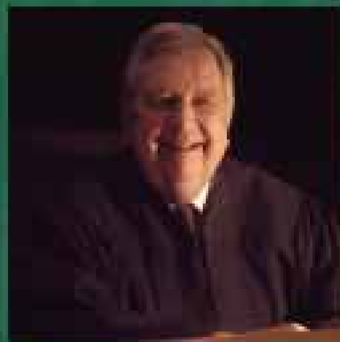
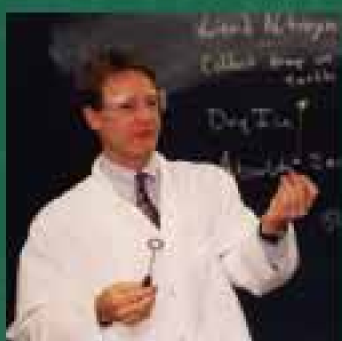
Public Employees' Retirement Association of Colorado





Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2001

COLORADO PERA

Celebrating 70 Years of Excellence

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Douglas County School District, Office of Communications
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Public Employees' Retirement Association of Colorado

Comprehensive Annual Financial Report

For The Fiscal Year Ended December 31, 2001

Celebrating 70 Years of Excellence

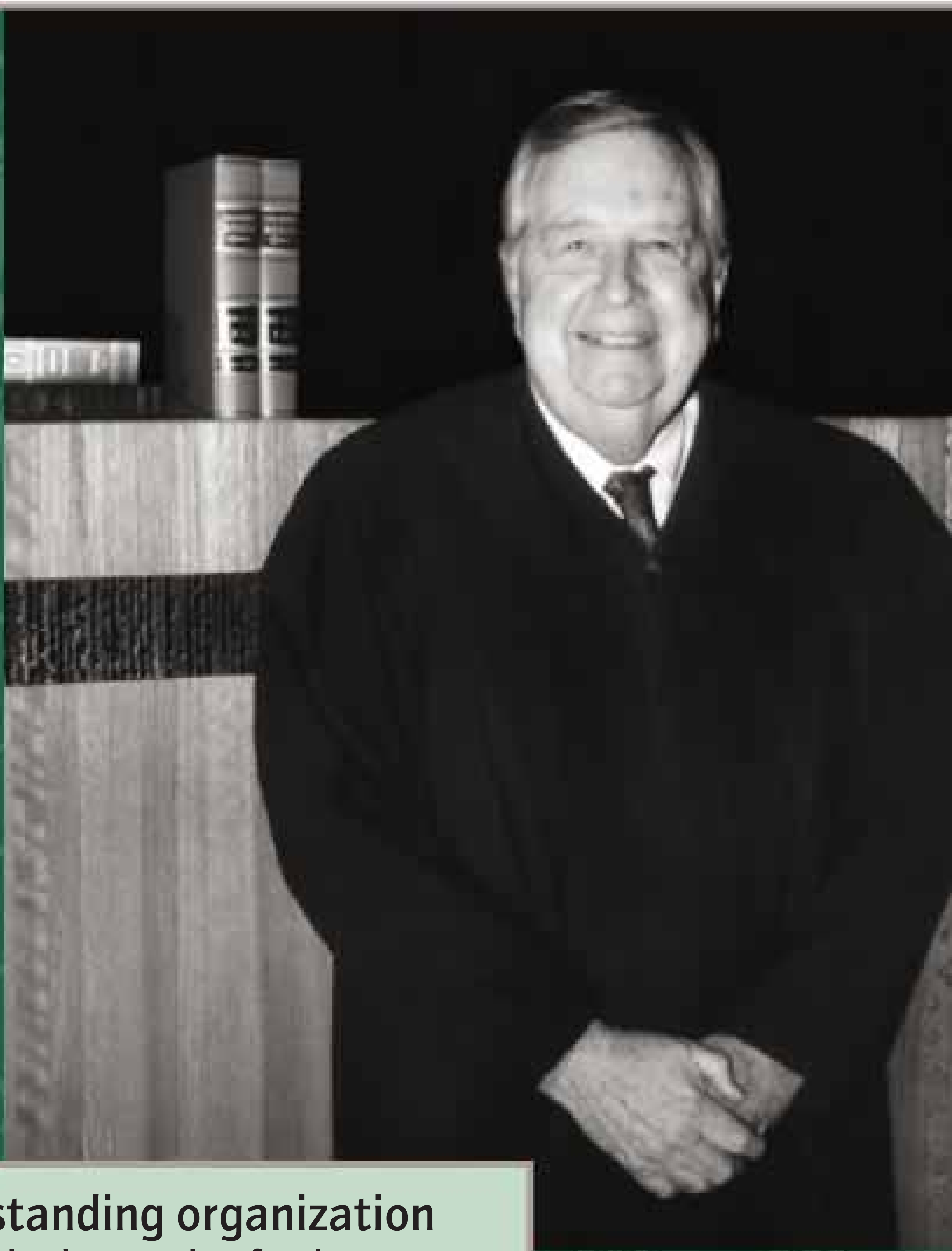
COLORADO PERA

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

Prepared by the PERA Staff

Table of Contents

Introductory Section



"PERA is an outstanding organization and a driving force in the pension fund arena. PERA is member oriented. It exists for the members, and all actions assist the members in achieving retirement security. PERA enjoys an outstanding staff."

Judge Leonard Plank
Colorado Court of Appeals

Letter of Transmittal

COLORADO PERA

Public Employees' Retirement Association of Colorado
1300 Logan Street, Denver, CO 80203-2386
PO Box 5800, Denver, CO 80217-5800
303-832-9550 • 1-800-759-PERA (7372) • www.copera.org

June 28, 2002

Dear Members of the Board of Trustees,

I am pleased to present Colorado PERA's *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended December 31, 2001. We are proud of PERA's achievements during the year, and we will continue striving to improve service to our members and benefit recipients in the future. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with PERA's management.

Report Contents

This *Report* consists of five sections:

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

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

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

The *Actuarial Section* contains the certification letter from the independent actuary, Gabriel, Roeder, Smith & Company, 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

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

Major Initiatives

In 2000, major legislation supported by the Colorado PERA Board of Trustees was passed (House Bill 1458) that lowered PERA's employer contribution rates while improving benefits for members and benefit recipients. Aware of the additional future liabilities created by enactment of HB 1458, the Board of Trustees did not pursue major changes to PERA's program in the 2001 legislative session.

The Board did initiate House Bill 01-1057 "401(k) Option for Rehired Retirees" to allow PERA retirees to contribute to the PERA 401(k) Plan from any wages paid to them by PERA-affiliated employers. This legislation was signed by the Governor on March 9 and became effective July 1, 2001.

In 2001, one bill passed by the Legislature and signed into law may affect Colorado PERA's future plan design. Senate Bill 01-149 ("Retirement Options for Public Employees") as amended:

- Continued PERA's Defined Benefit (DB) membership requirement for new state employees.
- Allowed any of the 22 district attorneys in Colorado to elect to join the State Defined Contribution (DC) Plan instead of PERA during January 2002 or in any subsequent January. District attorneys, as elected officials, were required to be covered by PERA prior to enactment of SB 149.
- Reduced the election period for employees eligible for the State DC Plan from 60 days to 30 days.
- Required a comprehensive study of DB and DC retirement plan designs that compares current PERA benefits, cost, and portability to other plans around the country. The State Auditor conducted the study using an actuarial and pension consulting firm, and submitted a report to the Legislative Audit Committee and the PERA Board.

As introduced, SB 149 would have allowed all new state employees hired in 2002 and later to choose between PERA and the state DC plan, unless a study found that this option would cause PERA to have a large unfunded liability. PERA supported SB 149 as amended.

In December 2001, the Colorado PERA Board of Trustees discussed the Study of Retirement Plan Designs completed by the Office of State Auditor pursuant to SB 149. The Board was encouraged by the consultant's findings that:

- The PERA program compares very favorably to other public and private sector plans.
- PERA's benefits are high, while costs are low.
- The PERA plan "offers a blend of both DB and DC features and a high degree of portability.... We see no compelling reason for significant changes."

However, in furtherance of the Board's long-standing commitment to a plan design structure that provides attractive, equitable, and cost-effective benefits to all members, the Board will conduct a comprehensive review of all plan design alternatives presented in the report, as well as other plan design alternatives. With the assistance of PERA's staff and actuarial consultants, this review will examine demographic, cost, administrative, and associated implications of all plan designs, with particular attention paid to alternatives that relate to both long and short-term plan members.

To ensure that the Colorado PERA plan design continues to be the industry leader in equitably and effectively meeting the needs of Colorado's taxpayers, public employers, and public servants, the Board plans to provide a comprehensive set of final recommendations to the Legislative Audit Committee by September 1, 2002.

House Bill 01-1186 ("Retired Teachers Working After Retirement") also was passed by the Legislature and signed into law in 2001. HB 1186 specifies that a retiree who returns to work for a PERA-affiliated employer during the first month of retirement will have his or her benefit reduced 5 percent for each day worked in the first month of retirement. PERA's 110–day work limit per calendar year still applies. The bill was signed by the Governor on March 11, and became effective on July 1, 2001.

Two bills did not pass during the 2001 session that would have affected Colorado PERA:

- House Bill 01-1320 ("Restrictions on Mail Order Pharmacy Programs"). HB 1320 would have limited the effectiveness of PERACare's mail order pharmacy benefits by prohibiting PERA from charging a lower copayment to PERACare participants who use PERACare's mail order pharmacy option. PERA opposed HB 1320 and has opposed similar pieces of legislation for several years, maintaining that mail order pharmacies are a cost-effective alternative for many PERA members and retirees.
- House Bill 01-1177 ("Health Care Obligation Notes"). HB 1177, as amended, would have allowed a non-profit corporation, with the PERA Board's approval, to issue state health care obligation notes to pay off the PERA Health Care Trust Fund's (HCTF's) unfunded liability. PERA's trust funds cannot be used or pledged for any purpose other than paying benefits and specified payments and for necessary expenses; PERA opposed HB 1177 as amended due to concerns that the bill might adversely affect the PERA HCTF.

Also in 2001, the Board prepared legislation for 2002 that would conform PERA statutes to the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

Executive

Letter of Transmittal

Accounting System and Reports

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

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

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments*: (GASB 34) and in June 2001 the GASB issued Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, which amended certain provisions of GASB 34. Although not required to implement GASB 34 until calendar year 2003, PERA elected to early adopt the new pronouncement, as amended, for the year ended December 31, 2001. GASB 34 had no monetary impact on the financial statements of PERA, but does require additional disclosure. As a result of the adoption of GASB 34, the Management's Discussion and Analysis has been included as required supplementary information and precedes the financial statements.


Internal Audit


Human Resources

Accounting

Letter of Transmittal

Insurance

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.

State law requires that the State Auditor perform an annual audit of PERA. Pursuant to this requirement, Arthur Andersen's Denver office audited PERA's 2001 financial statements under the control and oversight of the State Auditor. PERA continues to maintain strong internal controls in all operational areas. In developing and evaluating PERA's accounting program, it was determined that existing 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 Colorado PERA for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2000. The GFOA's Certificate of Achievement is the highest form of recognition in the area of public employee retirement system accounting and financial reporting. To receive this award, a government unit must publish an easily readable and efficiently organized CAFR that meets or exceeds program standards, and satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for only one year. PERA has been awarded this distinction for the last 16 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.

Also in 2001, the Public Pension Coordinating Council (PPCC) announced that Colorado PERA was one of 27 public pension plans that qualified for the PPCC's prestigious Achievement Award in 2000. The PPCC award represents an exceptionally high level of administration and reporting in the public pension industry; this is the fourth time that PERA has received this award.

Additions/Deductions to Plan Net Assets

The collection of employer and member contributions, and income from investments provide the reserves needed to finance the survivor, disability, retirement, and health care benefits. Defined benefit, health care, and 401(k) plan contributions and investment income, including unrealized gains and (losses) for 2001, totaled ($1,291,854,000).

Member contributions increased by $92,034,000 (19.3 percent) and employer contributions decreased by $34,384,000 (6.8 percent), respectively. The rise in member contributions was attributed to members' increased voluntary 401(k) Plan contributions after the MatchMaker Program became available on January 1, 2001, and increased membership and salary increases in the defined benefit plans. Although employer 401(k) contributions increased in 2001 due to the MatchMaker Program's implementation, this increase was offset by employer contribution rate reductions in all Divisions in 2001, pursuant to House Bill 00-1458 and the MatchMaker Program contributions to other non-401(k) plans.

Communications

Letter of Transmittal

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 2001, deductions totaled $1,510,673,000, an increase of 9.5 percent from 2000, largely due to an increase in retirement benefits.

Owing primarily to negative investment returns of $2,504,505, the net change to the plan was a decrease of $2,802,527,000 during 2001. Administrative expenses are controlled by an annual budget approved by the PERA Board of Trustees and represented less than 0.1 percent of total assets.

Economic Condition and Outlook

The U.S. economy fell into a recession in March 2001, ten years after the major downturn of 1990-1991. The national unemployment rate rose to 4.8 percent in 2001, from 4.0 percent the year before. Non-farm unemployment fell from 2.2 percent in 2000 to only 0.4 percent in 2001. Gross national product rose 1.1 percent, in contrast to a 4.1 percent gain in 2000. Gross private domestic investment declined 8.0 percent in 2001, after rising 6.8 percent in 2000. The continued fallout in the technology and telecommunications industries, combined with the effects of the September 11th attacks, led to major declines in corporate earnings.

In 2001, net exports and imports of goods and services fell 4.5 percent and 2.7 percent, respectively, compared with gains of 9.5 percent and 13.4 percent, respectively, in 2000. Personal consumption expenditures slowed to 3.1 percent in 2001, from 4.8 percent the year before. Falling energy prices helped lower average consumer inflation to 2.7 percent in 2001 from 3.4 percent in 2000. Medical and housing costs accounted for the largest increases of 4.6 percent and 4.0 percent, respectively.

In an aggressive campaign to stimulate the economy, the Federal Reserve cut short-term interest rates 11 times in 2001. Record low interest rates benefited the nation's housing market last year, with sales of existing and new homes hitting new highs. By the end of 2001, the national economy showed signs of recovering. The fourth quarter's broad-based stock rally—particularly in information technology, small capitalization, and growth sectors—softened the stock market's losses for the year.

In a sharp reversal of its performance in 2000, the Colorado economy weakened throughout 2001. Non-farm employment rose only 0.9 percent in 2001, compared with a 3.8 percent increase the year before. Numerous layoffs in the technology, telecommunications, and manufacturing sectors resulted in unemployment increasing from 2.7 percent in 2000 to 3.7 percent in 2001. Unemployment reached 5.2 percent in the month of December 2001; this was the state's highest unemployment rate since 1993. Retail sales rose only 1.6 percent in 2001, following a 10.3 percent gain in 2000. Poor retail trade was attributed to the recession, the aftermath of the September 11th terrorist attacks, and rising unemployment.

Housing permits declined 0.1 percent in 2001, after rising 10.7 percent the year before. The value of non-residential construction fell 0.4 percent, compared with a 5.8 percent decline in 2000. Inflation rose from 4.0 percent in 2000 to 4.7 percent in 2001; this was Colorado's highest rate of inflation since 1984. Rising housing and medical care costs of 6.5 percent and 5.6 percent, respectively, accounted for higher inflation. The fragile national economy, combined with travel-related concerns, affected the state's tourism sector. Colorado's exports fell $4.7 billion during the first three quarters of the year, a decline of 1.9 percent from the same period in 2000. However, the state's economy is expected to show gradual signs of recovery in 2002.

Benefit Services

Investments—Alternative

	Additions to Plan Net Assets (in thousands)
Net Investment Income	($2,504,505)
Contributions:	
Member	568,226
Employer	473,082
Purchased Service	127,383
Retiree Health Care Premiums	43,960
Total Contributions	1,212,651
Total Additions to Plan Net Assets	**($1,291,854)**

	Deductions from Plan Net Assets (in thousands)
Benefits	$1,332,202
Refunds	154,734
Disability and Life Insurance Premiums	3,527
Other	(1,234)
Administrative Expenses	21,444
Total Deductions from Net Assets	**$1,510,673**

Investments

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

In 2001, there was a net investment loss of $2,504,505,000 compared with total contributions by members and employers of $568,226,000 and $473,082,000, respectively.

For the year ended December 31, 2001, the total fund had a rate of return of (7.7) percent on a market value basis. PERA's annualized rate of return over the last three years was 3.3 percent, and over the last five years it was 8.9 percent. The average annualized market rate of return over the last 10 years was 10.3 percent. PERA assumes an investment return of 8.75 percent over the long term.

Proper funding and healthy investment returns are very important to the financial soundness of Colorado PERA. The ratio of investment earnings to total revenue is evidence of PERA's continued solid financial management. Changes in the composition of the portfolio are reflected in the "Investment Summary" on page 50.

An integral part of the overall investment policy is the strategic asset allocation policy. The targeted strategic asset allocation is designed to provide an optimal diversification to reduce risk and maximize total rate of return relative to risk. This emphasizes a maximum diversification of the portfolio that protects the Fund from declines that a particular asset class may experience in a given period. Both traditional and nontraditional assets are incorporated into the asset allocation mix. PERA also has an options program in the equity portfolio as an investment technique to reduce volatility and enhance the portfolio returns over a full-market cycle. A further explanation of PERA's investment policies and strategies is presented in the "PERA Report on Investment Activity" on pages 48–49.

Investments—Equities

Funding

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

The Colorado PERA funding objective is to be able to pay long-term benefit promises through contributions that remain approximately level from year to year as a percent of salaries earned by members. In this way, members and employers in each year pay their fair share for retirement service earned in that year by PERA members. If the retirement system follows level contribution rate financing principles—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" calculation is one way to measure a retirement system's funding progress. PERA directs its efforts at keeping the funding ratio (the ratio of assets to accrued liabilities) for the three divisional retirement funds at a minimum of 80 percent. On December 31, 2001, PERA's funding ratio equaled 98.6 percent.

	Funded Ratio	Amortization Period
State and School Division	98.2%	13 years
Municipal Division	104.3%	11 years[1]
Judicial Division	109.4%	10 years[1]
Health Care Trust Fund	17.7%	20 years

[1] The Division has a surplus as of the valuation date. This represents the number of years to reduce the surplus to zero.

During 2001, Watson Wyatt, PERA's independent retained actuary, completed a five–year experience study which compared actual to expected results on all PERA actuarial assumptions for the period 1996–2000. Also during 2001, an audit of PERA's actuarial valuation and processes was conducted by Gabriel, Roeder, Smith & Company (GRS). Watson Wyatt's experience study recommended new assumptions for PERA, which were reviewed by GRS. The Board adopted the recommended assumptions and they are incorporated in the December 31, 2001, valuation. These assumptions recognize longer life expectancies, increased rates of retirement by members eligible to retire, and other changes. The net effect of the new assumptions was to increase retirement fund liabilities by 2 percent.

After the audit was completed, GRS acquired Watson Wyatt's U.S.-based public sector retirement practice involving 120 clients, including PERA. GRS then prepared the December 31, 2001, actuarial valuation for PERA.

Investments—Fixed Income

Investments—Real Estate

Investments—Operations

Letter of Transmittal

Property Management and Fleet Services

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

Professional Services

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

Review of Operations and Activities in 2001

Throughout the 2001 year, the Colorado PERA Board of Trustees laid the groundwork for the future direction of PERA in advance of its 70th birthday on August 1, 2001. After determining that a new strategic framework was required to ensure that PERA remains one of the nation's top retirement plans, the Board chose Cortex Applied Research, Inc. to guide PERA's strategic planning process. In July 2001, subsequent to Board approval of a major strategic plan, staff was directed to prepare action plans, timelines, and implementation strategies in the following 11 areas:

- Statement of Strategic Direction
- Public Relations Strategy Development
- Health Care Study
- Study of Retirement Plan Design Issues
- Establishing a Governance Model
- Human Resource Policy Framework Development
- Technology Plan Development
- Member Services and Performance Benchmark Development
- Investment Philosophy Documentation
- Asset/Liability Study
- Cash Management Program Review

Retirees

Information Systems

Letter of Transmittal

By the end of 2001, the PERA Board of Trustees had approved a Governance Manual and a Public Relations Strategic Plan, with Peter Webb Public Relations and Hanna Design chosen as consultants on a communications strategy for PERA's many constituents. The Board also commissioned a Health Care Study Team to evaluate the PERACare program and assess the future of PERACare compared to other health care options available in the marketplace. Please see page 91 for more information on PERACare-related developments last year.

Colorado PERA devotes much effort in communicating and advising members and retirees about their current or future benefits. In 2001:

- Over 25,000 PERA members, retirees, and other persons attended PERA meetings, and 3,300 members received individual counseling.
- The Customer Service Center handled close to 228,000 calls, responded to over 17,000 e-mails, and assisted 10,500 visitors to PERA.
- 355 group counseling sessions for members were held throughout the state.
- Field Education staff conducted 110 benefit information meetings and 35 retirement process meetings; over 3,711 people attended those meetings. About 4,300 persons were contacted at 96 information tables. In addition, nine training meetings educated close to 100 PERA-affiliated employer staff members on procedures and policies.
- 10,700 PERA members ordered new or updated PERA Account Personal Identification Numbers (PINs). Over 60,000 members used their PINs to view their PERA salary history, service credit balance, beneficiaries, and other personal PERA account information on PERA's Web site.
- The PERA Web site was redesigned to include live member data on calculators, a PERACare retiree premium calculator, and an employer site.
- In August, PERA's new satellite office, located north of the metro-Denver area in Westminster, became fully operational. PERA's main and satellite offices offer the same services for members and benefit recipients.

401(k) Plan Activities

In 2001, 401(k) Plan net assets grew from $557,670,000 at the end of 2000 to $674,618,000 at the end of 2001, with 64,632 participant accounts in the Plan by the close of the 2001 year. The 84 percent net increase in 401(k) Plan members over 2000 was attributed to the start of the Colorado PERA MatchMaker Program in January 2001. In 2001, the Board of Trustees approved adding a life strategy family of funds to the 401(k) Plan beginning January 1, 2002.

Also in 2001, the Board approved 401(k) Plan amendments, effective January 1, 2002, consistent with new requirements specified in the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001. The Investment Section contains a detailed report on the 401(k) Plan on pages 55–56.

Employer Affiliations

Six new public employers affiliated with Colorado PERA in 2001: Collbran Conservancy District, Elbert County Library District, Green Mountain Water & Sanitation District, Northeastern Colorado Association of Local Governments, Red Feather Mountain Library District, and the Town of Rye.

Board-Related Activities

Last year the 16–member Board of Trustees approved not holding an election for any of the active-employee seats since there were only two candidates for the two School positions, and only one candidate for the State position. The Board also authorized four–year terms for the two School seats. (One School seat covered a three–year term; the other covered a four–year term.) The Board took this action to save PERA the cost of an unnecessary election. There were no open active member Board positions in the Municipal and Judicial Divisions.

Terms expired on June 30, 2001, for the following Trustees: Gloria Santistevan-Feeback, a math teacher at Centennial and East High Schools in Pueblo School District #60, Barbara Betzler, a human resources director from Colorado Springs Academy School District #20, and Gary Kasson, a police administrator with the Auraria Higher Education Center.

Operations Support

Incumbents Santistevan-Feeback and Kasson were appointed by the Board to a School and a State position, respectively. Santistevan-Feeback, a Trustee since 1996, has been a member of the Board's Investment, Benefits, Legislative, Audit, and Budget Committees. Kasson has served on the Benefits and Shareholder Responsibility Committees during his one year as Trustee. Betzler decided not to seek re-election for her School Trustee position; Scott L. Noller, a high school business teacher in Colorado Springs School District #11, was appointed by the Board to fill this position.

Retirees re-elected Richard Lansford, a retired teacher from Jefferson County, for a four-year term. During his tenure, Lansford has served on the Board's Investment and Shareholder Responsibility Committees. From 1990 to 1993, Lansford served on the Board in a School position.

In July, the Board re-elected Kim Natale as Board Chair. Natale, a Jefferson County School District math and science teacher, has been a Trustee since 1985. Before serving as Chair during the past two years, Natale was Board Vice Chair for four years. James Casebolt, a judge on the Colorado Court of Appeals and a Trustee since 1999, was elected by the Board to serve as the Board's Vice Chair.

The Board was deeply saddened by the death of State Auditor Dave Barba on October 14, 2001. Barba had served as an ex-officio Board member since November 1995 when he was named Acting State Auditor. In January 1996, Barba was appointed State Auditor. During his Board tenure, Barba served on the Board's Investment, Audit, Legislative, Proxy, Shareholder Responsibility, Member-Directed Investment, and Asset Management Committees. In November 2001, Joanne Hill was named Acting State Auditor and appointed to the Board's Audit and Investment Committees. In February 2002, Hill was appointed State Auditor; she will serve a continuous term as an ex-officio Board member.

Acknowledgements

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

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

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

I would like to express my gratitude to the staff, Board of Trustees, and consultants who worked diligently to ensure the successful operation of Colorado PERA in 2001.

Respectfully submitted,

Meredith Williams
Executive Director

Customer Service

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, 2000

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

2000 PPCC Achievement Award

Public Pension Coordinating Council

Public Pension Principles

2000 Achievement Award

Presented to

Public Employees' Retirement Association of Colorado

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Michael L. Mory

Michael L. Mory
Chairman

Board Chair's Report

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June 28, 2002

To all PERA Members, Benefit Recipients, and Employers:

As Chair of the Board of Trustees for the Public Employees' Retirement Association of Colorado, I am pleased to present Colorado PERA's 2001 *Comprehensive Annual Financial Report.* This *Report* offers a detailed view of the financial and actuarial status of your retirement system.

Last year was a tragic and tumultuous one for the nation. Domestic stock and corporate profit returns were weak before September 11, but the terrorist attacks sent shock waves throughout the world. Stock trading was suspended for four days due to the attacks, and the U.S. stock market declined sharply immediately thereafter. Despite a broad-based stock rally in the fourth quarter, major U.S. stock indices suffered significant losses for the second consecutive year. However, the Federal Reserve's concerted efforts to stimulate the fragile economy enabled all domestic bond sectors to end 2001 with positive returns. Negative returns in the Standard & Poor's 500 Index (11.9 percent) and the PERA fund (7.7 percent) reflected the year's volatile political and economic events.

Although the Colorado PERA Board did not initiate major legislation, the past year was an eventful one. In accordance with Senate Bill 01-149, a comprehensive study of Colorado PERA's benefits based on defined benefit (DB) and defined contribution (DC) retirement plan designs was presented by the State Auditor to the Legislative Audit Committee on December 4, 2001. The study, which was performed by Buck Consultants, concluded the following:

- Colorado PERA is well-funded and provides competitive benefits at a lower cost compared to other public and private employers surveyed. There are no significant weaknesses in the PERA program.

- Colorado PERA provides better than average benefits to both young and old members, and a high degree of portability not found in other systems with such strong DB plan benefits due to the service credit purchase, MatchMaker, and refund features.

While gratified by these findings, the Colorado PERA Board recognizes that new challenges lie ahead. Careful consideration will be given to the alternative plan design options suggested in Buck Consultants' report as the Board continues PERA's 70–year history of innovative benefit enhancements.

In other developments, the new PERACare statewide health care program to active employees, retirees, and dependents of PERA-affiliated employers became operational on January 1, 2001.

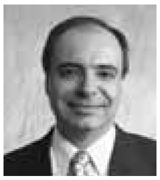
In closing, on behalf of the Colorado PERA Board, I extend appreciation for your continued support and interest in PERA. Our commitment as trustees of the PERA plan to provide competitive benefits while ensuring the integrity of the PERA fund remains strong.

Sincerely,

J. Kim Natale
Chair, Board of Trustees

Board of Trustees

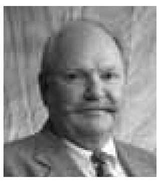
By state law, the management of the public employees' retirement fund is vested in the Board of Trustees of the Public Employees' Retirement Association of Colorado. The Board is composed of 16 members, including the State Auditor and the State Treasurer as ex-officio members. The 14 representative members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


J. Kim Natale

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


James Casebolt

Vice Chair of the Board
Member since 1999
Elected by judges
Judge, Colorado Court of Appeals
Current term expires June 30, 2003


Mark J. Anderson

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


Terry L. Campbell

Member since 2000
Elected by state employees
Colorado State Patrol Sergeant
Current term expires June 30, 2004


Patricia K. Kelly

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


Dave Barba

Ex-officio member since November 1995
State Auditor
Deceased


Michael H. Coffman

Ex-officio member since January 1999
State Treasurer
Continuous term


Richard Lansford

Member since 1997
Elected by retirees (held School Division seat from 1990–1993)
Retired Teacher
Current term expires June 30, 2005


Barbara Betzler

Member since 2000
Elected by school employees
Human Resources Director, Academy School District #20
Term expired June 30, 2001


Julie A. Coleman

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


Amy L. Nichols

Member since 2000
Elected by school employees
Math Teacher, Aurora Public Schools
Current term expires June 30, 2004


Edward W. Bohac

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


Gordon P. East

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


Scott L. Noller

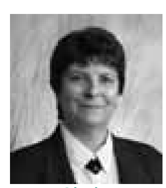
Member since 2001
Elected by school employees
Business Teacher, Colorado Springs School District #11
Current term expires June 30, 2005


Donna J. Bottenberg

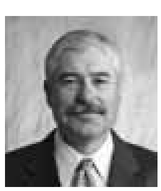
Member since 1993
Elected by state employees
Professor and Director of the Center for Professional Development, University of Northern Colorado
Current term expires June 30, 2002


Joanne Hill

Ex-officio member since November 2001
State Auditor
Continuous term


Gloria Santistevan-Feeback

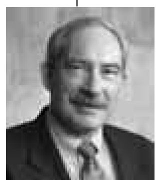
Member since 1996
Elected by school employees
Math Teacher, Pueblo School District #60
Current term expires June 30, 2005


L. Gary Kasson

Member since 2000
Elected by state employees
Police Officer, Auraria Higher Education Center
Current term expires June 30, 2005

Administrative Organizational Chart*

Board of Trustees

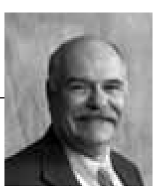


Meredith Williams
Executive Director

Steven Brown
Deputy
Executive Director
Support Services

Karl Greve
Accounting
Director/Controller

Patricia Bell
Human Resources
Director



Mike Miller
Information Systems
Director

Dennis Fischer
Property
Management and
Fleet Services
Director

Donna Trujillo
Operations Support
Director

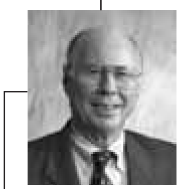
Lana Calhoun
Deputy
Executive Director
Benefit Services

Rick Larson
Benefit Services
Director

Katie Kaufmanis
Communications
Director

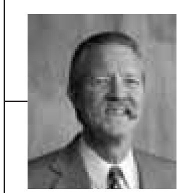
Anne Bandy
Customer Service
Director

Wendy Tenzyk
Insurance
Director



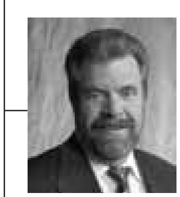
Norman Benedict
Deputy
Executive Director
Investments

Kevin Kester
Alternative
Investments
Director



Roger Young
Equities
Director

Jennifer Paquette
Fixed Income
Director

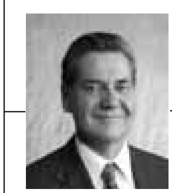


Daryl Roberts
Investment
Operations
Director

Jim Lavan
Real Estate
Director

Gregory W. Smith
General Counsel

Rob Gray
Government
Relations
Director



John Spielman
Internal Audit
Director

David Maurek
Manager of
Strategy and
Innovation

* *As of May 31, 2002*

Consultants

Health Care Program Consultants
Leif Associates, Inc.
1515 Arapahoe St.
Tower 1, Suite 410
Denver, CO 80202

Independent Accountants
Arthur Andersen LLP
1225 17th St., Suite 3100
Denver, CO 80202

Investments—Economists
Decision Economics, Inc.
530 5th Ave., 7th Floor
New York, NY 10036

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

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

Pension and Health Care Program Actuary
Gabriel, Roeder, Smith & Company
5605 N. MacArthur Blvd., Suite 870
Irving, TX 75038

Risk Management
Arthur Gallagher
7900 E. Union Ave., Suite 200
Denver, CO 80237

401(k) Consultant
William M. Mercer, Inc.
370 17th St., Suite 4000
Denver, CO 80203

401(k) Recordkeeper
ADP
1419 Lake Cook Rd.
Deerfield, IL 60015

Financial Section

"Colorado PERA offers a secure retirement program, especially when you compare it to other plans out there. It's good to know that there are other benefits to the program in addition to just retirement."

Danny Elder
Trooper Public Information Officer
Colorado State Patrol

Report of the Independent Accountants

ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements, consisting of the State and School Division Trust Fund, Municipal Division Trust Fund, Judicial Division Trust Fund (the "Defined Benefit Plans"), the Voluntary Investment Program, the Health Care Trust Fund and the Insurance Dividend Reserve, of the PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO ("PERA") as of December 31, 2001, and for the year then ended. These general-purpose financial statements and the schedules referred to below are the responsibility of PERA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of PERA as of December 31, 2001, and the changes in financial position for the year-then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis ("MD&A") on pages 22-25 and the supplementary information on pages 39-43 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and supplementary information. However, we did not audit and do not express an opinion on it.

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

Arthur Andersen LLP

Denver, Colorado
May 17, 2002.

Management's Discussion and Analysis

(In Thousands of Dollars)

Management is pleased to provide this overview and analysis of the financial activities of the Public Employees' Retirement Association of Colorado (PERA) for the year ended December 31, 2001. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal beginning on page 3 of this report.

Colorado PERA administers a total of six fiduciary funds, including three defined benefit pension trust funds: the State and School Division Trust Fund, the Municipal Division Trust Fund, and the Judicial Division Trust Fund. PERA also administers one defined contribution pension trust fund, the Voluntary Investment Program, a healthcare plan, the Health Care Trust Fund, and one agency fund, the Insurance Dividend Reserve.

Financial Highlights

- Plan net assets for all funds administered by Colorado PERA decreased $2,802,527 during the calendar year 2001. The decrease was primarily due to the adverse world equity market conditions.

State and School Division Trust Fund	($2,767,620)
Municipal Division Trust Fund	(138,602)
Judicial Division Trust Fund	(16,936)
401(k) Voluntary Investment Program	116,948
Health Care Trust Fund	3,683
Total decrease in plan net assets	**($2,802,527)**

- Investments for the three defined benefit plans, the Health Care Trust Fund and the Insurance Dividend Reserve are pooled. For the year ended December 31, 2001, the rate of return on the pooled investment assets was a negative 7.7 percent, which was less than the positive 0.2 percent for the year ended December 31, 2000. Adverse market conditions were the primary cause compared to the prior year. The net investment loss for all of the funds administered by PERA for the year ended December 31, 2001, was $2,504,505.

Net Investment Loss	
State and School Division Trust Fund	($2,287,062)
Municipal Division Trust Fund	(141,466)
Judicial Division Trust Fund	(13,089)
401(k) Voluntary Investment Program	(52,070)
Health Care Trust Fund	(10,818)
Total net investment loss	**($2,504,505)**

The Board of Trustees of PERA have the responsibility for the investment of PERA's funds with the following limitations: the aggregate amount of monies invested in corporate stocks and fixed income securities convertible into stock cannot exceed 65 percent of the then book value of the fund, no investment in common and/or preferred stock of any single corporation can exceed 5 percent of the then book value of the fund, and the fund cannot acquire more than 12 percent of the outstanding stocks or bonds of any single corporation. The Board of Trustees are fiduciaries of the plans and are responsible to carry out their investment functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits.

As of December 31, 2001, PERA had commitments for the future purchase of investments in alternative investments of $1,737,274, in real estate of $738,828, and in timber of $190,000.

- As of December 31, 2001, and 2000, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the funds is shown below:

	2001	2000
State and School Division Trust Fund	98.2%	104.7%
Municipal Division Trust Fund	104.3%	111.4%
Judicial Division Trust Fund	109.4%	120.2%
Health Care Trust Fund	17.7%	14.3%

PERA's funding objective is to meet long-term benefit promises through contributions and investment income. The funding ratio listed above gives an indication of how well this objective has been met to date. The higher the funding ratio indicates that the plan is better funded. As an example, for every dollar of the actuarially determined benefits due for the State and School Division Trust Fund approximately $0.98 of assets are available for payment.

The actuarial funding ratio for the three defined benefit plans was reduced because of investment losses, increased early retirements, and salary increases. The Health Care Trust Fund's increased contribution rate, even with investment losses, improved the funding status of this fund.

Management's Discussion and Analysis

(In Thousands of Dollars)

- With the fully funded status of the defined benefit plan at the end of year 2000 and the enactment of a new gainsharing legislation and employer match for the defined contribution plan, the employer contributions flowing into the three defined benefit plans decreased by $114,675. The Health Care Trust Fund saw its employer contributions increase by $22,973, primarily due to the gainsharing legislation. The gainsharing legislation specifies a formula in which any overfunding in the PERA retirement trust funds supports employer contribution reductions in all PERA Divisions, increased allocations to PERA's Health Care Trust Fund, and matching ("MatchMaker") contributions to members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans.
- The 401(k) Voluntary Investment Program saw its total contributions increase from $102,849 in 2000 to $223,038. The increase was caused by the employer match program, a $57,318 increase in employer matches, and an 83.8 percent increase in membership participation. With the increase in membership the administrative expenses increased by 60.5 percent.
- PERA began sponsoring a program (PERACare) to offer health care coverage to active members. With this program, PERA affiliated employers can provide health care coverage to their employees by joining the PERACare program. As of December 31, 2001, 13 employers were in the program with 501 active members.

Overview of the Financial Statements

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

Fund financial statements. There are two financial statements presented for the fiduciary funds. The Statement of Fiduciary Net Assets as of December 31, 2001, indicates the net assets available to pay future payments and gives a snapshot at a particular point in time. The Statement of Changes in Fiduciary Net Assets for the year ended December 31, 2001, provides a view of the current year's additions and deductions to the individual funds.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 30–38 of this report.

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

Other supplementary schedules. The additional schedules (Schedule of Administrative Expenses, Schedule of Investment Expenses, and Statement of Changes in Assets and Liabilities—Insurance Dividend Reserve) are presented for the purpose of additional analysis.

Comparative Financial Statements

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

Defined Benefit Pension Trust Funds Net Assets

	Dec. 31, 2001	Dec. 31, 2000	% Change
Assets			
Cash and short-term investments	$618,234	$998,477	(38.1)%
Securities lending collateral	2,433,428	2,549,732	(4.6)%
Receivables	217,890	194,294	12.1%
Investments, at fair value	26,468,660	29,156,924	(9.2)%
Capital assets, net of accumulated depreciation	21,469	20,997	2.2%
Total assets	29,759,681	32,920,424	(9.6)%
Liabilities			
Security lending obligations	2,433,428	2,549,732	(4.6)%
Investment and other liabilities	78,270	199,551	(60.8)%
Total liabilities	2,511,698	2,749,283	(8.6)%
Net assets available for benefits	$27,247,983	$30,171,141	(9.7)%

Management's Discussion and Analysis

(In Thousands of Dollars)

Defined Benefit Pension Trust Funds Changes in Net Assets

	Dec. 31, 2001	Dec. 31, 2000	% Change
Additions			
Employer contributions	$340,721	$455,396	(25.2)%
Member contributions	403,225	374,062	7.8%
Purchased service	127,383	101,433	25.6%
Investment income (loss)	(2,441,617)	(33,151)	7265.1%
Total additions	(1,570,288)	897,740	(274.9)%
Deductions			
Benefit payments	1,228,730	1,093,779	12.3%
Refunds	101,825	138,715	(26.6)%
Disability insurance premiums	3,527	5,265	(33.0)%
Administrative expenses	17,819	16,604	7.3%
Other	969	712	36.1%
Total deductions	1,352,870	1,255,075	7.8%
Changes in net assets available for benefits	($2,923,158)	($357,335)	718.0%

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

401(k) Voluntary Investment Program Net Assets

	Dec. 31, 2001	Dec. 31, 2000	% Change
Assets			
Cash and short-term investments	$73,598	$28,239	160.6%
Receivables	31,954	28,208	13.3%
Investments, at fair value	578,384	508,083	13.8%
Total assets	683,936	564,530	21.2%
Liabilities			
Investment and other liabilities	9,318	6,860	35.8%
Total liabilities	9,318	6,860	35.8%
Net assets available for benefits	$674,618	$557,670	21.0%

401(k) Voluntary Investment Program Changes in Net Assets

	Dec. 31, 2001	Dec. 31, 2000	% Change
Additions			
Employer contributions	$58,037	$719	7971.9%
Member contributions	165,001	102,130	61.6%
Investment income (loss)	(52,070)	(13,139)	296.3%
Total additions	170,968	89,710	90.6%
Deductions			
Refunds	52,909	45,678	15.8%
Administrative expenses	2,946	1,835	60.5%
Other	(1,835)	(1,358)	35.1%
Total deductions	54,020	46,155	17.0%
Changes in net assets available for benefits	$116,948	$43,555	168.5%

Management's Discussion and Analysis

(In Thousands of Dollars)

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

Health Care Trust Fund Net Assets

	Dec. 31, 2001	Dec. 31, 2000	% Change
Assets			
Cash and short-term investments	$3,051	$4,245	(28.1)%
Securities lending collateral	12,009	10,840	10.8%
Receivables	11,245	7,672	46.6%
Investments, at fair value	130,630	123,958	5.4%
Total assets	156,935	146,715	7.0%
Liabilities			
Security lending obligations	12,009	10,840	10.8%
Investment and other liabilities	19,063	13,695	39.2%
Total liabilities	31,072	24,535	26.6%
Net assets available for benefits	$125,863	$122,180	3.0%

Health Care Trust Fund Changes in Net Assets

	Dec. 31, 2001	Dec. 31, 2000	% Change
Additions			
Employer contributions	$74,324	$51,351	44.7%
Retiree health care premium payments	43,960	28,751	52.9%
Investment income (loss)	(10,818)	(94)	11408.5%
Total additions	107,466	80,008	34.3%
Deductions			
Benefit payments	103,472	77,332	33.8%
Administrative expenses	679	1,134	(40.1)%
Other	(368)	0	—
Total deductions	103,783	78,466	32.3%
Changes in net assets available for benefits	$3,683	$1,542	138.8%

Statement of Fiduciary Net Assets

As of December 31, 2001, with Comparative Totals for 2000
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans
Assets				
Cash and short-term investments				
Cash and short-term investments	$578,619	$36,319	$ 3,296	$ 618,234
Securities lending collateral	2,277,498	142,957	12,973	2,433,428
Total cash and short-term investments	2,856,117	179,276	16,269	3,051,662
Receivables				
Benefit	81,797	6,595	755	89,147
Interfund	0	0	0	0
Investment settlements and income	120,493	7,564	686	128,743
Total receivables	202,290	14,159	1,441	217,890
Investments, at fair value:				
U.S. government obligations	1,188,234	74,585	6,768	1,269,587
Domestic corporate bonds	800,965	50,276	4,562	855,803
Domestic stocks	13,375,330	839,560	76,187	14,291,077
International stocks	3,320,913	208,451	18,916	3,548,280
International fixed income	636,911	39,978	3,628	680,517
Real estate equity	2,292,328	143,888	13,057	2,449,273
Real estate debt	218,963	13,744	1,247	233,954
Alternative investments	2,703,333	169,686	15,399	2,888,418
Timber investments	235,619	14,790	1,342	251,751
Total investments, at fair value	24,772,596	1,554,958	141,106	26,468,660
Capital assets, at cost, net of accumulated depreciation of $15,537 and $14,253 at December 31, 2001, and 2000, respectively	19,840	1,593	36	21,469
Total assets	27,850,843	1,749,986	158,852	29,759,681
Liabilities				
Investment settlements and other	68,961	4,554	582	74,097
Security lending obligations	2,277,498	142,957	12,973	2,433,428
Interfund	3,480	623	70	4,173
Total liabilities	2,349,939	148,134	13,625	2,511,698
Commitments and contingencies (Note 6)				
Net assets held in trust for pension plan benefits and postemployment healthcare plan benefits	**$25,500,904**	**$1,601,852**	**$ 145,227**	**$ 27,247,983**
Net assets held in trust for:				
Defined contribution pension plan benefits	$0	$0	$0	$0
Postemployment healthcare plan benefits[1]	0	0	0	0
Defined benefit pension plan benefits[1]	25,500,904	1,601,852	**145,227**	**27,247,983**
Net assets held in trust for pension plan benefits and postemployment healthcare plan benefits	**$25,500,904**	**$1,601,852**	**$ 145,227**	**$ 27,247,983**

[1] (A schedule of funding progress is presented for each plan on page 39.)

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

Statement of Fiduciary Net Assets

As of December 31, 2001, with Comparative Totals for 2000
(In Thousands of Dollars)

401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Insurance Dividend Reserve (Agency Fund)	Totals (Memorandum Only) 2001	2000
$ 73,598	$ 691,832	$ 3,051	$ 399	$ 695,282	$ 1,031,684
0	2,433,428	12,009	1,570	2,447,007	2,562,419
73,598	3,125,260	15,060	1,969	3,142,289	3,594,103
31,071	120,218	4,081	584	124,883	107,531
0	0	6,529	0	6,529	10,157
883	129,626	635	83	130,344	112,653
31,954	249,844	11,245	667	261,756	230,341
0	1,269,587	6,266	819	1,276,672	1,402,980
100,210	956,013	4,224	552	960,789	762,249
454,934	14,746,011	70,530	9,218	14,825,759	16,557,239
23,240	3,571,520	17,512	2,289	3,591,321	4,227,237
0	680,517	3,358	439	684,314	666,208
0	2,449,273	12,088	1,580	2,462,941	2,312,205
0	233,954	1,155	151	235,260	216,961
0	2,888,418	14,255	1,863	2,904,536	3,394,776
0	251,751	1,242	162	253,155	270,232
578,384	27,047,044	130,630	17,073	27,194,747	29,810,087
0	21,469	0	0	21,469	20,997
683,936	30,443,617	156,935	19,709	30,620,261	33,655,528
6,962	81,059	19,063	18,139	118,261	231,961
0	2,433,428	12,009	1,570	2,447,007	2,562,419
2,356	6,529	0	0	6,529	10,157
9,318	2,521,016	31,072	19,709	2,571,797	2,804,537
$ 674,618	**$ 27,922,601**	**$ 125,863**	**$ 0**	**$ 28,048,464**	**$30,850,991**
$674,618	$674,618	$0	$0	$674,618	$557,670
0	0	125,863	0	125,863	122,180
0	27,247,983	0	0	27,247,983	30,171,141
$ 674,618	**$ 27,922,601**	**$ 125,863**	**$ 0**	**$ 28,048,464**	**$30,850,991**

Statement of Changes in Fiduciary Net Assets

For the Year Ended December 31, 2001, with Comparative Combined Totals for 2000
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans
Contributions				
Employers	$314,649	$25,435	$637	$340,721
Members	368,968	32,451	1,806	403,225
Purchased service	119,719	6,916	748	127,383
Retiree health care premiums	0	0	0	0
Total contributions	803,336	64,802	3,191	871,329
Investment income (loss)				
Net depreciation in fair value of investments	(2,812,366)	(173,917)	(16,090)	(3,002,373)
Interest	224,457	13,866	1,282	239,605
Dividends	234,646	14,496	1,340	250,482
Real estate net operating income	131,703	8,136	753	140,592
Less investment expense	(75,071)	(4,638)	(429)	(80,138)
Net income (loss) from investing activities	(2,296,631)	(142,057)	(13,144)	(2,451,832)
Securities lending income	99,535	6,149	569	106,253
Less securities lending borrower rebates	(86,902)	(5,369)	(496)	(92,767)
Less securities lending agent fees	(3,064)	(189)	(18)	(3,271)
Net income from securities lending	9,569	591	55	10,215
Net investment income (loss)	(2,287,062)	(141,466)	(13,089)	(2,441,617)
Total additions	(1,483,726)	(76,664)	(9,898)	(1,570,288)
Deductions				
Benefits				
Benefits paid to retirees/cobeneficiaries	1,153,060	48,836	6,126	1,208,022
Benefits paid to survivors	18,936	1,458	314	20,708
Benefits paid to health care participants	0	0	0	0
Total benefits	1,171,996	50,294	6,440	1,228,730
Refunds of contribution accounts, including match and interest	90,898	10,645	282	101,825
Disability and life insurance premiums	3,228	283	16	3,527
Administrative expenses	16,363	1,437	19	17,819
Other	1,409	(721)	281	969
Total deductions	1,283,894	61,938	7,038	1,352,870
Net increase (decrease) in assets available	(2,767,620)	(138,602)	(16,936)	(2,923,158)
Net assets available for pension and postemployment healthcare benefits				
Beginning of year	28,268,524	1,740,454	162,163	30,171,141
End of year	**$25,500,904**	**$1,601,852**	**$145,227**	**$27,247,983**

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

Statement of Changes in Fiduciary Net Assets

For the Year Ended December 31, 2001, with Comparative Combined Totals for 2000
(In Thousands of Dollars)

401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Combined Totals (Memorandum Only) 2001	2000
$58,037	$398,758	$74,324	**$473,082**	$507,466
165,001	568,226	0	**568,226**	476,192
0	127,383	0	**127,383**	101,433
0	0	43,960	**43,960**	28,751
223,038	1,094,367	118,284	**1,212,651**	1,113,842
(65,000)	(3,067,373)	(13,277)	**(3,080,650)**	(632,666)
5,133	244,738	1,051	**245,789**	280,018
7,723	258,205	1,098	**259,303**	274,208
0	140,592	616	**141,208**	113,571
0	(80,138)	(351)	**(80,489)**	(93,241)
(52,144)	(2,503,976)	(10,863)	**(2,514,839)**	(58,110)
1,314	107,567	466	**108,033**	172,139
(1,215)	(93,982)	(407)	**(94,389)**	(155,655)
(25)	(3,296)	(14)	**(3,310)**	(4,758)
74	10,289	45	**10,334**	11,726
(52,070)	(2,493,687)	(10,818)	**(2,504,505)**	(46,384)
170,968	(1,399,320)	107,466	**(1,291,854)**	1,067,458
0	1,208,022	0	**1,208,022**	1,073,845
0	20,708	0	**20,708**	19,934
0	0	103,472	**103,472**	77,332
0	1,228,730	103,472	**1,332,202**	1,171,111
52,909	154,734	0	**154,734**	184,393
0	3,527	0	**3,527**	5,265
2,946	20,765	679	**21,444**	19,573
(1,835)	(866)	(368)	**(1,234)**	(646)
54,020	1,406,890	103,783	**1,510,673**	1,379,696
116,948	(2,806,210)	3,683	**(2,802,527)**	(312,238)
557,670	30,728,811	122,180	**30,850,991**	31,163,229
$674,618	**$27,922,601**	**$125,863**	**$28,048,464**	**$30,850,991**

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

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

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

	As of December 31	
	2001	**2000**
State and School	272	268
Municipal	107	105
Judicial	6	6
Total employers	**385**	**379**

Membership

Division Trust Funds—Defined Benefit Pension Plans

Benefit recipients and members of Colorado PERA consisted of the following as of December 31, 2001, and 2000:

				Totals	
	State and School	**Municipal**	**Judicial**	**2001**	**2000**
Retirees and beneficiaries currently receiving benefits	54,851	2,788	221	57,860	55,147
Terminated members entitled to benefits, but not yet receiving them	9,643	693	15	10,351	9,321
Non-vested inactive members	75,606	7,920	2	83,528	76,677
Active members:					
Vested					
General employees	76,538	5,526	212	82,276	82,474
State troopers	506	0	0	506	506
Non-vested					
General employees	80,040	6,694	54	86,788	78,896
State troopers	263	0	0	263	230
Total active members	157,347	12,220	266	169,833	162,106
Totals	**297,447**	**23,621**	**504**	**321,572**	**303,251**

Voluntary Investment Program

See Note 7.

Health Care Trust Fund

See Note 8.

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

Service Retirement Benefits

Minimum Service Credit	Minimum Age
30 Years	50
Age and Service = 80 years or more	55
5 Years	65
60 months on payroll	65

Reduced Service Retirement Benefits

Minimum Service Credit	Minimum Age
25 Years	50
20 Years	55
5 Years	60

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

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

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

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

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

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

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

Retirement and survivor benefits are increased 3.5 percent, compounded annually, each March. The first annual increase occurs in the March that immediately follows the calendar year in which the member retired. If the member has not been retired for a full year, the benefit is increased proportionately.

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

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

Interest credited to member contribution accounts is set at 80 percent of PERA's actuarial investment assumption rate. For 2001, the actuarial investment assumption rate was 8.75 percent and the member interest rate was 80 percent of that, or 7.0 percent.

Notes to the Financial Statements

(In Thousands of Dollars)

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

In the 2001 calendar year, the PERA "MatchMaker" program provides an employer match on members' voluntary contributions to tax-deferred defined contribution (DC) plans. The MatchMaker program, which was initiated by the PERA Board of Trustees and authorized in Senate Bill 99-90, is contingent on any overfunding in the PERA retirement trust funds. The legislation allows PERA to direct PERA-affiliated employers to reduce a portion of their employer contributions normally sent to PERA to match members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans. The amount of the maximum contribution match may change from year-to-year, and if PERA is not fully funded, matching dollars may not be paid in the following year.

The match set by the Board for the 2001 calendar year was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 3 percent of PERA-includable salary for State and School Division members, 2 percent of salary for Municipal Division members, and 7 percent of PERA-includable salary for Judicial Division members.

Voluntary Investment Program
See Note 7.
Health Care Trust Fund
See Note 8.

Insurance Dividend Reserve

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

Federal Income Tax Status

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

Termination of Colorado 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 financial statements of Colorado PERA and has the ability to influence operations. The Board's responsibilities include designation of management, membership eligibility, investment of funds, and accountability for fiscal matters.

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

New Accounting Pronouncement

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments* (GASB 34) and in June 2001 the GASB issued Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus,* which amended certain provisions of GASB 34. Although not required to implement GASB 34 until calendar year 2003, PERA elected to early adopt the new pronouncement, as amended, for the year ended December 31, 2001. GASB 34 had no monetary impact on the financial statements of PERA, but does require additional disclosure. As a result of the adoption of GASB 34, the Management's Discussion and Analysis has been included as required supplementary information and precedes the financial statements.

Basis of Presentation

The accompanying financial statements are prepared in accordance with the GASB Statements numbers 25, 26, and 34, as well as generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

Basis of Accounting

The accompanying financial statements for the pension trust funds, and the healthcare plan are prepared using the economic resources measurement focus and the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member. Benefits and refunds are recognized when due and payable. The agency fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Fund Accounting

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

The Division Trust Funds, the HCTF, and the IDR pool their investments into a combined investment portfolio. Investment value and earnings of the investment pool are allocated among the funds based on each fund's percentage ownership. As of December 31, 2001, and 2000, the ownership percentages of each fund were as follows:

	Ownership Percentage as of December 31	
	2001	2000
State and School	93.08%	93.24%
Municipal	5.84	5.74
Judicial	0.53	0.53
HCTF	0.49	0.42
IDR	0.06	0.07
Total	100.00%	100.00%

Notes to the Financial Statements
(In Thousands of Dollars)

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

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

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

NOTE 3—CONTRIBUTIONS

Division Trust Funds—Defined Benefit Pension Plans

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

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

PERA-affiliated employers also contribute a percentage of payroll. The contribution rates for the combined retirement benefits and health care benefits from January 1, 2001, through December 31, 2001, were as follows:

Employer Contributions as a Percent of Members' Salaries
January 1, 2001, through June 30, 2001

Division	Membership	Contributions
State and School	All members *(except State Troopers)*	10.4%
State and School	State Troopers	13.1%
Municipal	All members	9.43%
Judicial	All members	14.0%

Employer Contributions as a Percent of Members' Salaries
July 1, 2001, through December 31, 2001

Division	Membership	Contributions
State and School	All members *(except State Troopers)*	9.9%
State and School	State Troopers	12.6%
Municipal	All members	9.43%
Judicial	All members	11.82%

PERA affiliated employers forward the contributions to PERA after any employer matches as defined by the PERA MatchMaker Program have been deducted. These contributions are deposited, less the portion of contributions for health care benefits, which are transferred to the HCTF, in a trust fund established for each Division for the purpose of creating actuarial reserves for future benefits.

Voluntary Investment Program
See Note 7.
Health Care Trust Fund
See Note 8.

NOTE 4—INVESTMENTS

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

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

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

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

Notes to the Financial Statements
(In Thousands of Dollars)

Cash

The table to the right presents the Colorado PERA combined total deposits and money market funds as of December 31, 2001.

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, 2001, on the Statement of Fiduciary Net Assets includes short-term fixed income and real estate debt investments of $87,233 and deposit and money market funds of $608,049 for a total of $695,282. PERA considers fixed income and mortgage investments purchased with a maturity of 12 months or less to be short-term investments.

	Carrying Value	Bank Balance
Deposits with banks (fully insured by federal depository insurance)	$7,664	$24,286
Deposits held at bank (fully collateralized by underlying securities, held by PERA's agent in PERA's name)	26,515	26,515
Money market funds held at bank (fully collateralized by underlying securities, held by PERA's agent in PERA's name)	573,870	573,870
Total deposits and money market funds	**$608,049**	**$624,671**

Other Investments

The table to the right presents the combined Colorado PERA total investments held at December 31, 2001, categorized to give an indication of the level of risk assumed by PERA. The categories are:

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

Investments not evidenced by securities are not categorized.

Short-term domestic fixed income of $41,479, short-term international fixed-income of $5,604, short-term commercial paper of $18,567, and short-term real estate debt of $21,583 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.

Investments—Category 1 (held by PERA's agent in PERA's name)	**Carrying Amount (Fair Value)**
U.S. government obligations	$921,143
Domestic corporate bonds	788,060
Domestic stocks	13,369,865
International stocks	2,937,697
International fixed income	558,713
Short-term domestic fixed income	41,479
Short-term international fixed income	5,604
Short-term commercial paper	18,567
Total investments—category 1	18,641,128
Investments—Not categorized	
Investments held by broker-dealers under securities loans with cash collateral	
U.S. government obligations	226,586
Domestic corporate bonds	169,901
Domestic stocks	1,422,153
International stocks	411,302
International fixed income	124,168
Subtotal	2,354,110
Investments held by broker-dealers under securities loans with pooled non-cash collateral	
U.S. government obligations	128,943
Domestic corporate bonds	2,828
Domestic stocks	33,741
International stocks	242,322
International fixed income	1,433
Subtotal	409,267
Securities lending short-term collateral investment pool	2,447,007
Short-term real estate debt	21,583
Real estate equity	2,462,941
Real estate debt	235,260
Alternative investments	2,904,536
Timber	253,155
Total investments—not categorized	11,087,859
Total investments	**$29,728,987**

Notes to the Financial Statements
(In Thousands of Dollars)

Securities Lending Transactions

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

As of December 31, 2001, PERA had no credit risk exposure to borrowers because the amounts PERA owes the borrowers exceed the amounts the borrowers owe PERA. The contract with PERA's custodian provides that the custodian will indemnify PERA if there has been a bankruptcy filing by the borrower and if the custodian is unable to recover loaned securities due to the custodian's inability to comply with the contract. PERA had no losses on securities lending transactions resulting from the default of a borrower or the lending agent for the year ended December 31, 2001.

All security loans can be terminated on demand by either PERA or the borrower. The weighted average loan life of overall loans was 36.7 days in December 2001. Cash collateral is invested in a custom collateral account made up of a combination of The Northern Trust Company's Collective Short-Term Extendible Portfolio (49.3 percent), The Northern Trust Company's Short-Term Advantage Fund (3.8 percent), and The Northern Trust Company's Global Core Collateral Section (46.9 percent). The weighted average maturities of these funds as of December 31, 2001, were 32, 180, and 24 days, respectively. Withdrawals are managed daily by The Northern Trust Company. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. PERA cannot pledge or sell non-cash collateral unless the borrower defaults.

As of December 31, 2001, the fair value of lent securities was $2,763,377. The fair value of associated collateral was $2,878,813. Of this amount, $2,447,007 represents the fair value of cash collateral and $431,806 represents the fair value of the non-cash collateral. Non-cash collateral, which PERA does not have the ability to pledge or sell unless the borrower defaults, is not reported in the balance sheet. PERA's income net of expenses from securities lending was $10,334 for the year ended December 31, 2001. As of December 31, 2000, the fair value of lent securities was $2,685,592. The fair value of associated collateral was $2,794,598. Of this amount, $2,562,419 represents the fair value of cash collateral and $232,179 represents the fair value of the non-cash collateral. PERA's income net of expenses from securities lending was $11,726 for the year ended December 31, 2000.

The following table represents the balances relating to the securities lending transactions as of December 31, 2001, and December 31, 2000.

Securities Lent	Carrying Amount (Fair Value) of Underlying Securities December 31, 2001	Carrying Amount (Fair Value) of Underlying Securities December 31, 2000
U.S. government obligations	$355,529	$486,780
Domestic corporate bonds	172,729	137,155
Domestic stocks	1,455,894	1,309,572
International stocks	653,624	672,508
International fixed income	125,601	47,876
Short-term U.S. government obligations	0	31,701
Total	**$2,763,377**	**$2,685,592**

Notes to the Financial Statements
(In Thousands of Dollars)

Alternative Investments
The following table presents the categories of investments within the alternative investment asset class at December 31, 2001.

	Fair Value at December 31, 2001
Leveraged buyout funds	$1,609,233
Venture capital	589,059
International private equity funds	706,244
Total alternative investments	$2,904,536

NOTE 5—FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

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

PERA had written covered call options on 66 companies' securities as of December 31, 2001. Premiums received on the sales of these options were $83,258 and the fair value on the options as of December 31, 2001, was ($82,246).

Currency Option
Colorado PERA purchased a European-style currency call option on a notional $50,000 worth of Japanese yen (JPY). A European-style option means that exercise of the option can only be done at expiration, in this case July 28, 2004. The exercise price is JPY 125. This transaction was traded over-the-counter and was entered into to protect against the currency rate fluctuation of an investment denominated in Korean won. There has been a high correlation of foreign exchange movement between the Korean won and the Japanese yen and a highly liquid market for USD/JPY call options. This contract carries market risk due to adverse fluctuations in the foreign exchange rate of the Japanese yen in relation to the exercise price. Prior to expiration of this contract, PERA records the fair value of this contract in U.S. dollars. At December 31, 2001 the fair value of the contract was $2,549.

Forward Foreign Exchange Contracts
A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. No losses occurred in 2001. Forwards are usually traded over-the-counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, Colorado PERA records the unrealized currency translation gain or loss based on the applicable forward exchange rates.

At December 31, 2001, PERA had outstanding forward foreign exchange contracts to purchase foreign currencies with a fair value of $683,340 and outstanding contracts to sell foreign currencies with a fair value of ($684,119).

Interest Rate Swaps
Interest rate swaps represent an agreement between counterparties to exchange interest cash flows by reference to specified indexes on a notional principal amount for a specified period. Colorado PERA entered into three interest rate swaps during 2001, for varying terms. The counterparties exchanged the United States Dollar-London Interbank Offered Rate (LIBOR)-BBA against custom indexes. At the designated maturity date one of the counterparties is obligated to make a net cash payment per the terms of the contract. The net settlement will be recognized at maturity. PERA entered into these contracts to get exposure to the high yield bond market.

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

The fair value of these contracts was $1,472 as of December 31, 2001.

The financial instruments discussed above involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amount recognized in the Statement of Fiduciary Net Assets. Market risk arises from the potential unfavorable change in the value of the underlying instruments. The following contract or notional amounts of these instruments reflect the extent of PERA's involvement in each class of financial instrument as of December 31, 2001. The contract or notional amounts do not represent the exposure to market loss.

Notes to the Financial Statements
(In Thousands of Dollars)

Contracts	Description	Contract or Notional Value
117,550	Covered call options written (domestic)	$632,387
1	Currency call option	50,000
73	Long forward foreign exchange contracts	687,903
73	Short forward foreign exchange contracts	(687,903)
3	Interest rate swap	$55,000

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

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

As of December 31, 2001, the fair value of government mortgage-backed securities was $715,284 and the fair value of asset-backed securities was $69,808. The fair value of CMOs as of December 31, 2001, was $170,515.

NOTE 6—COMMITMENTS AND CONTINGENCIES

As of December 31, 2001, Colorado PERA had commitments for the future purchase of investments in alternative investments of $1,737,274, in real estate of $738,828 and in timber of $190,000.

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

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

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

Members may contribute up to 23 percent of covered salary, to a maximum of $10,500 (actual dollars) for 2001; employer contributions are allowable in the plan. In the 2001 calendar year, the PERA "MatchMaker" Program, as described in Note 1, significantly increased the employer contributions received by the Voluntary Investment Plan. The contribution requirements for the program are established under C.R.S. § 24-51-1402. At December 31, 2001, there were 64,632 participants with account balances.

Members of the Voluntary Investment Program are allowed to change their contribution amounts, transfer account balances among eleven investment funds, or change the contribution percentages designated to each fund on a daily basis. The eleven investment funds are: Northern Trust Short Term Fund, PIMCO Low Duration Fund, PIMCO Total Return Fund, Dodge & Cox Balanced Fund, PERA Growth and Income Stock Fund, Vanguard S&P 500 Index Fund, Janus Fund, Fidelity Contrafund, Morgan Stanley Institutional Mid Cap Value Fund, Janus Enterprise Fund, and EuroPacific Growth Fund. Members may access their funds through loans, in-service withdrawals, and distributions as allowed under the Internal Revenue Code. Plan provisions are established or are authorized to be established by the PERA Board of Trustees under Title 24, Article 51, Part 14 of the C.R.S.

Significant Accounting Policies—401(k) Voluntary Investment Program

Basis of Accounting
The Voluntary Investment Program financial statements are prepared using the accrual basis of accounting. Employer and member contributions are recognized as revenues in the period in which the employer pays compensation to the member.

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

Investment Concentrations
The following investments of the Voluntary Investment Program represent 5 or more percent of the total plan net assets at December 31, 2001.

Pacific Investment Management Company (PIMCO) Total Return Fund	$45,582
Dodge & Cox Balanced Fund	93,632
Fidelity Contrafund	111,466
PERA Growth & Income Stock Fund (Managed by PERA Staff)	$227,645

Notes to the Financial Statements
(In Thousands of Dollars)

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

Plan Description and Benefit Provisions

The Health Care Trust Fund (HCTF) provides a health care premium subsidy to participating Colorado 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. The maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is for benefit recipients whose retirement benefits are based on 20 years or more of service credit. For those with less service credit, the subsidy is reduced by 5 percent for each year under 20 years. The benefit recipient pays the remaining portion of the premium if the subsidy does not cover the entire amount.

For PERA benefit recipients and their eligible beneficiaries, the HCTF offers two general types of health plans. The health maintenance organization (HMO) plans the HCTF uses are insured through third party vendors. The Mutual of Omaha health care plans and the Caremark Prescription Drug Program are self-insured plans.

In 2001, the HCTF began sponsoring a program to offer health care coverage to active members. With this Program, PERA employers can provide health care coverage to their employees by joining the PERA Program. PERA acts as a purchaser of private insurance to obtain economies of scale for the employers that elect to join in the joint purchasing arrangement. The insurance companies who provide coverage through the Program rate all employers with less than 250 employees together in one category. For employers with more than 250 employees, each employer will be risk rated individually by the insurance companies and receive their own premium rates. In both cases, there is no pooling or transfer of risk to the HCTF or between the participating employers. The insurance companies providing the benefits bear the risk for the plan. The employers and/or participants pay the premiums for the coverage. As of December 31,2001, the HCTF had 13 employers in the program with 501 active members. Each of these employers had fewer than 250 employees.

Additionally in 2001, the HCTF began to offer dental and vision plans to participants. The risk is born by the insurance companies that are contracted with to provide the coverage. The participants pay the premiums for the coverage. There is no subsidy provided for the dental and vision plans.

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

Membership

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

- Any PERA benefit recipient.
- Guardians of children receiving PERA survivor benefits if children are enrolled in the Program.
- Retirees temporarily not receiving PERA benefits.
- Surviving spouses of deceased retirees who are not receiving PERA benefits, but were enrolled in the Program when death occurred.
- Divorced spouses of retirees who are not receiving PERA benefits, but were enrolled in the Program when the divorce occurred.

As of December 31, 2001, the Program had 34,235 enrollees of whom 10,798 were under 65 and 23,437 who were 65 or older.

Contributions

The HCTF is funded by affiliated employer contributions for all Colorado PERA members equal to 1.42 percent of covered salaries in the State and School Division, 1.96 percent of covered salaries in the Municipal Division, and 4.37 percent of covered salaries in the Judicial Division. The contribution requirements for the affiliated employers are established under C.R.S. § 24-51-208.

NOTE 9—SUBSEQUENT EVENTS

During the 2000 legislative session, House Bill (HB) 00-1458 was passed by the Legislature and signed by the Governor. The features of HB 1458 which will be implemented after the year 2001 include:

- The employer contribution rate will be reduced by twenty percent of the ten-year amortization of any overfunding in each Division. Beginning January 1, 2002, the employer contribution rate in the Municipal Division fell from 9.43 percent to 9.19 percent of salary. Beginning with July 1, 2002, the employer contribution rate in the State and School Division for non-troopers will rise from 9.90 percent to 10.04 percent, for troopers it will rise from 12.60 percent to 12.74 percent, and in the Judicial Division the rate will remain at 11.82 percent.
- Once a Division's trust fund becomes fully funded, 30 percent of the ten–year amortization of the overfunding will be allocated to the Colorado PERA Health Care Trust Fund. Beginning with January 1, 2002, the employer contribution for the HCTF increases from 1.42 percent to 1.64 percent of salary in the State and School Division, from 1.96 percent to 2.31 percent in the Municipal Division, and remains 4.37 percent in the Judicial Division.

Governor Owens signed Senate Bill 01-149 on June 1, 2001. This bill allows district attorneys, who are elected officials, to join the State Defined Contribution Plan in lieu of PERA effective January 1, 2002.

Required Supplementary Information

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

State and School Division Trust Fund	2001	2000	1999	1998	1997
Actuarial value of assets (a)	**$28,947,935**	$27,749,435	$24,976,228	$21,644,949	$18,572,185
Actuarial accrued liability (b)	**29,469,608**	26,492,574	24,311,246	22,498,963	20,264,739
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**521,673**	(1,256,861)	(664,982)	854,014	1,692,554
Funded ratio (a/b)	**98.2%**	104.7%	102.7%	96.2%	91.6%
Covered payroll (c)	**4,954,605**	4,561,133	4,309,573	4,098,423	3,877,988
UAAL/OAAL as a percentage of covered payroll	**10.5%**	(27.6)%	(15.4)%	20.8%	43.6%

Valuation Year

	State Division Trust Fund[1]—1996	School Division Trust Fund[1]—1996
Actuarial value of assets (a)	$6,562,389	$9,717,424
Actuarial accrued liability (b)	7,211,331	9,767,811
Total unfunded actuarial accrued liability (UAAL) (b-a)	648,942	50,387
Funded ratio (a/b)	91.0%	99.5%
Covered payroll (c)	1,546,194	2,114,118
UAAL as a percentage of covered payroll	42.0%	2.4%

Municipal Division Trust Fund	2001	2000	1999	1998	1997	1996
Actuarial value of assets (a)	**$1,822,413**	$1,717,017	$1,524,667	$1,300,574	$1,098,291	$949,049
Actuarial accrued liability (b)	**1,746,761**	1,541,014	1,413,208	1,301,869	1,121,444	920,713
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**(75,652)**	(176,003)	(111,459)	1,295	23,153	(28,336)
Funded ratio (a/b)	**104.3%**	111.4%	107.9%	99.9%	97.9%	103.1%
Covered payroll (c)	**436,582**	399,737	380,064	359,025	314,167	289,818
UAAL/OAAL as a percentage of covered payroll	**(17.3)%**	(44.0)%	(29.3)%	0.4%	7.4%	(9.8)%

Judicial Division Trust Fund	2001	2000	1999	1998	1997	1996
Actuarial value of assets (a)	**$165,130**	$159,426	$142,499	$124,059	$106,012	$92,908
Actuarial accrued liability (b)	**150,943**	132,653	122,237	115,228	107,888	92,051
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**(14,187)**	(26,773)	(20,262)	(8,831)	1,876	(857)
Funded ratio (a/b)	**109.4%**	120.2%	116.6%	107.7%	98.3%	100.9%
Covered payroll (c)	**24,140**	21,673	20,123	19,854	19,666	18,832
UAAL/OAAL as a percentage of covered payroll	**(58.8)%**	(123.5)%	(100.7)%	(44.5)%	9.5%	(4.6)%

Health Care Trust Fund	2001	2000	1999	1998	1997	1995
Actuarial value of assets (a)	**$138,198**	$116,034	$100,825	$82,929	$76,957	$72,423
Actuarial accrued liability (b)	**782,961**	809,709	782,698	591,222	595,597	551,699
Total unfunded actuarial accrued liability (UAAL) (b-a)	**644,763**	693,675	681,873	508,293	518,640	479,276
Funded ratio (a/b)	**17.7%**	14.3%	12.9%	14.0%	12.9%	13.1%
Covered payroll (c)	**5,415,327**	4,982,543	4,709,760	4,477,302	4,211,821	3,803,799
UAAL as a percentage of covered payroll	**11.9%**	13.9%	14.5%	11.4%	12.3%	12.6%

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

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

Required Supplementary Information

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

State and School Division Trust Fund	2001	2000	1999	1998	1997	
Dollar amount of annual required contribution (ARC)	**$314,649**	$420,031	$422,025	$409,749	$392,898	
ARC[1]	**6.84%**	9.82%	10.46%	10.61%	10.71%	
% ARC contributed	**100%**	100%	100%	100%	100%	

	State Division Trust Fund[2]—1996	School Division Trust Fund[2]—1996
Dollar amount of annual required contribution (ARC)	$159,057	$214,155
ARC[1]	10.83%	10.80%
% ARC contributed	100%	100%

Municipal Division Trust Fund	2001	2000	1999	1998	1997	1996
Dollar amount of annual required contribution (ARC)	**$25,435**	$32,639	$31,418	$30,186	$27,253	$25,149
ARC[1]	**6.26%**	8.90%	9.05%	9.20%	9.20%	9.20%
% ARC contributed	**100%**	100%	100%	100%	100%	100%

Judicial Division Trust Fund	2001	2000	1999	1998	1997	1996
Dollar amount of annual required contribution (ARC)	**$637**	$2,726	$2,689	$2,693	$2,636	$2,531
ARC[1]	**1.79%**	13.40%	14.05%	14.20%	14.20%	14.20%
% ARC contributed	**100%**	100%	100%	100%	100%	100%

Health Care Trust Fund	2001	2000	1999	1998	1997	1995
Dollar amount of annual required contribution (ARC)	**$74,324**	$51,351	$43,136	$33,522	$31,750	$28,467
ARC[1]	**1.48%**	1.10%	0.95%	0.80%	0.80%	0.80%
% ARC contributed	**100%**	100%	100%	100%	100%	100%

[1] As a percent of covered payroll.
[2] The State Division Trust Fund and the School Division Trust Fund were merged on July 1, 1997.
The accompanying notes are an integral part of the Required Supplementary Information.

Notes to Required Supplementary Information

NOTE 1—DESCRIPTION

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

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

NOTE 2—ACTUARIAL ASSUMPTIONS AND METHODS

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

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Health Care Trust Fund
Valuation date	12/31/01	12/31/01	12/31/01	12/31/01
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent Open	Level percent Open	Level percent Open	Level percent Open
Remaining amortization period	13	11[1]	10[1]	20
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*	4.5–10.0%	5.5-12.9%	5.0-6.01%	Not applicable
*Includes inflation at	4.50%	4.50%	4.50%	4.50%
Cost-of-living adjustments	3.5% compounded annually	3.5% compounded annually	3.5% compounded annually	None
Health care inflation factor	Not applicable	Not applicable	Not applicable	Zero

[1] The Division has a surplus as of the valuation date. This represents the number of years to reduce the surplus to $0.

Notes to Required Supplementary Information

NOTE 3—SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

Pension Plans

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

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

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

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

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

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

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

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

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

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

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

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

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.

Notes to Required Supplementary Information

Health Care Trust Fund

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

- Mortality, and rate of health care program participation assumptions were changed based on the actuarial experience study performed in 2001.

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

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

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

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

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

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

1996 Changes in Plan Provisions Since Prior Actuarial Valuation— Health Care Trust Fund:

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

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

- No significant changes in Plan provisions.

Schedule of Administrative Expenses

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

	2001	2000
Personnel services:		
Salaries	$12,337	$11,340
Employee benefits	3,307	3,019
Total personnel services	15,644	14,359
Staff education:		
Tuition assistance program	22	60
PERA-required education	305	287
Total staff education	327	347
Professional contracts:		
Actuarial contracts	312	153
Audits	115	88
Medical exams	1	14
Investment counsel	856	739
Legal and legislative counsel	1,141	994
Computer services and consulting	597	590
Management consulting	731	327
Health care consultants	93	326
Other	248	376
Total professional contracts	4,094	3,607
Miscellaneous:		
Equipment rental and services	983	727
Memberships	157	127
Publications and subscriptions	72	65
Travel and local expense	637	614
Auto expense	32	19
Telephone	348	217
Postage	814	828
Insurance	148	130
Printing	442	623
Office supplies	383	284
Building rent, supplies, and utilities	546	443
Other	0	27
Total miscellaneous	4,562	4,104
Total budgeted expense	24,627	22,417
Depreciation expense	1,707	1,376
401(k) Voluntary Investment Program expense	1,431	871
Total expense	27,765	24,664
Interfund–tenant and other expense	(416)	39
Interfund–Life Insurance Reserve	(726)	(491)
Interfund–CIF investment expense	(5,179)	(4,639)
Total administrative expense	$21,444	$19,573
Allocation of administrative expense:		
State and School Division Trust Fund	$16,363	$15,245
Municipal Division Trust Fund	1,437	1,339
Judicial Division Trust Fund	19	20
401(k) Voluntary Investment Program	2,946	1,835
Health Care Trust Fund	679	1,134
Total allocation	$21,444	$19,573

Schedule of Investment Expenses

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

	2001	2000
External manager expenses		
Domestic fixed income	$1,852	$1,468
Domestic equity	6,606	7,972
International equity	11,104	12,526
International fixed income	542	543
Real estate debt & equity	23,291	32,532
Alternative investments	29,672	29,274
Timber investments	(646)	(654)
Total external manager expenses	72,421	83,661
Internal manager expenses	5,179	4,639
Other investment expenses and custody fees	2,945	5,009
Total expenses	80,545	93,309
Expenses allocated to the Insurance Dividend Reserve	(56)	(68)
Total investment expenses	$80,489	$93,241

Schedule of Changes in Assets and Liabilities—Insurance Division Reserve (Agency Fund)

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

	Balance as of January 1, 2001	Net Change	Balance as of December 31, 2001
Assets			
Cash and short-term investments	$723	($324)	$399
Securities lending collateral	1,847	(277)	1,570
Total cash and short-term investments	2,570	(601)	1,969
Receivables			
Benefit	94	490	584
Interfund	1	(1)	0
Investment settlements and income	72	11	83
Total receivables	167	500	667
Investments at fair value			
U.S. government obligations	1,011	(192)	819
Domestic corporate bonds	502	50	552
Domestic stocks	11,631	(2,413)	9,218
International stocks	3,032	(743)	2,289
International fixed income	480	(41)	439
Real estate equity	1,667	(87)	1,580
Real estate debt	157	(6)	151
Alternative investments	2,447	(584)	1,863
Timber investments	195	(33)	162
Total investments	21,122	(4,049)	17,073
Total assets	**$23,859**	**($4,150)**	**$19,709**
Liabilities			
Investment settlements and other	$22,012	($3,873)	$18,139
Security lending obligations	1,847	(277)	1,570
Total liabilities	**$23,859**	**($4,150)**	**$19,709**

Investment Section

"I love PERA! I support what PERA does for teachers, like the MatchMaker Program. PERA is secure. I know my retirement dollars are being taken care of. The Web site is really extensive and useful. With PERA, you feel like you are in charge of your money."

Nancy Blumenberg
English Teacher, Chair of the English Department
Ralston Valley High School

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 Colorado PERA's funds to the Board of Trustees, with some stipulations including:

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

Board of Trustees' Statutory Fiduciary Responsibility

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

Goal

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

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

Outline of Investment Policy

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

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

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

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

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

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

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

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

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

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

PERA Report on Investment Activity

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

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

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

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

Corporate Governance

General Policy

Although Colorado 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. Colorado PERA retains corporate governance consultants to assist in the proxy voting process.

Proxy Voting Policy

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

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

Investment Brokers/Advisors

B–Trade Services LLC
Banc of America Securities LLC
Bear Stearns & Co. Inc.
Bridge Trading Co.
Chase Securities*
CIBC World Markets
Credit Suisse First Boston Corporation
Deutsche Banc Alex Brown Inc.
First Albany Corporation
Goldman, Sachs & Co.
Heitman Advisory Corp.
Instinet Clearing Services, Inc.
INVESCO Realty Advisors
ITG Inc.
J.P. Morgan Securities Inc.
Knight Securities, L. P.
La Salle Advisors Ltd.
Lehman Brothers Inc.
Lend Lease
Merrill Lynch, Pierce, Fenner & Smith Inc.
Morgan Stanley & Co. Incorporated
Petrie Parkman & Co.
Prudential Realty Investors
Rampart Investment Management Co. Inc.
RBC Dain Rauscher
Robertson Stephens, Inc.
RREEF
Salomon Smith Barney Inc.
Sanford C. Bernstein & Co. LLC
SG Cowen Securities Corporation
Simmons and Company International
Stifel Nicolaus & Company, Incorporated
Thomas Weisel Partners LLC
UBS Warburg LLC
US Bancorp Piper Jaffray
William Blair & Company LLC

** Merged with J. P. Morgan Securities Inc. in 2001*

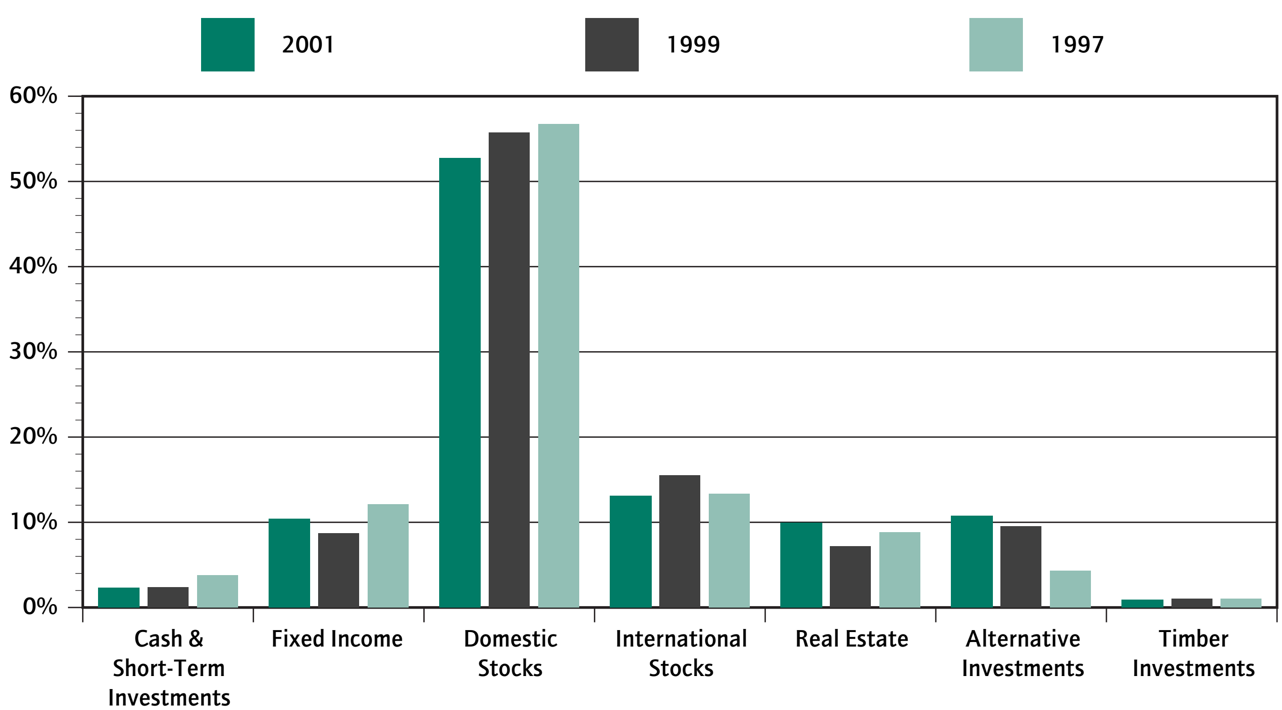
Investment Summary

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

	Market Value December 31, 2001	Percent of Total Market Value 2001	1999	1997
Cash and short-term investments	$621,684	2.3%	2.4%	3.8%
Fixed income				
U.S. Government obligations	1,276,672	4.7%	3.8%	2.8%
Domestic corporate bonds	860,579	3.2%	2.7%	7.9%
International fixed income	684,314	2.5%	2.2%	1.4%
Total fixed income	2,821,565	10.4%	8.7%	12.1%
Domestic stocks	14,370,825	52.7%	55.7%	56.7%
International stocks	3,568,081	13.1%	15.5%	13.3%
Real estate				
Real estate equity	2,462,941	9.0%	6.6%	7.3%
Real estate debt	235,260	0.9%	0.6%	1.5%
Total real estate	2,698,201	9.9%	7.2%	8.8%
Alternative investments				
Venture capital	589,059	2.2%	2.6%	1.4%
Leveraged buyout funds	1,609,233	5.9%	5.0%	2.3%
International private equity funds	706,244	2.6%	1.9%	0.6%
Total alternative investments	2,904,536	10.7%	9.5%	4.3%
Timber investments	253,155	0.9%	1.0%	1.0%
Total investments	$27,238,047	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

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

Asset Allocation

Colorado PERA's long-term strategic asset allocation policy sets forth specific portfolio targets. In 2001, asset allocation targets approved by the PERA Board of Trustees were as follows: domestic equity 55 percent, international equity 17 percent, domestic fixed income 8 percent, international fixed income 2 percent, alternative investments 8 percent, real estate investments 8 percent, and timber investments 2 percent.

In 2001, an asset allocation review was introduced for all fixed income portfolio categories. The Board approved changing PERA's target allocation range for mortgages within real estate from the current range of 10 to 40 percent to a revised range of 5 to 40 percent.

Total Portfolio Results

For the year ended December 31, 2001, Colorado PERA's total fund returned (7.7) percent, compared to the R.V. Kuhns' Median Public Fund return of (3.2) percent. The Kuhns' Median Public Fund measure is comprised of 59 public pension funds with assets of approximately $742 billion used for comparative analysis. This universe is used to determine the effectiveness of the respective performance of PERA's portfolio managers.

The performance of U.S. fixed income and equity markets varied sharply last year. The domestic stock market experienced only its second consecutive annual decrease in almost three decades with the Standard & Poor's (S&P) 500 Index returning a negative (11.9 percent) in 2001. However, 11 short-term interest rate cuts by the Federal Reserve—which reduced the target federal funds rate from 6.5 percent to 1.75 percent, its lowest level in four decades—allowed the domestic fixed income market to experience a gain of 8.2 percent in 2001.

Colorado PERA's total fund returned 3.3 percent and 8.9 percent on a three– and five–year annualized basis, compared with Kuhns' Median Public Fund returns of 4.2 percent and 8.9 percent, respectively, for these periods. PERA's 10–year annualized rate of return of 10.3 percent exceeded the Kuhns' Median Public Fund return of 9.9 percent, inflation, and PERA's actuarial investment assumption rate of 8.75 percent.

Compared to funds with over $20 billion in assets, PERA was "over-weighted" in domestic equities, real estate, and alternative investments, and "under-weighted" in domestic fixed income. Approximately 55 percent of PERA's domestic equity portfolio was indexed.

Domestic Stocks

Continued losses in the technology sector fueled a bear market for stocks in the first half of the year. Stocks declined further in the third quarter, especially after trading resumed following suspension of trading due to the September 11th terrorist attacks. As in 2000, technology, telecommunications, and biotechnology stocks were the poorest performing sectors, and growth stocks underperformed value stocks. The fourth quarter's broad-based rally—particularly in information technology, small capitalization, and growth stocks—softened the market's losses for the year.

In 2001, Colorado PERA's total domestic equity portfolio (including options) returned (8.1) percent and exceeded the S&P 500 Index and Russell 3000 Index returns of (11.9) percent and (11.5) percent, respectively. PERA's three–year annualized domestic stock portfolio returned 1.5 percent, ahead of the S&P 500 Index and Russell 3000 Index returns of (1.0) percent and (0.3) percent, respectively. The five–year annualized return for PERA's domestic stock portfolio was 10.3 percent, compared with the S&P 500 Index and Russell 3000 Index returns of 10.7 percent and 10.1 percent, respectively. Kuhns' median return for domestic equity investments of 59 public funds was (8.2) percent in 2001, and 1.7 percent and 10.6 percent, respectively, on a three– and five–year annualized basis.

Equities are invested by PERA through a variety of portfolio styles, each of which affects the overall equity return. PERA maintains an options program that is designed to reduce volatility and risk, and enhance portfolio returns over a full-market cycle. This program has afforded PERA a greater equity exposure, and this exposure has had an overall long-term positive impact on the total portfolio. However, in 2001, staff reduced PERA's equity options exposure in anticipation of improved stock market performance in 2002. Also in 2001, technology holdings were reduced and the Mid-Cap Growth Fund was rebalanced.

International Stocks

The weakened U.S. economy affected global economies as well last year. Despite fourth quarter double-digit gains in many major markets, international stock markets—particularly in Europe and Japan—ended the year with poor returns. The benchmark by which Colorado PERA's international equity managers are evaluated is a custom benchmark using 75 percent of the Europe-Australia-Far East (EAFE) Index and 25 percent of the EAFE excluding Japan Index.

In 2001, PERA's international equity investments returned (16.4) percent, ahead of the EAFE Custom Index return of (20.5) percent. PERA's international equity return in 2001 also exceeded the median return of (18.0) percent for 57 public funds with international equity investments. PERA's three–year annualized international equity return of (1.1) percent surpassed the EAFE Custom Index return of (4.6) percent for this period.

Fund Performance Evaluation

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

Last year, the PERA Board of Trustees approved changing PERA's investment mandate style from passive to active for two international equity managers (Brinson Partners and Alliance Capital).

Domestic Fixed Income

Record low interest rates throughout 2001, combined with stock market volatility for most of the year, led to domestic fixed income again outperforming domestic equities. High grade corporate bonds were the best performing bond sector last year. All bond categories ended the year with positive returns, but the sell-off of Treasury securities in November negated most of the Treasury market's earlier gains. In the fourth quarter, high yield securities rallied and other domestic bond categories posted flat or negative returns due to falling bond prices and higher yields.

Colorado PERA's domestic fixed income investments returned 8.2 percent in 2001. The majority of these investments are compared to a Custom Index (comprised of 80 percent Lehman Aggregate, 10 percent Lehman High Yield, and 10 percent Lehman Emerging Market), which returned 8.5 percent in 2001. A broader market index, the Lehman Aggregate, returned 8.4 percent in 2001. Among 59 public funds with fixed income investments, Kuhns' median return in 2001 was 8.3 percent. PERA's three-year annualized domestic fixed income portfolio return was 5.5 percent, compared with the Custom Index return of 6.7 percent. PERA's fixed income underperformance was attributed to lower returns in investment grade corporate bonds.

International Fixed Income

Despite forecasts of slower global growth, the strength of the U.S. dollar against other currencies resulted in high quality international bonds declining in the fourth quarter and in the 2001 year. The PERA international fixed income portfolio and the Salomon World Non-U.S. Government Bond Index both returned (3.6) percent in 2001. Three– and five–year annualized returns for PERA's international fixed income investments were (3.1) percent and 1.0 percent, respectively, slightly ahead of the Salomon World Non-U.S. Government Bond Index returns of (3.8) percent and 0.1 percent, respectively, for these periods.

Alternative Investments

Last year, the Colorado PERA Board of Trustees approved PERA's funding of 18 new alternative investments: three in Leveraged Buyout, five in International Private Equity, and ten in Venture Capital. In 2001, PERA's Venture Capital, Leveraged Buyout and International Private Equity portfolios returned (31.3) percent, (16.9) percent, and (19.9) percent, respectively.

PERA's alternative investment portfolio composite returned (21.3) percent in 2001, compared with the Custom Alternative Assets Benchmark return of (10.1) percent. However, three– and five–year annualized returns for PERA's alternative investment portfolio composite outperformed the Custom Alternative Assets Benchmark returns for these periods. PERA's alternative investment portfolio composite returned 11.1 percent and 13.3 percent, respectively, on a three– and five–year annualized basis; the Custom Alternative Assets Benchmark returned 0.2 percent and 8.7 percent, respectively, for these periods.

Last year's initiation of a co-investment program in the private equity portfolio allows PERA to avail itself of attractive investments throughout the world.

Real Estate

Colorado PERA's objective is to invest 8 percent of its total net assets in real estate, which is comprised of private equity (both domestic and international investments), public securities, and mortgages. At December 31, 2001, 9.9 percent of PERA's total net assets were invested in real estate. Colorado PERA uses a custom benchmark to measure the performance of its real estate sector. The COLPERA Composite Index is comprised of four separate indices and weighted according to the targeted real estate asset sectors prescribed by the Board.

For the one–, three–, and five–year annualized periods ending December 31, 2001, Colorado PERA's real estate portfolio outperformed both the COLPERA Composite Index and R.V. Kuhns' Median Real Estate Portfolio. In 2001, PERA's real estate portfolio return of 12.1 percent outperformed the Composite Index return of 6.0 percent and R.V. Kuhns' Median Real Estate Portfolio return of 8.7 percent.

On a three– and five–year annualized basis, PERA's real estate portfolio returns also surpassed returns posted by the Composite Index and R.V. Kuhns' Median Real Estate Portfolio. PERA's real estate portfolio returned 12.5 percent and 12.1 percent, respectively, on a three– and five–year annualized basis, compared with the Composite Index returns of 8.3 percent and 7.3 percent, respectively, for these periods. R.V. Kuhns' Median Real Estate Portfolio returned 10.1 percent and 11.0 percent, respectively, on a three– and five–year annualized basis.

Schedule of Investment Results

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

	2001	3–Year Annualized	5–Year Annualized	10–Year Annualized
PERA Total Portfolio	**(7.7)%**	**3.3%**	**8.9%**	**10.3%**
Median Plan (R.V. Kuhn's Median Public Fund)	(3.2)%	4.2%	8.9%	9.9%
Domestic Stocks	**(8.1)%**	**1.5%**	**10.3%**	**12.0%**
Standard & Poor's (S&P 500)	(11.9)%	(1.0)%	10.7%	12.9%
Russell 3000	(11.5)%	(0.3)%	10.1%	12.7%
International Stocks	**(16.4)%**	**(1.1)%**	**2.2%**	**5.9%**
Europe-Australia-Far East (EAFE) Custom Index[1]	(20.5)%	(4.6)%	2.1%	5.8%
Domestic Fixed Income	**8.2%**	**5.5%**	**5.5%**	**6.7%**
Lehman Brothers Aggregate Bond Index	8.4%	6.3%	7.4%	7.2%
Custom Fixed Income Benchmark[2]	8.5%	6.7%	7.7%	N/A
International Fixed Income	**(3.6)%**	**(3.1)%**	**1.0%**	**6.4%**
Salomon World Non-U.S. Government Bond Index	(3.6)%	(3.8)%	0.1%	4.8%
Real Estate (Includes Mortgages)	**12.1%**	**12.5%**	**12.1%**	**9.2%**
Custom Real Estate Benchmark[3]	6.0%	8.3%	7.3%	6.1%
Frank Russell/NCREIF Index	7.4%	10.3%	12.2%	12.2%
Alternative Investments	**(21.3)%**	**11.1%**	**13.3%**	**16.9%**
PERA Venture Capital Funds	**(31.3)%**	**26.8%**	**26.9%**	**21.5%**
PERA LBO Funds	**(16.9)%**	**8.8%**	**8.7%**	**14.3%**
PERA International Private Equity	**(19.9)%**	**3.2%**	**11.4%**	**N/A**
Custom Alternative Benchmark[4]	(10.1)%	0.2%	8.7%	11.9%
PERA Timber Investments	**(4.3)%**	**3.7%**	**5.9%**	**15.2%**

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

Colorado Investment Profile

(Does not include 401 (k) Voluntary Investment Program)
As of December 31, 2001
(In Thousands of Dollars)

Although Colorado in-state investment valuations were down 14 percent at the end of 2001 compared to 2000, PERA continues to add high quality Colorado investments to its portfolio.

	Market Value
Commercial mortgages	$27,353
Committed to future funding	167,704
Common stock of companies headquartered in Colorado	144,168
PERA portion of general partnerships investing in Colorado companies[1]	22,892
Bonds and notes	85,141
Real estate equity	145,318
Funds under management of Colorado companies[2]	522,858
Total	$1,115,434

1 General Partners based outside of Colorado
2 Venture capital partnerships and equity managers domiciled in Colorado

Largest Stock Holdings (Market Value)

As of December 31, 2001
(In Thousands of Dollars)

	Shares	Market Value
General Electric Co	9,748,790	$390,732
Microsoft Corp	5,223,905	346,084
Citigroup Inc	5,966,130	301,170
Pfizer Inc	7,412,421	295,385
Wal-Mart Stores Inc	4,438,210	255,419
Exxon Mobil Corp	5,882,238	231,172
International Business Machines Corp	1,845,600	223,244
AMER International Group Inc	2,779,443	220,688
Johnson & Johnson	3,510,480	207,469
Intel Corp	5,646,700	$177,589

A complete list of holdings is available upon request.

Largest Bond Holdings (Market Value)

As of December 31, 2001
(In Thousands of Dollars)

	Par Value	Market Value
Canada (Gov't of) Bond, 6.000%, due 06/01/2011	$42,850	$44,864
FHLMC Gold Group, 6.500%, due 07/01/2029	40,495	40,730
Germany (Fed Rep), 5.000%, due 07/04/2011	37,931	38,079
DLJ Commercial Mortgage Corp, 7.300%, due 06/10/2032	25,000	26,747
FNMA, 6.500%, due 10/01/2030	25,477	25,593
Eminent Funding I Ltd, 11.284%, due 10/07/2019	25,000	24,938
GNMA, 8.000%, due 12/15/2024	22,577	23,918
Colorado Housing & Finance Authority, 6.135%, due 06/01/2021	23,175	23,759
Germany (Fed Rep), 4.750%, due 07/04/2008	21,013	21,123
U.S. Treasury Notes, 6.500%, due 08/15/2005	$19,500	$21,108

A complete list of holdings is available upon request.

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

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

In 2001, members were able to make tax-deferred contributions of up to 23 percent of their annual gross salary excluding any IRC Section 125 flexible spending account deductions, up to a maximum of $10,500. Contributions to the 401(k) Plan are deducted from the participant's monthly salary, and earnings on 401(k) Plan investments are also tax-deferred. In the 2001 calendar year, the PERA "MatchMaker" Program provided an employer match on members' voluntary contributions to tax-deferred defined contribution (DC) plans. The MatchMaker Program, which was initiated by the PERA Board of Trustees and authorized in Senate Bill 99-90, is contingent on any overfunding in the PERA retirement trust funds. The legislation allows PERA to direct PERA-affiliated employers to reduce a portion of their employer contributions normally sent to PERA to match members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans. The amount of the maximum contribution match may change from year-to-year, and if PERA is not fully funded, matching dollars may not be paid in the following year.

The match set by the Board for the 2001 calendar year was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 3 percent of PERA-includable salary per payroll for State and School Division members, 2 percent of salary for Municipal Division members, and 7 percent for Judicial Division members. In 2001, the Board set Matchmaker amounts for the 2002 calendar year. The 2002 Matchmaker amounts are the same as 2001 allocations, with the exception of a 3 percent maximum match for Municipal Division members.

An administrative fee pays for recordkeeping, communications, education, consulting, staff, and other overhead expenses. In 2001, the fee equaled $1 per month for the first 12 months of participation in the Plan, then $1.50 per month thereafter. Expenses are also offset by a partial return of investment management fees by each fund.

On December 31, 2001, the 401(k) Plan had net assets of $674,618,000 and 64,632 accounts, a net increase of 21 percent in the total Plan value in one year, and 84 percent in membership. During the year, 1,120 participants withdrew 401(k) accounts, many rolling them into Colorado PERA to purchase service credit.

Year-End Statistics (In Thousands of Dollars)

Year	Assets	Number of Accounts
1992	$42,369	4,545
1993	60,711	6,019
1994	78,687	8,080
1995	125,692	10,155
1996	186,541	13,064
1997	272,053	16,391
1998	362,874	20,112
1999	514,115	24,224
2000	557,670	35,162
2001	**$674,618**	**64,632**

2001 Activities

In 2001, the Colorado PERA Board of Trustees approved adding a life strategy package to the PERA 401(k) Plan. Effective January 1, 2002, six "Freedom" funds provided by Fidelity allow 401(k) Plan participants to choose an investment option that is based on their target retirement date, acceptable level of risk, and time horizon goals.

Also in 2001, staff worked with PERA's 401(k) external recordkeeper (ADP) to implement provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that affect the 401(k) Plan beginning January 1, 2002. The Board approved 401(k) Plan amendments that brought the 401(k) Plan into compliance with EGTRRA requirements.

Economic Update

By March, the U.S. economy was officially in recession. Corporate profits and stock market valuations remained weak until the September 11th attacks halted stock market trading. Stocks declined sharply when trading resumed, but then staged an impressive fourth quarter rally. Despite the fourth quarter rally, the Russell 2000 Index of small capitalization stocks was the only major domestic stock index that had a positive return in 2001. The Standard & Poor's 500, Nasdaq, and EAFE indices ended the year with double-digit losses; this was the second consecutive year that these indices declined significantly.

- The Standard & Poor's 500 Index lost 11.9 percent.
- The technology-dominated Nasdaq Composite Index fell 21.1 percent.
- The Russell 2000 Index of small capitalization stocks returned 2.5 percent.
- The EAFE custom benchmark (75 percent of the Europe-Australia-Far East (EAFE) Index and 25 percent of the EAFE excluding Japan Index) declined 20.5 percent.
- The Lehman Brothers Aggregate Bond Index returned 8.4 percent.

In an aggressive campaign to provide liquidity and stimulate the economy, the Federal Reserve cut short term interest rates 11 times last year. Short-term interest rates fell from 6.5 percent to 1.75 percent, their lowest level in 40 years. In the first nine months of the year, rising bond prices and continued stock market volatility led investors to seek the safety of high-quality bonds. However, investors returned to equities in the fourth quarter, and all domestic bond categories—except for high yield

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

securities—posted flat or negative fourth quarter returns. In 2001, bond and money market funds received record in-flows of $87 billion and $375 billion, respectively. Equity mutual funds received $32 billion in 2001, compared with in-flows of $309 billion in 2000.

Investment Options

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

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

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

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

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

PERA Growth & Income Stock Fund: Primarily invests in common stocks of high-quality companies with a broad range of capitalization. Managed by PERA investment staff.

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

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

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

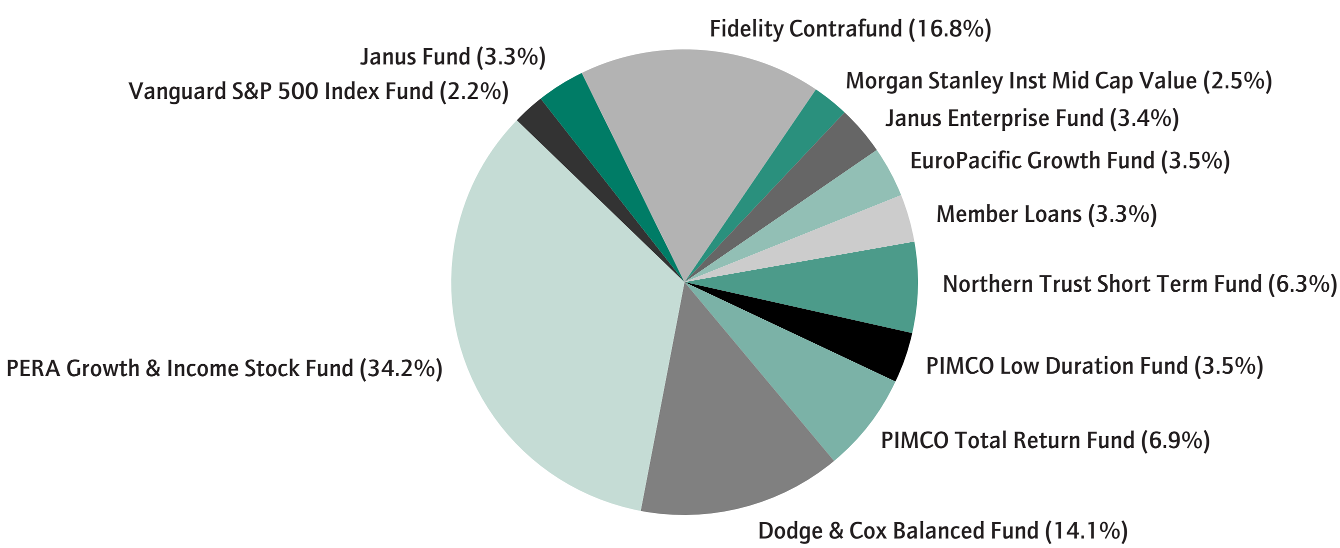
Janus Fund: The fund invests primarily in common stocks selected for their growth potential. Although the fund can invest in companies of any size, it generally invests in larger, more established companies. Managed by Janus Funds.

Morgan Stanley Institutional Mid Cap Value Fund: The fund invests in equity securities of medium-sized companies that demonstrate attractive valuation characteristics. Managed by Morgan Stanley.

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

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

As of December 31, 2001



401(k) Voluntary Investment Program Schedule of Investment Results

	2001	2000	Annualized Returns 3–Year	5–Year	10–Year
Northern Trust Short Term Fund[2]	4.1%	6.5%	5.3%	5.5%	5.0%
PIMCO Low Duration Fund[1]	7.9%	7.7%	6.2%	6.7%	6.8%[4]
PIMCO Total Return Fund	9.4%	12.0%	6.9%	8.1%[4]	8.2%[4]
Dodge & Cox Balanced Fund[1]	10.1%	15.1%	12.4%	12.9%	13.4%[4]
PERA Growth & Income Stock Fund	(14.2%)	(1.9%)	5.3%	11.5%	14.3%
Vanguard S&P 500 Index Fund[3]	(12.0%)	(9.1%)	(0.9%)[4]	10.8%[4]	13.0%[4]
Janus Fund[3]	(26.1%)	(14.9%)	(2.6%)[4]	9.5%[4]	11.1%[4]
Fidelity Contrafund[1]	(12.6%)	(6.8%)	0.6%	10.5%	14.3%[4]
Morgan Stanley Inst Mid Cap Value[3]	(3.4%)	11.9%	9.0%[4]	16.0%[4]	N/A
Janus Enterprise Fund[3]	(39.9%)	(30.5%)	(2.5%)[4]	6.5%[4]	N/A
EuroPacific Growth Fund[2]	(12.2%)	(17.9%)	4.2%	7.4%	10.4%[4]

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

401(k) Voluntary Investment Program Investment Summary

(In Thousands of Dollars)

	Market Value December 31, 2001	Percent of Total Market Value 2001	1999	1997
Northern Trust Short Term Fund	$41,829	6.3%	2.8%	0.8%
PIMCO Low Duration Fund	23,045	3.5%	3.3%	5.4%
PIMCO Total Return Fund	45,582	6.9%	5.4%	8.1%
Dodge & Cox Balanced Fund	93,632	14.1%	10.7%	13.1%
PERA Growth & Income Stock Fund	227,645	34.2%	46.5%	47.0%
Vanguard S&P 500 Index Fund[1]	14,612	2.2%	N/A	N/A
Janus Fund[1]	21,921	3.3%	N/A	N/A
Fidelity Contrafund	111,466	16.8%	25.4%	21.4%
Morgan Stanley Inst Mid Cap Value[1]	16,577	2.5%	N/A	N/A
Janus Enterprise Fund[1]	22,846	3.4%	N/A	N/A
EuroPacific Growth Fund	23,240	3.5%	3.7%	1.9%
Member Loans	$22,113	3.3%	2.2%	2.3%

[1] This fund joined PERA's 401(k) Plan in April 2000.

Actuarial Section

"PERA is one of the best public pension funds in the United States. I am very comfortable as a PERA retiree and grateful that I do not have to depend on Social Security. I have other investments and I am always pleased with the excellent returns PERA gets on their investments."

Beverley Disch
Retired in 1991 from Widefield School District #3
Former Elementary School Teacher
Current Colorado PERA Ambassador

Report of the Independent Actuary

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries
5605 N. MacArthur Blvd. • Suite 870 • Irving, Texas 75038-2631 • 469-524-0000 • fax 469-524-0003

May 24, 2002

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

Dear Members of the Board:

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

The most recent valuations are based on the plan provisions and assumptions in effect on December 31, 2001. PERA provided the participant data and the asset information. Gabriel, Roeder, Smith & Company reviewed the data for reasonableness. No material changes in the plan provisions have occurred since the prior valuation.

The actuarial assumptions used in the valuations have been reviewed and revised since the prior valuation. An experience investigation was performed and actuarial assumptions were developed from actual system experience. The revised assumptions were adopted by the Board in July 2001. In our opinion, the assumptions are internally consistent and produce results which are reasonable in the aggregate. We also believe the assumptions and actuarial methods meet the requirements of Governmental Accounting Standards Board Statement No. 25.

Gabriel, Roeder, Smith & Company updated the following schedules for the December 31, 2001, CAFR:

<u>Financial Section</u>

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

Report of the Independent Actuary

Board of Trustees
May 24, 2002
Page 2

Actuarial Section

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

Statistical Section

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

We certify that this valuation was performed in accordance with standards of practice and by qualified actuaries as prescribed by the Actuarial Standards Board. Both of the consultants listed below have experience in performing valuations for large statewide public retirement systems.

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

Sincerely,

W. Michael Carter

W. Michael Carter, FSA, MAAA
Senior Consultant

Lewis Ward

Lewis Ward
Consultant

GABRIEL, ROEDER, SMITH & COMPANY

The Plan Summary for Calendar Year 2001

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. Colorado PERA is governed by a 16-member Board of Trustees, 14 of whom are elected by the membership to four–year terms and serve without compensation except for necessary expenses. The State Auditor and the State Treasurer serve as ex-officio members.

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

Member Contributions

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

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

Employer Contributions

PERA-affiliated employers contribute a percentage of their total payroll to the Fund. Respective employer contribution rates are shown on the "Schedule of Contribution Rate History" on page 74.

The "Schedule of Computed Employer Contribution Rates for Fiscal Years Beginning in 2003" on page 73 shows a detailed explanation of how the employer contributions are determined. These contributions are credited to the respective Division for the purpose of creating actuarial reserves, so each member's benefits are fully provided for at retirement. PERA is exempt from federal income taxes under the Internal Revenue Code.

Termination

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

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

Member contribution accounts accrue interest at a rate set by state law as 80 percent of PERA's actuarial investment assumption rate. The accrued rate used to credit interest to member contribution accounts in 2001 was 7.0 percent.

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

Retirement Benefits

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

Defined Retirement Benefits

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

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

Unreduced service retirement benefits are available to members whose age plus years of service total 80 or more, if the members are at least age 55 with a minimum of five years of service credit. Service retirement benefits are also available at age 50 with 30 years of service or at age 65 with five years of service. House Bill 00-1458 allows certain members eligible for retirement to convert sick leave over 45 days or 360 hours into salary for PERA purposes for PERA contributions and benefits, if permitted by their employer or under this legislation. This provision is effective through June 30, 2005.

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

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

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

The Plan Summary for Calendar Year 2001

Money Purchase Retirement Benefit

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

Survivor Benefits

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

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

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

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

Disability Retirement Benefits

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

Annual Benefit Increases

Each March, benefits are increased 3.5 percent, compounded annually. The first annual increase occurs in the March that immediately follows the calendar year in which the member retired. If the member has not been retired for a full year, the benefit is increased proportionately.

MatchMaker Program

In the 2001 calendar year, the PERA "MatchMaker" Program provides an employer match on members' voluntary contributions to tax-deferred defined contribution (DC) plans. The MatchMaker Program, which was initiated by the PERA Board of Trustees and authorized in Senate Bill 99-90, is contingent on any overfunding in the PERA retirement trust funds. SB 90 allows PERA to direct affiliated employers to reduce a portion of their employer contributions normally sent to PERA to match members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans.

The match set by the Board for the 2001 calendar year was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 3 percent of PERA-includable salary for State and School Division members, 2 percent of salary for Municipal Division members, and 7 percent of PERA-includable salary for Judicial Division members per pay period.

Summary of Actuarial Methods and Assumptions

Actuarial Methods

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

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

Entry Age Actuarial Cost Method

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

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

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

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

Asset Valuation Method

In 1992, the PERA Board of Trustees adopted a method for valuing assets that recognizes a "smoothed" market value of those assets. The smoothed value of assets recognizes the difference between actual and expected asset performance for each year in equal amounts over a four–year period.

Actuarial Assumptions

Colorado PERA's actuarial assumptions are used to project the Plan's future experience. 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.

During 2001, Watson Wyatt, PERA's independent retained actuary, completed a five-year experience study which compared actual to expected results on all PERA actuarial assumptions for the period 1996–2000. Also during 2001, an audit of PERA's actuarial valuation and processes was conducted by Gabriel, Roeder, Smith & Company (GRS). Watson Wyatt's experience study recommended new assumptions for PERA, which were reviewed by GRS. The Board adopted the recommended assumptions and they are incorporated in the December 31, 2001, valuation. These assumptions recognize longer life expectancies, increased rates of retirement by members eligible to retire, and other changes. The net effect of the new assumptions was to increase retirement fund liabilities by 2 percent.

After the audit was completed, GRS acquired Watson Wyatt's U.S.-based public sector retirement practice involving 120 clients, including Colorado PERA. GRS then prepared the December 31, 2001, actuarial valuation for Colorado PERA.

Economic Assumptions

The investment return rate used in the 2001 valuations was 8.75 percent per year compounded annually, net after administrative expenses. The real rate of return is the portion of the total investment return in excess of the inflation rate. Considering other financial assumptions, the 8.75 percent investment return translates into an assumed real rate of return of 4.25 percent.

The overall member payroll was assumed to increase 5.5 percent annually in 2001. Pay increase assumptions for individual members in 2001 are shown for sample ages in Exhibits A, B, and C. 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 C) are determined by the State Legislature. Benefits are assumed to increase at a rate of 3.5 percent after payments begin.

Non-Economic Assumptions

The mortality table (Colorado Projected Experience Table) is based on Colorado PERA experience. The table is used to estimate the value of benefits expected to be paid. Related values are shown in Exhibit E. For disability retirement, benefit values are based on a separate mortality table with higher rates of mortality to reflect the impaired longevity for disabled retirees.

The probabilities of age and service retirement are shown in Exhibit F. The probabilities of withdrawal from service, disability, and death-in-service are shown for sample ages in Exhibits A, B, C, and D. It is assumed that 35 percent of the vested members who terminate will elect to withdraw their accounts while the remaining 65 percent will elect to leave their accounts in the Plan to be eligible for a benefit at their retirement date.

Separations from Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit A—State and School Division

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

[1] The assumed rate is the greater of the select rates as shown in Exhibit D or the ultimate rate shown above at the appropriate age.

Separations from Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit B—Municipal Division

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

[1] The assumed rate is the greater of the select rates shown in Exhibit D or the ultimate rate shown at the appropriate age.

Exhibit C—Judicial Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Withdrawal		*Death*		*Disability*			Base	Increase
Sample Ages	Men	Women	Men	Women	Men	Women	Seniority[1]	(Economy)	(Next Year)
30	2.00%	2.00%	0.040%	0.025%	0.06%	0.06%	1.51%	4.50%	6.01%
35	2.00%	2.00%	0.055%	0.035%	0.07%	0.07%	1.20%	4.50%	5.70%
40	2.00%	2.00%	0.095%	0.058%	0.10%	0.10%	0.70%	4.50%	5.20%
45	2.00%	2.00%	0.210%	0.102%	0.17%	0.17%	0.50%	4.50%	5.00%
50	2.00%	2.00%	0.425%	0.176%	0.31%	0.31%	0.50%	4.50%	5.00%
55	2.00%	2.00%	0.598%	0.252%	0.56%	0.56%	0.50%	4.50%	5.00%
60	2.00%	2.00%	0.755%	0.383%	1.19%	1.19%	0.50%	4.50%	5.00%
65	2.00%	2.00%	1.179%	0.670%	1.65%	1.65%	0.50%	4.50%	5.00%

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

Exhibit D

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

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

Single Life Retirement Values

Exhibit E—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	$134.54	$137.96	$199.92	$209.65	40.79	46.04
45	130.86	135.61	190.30	202.15	36.05	41.20
50	126.43	132.46	179.46	193.10	31.53	36.45
55	121.31	128.32	167.59	182.33	27.27	31.81
60	114.38	122.54	153.31	169.15	23.09	27.23
65	105.03	115.05	136.29	153.81	19.01	22.84
70	94.20	105.62	118.25	136.38	15.32	18.68
75	82.40	94.00	100.09	117.03	12.09	14.80
80	70.19	80.84	82.60	96.94	9.36	11.35
85	$58.35	$65.86	$66.72	$76.14	7.13	8.29

Percent of Eligible Members Retiring Next Year

Exhibit F

Retirement Ages	*State Category* Men	*State Category* Women	*State Troopers*	*School Category* Men	*School Category* Women	*Municipal Division* Men	*Municipal Division* Women	*Judicial Division*
50	12%	14%	20%	14%	14%	10%	11%	10%
51	12%	14%	20%	14%	14%	10%	11%	10%
52	12%	14%	20%	14%	14%	10%	11%	10%
53	12%	14%	20%	14%	14%	10%	11%	10%
54	18%	20%	20%	24%	23%	15%	16%	10%
55	18%	20%	20%	24%	23%	15%	16%	10%
56	18%	20%	20%	24%	23%	15%	16%	10%
57	18%	20%	20%	24%	23%	15%	16%	10%
58	18%	20%	20%	24%	23%	15%	16%	10%
59	18%	20%	20%	24%	23%	15%	16%	10%
60	14%	14%	20%	16%	16%	15%	12%	10%
61	14%	14%	36%	16%	16%	15%	12%	10%
62	14%	14%	52%	16%	16%	15%	12%	10%
63	14%	14%	68%	16%	16%	15%	12%	10%
64	14%	14%	84%	16%	16%	15%	12%	10%
65	23%	22%	100%	21%	21%	22%	19%	25%
66	23%	22%	100%	21%	21%	22%	19%	15%
67	23%	22%	100%	21%	21%	22%	19%	15%
68	23%	22%	100%	21%	21%	22%	19%	15%
69	23%	22%	100%	21%	21%	22%	19%	15%
70	100%	100%	100%	100%	100%	100%	100%	40%
71	100%	100%	100%	100%	100%	100%	100%	40%
72	100%	100%	100%	100%	100%	100%	100%	100%
73	100%	100%	100%	100%	100%	100%	100%	100%
74	100%	100%	100%	100%	100%	100%	100%	100%
75	100%	100%	100%	100%	100%	100%	100%	100%

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

Year Ended	*Added to Payroll* No.	Annual Benefits	*Removed from Payroll* No.	Annual Benefits	*Payroll—End of Year* No.[3]	Annual Benefits	Cost of Living Stabilization Fund (CLSF)	Average Annual Benefits	Increase in Average Benefits
12/31/92	2,996	$44,840,160	1,230	$7,905,996	38,188	$424,857,912	$64,202,904	$12,809	11.3%
12/31/93	3,624	63,975,396	1,270	9,695,472	40,542	492,925,488	61,040,724	13,664	6.7%
12/31/94	3,121	51,809,484	1,301	10,650,936	42,362	605,429,820	N/A[2]	14,292	4.6%
12/31/95	3,174	54,087,286	1,496	17,421,180	44,040	657,482,568	N/A[2]	14,929	4.5%
12/31/96	3,074	53,056,140	1,390	15,449,340	45,716	726,848,793	N/A[2]	15,899	6.5%
12/31/97	3,411	71,578,344	1,477	18,628,140	47,621	863,077,468	N/A[2]	18,124	14.0%
12/31/98	3,139	78,278,484	1,694	13,692,660	49,808	926,962,944	N/A[2]	18,611	2.7%
12/31/99	4,212	115,746,756	1,562	22,867,068	52,458	1,026,797,016	N/A[2]	19,574	5.2%
12/31/00	4,369	123,249,792	1,680	28,151,484	55,147	1,142,638,708	N/A[2]	20,720	5.9%
12/31/01	4,016	$118,919,172	1,247	$16,325,628	57,860	$1,281,834,264	N/A[2]	$22,154	6.9%

[1] Numbers derived on an accrual basis.

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

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

Member-Retiree Comparison[1]

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

Year	Number of Retiree Accounts on 12/31	Number of Member Accounts on 12/31[2]	Retiree Accounts as % of Members on 12/31	Total Benefits Paid–Year Ended 12/31
1940	93	3,715	2.5%	$72,588
1945	171	5,585	3.1%	137,442
1950	280	11,853	2.4%	237,866
1955	747	21,185	3.5%	745,679
1960	1,775	33,068	5.4%	2,055,139
1965	3,631	49,701	7.3%	5,486,225
1970	6,308	65,586	9.6%	13,115,234
1975	11,650	84,781	13.7%	32,820,433
1980	17,301	96,473	17.9%	71,289,456
1985	24,842	101,409	24.5%	192,456,029
1990	32,955	115,350	27.4%	350,398,094
1991	34,481	146,818	23.5%	401,187,591
1992	36,186	162,980	22.2%	453,538,219
1993	38,500	174,685	22.0%	523,746,160
1994	40,257	187,907	21.4%	586,645,446
1995	41,909	203,102	20.6%	639,501,796
1996	43,611	210,893	20.7%	694,349,889
1997	45,525	220,860	20.6%	787,128,075
1998	47,735	221,978	21.5%	893,810,708
1999	50,344	238,111	21.1%	989,536,328
2000	53,015	248,104	21.4%	1,093,779,068
2001	55,733	263,712	21.1%	$1,228,730,063

[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, 2001

State Category

Members included in the State Category valuation totaled 54,432 and involved annual salaries totaling $2,049,175,235. The average age for these members (excluding State Troopers) was 44.0 years, and the average service was 8.0 years. The average age for State Troopers was 38.9 years, and the average service was 10.3 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	603							603	$5,051,063
20-24	2,011	4						2,015	35,146,356
25-29	3,564	281	1					3,846	105,350,097
30-34	3,876	1,270	264	3				5,413	180,552,902
35-39	4,397	1,361	963	270	12			7,003	235,101,275
40-44	3,397	1,601	1,368	913	356	14		7,649	298,559,574
45-49	3,295	1,737	1,686	1,205	948	375	5	9,251	385,425,210
50-54	2,701	1,523	1,681	1,220	1,028	866	98	9,117	399,523,352
55-59	1,600	967	1,082	819	691	516	221	5,896	264,882,529
60	183	116	153	100	81	51	35	719	31,781,278
61	179	97	123	83	58	34	29	603	25,354,460
62	139	88	83	84	44	25	33	496	20,688,285
63	112	69	65	62	32	41	19	400	16,370,503
64	100	74	59	39	30	20	19	341	13,122,747
65	78	32	49	32	24	12	13	240	9,096,649
66	61	31	36	17	11	10	7	173	5,924,005
67	49	23	28	14	8	11	7	140	5,025,988
68	44	13	20	12	6	2	2	99	2,836,498
69	45	7	9	10	7	2	2	82	1,988,313
70+	166	60	37	29	31	15	8	346	7,394,151
Totals	**26,600**	**9,354**	**7,707**	**4,912**	**3,367**	**1,994**	**498**	**54,432**	**$2,049,175,235**

School Category

Members included in the School Category valuation totaled 102,915 and involved annual salaries totaling $2,905,430,229. The average age for these members was 43.2 years, and the average service was 7.4 years.

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20	1,174							1,174	$8,333,235
20-24	3,854	27						3,881	60,015,412
25-29	8,319	540	4					8,863	218,647,805
30-34	7,225	2,948	316	2				10,491	278,484,645
35-39	8,625	2,524	1,708	285	6			13,148	316,206,267
40-44	8,501	3,057	2,001	1,693	407	8		15,667	403,365,146
45-49	6,788	3,679	2,600	1,804	1,918	494	1	17,284	524,655,914
50-54	4,633	2,822	3,008	2,237	1,870	1,974	185	16,729	615,081,342
55-59	2,674	1,463	1,712	1,541	1,176	775	347	9,688	344,252,378
60	363	185	197	173	118	65	30	1,131	33,034,086
61	275	149	149	139	102	53	18	885	25,291,244
62	251	115	112	111	73	54	20	736	20,067,630
63	222	106	91	62	67	34	11	593	14,406,313
64	206	77	80	54	57	28	10	512	11,575,099
65	160	75	58	39	32	16	8	388	8,126,049
66	149	55	36	22	26	13	11	312	5,726,339
67	154	46	30	14	17	10	3	274	4,396,410
68	129	35	21	15	16	9	5	230	3,382,530
69	108	30	18	12	9	2	1	180	2,429,588
70+	434	154	76	26	24	20	15	749	7,952,797
Totals	**54,244**	**18,087**	**12,217**	**8,229**	**5,918**	**3,555**	**665**	**102,915**	**$2,905,430,229**

Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 2001

Municipal Division

Members included in the Municipal Division valuation totaled 12,220 and involved annual salaries totaling $436,582,273. The average age for these members was 41.6 years, and the average service was 7.0 years.

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	No.	Valuation Payroll
Under 20	489							489	$3,214,032
20-24	714	5						719	12,354,094
25-29	837	87	1					925	26,344,846
30-34	1,074	258	50	2				1,384	43,322,432
35-39	898	382	184	69	6			1,539	56,772,261
40-44	882	419	283	257	90	3		1,934	78,744,368
45-49	751	377	326	248	174	80	2	1,958	82,776,833
50-54	535	282	267	227	202	117	28	1,658	72,583,004
55-59	300	139	168	120	103	81	32	943	40,130,125
60	33	19	11	24	17	7	3	114	4,806,668
61	24	23	17	14	5	6	1	90	3,441,927
62	26	15	15	13	7	3	3	82	2,804,691
63	27	8	9	4	6	4	4	62	1,984,238
64	28	10	5	7	5	0	1	56	1,675,640
65	18	6	8	4	3	1	1	41	1,003,875
66	14	8	5	4	4	1	2	38	1,198,070
67	15	11	3	5	3	1	0	38	973,160
68	11	1	3	3	1	0	1	20	580,795
69	9	6	0	0	3	2	0	20	423,616
70+	65	24	10	5	4	0	2	110	1,447,598
Totals	**6,750**	**2,080**	**1,365**	**1,006**	**633**	**306**	**80**	**12,220**	**$436,582,273**

Judicial Division

Members included in the Judicial Division valuation totaled 266 and involved annual salaries totaling $24,139,756. The average age for Judicial Division members was 54.3 years, and the average service was 12.9 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									
35-39	3	1	0	0	0	0	0	4	$321,302
40-44	6	8	4	1	0	0	0	19	1,535,609
45-49	10	9	9	5	0	0	0	33	2,907,188
50-54	19	18	19	14	11	3	0	84	7,648,304
55-59	14	8	8	15	20	6	1	72	6,609,442
60	2	3	0	3	1	0	0	9	901,576
61	0	1	2	5	3	2	0	13	1,273,008
62	0	0	2	0	1	1	0	4	287,138
63	0	0	2	1	1	1	0	5	510,293
64	0	1	0	0	0	2	0	3	313,644
65	0	0	0	0	0	0	0	0	–
66	0	0	2	0	1	1	2	6	533,582
67	0	1	0	0	0	0	1	2	176,177
68	0	0	1	1	1	0	0	3	215,171
69	0	1	1	0	0	1	0	3	295,654
70+	0	0	3	1	1	0	1	6	611,668
Totals	**54**	**51**	**53**	**46**	**40**	**17**	**5**	**266**	**$24,139,756**

Summary of Solvency Test

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

Until 1999, Colorado PERA's contribution rates were occasionally increased to fund benefit improvements, or temporarily decreased at the State Legislature's direction. (See "Schedule of Contribution Rate History" on page 74.) Legislation enacted in 1999 and 2000:

- Required a permanent one-time 1 percent reduction in the contribution rate for PERA's State, School, and Judicial employers, and
- Set forth a gainsharing formula in which PERA employer contribution rates would fluctuate annually, based on any overfunding in the PERA retirement trust funds. The amount needed to reduce PERA's overfunding over a 10–year period would be used toward:
  - Further employer contribution reductions in all PERA Divisions.
  - Increased allocations to the PERA Health Care Trust Fund (HCTF).
  - Matching ("MatchMaker") contributions to PERA members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans.

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

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

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

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

Total Actuarial Liabilities

Valuation Date	Member Contributions (1)[1]	Retirees and Beneficiaries (2)	Portion of Active Members (3)	Employer-Financed Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
12/31/92	$2,050,729,958	$4,887,166,176	$5,487,483,258	$11,339,310,964	100%	100%	80.2%
12/31/93	2,093,693,307	6,516,956,622	6,186,381,981	12,668,101,503	100%	100%	66.5%
12/31/94	2,395,959,381	7,163,767,095	6,204,351,274	13,717,384,820	100%	100%	67.0%
12/31/95	3,727,497,280	7,862,779,572	5,510,030,884	15,349,515,165	100%	100%	68.2%
12/31/96	4,040,814,028	8,339,476,944	5,611,614,086	17,321,769,518	100%	100%	88.1%
12/31/97	4,161,334,387	10,303,331,080	7,029,404,533	19,776,487,860	100%	100%	75.6%
12/31/98	4,413,349,123	11,659,836,332	7,842,874,545	23,069,582,456	100%	100%	89.2%
12/31/99	4,631,541,543	12,650,882,161	8,564,267,296	26,643,394,180	100%	100%	100%
12/31/00	4,833,143,560	14,162,593,257	9,170,504,492	29,625,878,179	100%	100%	100%
12/31/01	**$5,562,390,361**	**$16,301,486,412**	**$9,503,435,639**	**$30,935,478,756**	**100%**	**100%**	**95%**

[1] Includes accrued interest on member contributions.

Summary of Unfunded/Overfunded Actuarial Accrued Liabilities

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

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

Colorado PERA's historical level of funding reflects consistent improvement. The ratio of PERA's assets to accrued liabilities exceeded 100 percent for the first time on December 31, 1999; this ratio exceeded 100 percent again on December 31, 2000.

As of December 31, 2001, the amortization period was 13 years for the State and School Division; there were no unfunded liabilities in the Municipal Division and in the Judicial Division. Unfunded liabilities in the State and School Division on December 31, 2001, were partly attributed to new actuarial assumptions adopted by the PERA Board in 2001. In addition, gainsharing legislation that took effect in 2001 specifies a formula in which any overfunding in the PERA retirement trust funds supports employer contribution reductions in all PERA Divisions, increased allocations to PERA's Health Care Trust Fund (HCTF), and matching ("MatchMaker") contributions to members' voluntary contributions to 401(k), 457, 403(b), and 401(a) tax-deferred retirement plans.

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

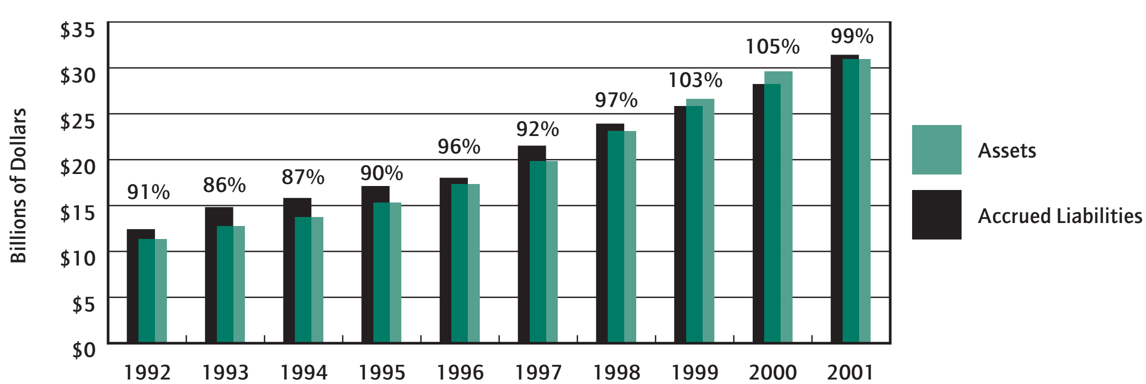
Since inflation decreases the dollar's value, it is important to examine more than only the dollar amounts of assets, benefits paid, member salaries, and unfunded/overfunded actuarial accrued liabilities when assessing the Plan's financial status. While no one or two measures can fully describe the financial condition of the Plan, unfunded/overfunded actuarial accrued liability dollars divided by member salary dollars provide a meaningful index. The smaller the ratio, the stronger the system. Observation of this relative index over a period of years will give an indication of the financial strength of the system. This ratio has increased at times over the last decade, but recent trends—including the ratio on December 31, 2001—reflect stability.

Negative investment returns in 2001 contributed to unfunded liabilities. However, over the long-term, investment gains have helped to increase assets, reduce unfunded actuarial accrued liabilities, and lower the ratio of unfunded liabilities to member salaries.

Unfunded/Overfunded Actuarial Accrued Liabilities (UAAL/OAAL)

Valuation Date	Total Actuarial Accrued Liabilities	Valuation Assets	Assets as a % of Accrued Liabilities	Unfunded/Overfunded Actuarial Accrued Liabilities	Member Salaries	UAAL/OAAL as a % of Member Salaries
12/31/92	$12,425,379,392	$11,339,310,964	91.3%	$1,086,068,428	$3,436,693,500	31.6%
12/31/93	14,797,031,910	12,668,101,503	85.6%	2,128,930,407	3,451,307,428	61.7%
12/31/94	15,764,077,750	13,717,384,820	87.0%	2,046,692,930	3,578,972,051	57.2%
12/31/95	17,100,307,736	15,349,515,165	89.8%	1,750,792,571	3,803,799,573	46.0%
12/31/96	17,991,905,058	17,321,769,518	96.3%	670,135,540	3,968,963,337	16.9%
12/31/97	21,494,070,000	19,776,487,860	92.0%	1,717,582,140	4,211,820,401	40.8%
12/31/98	23,916,060,522	23,069,582,456	96.5%	846,478,066	4,477,302,776	18.9%
12/31/99	25,846,691,306	26,643,394,180	103.1%	(796,702,874)	4,709,759,629	(16.9%)
12/31/00	28,166,241,309	29,625,878,179	105.2%	(1,459,636,870)	4,982,542,964	(29.3%)
12/31/01	$31,367,312,412	$30,935,478,756	98.6%	431,833,656	$5,415,327,493	8.0%

Assets as a Percent of Accrued Liabilities 1992–2001



Schedule of Gains and Losses in Accrued Liabilities

Resulting From Differences Between Assumed Experience and Actual Experience

Type of Activity	2001	2000	1999	1998	1997	1996
	$ Gain (or Loss) for Years Ended December 31 (In Millions of Dollars)					
Age and service retirements[1]	**($178.4)**	($323.4)	($228.8)	($306.5)	($301.5)	($99.6)
Disability retirements[2]	**0.1**	0.4	(4.1)	(23.8)	(72.0)	(58.4)
Deaths[3]	**11.5**	(12.2)	(6.5)	(9.3)	6.9	2.8
Withdrawal from employment[4]	**0.6**	21.5	(26.4)	(49.2)	(105.2)	(133.4)
New entrants[5]	**(41.0)**	(166.1)	(133.9)	(49.1)	(39.3)	(23.2)
Pay increases[6]	**(495.5)**	(39.4)	33.7	110.4	118.8	152.1
Investment income[7]	**(780.1)**	989.1	1,847.4	1,729.5	1,045.9	715.2
Other	**5.7**	273.1	180.2	(292.6)	4.4	35.6
Gain (or loss) during year	**(1,477.1)**	743.0	1,661.6	1,109.4	658.0	591.1
Non-recurring items[8]	**(572.5)**	(288.3)	(92.9)	(269.4)	(1,917.5)	472.4
Composite gain (or loss) during year	**($2,049.6)**	$454.7	$1,568.7	$840.0	($1,259.5)	$1,063.5

[1] Age and service retirements: If members retire at older ages than assumed, there is a gain. If members retire at younger ages, a loss occurs.
[2] Disability retirements: If disability claims are lower than was assumed, there is a gain. If a higher number of disability claims was experienced, there is a loss.
[3] Deaths: If survivor claims are lower than was assumed, there is a gain. If a higher number of survivor claims was experienced, there is a loss. If retirees live longer than assumed, there is a loss; if retirees die sooner than assumed, there is a gain.
[4] Withdrawal from employment: If more members terminate and more liabilities are released by withdrawals than are assumed, there is a gain. If fewer liabilities are released, a loss occurs.
[5] New entrants: If the number of new members entering the Plan is lower than was assumed, there is a loss. If a higher number of new members entered the Plan than was assumed, there is a gain.
[6] Pay increases: If there are smaller salary increases than assumed, there is a gain. If greater increases occur, a loss results.
[7] Investment income: If there is greater investment income than assumed, there is a gain. If less income is received, a loss occurs.
[8] Non-recurring items: Include changes to plan benefits, changes in actuarial method or assumptions, and special transfers to retired life funds.

Schedule of Computed Employer Contribution Rates for Fiscal Years Beginning in 2003

	Expressed as a Percentage of Member Payroll		
	State and School Division	**Municipal Division**	**Judicial Division**
Contributions:			
Service retirement benefits	11.30%	10.85%	13.09%
Disability retirement benefits	0.89%	1.45%	1.92%
Survivor benefits	0.54%	0.63%	1.28%
Termination withdrawals	3.06%	3.37%	1.59%
Total normal cost	15.79%	16.30%	17.88%
Member contributions	8.02%[1]	8.00%	8.00%[2]
Employer normal cost	7.77%	8.30%	9.88%
Percentage available to amortize unfunded actuarial accrued liabilities	(0.61)%	(1.90)%	(6.78)%
Amortization period	13 years[3]	11 years [5]	10 years[5]
Total employer contribution rate for actuarially funded benefits[4]	8.26%	8.09%	6.21%
Health Care Trust Fund	1.10%	1.69%	3.11%
Employer contribution rate for defined benefit plan	7.16%[1]	6.40%	3.10%

[1] Weighted average of more than one statutory rate.
[2] Assumes no judge will elect a refund of contributions made for the 17th through the 20th year of service.
[3] Assumes that percentage available for MatchMaker will decrease to 0.91 percent on 1-1-04 and to 0.00 percent on 1-1-05.
[4] Net of percentage available for MatchMaker and statutory reductions in contribution rates.
[5] The Division has a surplus as of the valuation date. This represents the number of years to reduce the surplus to $0.

Schedule of Contribution Rate History

			Percent of Payroll: Member Contribution Rate	Percent of Payroll: Employer Contribution Rate[1]
State and School Division[3]				
Members (Other Than State Troopers)				
7-1-97	to	6-30-98	8.00%	11.50%
7-1-98	to	6-30-00	8.00%	11.40%
7-1-00	to	6-30-01	8.00%	10.40%
7-1-01	to	12-31-01	8.00%	9.90%
State Troopers				
7-1-45	to	6-30-69	7.00%	7.00%
7-1-69	to	6-30-70	8.00%	8.00%
7-1-70	to	6-30-71	8.00%	9.00%
7-1-71	to	6-30-73	8.00%	9.50%
7-1-73	to	6-30-74	8.75%	10.50%
7-1-74	to	6-30-75	8.75%	11.50%
7-1-75	to	8-31-80	8.75%	11.64%
9-1-80	to	12-31-81	8.75%	13.20%
1-1-82	to	6-30-87	9.00%	13.20%
7-1-87	to	6-30-88	9.00%	11.20%
7-1-88	to	6-30-89	9.00%	13.20%
7-1-89	to	4-30-92	12.30%	13.20%
5-1-92	to	6-30-92	12.30%	7.20%[2]
7-1-92	to	6-30-93	11.50%	12.20%
7-1-93	to	6-30-97	11.50%	13.20%
7-1-97	to	6-30-99	11.50%	13.10%
7-1-99	to	6-30-01	10.00%	13.10%
7-1-01	to	12-31-01	10.00%	12.60%
Municipal Division				
1-1-44	to	12-31-49	3.50%	3.50%
1-1-50	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	12-31-69	7.00%	6.00%
1-1-70	to	12-31-70	7.00%	7.00%
1-1-71	to	6-30-73	7.00%	7.50%
7-1-73	to	12-31-73	7.75%	7.50%
1-1-74	to	12-31-74	7.75%	8.50%
1-1-75	to	12-31-75	7.75%	9.50%
1-1-76	to	12-31-80	7.75%	9.86%
1-1-81	to	12-31-81	7.75%	10.20%
1-1-82	to	6-30-91	8.00%	10.20%
7-1-91	to	12-31-00	8.00%	10.00%
1-1-01	to	12-31-01	8.00%	9.43%
Judicial Division				
7-1-49	to	6-30-57	5.00%	5.00%
7-1-57	to	6-30-73	6.00%	12.00%
7-1-73	to	6-30-80	7.00%	12.00%
7-1-80	to	8-30-80	7.00%	13.00%
9-1-80	to	12-31-81	7.00%	15.00%
1-1-82	to	6-30-87	8.00%	15.00%
7-1-87	to	6-30-88	8.00%	13.00%
7-1-88	to	6-30-00	8.00%	15.00%
7-1-00	to	6-30-01	8.00%	14.00%
7-1-01	to	12-31-01	8.00%	11.82%

1 All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2001, include the Health Care Trust Fund allocation.
2 Legislation created an annual reduction equal to 1 percent of salary retroactive to July 1, 1991, to be taken during May and June of 1992.
3 State and School Divisions were merged July 1, 1997.

			Percent of Payroll Available from Employer Contribution for MatchMaker (Maximum Match)
State and School Division			
1-1-01	to	12-31-01	3%
Municipal Division			
1-1-01	to	12-31-01	2%
Judicial Division			
1-1-01	to	12-31-01	7%

			Percent of Payroll Allocated from Employer Contribution to Health Care Trust Fund[1]
State and School Division			
7-1-85	to	6-30-99	0.80%
7-1-99	to	12-31-00	1.10%
1-1-01	to	12-31-01	1.42%
Municipal Division			
7-1-85	to	6-30-99	0.80%
7-1-99	to	12-31-00	1.10%
1-1-01	to	12-31-01	1.96%
Judicial Division			
7-1-85	to	6-30-99	0.80%
7-1-99	to	12-31-00	1.10%
1-1-01	to	12-31-01	4.37%

			Percent of Payroll: Member Contribution Rate	Percent of Payroll: Employer Contribution Rate[1]
School Division[3]				
1-1-44	to	12-31-49	3.50%	3.50%
1-1-50	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	12-31-69	7.00%	6.00%
1-1-70	to	12-31-70	7.00%	7.50%
1-1-71	to	12-31-71	7.00%	8.50%
1-1-72	to	6-30-73	7.00%	9.25%
7-1-73	to	12-31-73	7.75%	9.25%
1-1-74	to	12-31-74	7.75%	10.25%
1-1-75	to	12-31-75	7.75%	11.25%
1-1-76	to	12-31-80	7.75%	12.10%
1-1-81	to	12-31-81	7.75%	12.50%
1-1-82	to	6-30-87	8.00%	12.50%
7-1-87	to	6-30-88	8.00%	11.50%
7-1-88	to	6-30-91	8.00%	12.50%
7-1-91	to	6-30-92	8.00%	12.20%
7-1-92	to	6-30-97	8.00%	11.60%
State Division[3]				
Members (Other Than State Troopers)				
8-1-31	to	6-30-38	3.50%	0.00%
7-1-38	to	6-30-49	3.50%	3.50%
7-1-49	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	6-30-70	7.00%	7.00%
7-1-70	to	6-30-71	7.00%	8.00%
7-1-71	to	6-30-73	7.00%	8.50%
7-1-73	to	6-30-74	7.75%	9.50%
7-1-74	to	6-30-75	7.75%	10.50%
7-1-75	to	8-31-80	7.75%	10.64%
9-1-80	to	12-31-81	7.75%	12.20%
1-1-82	to	6-30-87	8.00%	12.20%
7-1-87	to	6-30-88	8.00%	10.20%
7-1-88	to	6-30-91	8.00%	12.20%
7-1-91	to	4-30-92	8.00%	11.60%
5-1-92	to	6-30-92	8.00%	5.60%[2]
7-1-92	to	6-30-93	8.00%	10.60%
7-1-93	to	6-30-97	8.00%	11.60%

Schedule of Active Member Valuation Data

Year	Number of Employers	Number of Members	Annual Payroll	Average Annual Salary	% Increase (Decrease) in Average Pay
1992	365	136,898	$3,436,693,500	$25,104	3.37%
1993	355	139,807	3,451,307,428	24,686	(1.67)%
1994	360	140,194	3,578,972,051	25,529	3.41%
1995	367	144,420	3,803,799,573	26,338	3.17%
1996	370	147,670	3,968,963,337	26,877	2.05%
1997	373	152,475	4,211,820,401	27,623	2.78%
1998	374	154,235	4,477,302,776	29,029	5.09%
1999	375	157,967	4,709,759,629	29,815	2.71%
2000	379	162,106	4,982,542,964	30,736	3.09%
2001	385	169,833	$5,415,327,493	$31,886	3.74%

Statistical Section

"I never anticipated staying in this job for more than a couple years. I've been with the City of Boulder for 28 1/2 years now. It's great knowing PERA is there, strong as it has been. I've always felt the connection PERA has with the Legislature has helped it during uncertain times. Benefits have been expanded at low taxpayer cost."

Eric Harris
Safety Officer
City of Boulder

Schedule of Expenses by Type

(In Thousands of Dollars)

Year	Benefit Payments	Refunds[1]	Administrative Expenses	Disability Insurance	Other	Total
State and School Division[2]						
1997	$749,313	$60,686	$14,090	$—	$377	$824,466
1998	851,676	65,811	14,142	—	2,068	933,697
1999	943,112	89,684	15,794	8,054	1,873	1,058,517
2000	1,042,905	124,096	15,245	4,824	973	1,188,043
2001	**$1,171,996**	**$90,898**	**$16,363**	**$3,228**	**$1,409**	**$1,283,894**
State Division[2]						
1996	$305,658	$31,880	$5,503	$—	($3,902)	$339,139
School Division[2]						
1996	$355,521	$27,343	$8,548	$—	$4,237	$395,649
Municipal Division						
1996	$28,723	$7,330	$999	$—	$249	$37,301
1997	32,823	8,112	996	—	150	42,081
1998	36,967	8,070	1,158	—	(824)	45,371
1999	40,903	10,210	1,391	692	(1,118)	52,078
2000	44,957	14,619	1,339	418	(131)	61,202
2001	**$50,294**	**$10,645**	**$1,437**	**$283**	**($721)**	**$61,938**
Judicial Division						
1996	$4,449	$9	$36	$—	($67)	$4,427
1997	4,992	145	35	—	(53)	5,119
1998	5,168	46	25	—	(442)	4,797
1999	5,521	683	37	38	1	6,280
2000	5,917	—	20	23	(130)	5,830
2001	**$6,440**	**$282**	**$19**	**$16**	**$281**	**$7,038**
Health Care Trust Fund						
1996	$57,102	$—	$—	$—	$—	$57,102
1997	59,652	—	—	—	—	59,652
1998	62,395	—	846	—	(2,122)	61,119
1999	64,979	—	483	—	—	65,462
2000	77,332	—	1,134	—	—	78,466
2001	**$103,472**	**$—**	**$679**	**$—**	**($368)**	**$103,783**

[1] Refunds include interest and matching amounts as required by law.
[2] The State and School Divisions were merged in 1997.

Schedule of Revenue by Source

(In Thousands of Dollars)

Year	Member Contributions[1]	Employer Contributions[1]	Service Credit Purchases	Retiree Health Care Premiums	Net Investment Income	Total Revenues
State and School Division[2]						
1997	$293,059	$392,898	$27,029	$—	$3,361,986	$4,074,972
1998	308,379	409,749	43,762	—	3,231,469	3,993,359
1999	324,504	422,025	69,775	—	4,130,854	4,947,158
2000	343,040	420,031	96,023	—	(30,817)	828,277
2001	**$368,968**	**$314,649**	**$119,719**	**$—**	**($2,287,062)**	**($1,483,726)**
State Division[2]						
1996	$118,472	$159,057	$5,513	$—	$840,178	$1,123,220
School Division[2]						
1996	$158,675	$214,155	$8,018	$—	$1,232,953	$1,613,801
Municipal Division						
1996	$21,872	$25,149	$814	$—	$119,221	$167,056
1997	23,701	27,253	853	—	195,741	247,548
1998	26,248	30,186	1,339	—	191,499	249,272
1999	27,893	31,418	3,630	—	249,209	312,150
2000	29,392	32,639	4,678	—	(2,134)	64,575
2001	**$32,451**	**$25,435**	**$6,916**	**$—**	**($141,466)**	**($76,664)**
Judicial Division						
1996	$1,426	$2,531	$62	$—	$11,802	$15,821
1997	1,485	2,636	340	—	19,086	23,547
1998	1,517	2,693	89	—	18,394	22,693
1999	1,552	2,689	121	—	23,539	27,901
2000	1,630	2,726	732	—	(200)	4,888
2001	**$1,806**	**$637**	**$748**	**$—**	**($13,089)**	**($9,898)**
Health Care Trust Fund						
1996	$—	$30,008	$—	$18,932	$10,383	$59,323
1997	—	31,750	—	20,124	15,711	67,585
1998	—	33,522	—	21,798	14,089	69,409
1999	—	43,136	—	25,611	17,891	86,638
2000	—	51,351	—	28,751	(94)	80,008
2001	**$—**	**$74,324**	**$—**	**$43,960**	**($10,818)**	**$107,466**

[1] Member and employer contribution rate history is shown on page 74.
[2] The State and School Divisions were merged in 1997.

Member and Benefit Recipient Statistics[1]

	State Category	School Category	Municipal Division	Judicial Division	Total
Active members—12/31/01	54,432	102,915	12,220	266	169,833
Retirements during 2001:					
Disability retirements	86	75	17	0	178
Service retirements	1,116	2,314	142	7	3,579
Total	1,202	2,389	159	7	3,757
Retirement benefits:					
Total receiving disability and service retirement benefits on Dec. 31, 2000	21,612	28,685	2,514	204	53,015
Total retiring during 2001	1,202	2,389	159	7	3,757
Cobeneficiaries continuing after retiree's death	174	148	31	3	356
Returning to retirement rolls from suspension	49	63	9	0	121
Total	23,037	31,285	2,713	214	57,249
Retirees and cobeneficiaries deceased during year	701	716	88	9	1,514
Retirees suspending benefits to return to work	0	2	0	0	2
Total receiving retirement benefits	22,336	30,567	2,625	205	55,733
Total retirement benefits payable on 12/31/01	$504,088,404	$693,723,240	$50,650,788	$6,076,428	$1,254,538,860
Average monthly benefit on 12/31/01	$1,881	$1,891	$1,608	$2,470	$1,876
Average monthly benefit for all members who retired during 2001	$2,640	$2,571	$2,690	$3,583	$2,600
Survivor benefit accounts:					
Total survivors being paid on 12/31/01	924	1,024	163	16	2,127
Total benefits payable on 12/31/01	$13,429,956	$11,676,168	$1,853,688	$335,592	$27,295,404
Future benefits:					
Future retirements to age 60 or 65	3,340	6,038	674	14	10,066
Total annual future benefits	$27,813,888	$35,259,387	$5,541,885	$251,219	$68,866,379
Future survivor beneficiaries of inactive members	106	127	16	1	250
Total annual future benefits	$524,085	$504,538	$102,881	$5,831	$1,137,335

[1] In addition, as of 12/31/01, there was a total of 83,528 non-vested terminated members due a refund of their contributions—State and School Division: 75,606; Municipal Division: 7,920; and Judicial Division: 2.

Schedule of Average Retirement Benefits Payable[1]

Year Ended	Average Monthly Benefit	Average Age at Retirement	Average Current Age of Retirees	Average Years of Service at Retirement
12/31/92	$1,085	60.5	70.0	18.7
12/31/93	1,158	60.2	69.7	19.1
12/31/94	1,213	60.0	69.7	19.2
12/31/95	1,266	59.7	69.7	19.4
12/31/96	1,334	59.6	69.2	19.6
12/31/97	1,533	59.2	69.5	19.8
12/31/98	1,580	59.2	69.6	20.1
12/31/99	1,657	59.0	69.4	20.5
12/31/00	1,755	58.8	69.3	20.9
12/31/01	$1,876	58.6	69.1	21.2

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

Schedule of Benefit Disbursements by Type[1]

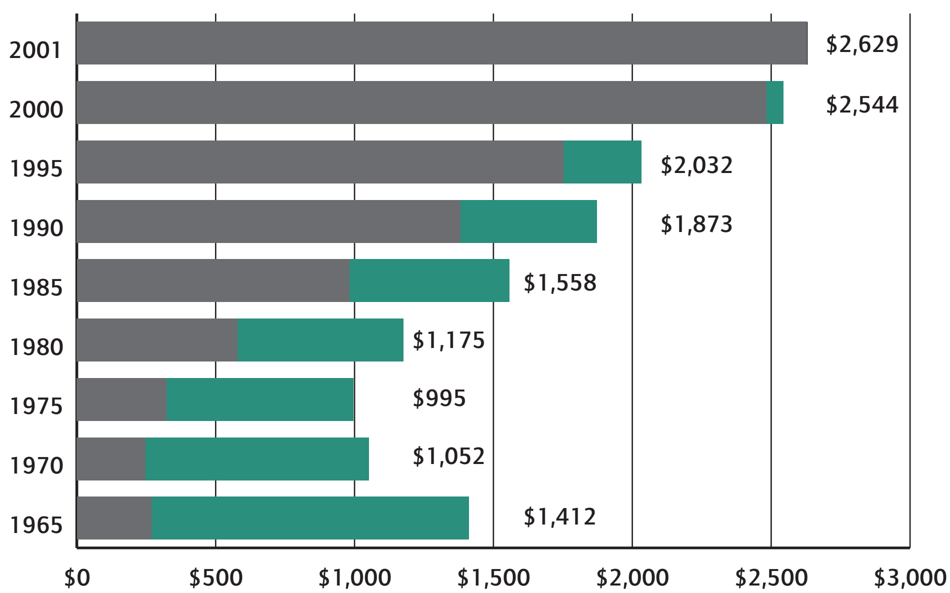
(In Thousands of Dollars)

Year Ended	Retirement Benefits	Survivor Benefits	Contribution Refunds	Interest and Matching Amount Paid	Health Care	Total
12/31/96	$677,181	$17,170	$39,022	$27,540	$57,102	$818,015
12/31/97	769,130	17,998	39,326	29,617	59,652	915,723
12/31/98	874,913	18,898	41,884	32,043	62,395	1,030,133
12/31/99	966,966	22,570	46,230	54,347	64,979	1,155,092
12/31/00	1,073,845	19,934	59,617	79,098	77,332	1,309,826
12/31/01	**$1,208,022**	**$20,708**	**$45,928**	**$55,897**	**$103,472**	**$1,434,027**

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

Current Average Monthly Benefit by Year of Retirement

Service Retiree Accounts as of December 31, 2001



	1965	1970	1975	1980	1985	1990	1995	2000	2001
Original Benefit at Retirement	$268	$248	$323	$579	$981	$1,381	$1,752	$2,483	**$2,629**
Benefit Increases	$1,144	$804	$672	$596	$577	$492	$280	$61	**$0**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2001

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

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

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

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

State and School Division

Amount of Benefit	Total (Columns 1–5)	Type of Benefit 1	2	3	4	5	6
$1-$250	2,729	2,439	93	3	163	31	3,225
$251-$500	4,565	3,731	489	5	302	38	2,662
$501-$750	4,603	3,550	737	14	264	38	1,516
$751-$1,000	4,652	3,340	1,044	13	226	29	801
$1,001-$1,250	4,524	3,207	1,111	12	192	2	498
$1,251-$1,500	4,446	3,317	978	12	137	2	307
$1,501-$1,750	4,046	3,127	805	10	104	0	192
$1,751-$2,000	3,631	2,954	584	5	88	0	156
Over $2,000	21,655	20,372	1,025	75	183	0	286
Totals	**54,851**	**46,037**	**6,866**	**149**	**1,659**	**140**	**9,643**

Amount of Benefit	Option Selected 1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1-$250	1,692	106	328	19	310	77
$251-$500	2,717	248	527	23	570	135
$501-$750	2,628	341	517	38	623	140
$751-$1,000	2,543	468	656	41	528	148
$1,001-$1,250	2,413	537	734	52	427	155
$1,251-$1,500	2,422	532	824	40	358	119
$1,501-$1,750	2,130	577	806	46	268	105
$1,751-$2,000	1,856	575	759	33	226	89
Over $2,000	10,730	4,449	5,054	171	743	250
Totals	**29,131**	**7,833**	**10,205**	**463**	**4,053**	**1,218**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2001

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

Amount of Benefit	Total (Columns 1–5)	Type of Benefit 1	2	3	4	5	6
$1-$250	123	108	4	0	10	1	134
$251-$500	233	187	22	0	22	2	209
$501-$750	292	192	60	2	35	3	138
$751-$1,000	287	168	92	1	23	3	76
$1,001-$1,250	396	203	166	2	25	0	42
$1,251-$1,500	296	172	116	0	8	0	30
$1,501-$1,750	253	146	98	4	5	0	21
$1,751-$2,000	209	143	60	2	4	0	14
Over $2,000	699	622	66	2	9	0	29
Totals	**2,788**	**1,941**	**684**	**13**	**141**	**9**	**693**

Amount of Benefit	Option Selected 1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1-$250	65	2	19	0	23	3
$251-$500	101	9	27	2	59	11
$501-$750	115	15	51	2	59	10
$751-$1,000	134	24	50	1	49	2
$1,001-$1,250	161	56	89	9	45	9
$1,251-$1,500	124	46	71	7	30	10
$1,501-$1,750	94	43	76	4	17	10
$1,751-$2,000	89	34	61	2	14	3
Over $2,000	255	156	235	9	20	13
Totals	**1,138**	**385**	**679**	**36**	**316**	**71**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2001

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

Amount of Benefit	Total (Columns 1–5)	*Type of Benefit* 1	2	3	4	5	6
$1-$250	2	2	0	0	0	0	1
$251-$500	14	13	1	0	0	0	1
$501-$750	9	8	1	0	0	0	3
$751-$1,000	7	4	0	0	3	0	1
$1,001-$1,250	7	7	0	0	0	0	1
$1,251-$1,500	21	15	3	0	3	0	4
$1,501-$1,750	17	14	0	0	2	1	0
$1,751-$2,000	9	7	0	0	2	0	0
Over $2,000	135	114	16	0	5	0	4
Totals	**221**	**184**	**21**	**0**	**15**	**1**	**15**

Amount of Benefit	*Option Selected* 1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1-$250	0	0	2	0	0	0
$251-$500	5	2	2	0	5	0
$501-$750	1	1	1	0	4	2
$751-$1,000	3	0	0	0	1	0
$1,001-$1,250	1	0	2	1	3	0
$1,251-$1,500	4	2	6	1	5	0
$1,501-$1,750	1	1	5	0	6	1
$1,751-$2,000	1	1	2	0	2	1
Over $2,000	29	23	42	4	28	4
Totals	**45**	**30**	**62**	**6**	**54**	**8**

Schedule of Average Benefit Payments

Year Retired	Years of Service Credit					
Period 1/1/01 to 12/31/01	**0-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Average monthly benefit	$361	$738	$1,121	$1,796	$2,660	$3,646
Average highest average salary	$2,181	$2,591	$2,777	$3,504	$4,193	$4,872
Number of service retirees	158	193	137	824	708	1,559
Period 1/1/00 to 12/31/00						
Average monthly benefit	$334	$746	$1,042	$1,770	$2,527	$3,468
Average highest average salary	$2,004	$2,680	$2,567	$3,466	$4,018	$4,652
Number of service retirees	160	201	168	819	615	1,599
Period 1/1/99 to 12/31/99						
Average monthly benefit	$351	$659	$1,039	$1,591	$2,387	$3,385
Average highest average salary	$2,117	$2,495	$2,836	$3,278	$3,934	$4,551
Number of service retirees	149	193	162	820	553	1,513
Period 1/1/98 to 12/31/98						
Average monthly benefit	$296	$611	$975	$1,586	$2,194	$3,293
Average highest average salary	$1,815	$2,296	$2,543	$3,249	$3,709	$4,398
Number of service retirees	153	191	160	754	488	1,059
Period 1/1/97 to 12/31/97						
Average monthly benefit	$600	$828	$1,159	$1,588	$2,171	$3,097
Average highest average salary	$2,011	$2,395	$2,716	$3,322	$3,727	$4,170
Number of service retirees	322	308	277	775	556	736
Period 1/1/96 to 12/31/96						
Average monthly benefit	$599	$800	$1,023	$1,514	$2,200	$3,211
Average highest average salary	$1,917	$2,298	$2,444	$3,098	$3,671	$4,169
Number of service retirees	304	313	265	714	374	559
Period 1/1/95 to 12/31/95						
Average monthly benefit	$628	$797	$1,082	$1,544	$2,190	$3,248
Average highest average salary	$1,964	$2,242	$2,450	$3,043	$3,526	$4,119
Number of service retirees	337	318	286	724	466	519
Period 1/1/94 to 12/31/94						
Average monthly benefit	$614	$755	$1,121	$1,574	$2,225	$3,243
Average highest average salary	$2,004	$2,168	$2,449	$3,068	$3,507	$4,050
Number of service retirees	349	332	284	724	477	512
Period 1/1/93 to 12/31/93						
Average monthly benefit	$591	$853	$1,080	$1,701	$2,406	$3,270
Average highest average salary	$2,022	$2,247	$2,378	$3,212	$3,749	$3,955
Number of service retirees	324	356	343	901	627	677
Period 1/1/92 to 12/31/92						
Average monthly benefit	$556	$820	$1,104	$1,616	$2,348	$3,184
Average highest average salary	$1,791	$2,099	$2,403	$2,943	$3,360	$3,701
Number of service retirees	331	363	336	738	349	414

Schedule of Affiliated Employers

State Category

Agencies and Instrumentalities

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

Institutions of Higher Education

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

School Category

Adams County

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

Alamosa County

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

Arapahoe County

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

Archuleta County

Archuleta County School District 50 Jt

Baca County

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

Schedule of Affiliated Employers

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

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

Clear Creek County
Clear Creek School District RE-1

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

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

Crowley County
Crowley County School District RE-1

Custer County
Custer County Consolidated School District C-1

Delta County
Delta County School District 50(J)

Dolores County
Dolores County School District Re No. 2

Douglas County
Douglas County School District Re 1

Eagle County
Eagle County School District Re 50

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

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

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

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

Gilpin County
Gilpin County School District Re-1

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

Gunnison County
Gunnison Watershed School District Re1J

Hinsdale County
Hinsdale County School District Re-1

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

Jackson County
North Park School District R-1

Jefferson County
Jefferson County School District R-1

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

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

Lake County
Lake County School District R-1

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

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

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

Schedule of Affiliated Employers

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

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

Mineral County
Creede Consolidated School District 1

Moffat County
Moffat County School District Re No. 1

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

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

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

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

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

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

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

Pitkin County
Aspen School District 1

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

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

Rio Blanco County
Meeker School District RE1
Rangely School District RE4

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

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

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

San Juan County
Silverton School District 1

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

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

Summit County
Summit School District Re 1

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

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

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

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

Schedule of Affiliated Employers

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

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

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

Municipal Division
Alamosa Housing Authority
Aurora Housing Authority
Baca Grande Water and 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
Center Housing Authority
City of Alamosa
City of Boulder
City of Colorado Springs
City of Fort Morgan
City of Manitou Springs
City of Pueblo
City of Wray
City of Yuma
Collbran Conservancy District
Colorado Housing Finance Authority
Colorado School Districts Self-Insurance Pool
Colorado Springs Utilities
Columbine Knolls-Grove Metropolitan Recreation District
Costilla Housing Authority
Cunningham Fire Protection District
Douglas Public Library District
East Cheyenne Ground Water Management District
East Larimer County Water District
Eastern Rio Blanco Parks & Recreation Department
Eaton Housing Authority
Elbert County Library District
Estes Valley Public Library District
Forest Lakes Metropolitan District
Fremont Sanitation District
Fremont Soil Conservation District
Garfield County Housing Authority
Housing Authority of Arriba
Housing Authority of the City of Boulder
Housing Authority of the Town of Limon
Lamar Housing Authority
Lamar Utilities Board
Left Hand Water District
Longmont Housing Authority
Longs Peak Water District
Louisville Fire Protection District
Meeker Regional Library District
Memorial Hospital–Colorado Springs
Montrose Fire Protection District
Montrose Recreation District
Monument Sanitation District
Morgan Soil Conservation District
Mountain View Fire Protection District
Mountain Village Metropolitan District
Mountain Water and Sanitation District
Niwot Sanitation District
North Chaffee County Regional Library
Northeast Colorado Health Department
Northeastern Colorado Association of Local Governments
Park Center Water District
Pine Drive Water District
Plains and Peaks Regional Library Services System
Pueblo City-County Health Department
Pueblo Library District
Rampart Regional Library District
Rangely Regional Library District
Red Feather Mountain Library District
Red, White & Blue Fire Protection District
Rifle Fire Protection District
Rio Blanco Fire Protection District
Rio Blanco Water Conservancy District
Sable-Altura Fire Protection District
San Luis Valley Development Resources Group
San Luis Valley Water Conservancy District
San Miguel County Public Library
San Miguel Regional and Telluride Housing Authority
Scientific and Cultural Facilities District
Sheridan Sanitation District #1
Soldier Canyon Filter Plant
Southwest Regional Library
Steamboat Springs Rural Fire Protection District
St. Vrain Sanitation District
Three Rivers Regional Library System
Town of Bayfield
Town of Crawford
Town of Dinosaur
Town of Eckley
Town of Estes Park
Town of Firestone
Town of Lake City
Town of Mountain Village
Town of Platteville
Town of Rico

Schedule of Affiliated Employers

Town of Rye
Town of Seibert
Town of Silver Plume
Tri-County Health Department
Upper Colorado Environmental Plant Center
Walker Field Public Airport Authority
Washington-Yuma Counties Combined Communications Center
Weld County Department of Public Health and Environment
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
Broomfield County Court
Chaffee County Court
Cheyenne County Court
Clear Creek County Court
Conejos County Court
Costilla County Court
Court of Appeals
Crowley County Court
Custer County Court
Delta County Court
Denver County Court
Dolores County Court
Douglas County Court
Eagle County Court
Elbert County Court
El Paso County Court
Fremont County Court
Garfield County Court
Gilpin County Court
Grand County Court
Gunnison County Court
Hinsdale County Court
Huerfano County Court
Jackson County Court
Jefferson County Court
Kiowa County Court
Kit Carson County Court
Lake County Court
La Plata County Court
Larimer County Court
Las Animas County Court
Lincoln County Court
Logan County Court
Mesa County Court
Mineral County Court
Moffat County Court
Montezuma County Court
Montrose County Court
Morgan County Court
Otero County Court
Ouray County Court
Park County Court
Phillips County Court
Pitkin County Court
Prowers County Court
Pueblo County Court
Rio Blanco County Court
Rio Grande County Court
Routt County Court
Saguache County Court
San Juan County Court
San Miguel County Court
Sedgwick County Court
Summit County Court
Supreme Court
Teller County Court
Washington County Court
Weld County Court
Yuma County Court

Health Care Program

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

The results of Colorado PERA's 1999 actuarial valuation allowed PERA to increase employer contribution allocations to the HCTF, effective January 1, 2001, pursuant to House Bill 00-1458. HB 1458 provides for 30 percent of the amount needed to reduce any overfunding in the PERA retirement trust funds to be allocated to the HCTF. This, in addition to the permanent allocation of 1.1 percent of salaries, could improve the HCTF's financial condition and support future increases in the PERA retiree health care premium subsidy, when approved by legislation.

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

- From 7/1/85 through 7/1/99: 0.8 percent
- From 7/1/99 through 12/31/00: 1.1 percent
- From 1/1/01 through 12/31/01: State and School Division 1.42 percent, Municipal 1.96 percent, Judicial 4.37 percent.

Colorado PERA subsidizes the monthly premium for benefit recipients enrolled in its health care program. In 2001, the maximum subsidies for benefit recipients were $230 per month for benefit recipients under age 65 and not eligible for Medicare, and $115 per month for benefit recipients age 65 or older or under age 65 and on Medicare. If the PERA benefit is based on less than 20 years of PERA service credit, the subsidy is reduced 5 percent for each year of service ($11.50 or $5.75, respectively). Monthly premiums for participants depend on the plan selected, the PERA subsidy amount, Medicare enrollment, and the number of persons covered.

Legislation enacted in 1999 allowed staff to develop and market a health benefits program for PERA's benefit recipients, and for active employees and eligible dependents of those PERA-affiliated employers who elect to participate in the program. In 2000, the PERA Health Care Program was renamed PERACare. Open enrollment for PERACare was held from October 1 through November 15, 2000, and on January 1, 2001, PERACare became operational. By the end of the 2001 year, 22 PERA-affiliated employers had opted to provide PERACare for approximately 1,100 active employees.

The PERACare program consisted of the following plans in 2001:

- Two self-insured plans administered by Mutual of Omaha (a preferred provider organization (PPO) plan for pre-Medicare participants, and a Medicare supplement plan). Each plan offers two levels of coverage, and is available worldwide. Caremark serves as the prescription benefit manager for both self-insured plans.
- Four HMO plans (Kaiser Permanente HMO, Rocky Mountain HMO, CIGNA HMO, and Health Network of Colorado Springs HMO) for active employees and pre-Medicare participants. Each HMO plan offers three different levels of benefits, in addition to a Point-of-Service (POS) plan with out-of-network providers after a deductible is met. Effective June 1, 2001, when Health Network of Colorado Springs HMO discontinued operating, PERACare participants enrolled in this HMO were given the choice of canceling coverage or enrolling in a Mutual of Omaha PPO plan.
- One PPO plan from one HMO (Rocky Mountain HMO) for active employees and pre-Medicare participants in the same counties in which this HMO is offered.
- Two HMO plans (Kaiser Permanente HMO and Rocky Mountain HMO) for Medicare participants.
- Two dental care plans (a dental HMO from Cigna and a PPO plan from United Concordia), and four vision plans (two from Cole Managed Vision Plan, and two from Vision Service Plan).
- PERA contracted with Medical Quest to provide an online directory of physicians, hospitals, and other providers who contract with PERACare's plans.

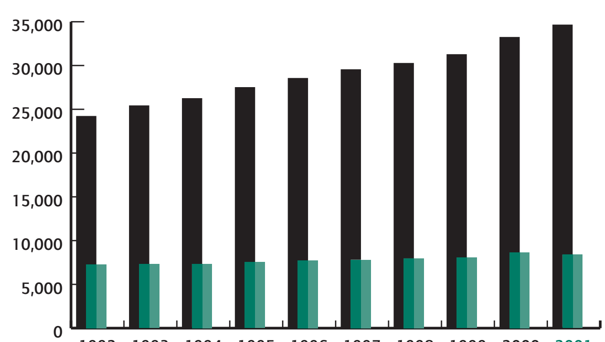
In other health-related developments last year, the Board of Trustees commissioned a Health Care Study Team to evaluate the value of the PERACare program and assess the future of PERACare compared to other options available in today's marketplace for health benefits. The Board approved the Health Care Study Team's recommendation that a survey be designed to measure PERACare participants' satisfaction levels.

PERA worked with an independent consultant to benchmark the current PERACare program against the competitive market, understand the value the program delivers today based on participant feedback, and outline feasible alternatives to the current program and its delivery models. In early 2002, the Ad Hoc Committee on Health Care reported to the Board that:

- PERACare provides a unique value to many benefit recipients and employers.
- PERACare provides a strong alternative for employers.
- Survey results showed that enrollees generally are satisfied with PERACare.
- PERA is as well-equipped as others to handle the challenges of health care programs.

Based on these findings, the Board accepted the Committee's recommendation that Colorado PERA continue to offer health care programs.

Health Care Program Enrollments



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Benefit Recipients	24,236	25,444	26,270	27,531	28,575	29,571	30,291	31,293	33,261	34,673
Spouses & Dependents	7,271	7,321	7,334	7,534	7,731	7,817	7,974	8,052	8,657	8,396

Life Insurance Program

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

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

Colorado PERA offered two group, decreasing-term life insurance plans. The plan from Anthem Life Insurance Company was offered from Rocky Mountain Life Insurance Company until December 31, 2000, when Rocky Mountain Life Insurance received final regulatory approval to merge with its Anthem Life affiliate. Benefits did not change after the Rocky Mountain Life Insurance plan was renamed. The other plan is offered by the National Conference on Public Employee Retirement Systems through Prudential.

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

Life Insurance Program Enrollment

Year	Anthem Life	Prudential	Anthem Life (Closed Group)	New York Life[1]	Total Enrollments
1992	37,028	16,809	3,451	—	57,288
1993	36,857	16,899	3,051	—	56,807
1994	36,265	16,555	2,884	—	55,704
1995	36,979	16,032	2,576	18,738	74,325
1996	37,062	17,135	2,489	16,297	72,983
1997	37,382	17,270	2,154	15,936	72,742
1998	37,477	17,327	1,997	15,513	72,314
1999	37,901	17,622	1,855	15,081	72,459
2000	37,883	17,606	1,678	14,336	71,503
2001	37,427	17,759	1,406	14,021	70,613

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

Life Insurance Program Claims

	Anthem Life		*Prudential*		*Anthem 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]
1992	$4,715,336	787	$1,264,979	187	$277,618	177	$—	—	$6,257,933	1,151
1993	5,114,319	751	1,250,563	169	236,675	155	—	—	6,601,557	1,075
1994	5,241,796	876	1,384,378	223	265,185	177	—	—	6,891,359	1,276
1995	5,064,415	653	1,561,740	246	288,416	172	444,602	282	7,359,173	1,353
1996	4,660,358	599	1,462,712	210	268,815	157	399,868	288	6,791,753	1,254
1997	5,116,641	679	1,469,340	226	171,175	127	378,422	282	7,135,578	1,314
1998	4,875,713	691	1,731,344	283	246,473	149	395,834	333	7,249,364	1,456
1999	4,700,668	703	1,415,914	256	265,141	138	412,966	328	6,794,689	1,425
2000	4,953,863	741	1,508,591	264	221,072	155	417,428	335	7,100,954	1,495
2001	$5,111,123	705	$1,579,714	227	$241,722	139	$345,798	279	$7,278,357	1,350

[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.

Public Employees' Retirement Association of Colorado Staff Members

As of May 31, 2002

Diane Ahonen
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Mike Anacker
Cynthia Andersen
Jerry Andersen
Dennis Anderson
Amanda Andrews
Martha Argo
Miriam Armendariz
Gloria Arteaga
Lynda Ary
Joshua Ashton
Cindy Baca
Malia Baird
Ron Baker
Brian Bandimere
Anne Bandy
Becky Barnett
Kevin Bayer
Patricia Bell
Gary Bender
Jenna Bendt
Norman Benedict
Leona Bennett
Richard Brooks
Steven Brown
Jeffrey Cable
Lana Calhoun
Karen Candelaria
Lydia Carlson
Kevin Carpenter
Adam Chadwick
Larry Ciacio
Marjorie Conrad
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Jeremy Davis
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Carol Dunne
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Linda Fishel
Anna Frantz
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Edie Golden
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Karl Greve
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Mary Kay Howard
Chungfang Hsia
Yo'Lauder Hunter
Greg Hybbeneth
Barbara Ivory
Scott Jelsma
Dan Jensen
Mark Jochimsen
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Mona Joy
Linda Joyce
Debby Kaller
Gary Kamp
Katie Kaufmanis
Faye Kent
Katie Kester
Kevin Kester
Kelli Kingery
Deanna Kirk
Floyd Kirkendall
Madalyn Knudsen
Carol Kolesnikoff
Ted Kreidler
Dave Kurtz
Loretta LaChapelle
Judy LaMaster
Alyson Lane
Rick Larson
Jim Lavan
Billy Lechman
Wanda Lestinsky
James Liptak
Tina Little
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David Lynch
Linda Macias
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Amber Malley
Karen Malone
Julie Mann
Tom Mann
Martha Martinez
David Martus
David Maurek
Stacia McBride
Pamela McCormick
Tim McCormick
Tom McLaughlin
David McNealey
Brenda Meidl
James Mestek
Dan Metzler
Jim Miers
Mike Miller
Bjung Min
Rose Montano
Tim Moore
Gregory Moran
Mary Morrison
Mellany Moyer
Kay Muller
Jesse Murillo
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Hal Riedemann
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Daryl Roberts
Robin Roberts
Gayle Rodd
Luz Rodriguez
Deneise Ross
Taksheka Ross
Beth Roybal
Lindsay Roybal
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John Spielman
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Rosalind Switzer
Chris Talbot
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Aaron Taylor
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Cheryl Tester
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Sandra Trujillo
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Marilee White
Jim Widhalm
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Evan Williams
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