	0	0	2	3	1	8	$ 597,049
63	0	2	0	2	0	1	0	5	$ 404,679
64	0	1	1	0	0	0	0	2	$ 103,740
65	1	1	1	0	2	1	0	6	$ 510,834
66	0	0	4	0	0	0	0	4	$ 343,801
67	0	0	1	0	0	0	0	1	$ 80,325
68	0	0	0	2	2	0	0	4	$ 361,173
69	0	0	0	1	1	0	0	2	$ 105,394
70+	0	0	0	0	1	0	0	1	$ 95,024
Totals	45	55	63	44	35	11	1	254	$ 19,665,514

Summary of Solvency Test

The PERA funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service accrued in that year by PERA members. Occasionally rates are increased, but only to add or improve benefit provisions. Likewise, rates have been decreased by the State Legislature. (See "Schedule of Contribution Rate History" on page 61.)

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)
12/31/88	$ 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%
12/31/96	4,040,814,028	8,339,476,944	5,611,614,086	17,321,769,518	100%	100%	88.1%
12/31/97	4,161,334,387	10,303,331,080	7,029,404,533	19,776,487,860	100%	100%	75.6%

* Includes accrued interest on member contributions.

Summary of Unfunded Actuarial Accrued Liabilities

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

The law governing PERA requires that these unfunded liabilities be financed (amortized) systematically over future years. Until July 1, 1997, this law required that contribution rates be set at a level so that if actual experience matches actuarial assumptions, unfunded actuarial accrued liabilities would be paid off over a maximum 60–year period. Legislation enacted in 1997 reduced the maximum amortization period from 60 years to 40 years, effective July 1, 1997. PERA's amortization periods in 1997 for these unfunded actuarial accrued liabilities were under the 40–year limit specified in the state statute on July 1, 1997.

The amortization periods have shown continued improvement over the last decade. As of December 31, 1997, the amortization period for the State and School Division was 12 years. The amortization periods for the Municipal and Judicial Divisions as of December 31, 1997, were five years and three years, respectively.

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.

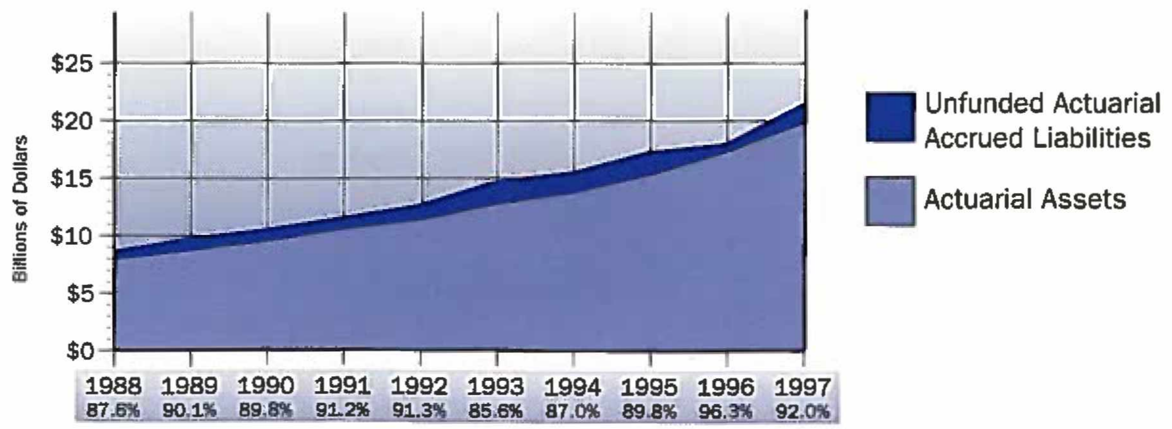
While no one or two measures can fully describe the financial condition of the Plan, unfunded actuarial accrued liability dollars divided by member salary dollars provide a meaningful index. The smaller the ratio, the stronger the system. Observation of this relative index over a period of years will 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.

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

Unfunded 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
12/31/88	$ 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%
12/31/96	17,991,905,058	17,321,769,518	96.3%	670,135,540	3,968,963,337	16.9%
12/31/97	21,494,070,000	19,776,487,860	92.0%	1,717,582,140	4,211,820,401	40.8%

Assets as a Percent of Accrued Liabilities 1988–1997



Assets as a Percent of Accrued Liabilities

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	1997	1996	1995	1994	1993	1992
Age and service retirements[1]	$ (301.5)	$ (99.6)	$ (60.5)	$ (82.6)	$ (116.5)	$ (11.3)
Disability retirements[2]	(72.0)	(58.4)	(19.2)	27.2	(26.5)	(6.2)
Deaths[3]	6.9	2.8	(8.6)	.5	1.3	2.9
Withdrawal from employment[4]	(105.2)	(133.4)	(137.4)	(42.3)	(88.6)	(109.2)
New entrants[5]	(39.3)	(23.2)	(22.7)	(3.7)	(4.1)	-
Pay increases[6]	118.8	152.1	109.7	207.1	287.4	149.3
Investment income[7]	1,045.9	715.2	461.2	(68.5)	180.1	(76.4)
Other	4.4	35.6	(63.6)	53.8	(1.8)	(71.4)
Gain (or loss) during year	658.0	591.1	258.9	91.5	231.3	(122.3)
Non-recurring items[8]	(1,917.5)	472.4	39.2	(14.6)	(1,277.1)	71.7
Composite gain (or loss) during year	$(1,259.5)	$ 1,063.5	$ 298.1	$ 76.9	$(1,045.8)	$ (50.6)

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

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

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

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

[5] New entrants: The gain or loss associated with new members entering the Plan was not calculated prior to 1993. If the number of new members entering the Plan is lower than was assumed, there is a loss. If a higher number of new members entered the Plan than was assumed, there is a gain.

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

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

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

Schedule of Computed Employer Contribution Rates

Expressed as a Percentage of Member Payroll

	State and School Division	Municipal Division	Judicial Division
Contributions:			
Service retirement benefits	9.68%	9.88%	13.64%
Disability retirement benefits	1.03%	1.45%	0.98%
Survivor benefits	0.53%	0.68%	1.45%
Termination withdrawals	3.12%	3.52%	1.69%
Total normal cost	14.36%	15.53%	17.76%
Member contributions	8.02%[1]	8.00%	8.00%[3]
Employer normal cost	6.34%	7.53%	9.76%
Percentage available to amortize unfunded actuarial accrued liabilities	4.37%	1.67%	4.44%
Amortization period	12 years	5 years	3 years
Total employer contribution rate for actuarially funded benefits	11.51%	10.00%	15.00%
Health care fund[2]	0.80%	0.80%	0.80%
Statutory employer contribution rate	10.71%[1]	9.20%	14.20%

[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

State and School Division

Members (Other Than State Troopers)

Period			Member Contribution Rate (Percent of Payroll)	Employer Contribution Rate* (Percent of Payroll)
7-1-97	to	12-31-97	8.00%	11.50%

State Division

Members (Other Than State Troopers)

Period			Member Contribution Rate (Percent of Payroll)	Employer Contribution Rate* (Percent of Payroll)
8-1-31	to	6-30-38	3.50%	0.00%
7-1-38	to	6-30-49	3.50%	3.50%
7-1-49	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	6-30-70	7.00%	7.00%
7-1-70	to	6-30-71	7.00%	8.00%
7-1-71	to	6-30-73	7.00%	8.50%
7-1-73	to	6-30-74	7.75%	9.50%
7-1-74	to	6-30-75	7.75%	10.50%
7-1-75	to	8-31-80	7.75%	10.64%
9-1-80	to	12-31-81	7.75%	12.20%
1-1-82	to	6-30-87	8.00%	12.20%
7-1-87	to	6-30-88	8.00%	10.20%
7-1-88	to	6-30-91	8.00%	12.20%
7-1-91	to	4-30-92	8.00%	11.60%
5-1-92	to	6-30-92	8.00%	5.60% **
7-1-92	to	6-30-93	8.00%	10.60%
7-1-93	to	6-30-97	8.00%	11.60%

Municipal Division

Period			Member Contribution Rate (Percent of Payroll)	Employer Contribution Rate* (Percent of Payroll)
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	12-31-97	8.00%	10.00%

State Troopers

Period			Member Contribution Rate (Percent of Payroll)	Employer Contribution Rate* (Percent of Payroll)
7-1-45	to	6-30-69	7.00%	7.00%
7-1-69	to	6-30-70	8.00%	8.00%
7-1-70	to	6-30-71	8.00%	9.00%
7-1-71	to	6-30-73	8.00%	9.50%
7-1-73	to	6-30-74	8.75%	10.50%
7-1-74	to	6-30-75	8.75%	11.50%
7-1-75	to	8-31-80	8.75%	11.64%
9-1-80	to	12-31-81	8.75%	13.20%
1-1-82	to	6-30-87	9.00%	13.20%
7-1-87	to	6-30-88	9.00%	11.20%
7-1-88	to	6-30-89	9.00%	13.20%
7-1-89	to	4-30-92	12.30%	13.20%
5-1-92	to	6-30-92	12.30%	7.20%*
7-1-92	to	6-30-93	11.50%	12.20%
7-1-93	to	6-30-97	11.50%	13.20%
7-1-97	to	12-31-97	11.50%	13.10%

School Division

Period			Member Contribution Rate (Percent of Payroll)	Employer Contribution Rate* (Percent of Payroll)
1-1-44	to	12-31-49	3.50%	3.50%
1-1-50	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	12-31-69	7.00%	6.00%
1-1-70	to	12-31-70	7.00%	7.50%
1-1-71	to	12-31-71	7.00%	8.50%
1-1-72	to	6-30-73	7.00%	9.25%
7-1-73	to	12-31-73	7.75%	9.25%
1-1-74	to	12-31-74	7.75%	10.25%
1-1-75	to	12-31-75	7.75%	11.25%
1-1-76	to	12-31-80	7.75%	12.10%
1-1-81	to	12-31-81	7.75%	12.50%
1-1-82	to	6-30-87	8.00%	12.50%
7-1-87	to	6-30-88	8.00%	11.50%
7-1-88	to	6-30-91	8.00%	12.50%
7-1-91	to	6-30-92	8.00%	12.20%
7-1-92	to	6-30-97	8.00%	11.60%

Judicial Division

Period			Member Contribution Rate (Percent of Payroll)	Employer Contribution Rate* (Percent of Payroll)
7-1-49	to	6-30-57	5.00%	5.00%
7-1-57	to	6-30-73	6.00%	12.00%
7-1-73	to	6-30-80	7.00%	12.00%
7-1-80	to	8-30-80	7.00%	13.00%
9-1-80	to	12-31-81	7.00%	15.00%
1-1-82	to	6-30-87	8.00%	15.00%
7-1-87	to	6-30-88	8.00%	13.00%
7-1-88	to	12-31-97	8.00%	15.00%

* All employer contribution rates shown include 0.8 percent used to pay a portion of health care premiums for benefit recipients.

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

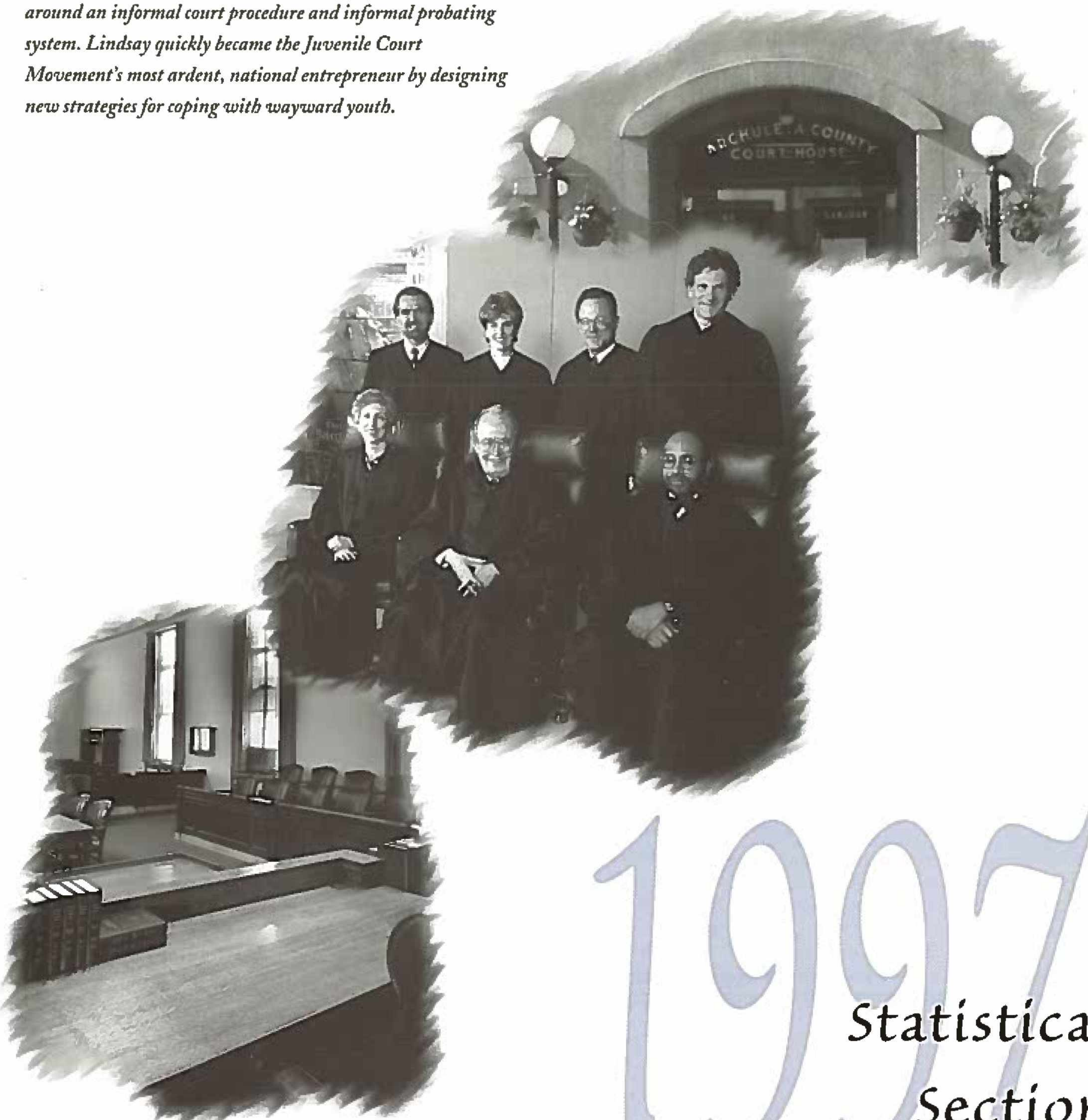
Schedule of Active Member Valuation Data

Year	Number of Employers	Number of Members	Annual Payroll	Average Annual Salary	% Increase in Average Pay
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 %
1996	370	147,670	3,968,963,337	26,877	2.05 %
1997	373	152,475	4,211,820,401	27,623	2.78 %

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

- *All county courts, representing 63 counties in Colorado, are PERA affiliates.*

- *The first juvenile court in the nation was created by Judge Ben B. Lindsay in Denver in 1907. Judge Lindsay and his supporters established a de facto juvenile court organized around an informal court procedure and informal probating system. Lindsay quickly became the Juvenile Court Movement's most ardent, national entrepreneur by designing new strategies for coping with wayward youth.*



1997 Statistical Section

Schedule of Expenses by Type

(In Thousands of Dollars)

Year	Benefit Payments	Refunds*	Administrative Expenses	Other Transfers	Total
STATE AND SCHOOL DIVISION**					
1997	$ 749,313	$ 60,686	$ 14,090	$ 377	$ 824,466
STATE DIVISION**					
1992	$ 205,937	$ 15,960	$ 4,919	$ (22,661)	$ 204,155
1993	235,191	12,062	5,543	(19,145)	233,651
1994	262,012	15,772	6,014	(1,481)	282,317
1995	283,375	18,507	6,565	(9,567)	298,880
1996	305,658	31,880	5,503	(3,902)	339,139
SCHOOL DIVISION**					
1992	$ 225,225	$ 12,623	$ 7,202	$ (26,151)	$ 218,899
1993	263,322	11,672	8,075	(25,265)	257,804
1994	296,970	12,908	8,656	(1,782)	316,752
1995	325,819	17,185	9,834	10,599	363,437
1996	355,521	27,343	8,548	4,237	395,649
MUNICIPAL DIVISION					
1992	$ 19,146	$ 3,965	$ 831	$ 13,668	$ 37,610
1993	21,696	3,017	976	272	25,961
1994	23,889	3,636	1,065	(272)	28,318
1995	26,117	5,149	1,183	599	33,048
1996	28,723	7,330	999	249	37,301
1997	32,823	8,112	996	150	42,081
JUDICIAL DIVISION					
1992	$ 3,230	$ 126	$ 36	$ (320)	$ 3,072
1993	3,536	–	37	(471)	3,102
1994	3,785	47	39	(119)	3,752
1995	4,190	53	43	(225)	4,061
1996	4,449	9	36	(67)	4,427
1997	4,992	145	35	(53)	5,119
HEALTH CARE FUND					
1992	$ 40,904	$ –	$ –	$ (633)	$ 40,271
1993	44,538	–	–	(4)	44,534
1994	45,563	–	–	(1)	45,562
1995	55,040	–	–	–	55,040
1996	57,102	–	–	–	57,102
1997	59,652	–	–	–	59,652

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

** The State and School Divisions were merged in 1997.

Schedule of Revenue by Source
(In Thousands of Dollars)

Year	Member Contributions*	Employer Contributions*	Service Credit Purchases	Retiree Health Care Premiums	Net Investment Income	Other Income**	Total Revenues
STATE AND SCHOOL DIVISION* **							
1997	$ 293,059	$ 392,898	$ 27,029	$ –	$ 3,361,986	$ –	$4,074,972
STATE DIVISION* **							
1992	$ 107,865	$ 97,956	$ 3,711	$ –	$ 255,610	$ –	$ 465,142
1993	107,515	110,902	8,210	–	664,567	–	891,194
1994	109,635	142,913	15,969	–	25,933	49,338	343,788
1995	114,278	153,472	7,294	–	1,265,032	–	1,540,076
1996	118,472	159,057	5,513	–	840,178	–	1,123,220
SCHOOL DIVISION* **							
1992	$ 132,446	$ 150,641	$ 5,524	$ –	$ 367,376	$ –	$ 655,987
1993	134,501	147,969	10,547	–	960,053	–	1,253,070
1994	139,349	182,509	21,215	–	37,733	71,524	452,330
1995	148,784	200,889	11,825	–	1,849,069	–	2,210,567
1996	158,675	214,155	8,018	–	1,232,953	–	1,613,801
MUNICIPAL DIVISION							
1992	$ 18,122	$ 16,259	$ 216	$ –	$ 34,683	$ –	$ 69,280
1993	18,025	16,228	336	–	88,915	–	123,504
1994	19,443	21,590	1,082	–	3,550	6,681	52,346
1995	20,852	23,980	1,152	–	176,405	–	222,389
1996	21,872	25,149	814	–	119,221	–	167,056
1997	23,701	27,253	853	–	195,741	–	247,548
JUDICIAL DIVISION							
1992	$ 1,254	$ 1,917	$ 17	$ –	$ 3,552	$ –	$ 6,740
1993	1,296	1,977	79	–	9,273	–	12,625
1994	1,291	2,240	159	–	362	692	4,744
1995	1,326	2,353	131	–	17,738	–	21,548
1996	1,426	2,531	62	–	11,802	–	15,821
1997	1,485	2,636	340	–	19,086	–	23,547
HEALTH CARE FUND							
1992	$ –	$ 27,460	$ –	$ 14,409	$ 3,586	$ –	$ 45,455
1993	–	26,113	–	16,459	9,529	–	52,101
1994	–	26,896	–	17,261	342	–	44,499
1995	–	28,467	–	17,795	17,035	–	63,297
1996	–	30,008	–	18,932	10,383	–	59,323
1997	–	31,750	–	20,124	15,711	–	67,585

* Member and employer contribution rate history is shown on page 61.

** Other income in 1994 is due to assets transferred from the Cost of Living Stabilization Fund as required by House Bill 93-1324.

*** The State and School Divisions were merged in 1997.

Member and Benefit Recipient Statistics*

	State Category	School Category	Municipal Division	Judicial Division	Total
Active members—12/31/97**	51,042	90,419	10,760	254	152,475
Retirements during 1997:					
Disability retirements	235	176	34	1	446
Service retirements	1,012	1,443	119	9	2,583
Total	1,247	1,619	153	10	3,029
Retirement benefits:					
Total receiving disability and service retirement benefits on Dec. 31, 1996	18,427	22,777	2,132	187	43,523
Total retiring during 1997	1,247	1,619	153	10	3,029
Cobeneficiaries continuing after retiree's death	215	136	28	3	382
Returning to retirement rolls from suspension	5	10	0	0	15
Total	19,894	24,542	2,313	200	46,949
Retirees and cobeneficiaries deceased during year	654	614	82	4	1,354
Retirees suspending benefits to return to work	7	17	1	0	25
Total receiving retirement benefits	19,233	23,911	2,230	196	45,570
Total retirement benefits payable on 12/31/97	$361,468,794	$437,946,513	$33,922,713	$4,803,691	$838,141,711
Average monthly benefit on 12/31/97	$ 1,568	$ 1,529	$ 1,275	$ 2,042	$ 1,533
Average monthly benefit for all members who retired during 1997	$ 1,871	$ 1,866	$ 1,753	$ 2,677	$ 1,865
Survivor benefit accounts:					
Total benefits being paid on 12/31/97	843	816	158	19	1,836
Total benefits payable on 12/31/97	$ 11,501,155	$ 8,902,679	$ 1,563,368	$ 358,566	$ 22,325,768
Future benefits:					
Future retirements to age 60 or 65	2,504	4,022	428	11	6,965
Total annual future benefits	$ 16,418,206	$ 22,173,905	$ 2,523,165	$ 122,636	$ 41,237,912
Future survivor beneficiaries of inactive members	47	65	8	0	120
Total annual future benefits	$ 255,289	$ 124,380	$ 29,960	$ 0	$ 409,629

* Numbers are actuarially derived.

** In addition, as of 12/31/97, there was a total of 62,050 non-vested terminated members due a refund of their contributions—State and School Division: 55,349; Municipal Division: 6,699; and Judicial Division: 2.

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
12/31/88	$ 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
12/31/96	1,334	59.6	69.2	19.6
12/31/97	1,533	59.2	69.5	19.8

* Includes disability retirements, but not survivor benefits.

Schedule of Benefit Disbursements by Type*

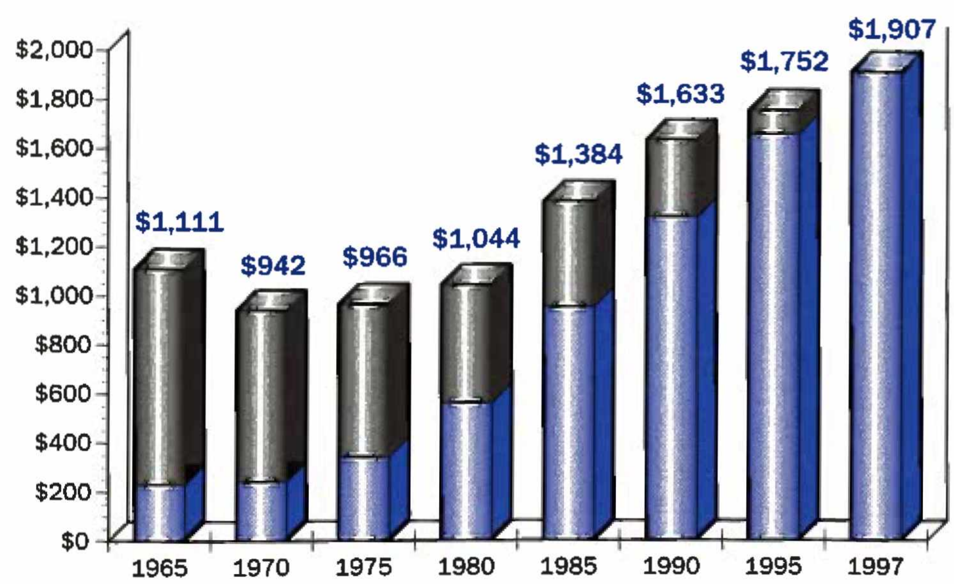
(In Thousands of Dollars)

Year Ended	Retirement Benefits	Survivor Benefits	Contribution Refunds	Interest and Matching Amount Paid	Health Care	Total
12/31/92	$ 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
12/31/96..........	677,181	17,170	39,022	27,540	57,102	818,015
12/31/97..........	769,130	17,998	39,326	29,617	59,652	915,723

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

Current Average Monthly Benefit by Year of Retirement

Service Retiree Accounts as of December 31, 1997



	1965	1970	1975	1980	1985	1990	1995	1997
Original Benefit at Retirement	$232	$243	$343	$564	$954	$1,320	$1,656	$1,907
Benefit Increases	$879	$699	$623	$480	$430	$ 313	$ 96	$ 0

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 1997

Types of Benefits:

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

Option Selected:

Retirees select one of the following options at retirement:

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

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

STATE AND SCHOOL DIVISION

Amount of Benefit	Total (Columns 1–5)	Type of Benefit 1	2	3	4	5	6
$1-$250	3,056	2,751	115	2	156	32	2,313
$251-$500	4,924	3,951	559	7	343	64	2,207
$501-$750	4,791	3,638	837	11	264	41	957
$751-$1,000	4,778	3,366	1,119	14	258	21	441
$1,001-$1,250	4,550	3,204	1,138	15	190	3	267
$1,251-$1,500	4,271	3,240	891	15	124	1	159
$1,501-$1,750	3,528	2,756	670	8	94	0	89
$1,751-$2,000	3,116	2,628	412	14	62	0	76
Over $2,000	11,992	11,156	679	35	122	0	129
Totals	45,006	36,690	6,420	121	1,613	162	6,638

Amount of Benefit	Option Selected 1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1-$250	1,933	112	377	25	319	100
$251-$500	2,884	277	536	47	616	150
$501-$750	2,678	388	612	58	589	150
$751-$1,000	2,615	510	722	67	414	157
$1,001-$1,250	2,433	534	797	71	364	143
$1,251-$1,500	2,288	534	858	65	276	110
$1,501-$1,750	1,789	509	764	67	207	90
$1,751-$2,000	1,552	550	690	36	147	65
Over $2,000	5,326	2,415	3,297	195	434	168
Totals	23,498	5,829	8,653	631	3,366	1,133

Schedule of Retirees and Survivors by Type of Benefit (continued)

As of December 31, 1997

Types of Benefits:

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

Option Selected:

Retirees select one of the following options at retirement:

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

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

MUNICIPAL DIVISION

		Type of Benefit					
Amount of Benefit	**Total (Columns 1–5)**	**1**	**2**	**3**	**4**	**5**	**6**
$1-$250	150	127	7	0	15	1	152
$251-$500	288	222	33	0	29	4	139
$501-$750	319	203	66	2	45	3	67
$751-$1,000	349	187	133	0	27	2	31
$1,001-$1,250	374	188	164	0	21	1	19
$1,251-$1,500	258	161	87	2	8	0	8
$1,501-$1,750	190	115	64	2	9	0	12
$1,751-$2,000	145	108	31	1	5	0	4
Over $2,000	325	287	36	1	1	0	4
Totals	2,398	1,598	621	8	160	11	436

	Option Selected					
Amount of Benefit	**1**	**2**	**3**	**4**	**Surviving Cobeneficiary**	**Surviving Retiree**
$1-$250	77	5	19	0	28	5
$251-$500	116	14	40	4	70	11
$501-$750	134	16	48	4	60	7
$751-$1,000	137	40	84	8	47	4
$1,001-$1,250	148	62	100	8	23	11
$1,251-$1,500	105	40	65	5	24	9
$1,501-$1,750	70	24	63	4	12	6
$1,751-$2,000	50	34	42	4	8	1
Over $2,000	93	78	124	8	13	7
Totals	930	313	585	45	285	61

Schedule of Retirees and Survivors by Type of Benefit (continued)

As of December 31, 1997

Types of Benefits:

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

Option Selected:

Retirees select one of the following options at retirement:

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

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

JUDICIAL DIVISION

		Type of Benefit					
Amount of Benefit	**Total (Columns 1–5)**	**1**	**2**	**3**	**4**	**5**	**6**
$1-$250	3	3	0	0	0	0	2
$251-$500	15	14	1	0	0	0	1
$501-$750	15	11	1	0	3	0	3
$751-$1,000	8	7	0	0	1	0	1
$1,001-$1,250	16	13	2	0	1	0	0
$1,251-$1,500	19	13	0	0	5	1	3
$1,501-$1,750	14	11	0	0	3	0	0
$1,751-$2,000	17	15	1	0	1	0	0
Over $2,000	110	93	11	0	6	0	1
Totals	217	180	16	0	20	1	11

	Option Selected					
Amount of Benefit	**1**	**2**	**3**	**4**	**Surviving Cobeneficiary**	**Surviving Retiree**
$1-$250	0	0	3	0	0	0
$251-$500	5	2	3	0	5	0
$501-$750	3	0	1	0	6	2
$751-$1,000	3	0	3	1	0	0
$1,001-$1,250	4	1	3	0	6	1
$1,251-$1,500	1	0	7	1	3	1
$1,501-$1,750	1	0	2	0	7	1
$1,751-$2,000	1	2	6	0	4	3
Over $2,000	19	18	37	7	20	3
Totals	37	23	65	9	51	11

Schedule of Average Benefit Payments

Year Retired	Years of Service Credit					
Period 1/1/97 to 12/31/97	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average Monthly Benefit	$ 600	$ 828	$ 1,159	$ 1,588	$ 2,171	$ 3,097
Average Highest Average Salary	$2,011	$2,395	$ 2,716	$ 3,322	$ 3,727	$ 4,170
Number of Active Retirees	322	308	277	775	556	736
Period 1/1/96 to 12/31/96	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average Monthly Benefit	$ 599	$ 800	$ 1,023	$ 1,514	$ 2,200	$ 3,211
Average Highest Average Salary	$1,917	$2,298	$ 2,444	$ 3,098	$ 3,671	$ 4,169
Number of Active Retirees	304	313	265	714	374	559
Period 1/1/95 to 12/31/95	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average Monthly Benefit	$ 628	$ 797	$ 1,082	$ 1,544	$ 2,190	$ 3,248
Average Highest Average Salary	$1,964	$2,242	$ 2,450	$ 3,043	$ 3,526	$ 4,119
Number of Active Retirees	337	318	286	724	466	519
Period 1/1/94 to 12/31/94	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average Monthly Benefit	$ 614	$ 755	$ 1,121	$ 1,574	$ 2,225	$ 3,243
Average Highest Average Salary	$2,004	$2,168	$ 2,449	$ 3,068	$ 3,507	$ 4,050
Number of Active Retirees	349	332	284	724	477	512
Period 1/1/93 to 12/31/93	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average Monthly Benefit	$ 591	$ 853	$ 1,080	$ 1,701	$ 2,406	$ 3,270
Average Highest Average Salary	$2,022	$2,247	$ 2,378	$ 3,212	$ 3,749	$ 3,955
Number of Active Retirees	324	356	343	901	627	677
Period 1/1/92 to 12/31/92	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average Monthly Benefit	$ 556	$ 820	$ 1,104	$ 1,616	$ 2,348	$ 3,184
Average Highest Average Salary	$1,791	$2,099	$ 2,403	$ 2,943	$ 3,360	$ 3,701
Number of Active Retirees	331	363	336	738	349	414
Period 1/1/91 to 12/31/91	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average Monthly Benefit	$ 554	$ 758	$ 1,093	$ 1,606	$ 2,311	$ 3,211
Average Highest Average Salary	$1,756	$2,016	$ 2,262	$ 2,820	$ 3,194	$ 3,599
Number of Active Retirees	282	330	332	658	252	365
Period 1/1/90 to 12/31/90	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average Monthly Benefit	$ 537	$ 790	$ 1,143	$ 1,619	$ 2,426	$ 3,101
Average Highest Average Salary	$1,743	$1,993	$ 2,292	$ 2,736	$ 3,213	$ 3,392
Number of Active Retirees	279	295	269	668	263	312

Schedule of Affiliated Employers

STATE CATEGORY

Agencies and Instrumentalities

Colorado Association of School Boards
Colorado Compensation Insurance Authority
Colorado Council on Arts and Humanities
Colorado High School Activities Association
Colorado Student Loan Program
Colorado Uninsurable Health Insurance Plan
Colorado Water Resources and Power Development Authority
Department of Agriculture
Department of Corrections
Department of Education
Department of Health Care Policy and Financing
Department of Human Services
Department of Labor and Employment
Department of Law
Department of Local Affairs
Department of Military Affairs
Department of Natural Resources
Department of Public Health and Environment
Department of Public Safety
Department of Regulatory Agencies
Department of Revenue
Department of State
Department of Transportation
Department of the Treasury
Fire and Police Pension Association
General Assembly
General Support Services/Department of Personnel
Joint Budget Committee
Judicial Department
Legislative Council
Office of the District Attorneys
Office of the Governor
Office of Legislative Legal Services
Office of the Lieutenant Governor
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
Lowry Higher Education Center
Mesa State College
Metropolitan State College of Denver
Morgan Community College
Northeastern Junior College
Otero Junior College
Pikes Peak Community College
Pueblo Vocational Community College
Red Rocks Community College
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

Schedule of Affiliated Employers

SCHOOL CATEGORY

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

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

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

Archuleta County
Archuleta County School District 50 Jt

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

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
Mountain BOCES
Mount Evans BOCES *(affiliated in 1998)*
Northeast BOCES
Northern Colorado BOCES
Northwest Colorado BOCES
Pikes Peak BOCES
Rio Blanco BOCES
South Central BOCES
South Platte Valley BOCES
Southeastern BOCES
Uncompaghre BOCES *(affiliated in 1998)*
Weld BOCES
West Central BOCES

Boards of Cooperative Services (BOCS)
Adams County BOCS
Arkansas Valley BOCS
San Juan BOCS
San Luis Valley BOCS
Southwest BOCS

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

MUNICIPAL DIVISION
Alamosa Housing Authority
Aurora Housing Authority
Baca Grande Water & Sanitation District
Beulah Water Works District
Black Hawk-Central City Sanitation District
Blanca-Fort Garland Metropolitan District
Boxelder Sanitation District
Brush Housing Authority
Carbon Valley Park & Recreation District
Castle Pines Metropolitan District
Castle Pines North Metropolitan District
Centennial Soil Conservation District
Center Housing Authority
City of Alamosa
City of Boulder
City of Colorado Springs
City of Fort Morgan
City of Manitou Springs
City of Pueblo
City of Wray
City of Yuma
Colorado Housing & Finance Authority
Colorado School District Self-Insurance Pool
Colorado Springs Public Utilities
Columbine Knolls-Grove Metropolitan Recreation District
Costilla Housing Authority
Cunningham Fire Protection District
Douglas Public Library District
East Cheyenne Ground Water Management District
East Larimer County Water District
Eastern Rio Blanco Parks & Recreation Department
Eaton Housing Authority
Estes Valley Public Library District
Fairmont Fire Protection District *(inactive affiliate)*
Forest Lakes Metropolitan District
Fremont Sanitation District
Fremont Soil Conservation District
Garfield County Housing Authority
Housing Authority of Arriba
Housing Authority of the County of Saguache
Housing Authority of the Town of Limon
Lamar Housing Authority
Lamar Utilities Board
Left Hand Water District
Longs Peak Water District
Longmont Housing Authority
Louisville Fire Protection District
Meeker Regional Library District
Memorial Hospital–Colorado Springs
Montrose Fire Protection District
Montrose Recreation District
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

Schedule of Affiliated Employers

Pueblo Library District
Rampart Regional Library District
Rangely Regional Library District
Red, White & Blue Fire Protection District
Rifle Fire Protection District
Rio Blanco Fire Protection District
Rio Blanco Water Conservancy District
Routt County Soil Conservation District *(inactive affiliate)*
Sable-Altura Fire Protection District
San Luis Valley Development Resources Group
San Miguel County Public Library
Sheridan Sanitation District #1
Soldier Canyon Filter Plant
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
Town of Platteville
Town of Rico
Town of Siebert
Town of Silver Plume
Tri-County Health Department
Upper Colorado Environmental Plant Center
Washington-Yuma Counties Combined Communications Center
Weld County Health Department
West Greeley Soil Conservation District
Western Rio Blanco Metropolitan Recreation & Park District
Windsor-Severance Library District
Yuma Housing Authority

JUDICIAL DIVISION

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

Health Care Program

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 1997, the maximum subsidy continued to be $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.

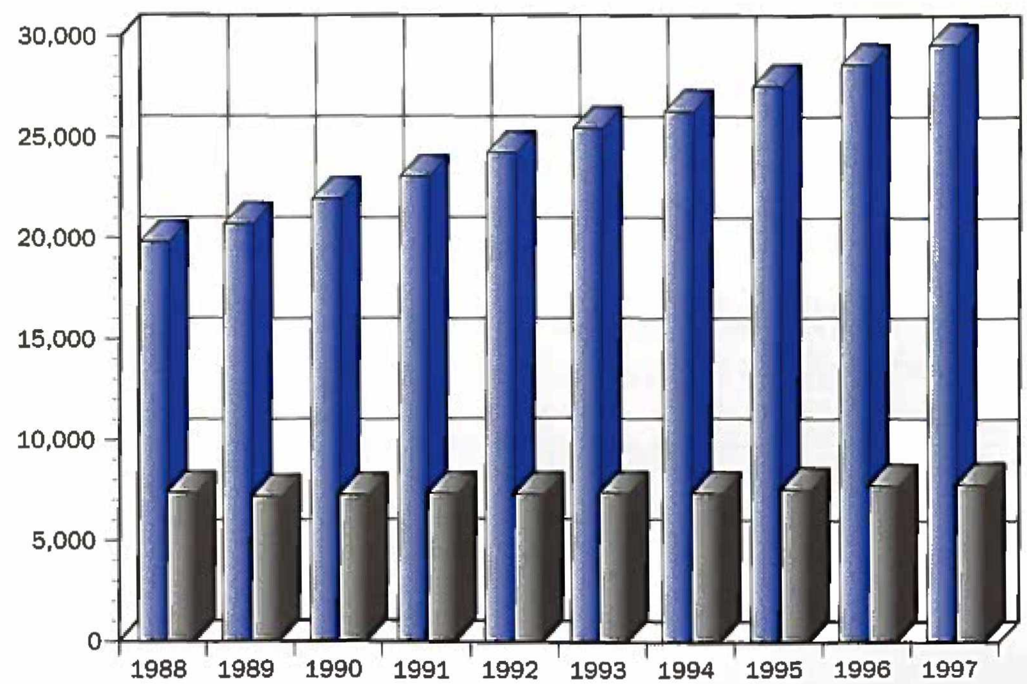
Mutual of Omaha continued to administer the two self-insured plans. An "out-of-service area" benefit was added to the Point-of-Service (POS) Plan on October 1, 1997, for participants residing outside a POS service area (which includes 14 Colorado counties and anywhere outside the state of Colorado). The benefits revert to the standard out-of-network coverage if physicians and hospitals in a county not in a POS service area join the POS network.

Effective July 1, 1997, contracts with four health maintenance organizations (HMOs) were renewed: PacifiCare of Colorado (formerly FHP Health Care), Kaiser Permanente, Rocky Mountain HMO, and QualMed HMO (formerly Foundation Health Plan).

In voluntary compliance with recent federal regulations, PERA expanded eligibility conditions in 1997 for benefit recipients and their dependents who wish to join the Program after losing previous health care coverage. Now a benefit recipient may join or a dependent may be added to coverage outside of open enrollment or at other qualifying times if that person has a loss of coverage.

The Board continues to pursue efforts that will improve health care coverage and cost to PERA's retirees. In 1997, PERA's Board and the state of Colorado initiated HB 97-1092 to address the issue of high premiums, ensure high quality care, and expand health care coverage and benefits through a cooperative health care purchasing program. The bill would have established a separate government authority to handle health care benefits for any public employer in Colorado. However, HB 97-1092 was defeated by the State Legislature.

Health Care Program Enrollments



	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Benefit Recipients	19,802	20,690	21,938	23,037	24,236	25,444	26,270	27,531	28,575	29,571
Spouses & Dependents	7,369	7,196	7,241	7,289	7,271	7,321	7,334	7,534	7,731	7,817

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. Inactive members may continue life insurance coverage as long as they retain their PERA member contribution account. During the annual open enrollment period, members enrolling are not required to furnish evidence of good health for themselves or their dependents. Members may enroll outside the enrollment period, but must provide a statement of good health.

State law allows PERA to self-insure the Life Insurance Program and to receive life insurance premiums through means other than payroll deductions.

Life Insurance Program Enrollment

Year	Rocky Mountain Life	Prudential	Rocky Mountain Life (Closed Group)	New York Life[1]	Total Enrollments
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
1996	37,062	17,135	2,489	16,297	72,983
1997	37,382	17,270	2,154	15,936	72,742

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

Life Insurance Program Claims

	Rocky Mountain Life		*Prudential*		*Rocky Mountain Life (Closed Group)*		*New York Life* [2]		*Total Program*	
Year	Amt. of Claims Paid	No. of Claims Paid[1]	Amt. of Claims Paid	No. of Claims Paid[1]	Amt. of Claims Paid	No. of Claims Paid[1]	Amt. of Claims Paid	No. of Claims Paid	Amt. of Claims Paid	No. of Claims Paid[1]
1988	$1,121,670	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
1996	4,660,358	599	1,462,712	210	268,815	157	399,868	288	6,791,753	1,254
1997	5,116,641	679	1,469,340	226	171,175	127	378,422	282	7,135,578	1,314

[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.

Special thanks to the following groups for providing photos to PERA for use in this Report:

Cover: Supreme Court of Colorado, City of Colorado Springs, Air Academy High School, and Colorado State Patrol.

Introductory Section: Colorado School of Mines and Colorado State Patrol.

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Actuarial Section: Colorado State Patrol.

Statistical Section: Colorado Judicial Department and Supreme Court of Colorado.