Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2003

COLORADO PERA®

Personal.
Innovative.
Secure.

Images of buildings with distinctive columns, reminiscent of Greek and Roman architecture, invoke strength and maturity. Just like the stories behind many of the buildings photographed in the following pages, Colorado PERA has withstood many adversities in our 73–year history. Even in the face of financial volatility and uncertainty, Colorado PERA remains strong. With our sound investment strategies and commitment to promote long-term financial security for our membership, Colorado PERA is a symbol of strength to the public employees we serve. We've been around longer than Social Security, and we'll be here for many more decades to come.





Colorado Public Employees' Retirement Association

Comprehensive Annual Financial Report

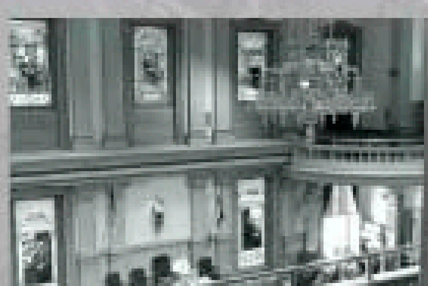
For the Fiscal Year Ended December 31, 2003

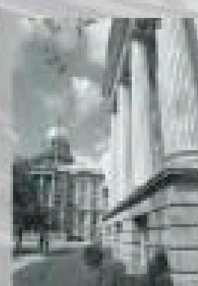
Colorado Public Employees' Retirement Association
1300 Logan Street
Denver, Colorado 80203-2386
303-832-9550
www.copera.org

Prepared by the PERA Staff

State Capitol

Excavation for Colorado's Capitol building started in 1886 and took almost 22 years to complete. The Colorado Capitol was designed in the form of a Greek cross and resembles the basic design of the nation's Capitol in Washington, D.C. Much of the materials used to construct the Colorado Capitol came from Colorado—granite from Gunnison for the outer walls, sandstone from Fort Collins for foundations, marble for floors and stairs from Marble, and wainscoting of rose onyx from Beulah.





Colorado Public Employees' Retirement Association
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June 1, 2004

Meredith Williams
Executive Director

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

I am pleased to present Colorado PERA's *Comprehensive Annual Financial Report* (*CAFR*) for the fiscal year ended December 31, 2003. We are proud of PERA's achievements during the year, and we will continue striving to improve service to our members and benefit recipients in the future. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with PERA's management.

Plan Overview

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

Major Initiatives

In 1999, Colorado PERA first reached full actuarial funding after 68 years of growth and asset accumulation. Enactment of the 2000 gainsharing legislation, initiated by the Colorado PERA Board of Trustees, allowed a portion of Colorado PERA's surplus funding to be used for employer contribution rate reductions, increased contributions to the PERA Health Care Trust Fund (HCTF), and a match of employees' voluntary contributions to 401(k), 457, and 403(b) tax-deferred retirement plans under the MatchMaker program.

In 2003, the total PERA portfolio had a 24.1 percent investment return. However, Colorado PERA's funding ratio has decreased due to investment losses during the 2000–2002 bear market, a record number of PERA service credit purchases, increased earlier retirements, and employer contribution rate reductions that were authorized in the 2000 gainsharing law. PERA's actuary again warns that without strong investment returns, future contribution increases will be necessary to maintain the long-term viability of the funds.

Major legislation proposed by the Colorado PERA Board in 2003 reflected the Board's statutory role as fiduciaries of the PERA Fund, and the Board's interest in helping PERA become the retirement plan of choice for all Colorado public employees. In 2003, the Legislature passed the following two major pieces of legislation that were initiated by the Board.

Senate Bill 03-98 ("Modification of PERA Benefits Provisions")
Signed into law by Governor Owens on June 5, 2003, this bill contains the following provisions:

- Maintains confidentiality for all information contained in PERA records of members and benefit recipients.
- Sets 10 years as the maximum allowable purchase of service credit for non-covered employment, effective November 1, 2003.
- Allows employees of new affiliates to purchase the total number of years worked for that employer under certain conditions, effective November 1, 2003.
- Requires a portion of the cost to purchase non-covered service credit (1.1 percent of the member's

Highest Average Salary), be transferred to the PERA Health Care Trust Fund (HCTF) at the time of retirement, for each month purchased with interest to the date of the transfer, effective November 1, 2003.

- Allows purchases of service credit for employment by a foreign employer, effective November 1, 2003.
- Deletes a seldom-used provision to make direct payments in lieu of contributions, effective July 1, 2003.
- Provides a 100 percent match on any remaining moneys in a retiree account upon death to be paid to the beneficiary, effective for deaths on or after June 5, 2003.
- Gives district courts in a divorce action the jurisdiction to allow a retiree to remove a spouse named cobeneficiary on an Option 2 or 3 benefit and change the benefit to Option 1, effective July 1, 2003. Also allows retirees in these instances to elect an Option 2 or 3 benefit and designate a new spouse as cobeneficiary upon remarriage.
- Allows retirees to fill the position of a member called into active military duty, without the 110-day calendar limit on work after retirement.
- Requires at least 65 percent of affected employees vote in favor of leaving their local or Colorado County Officials and Employees Retirement Association (CCOERA) plan before the local government can adopt another plan or affiliate with PERA.
- Provides that staff of The Colorado Association of School Executives are PERA members effective June 5, 2003.
- Allows employees in the State Defined Contribution Plan to leave that plan and join PERA under certain conditions, effective January 1, 2004.

Senate Bill 03-101 ("Stabilize PERA Employer Contribution Rates")
This bill was proposed by the Board to stabilize PERA employer contribution rates and allow employer rates to fluctuate based on funding thresholds. SB 101 would have saved the state and school districts money in the 2004 fiscal year. Although PERA is no longer overfunded, the 2000 gainsharing law does not allow employer contribution rates to rise when rate increases are recommended by the PERA actuary. In his veto message on May 22, 2003, the Governor cited concerns about the Legislature losing control over PERA's contribution rates and lack of progress toward his goal of allowing more state employees to elect a Defined Contribution (DC) Plan in lieu of PERA.

Also in 2003, the following legislation that directly affects Colorado PERA was passed and signed into law. None of these bills were initiated by the Board:

Senate Bill 03-250 ("Possible Affiliation of Denver Public Schools (DPS) with Colorado PERA")
This bill was signed into law by Governor Owens on June 5, 2003. This bill allows the Denver Public Schools Retirement System (DPSRS) to merge into PERA under conditions that are actuarially fair to both systems. Denver Public Schools (DPS) would join all other Colorado school districts in PERA's State and School Division. The Board supports the affiliation of Denver Public Schools provided that any affiliation has no actuarial or financial impact to PERA participants and the PERA trust funds. SB 03-250 authorizes DPSRS, PERA, and DPS to enter into a merger agreement, and the bill outlines the key provisions of the merger, including some benefit protections for current DPSRS members. If the merger goes into effect, on January 1, 2005, the PERA membership will increase by approximately 20,000 members and retirees.

House Bill 03-1327 ("Nonlicensed School Employees Hired During Critical Shortage")
Signed by the Governor on June 3, 2003, this bill extends the program through June 30, 2005, allowing school districts to declare a critical shortage of nonlicensed employees and hire PERA retirees to work full-time in nonlicensed positions without a PERA benefit reduction.

As amended, HB 03-1327 also allows PERA retirees working in nonlicensed positions during a critical shortage to enroll in the district's health care program, and it provides that PERA will not pay a premium subsidy to retirees who work during a critical shortage period.

Senate Bill 03-277 ("Furloughs and Colorado PERA Highest Average Salary")
This bill allows PERA members furloughed from July 2002 through June 2004 to have their Highest Average Salary (HAS) calculation based on full salary. If these PERA members pay member contributions on the unpaid salary for the furloughed period, PERA employers are required to pay the employer contribution. The Governor signed SB 03-277 on May 1, 2003.

Senate Bill 03-233 ("Allow Deputy District Attorneys (DAs) and Other DA Employees to Join PERA")
Signed by Governor Owens on April 23, 2003, this bill allows boards of county commissioners to permit deputy District Attorneys (DAs) and other employees in DA offices to join PERA or the State Defined Contribution (DC) Plan under certain conditions. Before SB 03-233 became effective on August 5, 2003, only the elected DA was eligible to join PERA, and other DA employees were excluded from PERA.

House Bill 03-1204 ("Disclosure by Investment Firms")
This bill requires investment firms that sell corporate securities to the State Treasurer, Colorado PERA, Colorado Fire Police and Pension Association, and any

other public entity to disclose any conflict of interest for any securities they offer to sell. The bill was signed by the Governor on March 20, 2003, and effective on August 5, 2003. PERA believes that the disclosure specified in HB 03-1204 is standard and will not hamper PERA's investment functions.

One bill that would have affected Colorado PERA was defeated in the 2003 session:

Senate Bill 03-142 ("Regulation of Pharmacy Benefit Managers (PBMs)")
This bill was defeated by the Senate Appropriations Committee on April 4, 2003. PERACare and many other health care plans use PBMs to lower the cost of prescription drugs paid by plan participants. Concerned that SB 03-142 would have allowed the State Board of Pharmacy to promulgate rules that would restrict a PBM's ability to secure mail order prescription drug discounts, PERA opposed this bill.

Accounting System and Reports

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

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

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

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

State law requires that the State Auditor perform an annual audit of PERA. Pursuant to this requirement, the Denver office of PricewaterhouseCoopers LLP audited PERA's 2003 financial statements under the control and oversight of the State Auditor. PERA continues to maintain strong internal controls in all operational areas.

Recognition of Achievements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Colorado PERA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2002. 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 18 years. We believe this CAFR continues to meet GFOA requirements. Therefore, we are submitting it to the GFOA to determine its eligibility for another Certificate.

Additions/Deductions to Plan Net Assets

The collection of employer and member contributions, and income from investments provide the reserves needed to finance the survivor, disability, retirement, and health care benefits. Defined benefit, health care, Insurance Dividend Reserve, and 401(k) Plan contributions and investment income (loss), including unrealized gains and (losses) for 2003, totaled $7,769,073,000.

Member contributions increased by $20,733,000 (3.4 percent) and employer contributions increased by $35,600,000 (7.1 percent). The rise in member contributions was attributable to increased members' voluntary 401(k) Plan contributions related to MatchMaker allocations, increased membership, and salary increases in the defined benefit plans.

Members' awareness of the higher cost to purchase noncovered PERA service credit effective November 1, 2003, resulted in a $409,851,000 (113.2 percent) increase in the level of service purchases from 2002. In 2003, income from service purchases totaled $771,960,000, compared to $362,109,000 in 2002.

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 2003, deductions totaled $2,034,032,000, an increase of 18.1 percent from 2002, largely due to an increase in retirement benefits.

Due to positive investment returns of $5,768,468,000, the net change to the funds increased by $5,735,041,000 during 2003. Administrative expenses are controlled by an annual budget approved by the PERA Board of Trustees and represented 0.1 percent of total assets.

The Management's Discussion and Analysis, pages 21–27, provides an overview of additions and deductions to PERA's net assets in the 2003 calendar year.

Economic Condition and Outlook

The year 2003 began with uncertainty in Iraq and concerns that business and consumer spending could be negatively impacted. After the outbreak of war, investor confidence and economic activity became more positive. A number of factors supported this change. Tax cuts, higher government spending, accommodative monetary policy, and increased productivity, all stimulated growth. The unemployment rate declined, corporate profits increased, and the stock market rose to reflect renewed optimism and improving business conditions. Supported by global trade and a lower U.S. dollar, the world economy also improved.

The Colorado State economy experienced both positive and negative trends. Employment declined and consumer spending was lower. Residential and non-residential construction permit issuance was also less than in 2002. Personal income improved modestly and inflation remained low. Corporate profits have recently improved and could lead to higher employment. Local factors as well as the recovery in the national economy may lead to higher growth in 2004.

The year ended with positive business conditions and strong equity returns in the U.S. The outlook for 2004 is constructive. Positive expectations for U.S. and global growth are supported by a relatively low inflation environment, continued fiscal stimulus, and improving business conditions. Certainly, risks to this positive outlook are present. Higher energy prices, potential interest rate hikes by the Federal Reserve, geopolitical instability, the threat of terrorism, and other factors could impede this cyclical upturn.

Investments

Investment portfolio income is a significant 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 2003, there was net investment income of $5,768,468,000 compared with total contributions by members and employers of $634,387,000 and $534,551,000 respectively.

	Additions to Plan Net Assets (in thousands)
Net Investment Income	$5,768,468
Contributions:	
Member	634,387
Employer	534,551
Purchased Service	771,960
Retiree Health Care Premiums	55,668
Total Contributions	1,996,566
Other	4,039
Total Additions to Plan Net Assets	**$7,769,073**

	Deductions from Plan Net Assets (in thousands)
Benefits	$1,666,082
Refunds	329,245
Disability and Life Insurance Premiums	5,835
Other	1,564
Administrative Expenses	31,306
Total Deductions from Net Assets	**$2,034,032**

For the year ended December 31, 2003, the total Fund had a rate of return of 24.1 percent on a market value basis. PERA's annualized rate of return over the last three years was 0.2 percent, over the last five years it was 3.7 percent, and over the last 10 years it was 9.1 percent. PERA reviewed its investment return assumption during 2003 and revised it to 8.5 percent over the long term. This return assumption is effective January 1, 2004.

Proper funding and healthy investment returns are very important to the financial soundness of Colorado PERA. Changes in the composition of the portfolio are reflected in the "Investment Summary" on page 56.

An integral part of the overall investment policy is the strategic asset allocation policy. The targeted strategic asset allocation is designed to provide optimal diversification 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. The targeted asset allocation mix is Domestic Stocks 45 percent, Domestic and International Fixed Income 25 percent, International Stocks 14 percent, Alternative Investments 8 percent, Real Estate Equity and Debt 7 percent, and Timber 1 percent. These targets were established in 2002.

In addition to asset class targets, the Board of Trustees set ranges within which asset classes are maintained.

During the year, Fixed Income increased from 12.8 percent of total assets to 18.7 percent. This change was in adherence with the asset allocation implementation plan adopted by the Board in 2002. Fixed Income is expected to be closer to its target of 25 percent by year end 2004. All other major asset classes were within their target ranges at year end and have moved closer to actual targets. The implementation plan requires all asset classes to be within range by early 2005.

An explanation of PERA's investment policies and strategies, including the new asset allocation targets and ranges, are presented in the "PERA Report on Investment Activity" on page 54.

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, 2003, PERA's funding ratio equaled 75.6 percent. Please see the Management's Discussion and Analysis on pages 21–27, for additional information on PERA's funding ratios in the 2002 and 2003 calendar years.

	Funding Ratio	Amortization Period
State and School Division	75.2%	Infinite
Municipal Division	80.2%	Infinite
Judicial Division	84.0%	Infinite
Health Care Trust Fund	17.9%	34 Years

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

A review of PERA's actuarial valuation and processes is performed by another external actuarial consulting firm every five years. The most recent actuarial review was conducted in 2001 by Gabriel, Roeder, Smith & Company (GRS) before GRS acquired Watson Wyatt's U.S.-based public sector retirement practice and became PERA's independent retained actuary. New assumptions recommended by Watson Wyatt and reviewed by GRS were adopted by the Board and first incorporated in the December 31, 2001, valuation. A presentation of PERA's actuarial methods and assumptions is provided in the Actuarial Section of this CAFR on pages 70–71.

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 PricewaterhouseCoopers LLP, the independent certified public accounting firm that provides financial statement audit services for PERA, and Mellon HRIS, the actuarial firm that conducted PERA's annual actuarial valuation for the 2003 calendar year, are included in this CAFR. This Introductory Section includes a listing of the major investment, actuarial, and other consultants that provide professional services to PERA.

Review of Operations and Activities in 2003

Completion of Colorado PERA's major strategic planning initiatives will ensure that PERA remains one of the nation's leading retirement plans. By 2003, based on recommendations from PERA staff task forces with expertise in these areas, the PERA Board of Trustees had adopted new policies in the following strategic planning areas:

- The Strategic Plan for Information Technology, which aligns the implementation of technology with the long-term strategic direction of PERA.
- The Short-Term Investment Policy outlined in the Cash Management Strategic Initiative Report.

During 2003, the Board:

- Approved a reduction in the actuarial investment return assumption to 8.5 percent per year (from 8.75 percent), effective January 1, 2004.

- Approved the following timeline for evaluation of PERA's consultants and service providers:

  Five–year review: Custodian bank, investment consultant, 401(k) administrator, investment performance consultant, healthcare consultant, actuary, political and economic forecasters, external auditors, and disability plan service providers.

  Three–year review: Lobbyists, investment product/database providers, benchmarking consultants, Audit Committee's outside members, risk manager, human resources consultant, trading efficiency consultant.
- Reviewed compliance with all Board Charter practices, in the Board's Comprehensive Governance Framework.
- Reconstituted the Budget and Salary Committee on an ad-hoc basis.
- Initiated an analysis of PERA's life insurance programs through the Benefits Committee; selected CitiStreet as PERA's 401(k) Plan Service Provider effective March 1, 2004; and reviewed PERA's Health Care Program.
- Approved an increase in the cost to purchase non-covered service to the actuarial cost, for purchases initiated on or after November 1, 2006.

The Board recognizes that the stability of the PERA pension trust funds is important to help Colorado public employers continue to recruit and retain high caliber public employees. The Board developed a comprehensive and balanced 2004 legislative package that would protect PERA's long-term strength by reducing system costs and increasing its revenues. The 2004 legislative proposal included provisions that would terminate MatchMaker contributions before July 1, 2004, and allow gainsharing provisions to resume whenever PERA's funding ratio exceeded 110 percent.

Senate Bill 04-132 ("Modification of Existing Benefit Plans for PERA Members") signed by Governor Owens on April 30, 2004, will improve PERA's funding status at no cost to PERA employers. Senate Bill 04-257 ("Modifications to the Retirement Plans for Public Employees"), signed by the Governor on June 4, 2004, will phase-in PERA employer contribution rate increases from January 2006 until January 2012 (until January 2013 for the School Division, separated from the State Division under this legislation). The bill also will allow new state employees hired beginning January 2006 to elect coverage under a new Defined Contribution (DC) Plan administered by PERA, the PERA Defined Benefit (DB) Plan, or the State DC Plan.

Two other bills introduced in 2004 would directly affect PERA, but the Board did not initiate either of these bills. Senate Bill 04-090 ("Confidentiality of Certain Information on PERA Private Equity and other Alternative Investments") was passed and signed into law on March 29, 2004. Senate Bill 04-165 ("Fiscal Analysis of Legislation Affecting PERA"), was defeated by the House Finance Committee on April 8, 2004. Please see Note 9 on pages 42–43 for more information on 2004 legislation that relates to PERA.

On November 1, 2003, the cost of purchasing non-covered PERA service credit increased to the following rates due to the Board's decision on November 15, 2002, to bring these costs closer to the full actuarial cost.

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

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

Colorado PERA devotes much effort to communicating and advising members and retirees about their current or future benefits. Aware that the cost to purchase non-covered PERA service credit would increase on November 1, 2003, a record number of PERA members signed service credit purchase agreements and submitted retirement applications. Members' questions about PERA's service purchase and retirement provisions required that PERA's staff handle an increased number of telephone calls, e-mails, and counseling sessions in 2003. Despite these pressures, staff worked diligently to provide exemplary service last year.

In 2003:

- The PERA Customer Service Center continued to handle heavy volume. Customer Service staff responded to about 18,500 e-mails, in addition to approximately 319,000 calls and 13,900 visitors.
- Benefit Services Division staff provided individual counseling to 9,800 members. About half of these members received this counseling at PERA's satellite office ("The Pointe"), north of the metro-Denver area.
- Over 19,500 service credit purchase agreements totaling $735.5 million were generated from January 2003 through October 31, 2003. The number of PERA members who transferred funds from their 401(k) Plan accounts to buy PERA service credit, as well as the dollar value of service credit purchases, more than doubled in 2003.

	2003	2002
Service purchases	$772 million	$362 million
Number of 401(k) accounts transferred to purchase service	12,000	5,150
Dollar amount transferred from PERA's 401(k) Plan to purchase service	$190 million	$82 million

- The number of retirements (4,800) and the total number of retirement, survivor and disability benefit applications that were processed (5,000) rose by about 20 percent.
- The Communications Division handled 161 media calls/interviews, 2,721,000 publication requests, and 1,900 graphic services presentations/visuals. A total of 25,500 PERA members, retirees, and other persons attended meetings held by Communications staff.
- Field Education staff conducted 122 benefit information meetings attended by 3,500 individuals, 41 retirement process meetings with 1,300 participants, and 127 group counseling sessions attended by 1,000 participants.
- Use of PERA's Web site has increased markedly. In 2003, about:
  - 1,000,000 individuals visited the PERA Web site, compared with 700,000 in 2002.
  - 200,000 individuals used their PERA Personal Identification Number (PIN) to log into their PERA accounts online, compared with 112,000 in 2002.
  - Twice as many members used a PERA internet calculator.
- New PERA Internet features in 2003 enabled members to use PERA PINs online to schedule appointments for individual counseling or group counseling workshops, and to calculate the cost to reinstate withdrawn PERA service credit.
- In 2003, Accounting Division and Information Systems Division staff implemented the Secure Transfer and Reporting System (STARS), a new internet employer reporting/payment system, and the PeopleSoft financial package.

Last year, Colorado PERA continued extensive outreach efforts with PERA members, retirees, the media, and state legislators. Highlights include the following:

- In March 2003, Board Chair J. Kim Natale gave the opening remarks at the 2003 Institutional Limited Partners Association (ILPA) conference that was hosted by PERA. PERA's Alternative Investments Division was instrumental in planning and organizing this conference. The ILPA is a non-profit organization that serves limited partner investors in the global private equity industry. Members of the ILPA include corporate and public pension plans, endowments, foundations and insurance companies.
- The PERA Ambassadors Program has helped increase state legislators' knowledge and support of PERA. Since 1998, a select group of knowledgeable PERA retirees and members ("Ambassadors") have volunteered to serve as advocates of the PERA program. In 2003, there were 126 Ambassadors and 13 Ambassador meetings attended by 276 individuals.
- Over 230 PERA retirees in Phoenix, Arizona, attended a meeting hosted by PERA. Participants received updated information on PERA's funding status and the 2003 PERACare program. Arizona has the largest concentration of PERA retirees (over 1,300) who live outside the state of Colorado.

Two PERA deputy executive directors retired during 2003.

- Norman Benedict retired in March 2003 as PERA's Deputy Executive Director of Investments, a position he held since 1987. Under Benedict's guidance, PERA's trust funds grew from $7 billion to over $24 billion in value, and PERA's in-state investment program was strengthened through venture capital, real estate, and direct corporate investments.
- In June 2003, Steve Brown retired as PERA's Deputy Executive Director of Support Services after over 16 years of service. During Brown's tenure, PERA received the GFOA Award for Excellence in Financial Reporting every year, and PERA's Information Systems and Operations Support Divisions' innovative technology garnered national and international attention.
- Jennifer Paquette was chosen as PERA's Deputy Executive Director of Investments. Prior to assuming this position, Paquette served as PERA's Director of Fixed Income and managed several of PERA's special projects. Before joining PERA, Paquette worked for Merrill Lynch, Pierce, Fenner & Smith; Alliance Capital Management; and Mitchell Hutchins/Paine Webber.
- Former Board Chair and Vice Chair J. Kim Natale was selected as PERA's Deputy Executive Director of Support Services. Natale had an exemplary and distinguished 30-year career with the Jefferson County School District. During his 17-year tenure on the PERA Board, Natale was Vice Chair (July 1995 through June 1999), Chair (July 1999 through June 2003), and a member of the National Council on Teacher Retirement (NCTR) Executive Committee for six years.

401(k) Plan Activities

In 2003, 401(k) Plan net assets grew from $737,849,000 at the end of 2002 to $914,015,000 at the end of 2003, with 72,185 participant accounts in the Plan by the close of the 2003 year. The number of participants in the 401(k) Plan grew by 2.2 percent in 2003, compared with the previous year.

During 2003, Colorado PERA members transferred 401(k) Plan account funds (which totaled $190,477,000) to purchase PERA service credit. This represented a 142 percent increase in the number of members who transferred 401(k) Plan funds to purchase PERA service credit compared to 2002, and a 132 percent increase in the 401(k) Plan dollars that were transferred to purchase PERA service credit.

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

Employer Affiliations

Nine new public employers affiliated with Colorado PERA in 2003: Arapahoe Parks and Recreation District, City of Las Animas, Colorado Health Facilities Authority, County Technical Services, Douglas County Housing Authority, GVR Metropolitan District, Meeker Cemetery District, and the Town of Alma. The Colorado Association of School Executives was added by statute in July 2003. Colorado First Conservation District affiliated on January 1, 2004, and both Morgan County Quality Water District and Crown Mountain Park and Recreation District joined PERA as affiliated employers in February of 2004, and PERA added its first county employer, Boulder County, in April of 2004.

Board-Related Activities

Elizabeth Friot and Douglas Windes were elected to serve four–year and two–year terms, respectively, for the State Category. Sara Alt was elected to serve a four–year term from the Retired Category. The Board appointed incumbent Trustee Judge James Casebolt (Judicial Division), incumbent Trustee Patricia Kelly (Municipal Division), and Marcus Pennell (School Category), as the sole candidates nominated for these Board positions, to serve four-year terms, effective July 1, 2003. Pennell filled the vacancy created by the retirement of Julie Coleman (School Category), effective July 1, 2003. In October 2003, the Board appointed Sandra Mills to fill the vacancy created by the resignation of J. Kim Natale (School Category) until June 30, 2004.

Acknowledgements

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

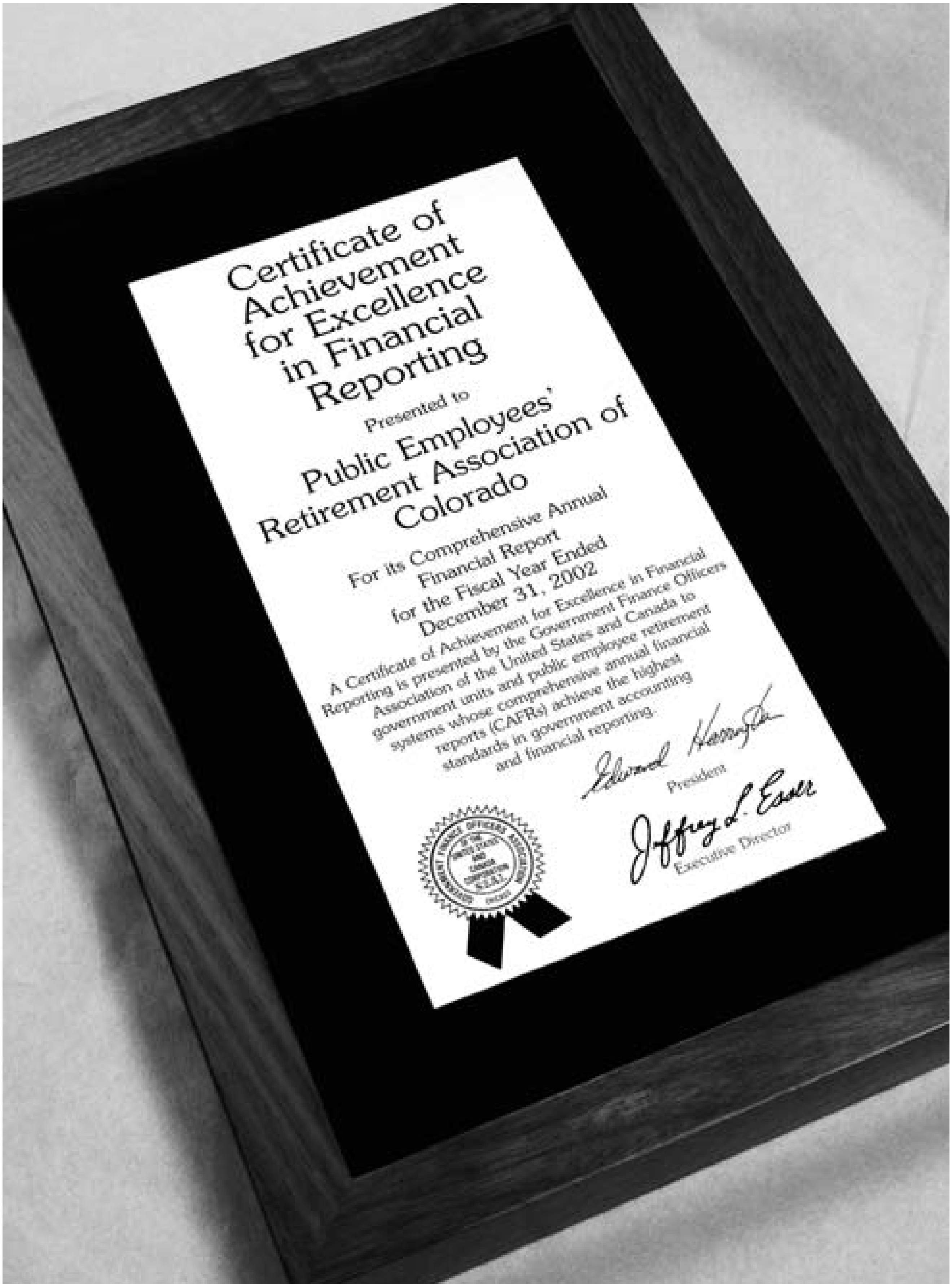
The compilation of this CAFR reflects the combined efforts of PERA staff. It is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of assets contributed by the members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

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

I would like to express my gratitude to the staff, Board of Trustees, and consultants who worked diligently to ensure the successful operation of Colorado PERA in 2003.

Respectfully submitted,

Meredith Williams
Executive Director


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, 2002
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.
President
Executive Director

Public Pension Coordinating Council

Public Pension Standards

2003 Award

Presented to

Colorado PERA

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

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

June 1, 2004

James Casebolt
Chair, Board of Trustees

To All Colorado PERA Members, Benefit Recipients, and Employers:

As Chair of the Board of Trustees for the Colorado Public Employees' Retirement Association, I am pleased to present Colorado PERA's 2003 Comprehensive Annual Financial Report (CAFR). This CAFR offers a detailed view of the financial and actuarial status of your retirement system.

The nation's economy grew rapidly in 2003. Relieved that the initial U.S. military operation in Iraq had ended very quickly, consumer and business spending rose as short-term interest rates and mortgage rates remained at record low levels. Rising expectations concerning corporate profits and higher investor confidence helped financial markets return to normalcy. In a reversal of the 2000-2002 bear market, all U.S. stock market segments and industry sectors staged an impressive rebound last year.

In 2003, the Standard & Poor's 1500 Index and the Colorado PERA Fund returned 29.6 percent and 24.1 percent, respectively. While PERA hopes to report similar Fund returns in the years ahead, losses sustained from 2000-2002, combined with increased earlier retirements, have reduced the funding ratio of PERA's pension trust funds. Although PERA's funding remains strong, the PERA Board is mindful of its statutory commitment to protect PERA for the exclusive benefit of PERA members and retirees, while facilitating changes that further PERA's desire to become the plan of choice for all Colorado public employees. In 2003, consistent with the Board's statutory role and PERA's goal:

- PERA staff, with the support of the Board, worked on developing the merger agreement authorized in Senate Bill 03-250, that allows the Denver Public Schools Retirement System to merge into Colorado PERA, effective January 1, 2005, under conditions that are actuarially fair to both systems.
- The Board drafted a modest and balanced legislative package to improve PERA's funding and allow PERA to offer an alternative defined contribution plan to certain state employees. The proposal, passed by the General Assembly and signed by the Governor, includes provisions to end MatchMaker contributions by June 1, 2004, and change some benefit provisions for new members hired on or after July 1, 2005.
- In conformance with the implementation timeline for PERA's new asset allocation policy that was approved by the Board in 2002, staff began moving PERA's equity investments to the fixed income asset class.

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

Sincerely,

James Casebolt
Chair, Board of Trustees

Board of Trustees

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

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

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

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

Edward W. Bohac
Retired College Fiscal Administrator;
Term expired June 30, 2003

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

Terry L. Campbell
Colorado State Patrol Sergeant;
Current term expires June 30, 2004

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

Julie A. Coleman
Physical Education Teacher,
Mesa County Valley School District 51;
Term expired June 30, 2003

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

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

L. Gary Kasson
Police Officer, Auraria Higher Education Center;
Resigned January 2003

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

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

Sandra Mills
4th Grade Teacher,
Fort Morgan Public Schools Re-3;
Current term expires June 30, 2004

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

J. Kim Natale
Math and Science Teacher,
Jefferson County School District R-1;
Resigned August 2003

Amy L. Nichols
Math Teacher, Aurora Public Schools;
Current term expires June 30, 2004

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

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

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

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

Administrative Organizational Chart

As of May 1, 2004

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

Independent Auditors
PricewaterhouseCoopers LLP
1670 Broadway, Suite 1000
Denver, CO 80202

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

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

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

Investments—Portfolio Consultant
Mercer Investment Consulting, Inc.
777 South Figueroa Street, Suite 2000
Los Angeles, CA 90017

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

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

Pension and Health Care Program Actuary
Mellon Human Resources & Investor Solutions
Suite 1200, Tabor Center
1200 17th Street
Denver, CO 80202

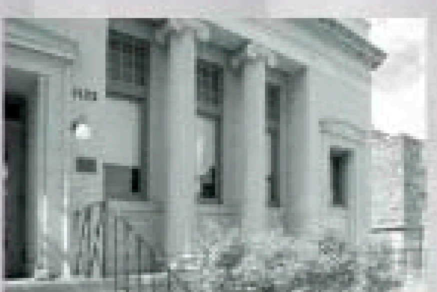
Risk Management
IMA of Colorado
1550 17th Street, Suite 600
Denver, CO 80202

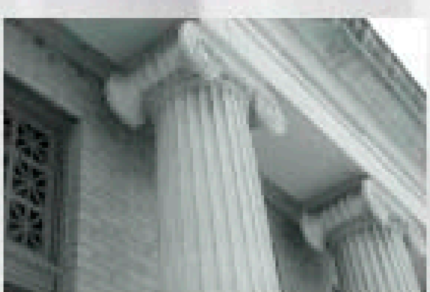
401(k) Consultant
Mercer Human Resource Consulting
1225 17th Street, Suite 2200
Denver, CO 80202

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

Boulder Public Library, City of Boulder

Built in 1906 with money donated by steel tycoon Andrew Carnegie, the library was patterned after a small Greek temple that had been unearthed in 1905 near Athens, Greece. The library was restored in 1983.





PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1670 Broadway, Suite 1000
Denver CO 80202
Telephone (720) 931 7000
Facsimile (720) 931 7100

Report of Independent Auditors

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

In our opinion, the accompanying statement of fiduciary net assets and the related statement of changes in fiduciary net assets present fairly, in all material respects, the net assets held in trust for pension plan benefits, postemployment healthcare plan benefits and Insurance Dividend Reserve participants of the State and School Division Trust Fund, Municipal Division Trust Fund, Judicial Division Trust Fund, the 401(k) Voluntary Investment Program, the Health Care Trust Fund and the Insurance Dividend Reserve of Colorado Public Employees' Retirement Association ("PERA") at December 31, 2003, and the changes in net assets available for pension plan benefits, postemployment healthcare benefits and Insurance Dividend Reserve participants for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of PERA's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We previously audited and reported on the financial statements of PERA as of and for the year ended December 31, 2002, the comparative totals of which are included for additional analysis only.

The Management's Discussion and Analysis ("MD&A") on pages 21-27 and the required supplementary information on pages 44-48 are not a required part of the basic financial statements but are 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of administrative expenses, schedule of investment expenses, schedule of other additions and schedule of other deductions/(transfers) are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of PERA's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

June 11, 2004

(In Thousands of Dollars)

Management is pleased to provide this overview and analysis of the financial activities of the Colorado Public Employees' Retirement Association (PERA) for the year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal beginning on page 3 of this CAFR.

PERA administers 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 (the Division Trust Funds). PERA also administers one defined contribution pension trust fund, the 401(k) Voluntary Investment Program; a healthcare plan, the Health Care Trust Fund (HCTF); and one private purpose trust fund, the Insurance Dividend Reserve (IDR), consisting of life insurance reserve funds.

Financial Highlights

Net Assets— Plan net assets for all funds administered by PERA increased $5,735,041 during calendar year 2003.

State and School Division Trust Fund	$5,100,055
Municipal Division Trust Fund	396,292
Judicial Division Trust Fund	33,004
401(k) Voluntary Investment Program	176,166
Health Care Trust Fund	28,703
(Life) Insurance Dividend Reserve	821
Total increase in plan net assets	**$5,735,041**

The increase was caused primarily by strong investment returns in the equity markets. 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, 2003, the rate of return on the pooled investment assets was 24.1 percent, which was greater than the negative 11.8 percent for the year ended December 31, 2002, and significantly exceeds the actuarial assumed rate of 8.5 percent. This breaks a period of three consecutive years that investment returns under-performed the actuarial assumed rate.

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

An Asset/Liability Study was undertaken in 2002 by the Board with the objective of determining the optimal strategic asset allocation policy to lower risk and ultimately allow PERA to meet its benefit obligations. During 2003, Colorado PERA continued to progress to these targets, based on a Board approved implementation plan, as shown below:

	12-31-2002 Actual %	12-31-2003 Actual %	Policy Target
Domestic Stocks	47.8%	43.9%	45%
Fixed Income	12.8%	18.7%	25%
International Stocks	13.2%	14.9%	14%
Alternative Investments	11.1%	11.1%	8%
Real Estate Equity and Debt	11.2%	8.4%	7%
Timber	1.2%	1.0%	1%
Cash and Short-Term Investments	2.7%	2.0%	0%

Commitments— As of December 31, 2003, PERA had commitments for future purchases in alternative investments of $1,774,667, real estate of $425,928, and timber of $2,315.

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

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

Trust Fund	2003	2002	2001	2000
State and School Division	75.2%	87.9%	98.2%	104.7%
Municipal Division	80.2%	93.6%	104.3%	111.4%
Judicial Division	84.0%	98.3%	109.4%	120.2%
Health Care	17.9%	19.9%	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 larger funding ratio indicates that a plan is better funded. As an example, for every dollar of the actuarially determined benefits due for the State and School Division Trust Fund, approximately $0.75 of assets are available for payment.

A summary of the activities that caused losses in the actuarial liability for 2003, and which drove the funding ratios to decrease, are shown below by fund and are in millions of dollars:

	State and School	Municipal	Judicial	HCTF
From differences between assumed and actual experience on liabilities	($574.9)	($32.1)	($3.7)	($8.0)
From differences between assumed and actual experience on assets	(2,445.0)	(154.1)	(13.0)	(11.8)
From service purchases	(1,155.7)	(79.3)	(6.6)	(35.9)
From change in assumptions	(918.8)	(58.9)	(3.6)	(20.3)
Total actuarial losses on year's activities	**($5,094.4)**	**($324.4)**	**($26.9)**	**($76.0)**

The three defined benefit plans experienced losses and a reduced funding ratio in the current year because of increased early retirements, investment losses (for the four year smoothed period), an increase in the purchase of service at a cost less than the full actuarial cost and the full recognition of that service credit, and a change in the actuarial assumed investment return from 8.75 percent to 8.50 percent. The Health Care Trust Fund experienced actuarial losses and a reduced funding ratio in the current year because of reduced gainsharing contributions, investment losses (for the four–year smoothed period), increased expected subsidies due to service credit purchases, current year and expected early retirements due to service purchases, and a change in the actuarial assumed rate from 8.75 percent to 8.50 percent.

Even though PERA earned a significant investment return in the current year, the prior years' investment losses had the effect of decreasing the current funding ratio. Gains and losses above or below the 8.50 percent actuarial assumed rate are recognized over a four–year period for actuarial purposes (i.e., four–year smoothing). The investment assets for the three division trust funds, the Health Care Trust Fund, and the Insurance Dividend Reserve are pooled and they have earned the following returns over the past four years:

	2003	2002	2001	2000
Rate of Return	+24.1%	-11.8%	-7.7%	+0.2%

The poor investment returns of 2001 and 2002 will continue to have a negative impact on the funding ratio in the future until they are fully recognized over the four–year smoothed period for actuarial purposes.

Unfunded Actuarial Accrued Liability (UAAL) — As of December 31, 2003, the UAAL, and the amortization periods for each fund are shown below:

Trust Fund	UAAL	Amortization Period With Current Funding
State and School Division	$9,392,280	Infinite
Municipal Division	$471,443	Infinite
Judicial Division	$31,723	Infinite
Health Care	$737,045	34 Years

See Note 2 to the Required Supplementary Information on page 46 for additional information.

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

Title 24, Article 51, Section 211 of the Colorado Revised Statutes states the amortization period of 40 years shall be deemed actuarially sound. At the end of 2003, the State and School Division Trust Fund, the Municipal Division Trust Fund, and the Judicial Division Trust Fund exceeded the 40–year amortization period.

Using the Governmental Accounting Standards Board (GASB) Statement No. 25 as a guide, the State and School Division Trust Fund employer contribution rate would need to increase to 17.31 percent, the Municipal Division Trust Fund employer contribution rate would need to increase to 13.98 percent, and the Judicial Division Trust Fund employer contribution rate would need to increase to 16.22 percent to amortize the UAAL over the 40–year period called for by GASB.

In 2002, the Board approved pursuing legislation in the 2003 session, which would stabilize the contribution rates and allow for increases or decreases in the rates when certain funding thresholds are reached. This legislation was passed, but ultimately vetoed in 2003. In 2004, the Board again pursued legislation to improve funding, revise benefits, and move the Funds back toward the 40–year amortization period; see Note 9 to the Financial Statements for more information on the 2004 legislation.

Service Purchases — In the Division Trust Funds the level of service purchases increased from $362,109 in 2002 to

(In Thousands of Dollars)

$771,960 in 2003 as the membership saw the attractiveness of purchasing service in comparison to other investment opportunities and purchased prior to an increase in cost. Purchasing service credit increases the amount of service PERA will use to determine a member's eligibility for retirement and to calculate the benefit. (Purchasing service credit for periods of noncovered employment does not affect the salary amount used in calculating the benefit.)

The cost to purchase one month of service credit increased during 2003. At the beginning of the year it cost 15.5 percent of a member's Highest Average Salary (HAS) at the time of purchase to purchase one month of service credit. (The cost to purchase service for State Troopers and Colorado Bureau of Investigation (CBI) Agents was 20.4 percent of HAS and for judges the cost was 20 percent of HAS.) At the Board's November 2002 meeting it voted to increase the rates for service credit purchases, which moves them closer to the full actuarial cost. Effective November 1, 2003, the rates are:

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

Employer Contributions**—**The amount received from employers for contributions changed from 2002 to 2003, primarily as the result of the Board of Trustees adjusting rates, as required by law. The actual employer contribution rates were as follows for 2002 and 2003:

	Employer Rate			
	2002		*2003*	
Trust Fund	1-1 to 6-30	7-1 to 12-31	1-1 to 6-30	7-1 to 12-31
State and School Division	9.90%	10.04%	10.04%	10.15%
State Troopers	12.60%	12.74%	12.74%	12.85%
Municipal Division	9.19%	9.19%	9.60%	9.60%
Judicial Division	11.82%	11.82%	11.82%	12.66%
Health Care				
State and School Division	1.64%	1.64%	1.10%	1.10%
Municipal Division	2.31%	2.31%	1.69%	1.69%
Judicial Division	4.37%	4.37%	3.11%	3.11%
MatchMaker Rate				
State and School Division	3.00%	3.00%	2.00%	2.00%
Municipal Division	3.00%	3.00%	2.00%	2.00%
Judicial Division	7.00%	7.00%	6.00%	6.00%

For more detail on contributions, see Note 3 to the Financial Statements on page 36.

401(k) Voluntary Investment Program**—**For the 401(k) Voluntary Investment Program, total employer contributions to the fund decreased from $68,209 in 2002 to $50,144 in 2003. The decrease of $18,065 was primarily caused by the reductions of the MatchMaker rate in the employer match program. Investment income increased from ($83,012) in 2002 to $157,589 in 2003 primarily due to the positive investment returns in the equity markets. Refunds increased from $99,838 in 2002 to $219,157 in 2003 as members took distributions or transferred funds into the various Division Trust Funds to purchase additional service credit.

Insurance Dividend Reserve**—**For the Insurance Dividend Reserve there has been a change in the presentation of this fund as we are now reporting it as a private purpose trust fund. A review of the IDR's characteristics in light of the requirements and definitions of the various fiduciary fund types was completed and the fund type was changed to a private purpose trust fund after it was previously reported as an agency fund.

Total life insurance premium payments decreased from $2,726 in 2002 to $1,899 in 2003 due to reduced premiums in 2003 and improved experience in the insurable group.

Overview of the Financial Statements

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

Fund financial statements. There are two financial statements presented for the fiduciary funds. The Statement of Fiduciary Net Assets as of December 31, 2003, indicates the net assets available to pay future benefits and gives a snapshot at a particular point in time. The Statement of Changes in Fiduciary Net Assets for the year ended December 31, 2003, provides a view of the current year's additions and deductions to the funds.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 32–43 of this *CAFR*.

Required supplementary information. The required supplementary information consists of a Schedule of Funding Progress and a Schedule of Employer

(In Thousands of Dollars)

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, Schedule of Other Additions, and Schedule of Other Deductions/(Transfers)] are presented for the purpose of additional analysis.

Comparative Financial Information

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

Defined Benefit Pension Trust Funds Fiduciary Net Assets

	Dec. 31, 2003	Dec. 31, 2002	% Change*
Assets			
Cash and short-term investments	$568,123	$623,800	-8.9%
Securities lending collateral	2,391,688	2,256,963	6.0%
Receivables	283,493	215,951	31.3%
Investments, at fair value	28,329,569	22,831,315	24.1%
Capital assets, net of accumulated depreciation	21,909	21,510	1.9%
Total assets	31,594,782	25,949,539	21.8%
Liabilities			
Securities lending obligations	2,391,688	2,256,963	6.0%
Investment, interfund, and other liabilities	101,409	120,242	-15.7%
Total liabilities	2,493,097	2,377,205	4.9%
Net assets available for benefits	$29,101,685	$23,572,334	23.5%

Defined Benefit Pension Trust Funds Changes in Fiduciary Net Assets

	Dec. 31, 2003	Dec. 31, 2002	% Change*
Additions			
Employer contributions	$419,964	$338,180	24.2%
Member contributions	445,333	434,499	2.5%
Purchased service	771,960	362,109	113.2%
Investment income (loss)	5,574,443	(3,314,097)	-268.2%
Other	3	5	-40.0%
Total additions	7,211,703	(2,179,304)	-430.9%
Deductions			
Benefit payments	1,545,268	1,372,218	12.6%
Refunds	110,088	99,302	10.9%
Disability insurance premiums	3,936	4,450	-11.6%
Administrative expenses	21,496	19,311	11.3%
Other	1,564	1,064	47.0%
Total deductions	1,682,352	1,496,345	12.4%
Changes in net assets available for benefits	$5,529,351	($3,675,649)	-250.4%

*Note: A change from a negative number to a positive number results in a negative change even though it appears to be a positive change.

(In Thousands of Dollars)

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

401(k) Voluntary Investment Program Fiduciary Net Assets

	Dec. 31, 2003	Dec. 31, 2002	% Change*
Assets			
Cash and short-term investments	$91,858	$76,676	19.8%
Receivables	37,274	33,636	10.8%
Investments, at fair value	794,472	639,245	24.3%
Total assets	923,604	749,557	23.2%
Liabilities			
Investment, interfund, and other liabilities	9,589	11,708	-18.1%
Total liabilities	9,589	11,708	-18.1%
Net assets available for benefits	$914,015	$737,849	23.9%

401(k) Voluntary Investment Program Changes in Fiduciary Net Assets

	Dec. 31, 2003	Dec. 31, 2002	% Change*
Additions			
Employer contributions	$50,144	$68,209	-26.5%
Member contributions	189,054	179,155	5.5%
Investment income (loss)	157,589	(83,012)	-289.8%
Other	1,918	2,001	-4.1%
Total additions	398,705	166,353	139.7%
Deductions			
Refunds	219,157	99,838	119.5%
Administrative expenses	3,382	3,289	2.8%
Other	0	(5)	-100.0%
Total deductions	222,539	103,122	115.8%
Changes in net assets available for benefits	$176,166	$63,231	178.6%

*Note: A change from a negative number to a positive number results in a negative change even though it appears to be a positive change.

(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 Fiduciary Net Assets

	Dec. 31, 2003	Dec. 31, 2002	% Change*
Assets			
Cash and short-term investments	$3,364	$3,747	-10.2%
Securities lending collateral	14,163	13,555	4.5%
Receivables	12,849	14,010	-8.3%
Investments, at fair value	167,755	137,122	22.3%
Total assets	198,131	168,434	17.6%
Liabilities			
Securities lending obligations	14,163	13,555	4.5%
Investment, interfund, and other liabilities	24,009	23,623	1.6%
Total liabilities	38,172	37,178	2.7%
Net assets available for benefits	$159,959	$131,256	21.9%

Health Care Trust Fund Changes in Fiduciary Net Assets

	Dec. 31, 2003	Dec. 31, 2002	% Change*
Additions			
Employer contributions	$64,443	$92,562	-30.4%
Retiree health care premium payments	55,668	48,825	14.0%
Investment income (loss)	33,445	(17,742)	-288.5%
Other	2,118	1,055	100.8%
Total additions	155,674	124,700	24.8%
Deductions			
Benefit payments	120,814	113,898	6.1%
Administrative expenses	6,157	5,409	13.8%
Total deductions	126,971	119,307	6.4%
Changes in net assets available for benefits	$28,703	$5,393	432.2%

*Note: A change from a negative number to a positive number results in a negative change even though it appears to be a positive change.

(In Thousands of Dollars)

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

Insurance Dividend Reserve Fiduciary Net Assets

	Dec. 31, 2003	Dec. 31, 2002	% Change*
Assets			
Cash and short-term investments	$276	$350	-21.1%
Securities lending collateral	1,158	1,266	-8.5%
Receivables	53	61	-13.1%
Investments, at fair value	13,721	12,804	7.2%
Total assets	15,208	14,481	5.0%
Liabilities			
Securities lending obligations	1,158	1,266	-8.5%
Investment, interfund, and other liabilities	1,074	1,060	1.3%
Total liabilities	2,232	2,326	-4.0%
Net assets available for benefits	$12,976	$12,155	6.8%

Insurance Dividend Reserve Changes in Fiduciary Net Assets

	Dec. 31, 2003	Dec. 31, 2002	% Change*
Additions			
Investment income (loss)	2,991	(1,676)	-278.5%
Total additions	2,991	(1,676)	-278.5%
Deductions			
Life insurance premiums	1,899	2,726	-30.3%
Administrative expenses	271	590	-54.1%
Total deductions	2,170	3,316	-34.6%
Changes in net assets available for benefits	$821	($4,992)	-116.4%

*Note: A change from a negative number to a positive number results in a negative change even though it appears to be a positive change.

Statement of Fiduciary Net Assets

As of December 31, 2003, with Comparative Combined Totals for 2002
(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	$529,577	$35,470	$3,076	$568,123
Securities lending collateral	2,229,417	149,321	12,950	2,391,688
Total cash and short-term investments	2,758,994	184,791	16,026	2,959,811
Receivables				
Benefit	161,245	13,723	2,025	176,993
Interfund	0	0	0	0
Investment settlements and income	99,274	6,649	577	106,500
Total receivables	260,519	20,372	2,602	283,493
Investments, at fair value:				
U.S. government obligations	2,738,246	183,401	15,906	2,937,553
Domestic corporate bonds	1,241,287	83,139	7,210	1,331,636
International fixed income	1,057,449	70,826	6,142	1,134,417
Domestic stocks	11,836,234	792,765	68,753	12,697,752
International stocks	4,011,421	268,676	23,301	4,303,398
Real estate equity	2,059,844	137,964	11,965	2,209,773
Real estate debt	199,757	13,379	1,160	214,296
Alternative investments	2,999,200	200,879	17,422	3,217,501
Timber investments	264,025	17,684	1,534	283,243
Total investments, at fair value	26,407,463	1,768,713	153,393	28,329,569
Capital assets, at cost, net of accumulated depreciation of $18,385 and $17,781 at December 31, 2003, and 2002, respectively	20,260	1,615	34	21,909
Total assets	29,447,236	1,975,491	172,055	31,594,782
Liabilities				
Investment settlements and other liabilities	92,838	6,420	458	99,716
Securities lending obligations	2,229,417	149,321	12,950	2,391,688
Interfund	1,145	510	38	1,693
Total liabilities	2,323,400	156,251	13,446	2,493,097
Commitments and contingencies (Note 6)				
Net assets held in trust for pension plan benefits, postemployment healthcare plan benefits, and Insurance Dividend Reserve participants	**$27,123,836**	**$1,819,240**	**$158,609**	**$29,101,685**
Net assets held for:				
Defined benefit pension plan benefits[1]	$27,123,836	$1,819,240	$158,609	$29,101,685
Defined contribution pension plan benefits	0	0	0	0
Postemployment healthcare plan benefits[1]	0	0	0	0
Private purpose trust fund participants	0	0	0	0
Net assets held in trust for pension plan benefits, postemployment healthcare plan benefits, and Insurance Dividend Reserve participants	**$27,123,836**	**$1,819,240**	**$158,609**	**$29,101,685**

[1] (A schedule of funding progress is presented for each plan on page 44.)

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

(In Thousands of Dollars)

401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Insurance Dividend Reserve	Combined Totals 2003	Combined Totals 2002
$91,858	$659,981	$3,364	$276	$663,621	$704,573
0	2,391,688	14,163	1,158	2,407,009	2,271,784
91,858	3,051,669	17,527	1,434	3,070,630	2,976,357
36,610	213,603	6,852	0	220,455	144,689
0	0	5,366	1	5,367	7,828
664	107,164	631	52	107,847	111,141
37,274	320,767	12,849	53	333,669	263,658
0	2,937,553	17,395	1,423	2,956,371	1,551,226
155,425	1,487,061	7,885	645	1,495,591	939,406
0	1,134,417	6,718	549	1,141,684	705,863
589,795	13,287,547	75,190	6,151	13,368,888	11,738,369
49,252	4,352,650	25,483	2,084	4,380,217	3,133,745
0	2,209,773	13,085	1,070	2,223,928	2,363,723
0	214,296	1,269	104	215,669	290,854
0	3,217,501	19,053	1,558	3,238,112	2,617,713
0	283,243	1,677	137	285,057	279,587
794,472	29,124,041	167,755	13,721	29,305,517	23,620,486
0	21,909	0	0	21,909	21,510
923,604	32,518,386	198,131	15,208	32,731,725	26,882,011
5,915	105,631	24,009	1,074	130,714	148,805
0	2,391,688	14,163	1,158	2,407,009	2,271,784
3,674	5,367	0	0	5,367	7,828
9,589	2,502,686	38,172	2,232	2,543,090	2,428,417
$914,015	**$30,015,700**	**$159,959**	**$12,976**	**$30,188,635**	**$24,453,594**
$0	$29,101,685	$0	$0	$29,101,685	$23,572,334
914,015	914,015	0	0	914,015	737,849
0	0	159,959	0	159,959	131,256
0	0	0	12,976	12,976	12,155
$914,015	**$30,015,700**	**$159,959**	**$12,976**	**$30,188,635**	**$24,453,594**

Statement of Changes in Fiduciary Net Assets

For the Year Ended December 31, 2003, With Comparative Combined Totals for 2002
(In Thousands of Dollars)

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans
Additions				
Contributions				
Employers	$387,920	$31,033	$1,011	$419,964
Members	405,715	37,584	2,034	445,333
Purchased service	695,516	68,056	8,388	771,960
Retiree health care premiums	0	0	0	0
Total contributions	1,489,151	136,673	11,433	1,637,257
Investment income (loss)				
Net appreciation (depreciation) in fair value of investments	4,627,655	303,652	26,516	4,957,823
Interest	246,069	16,204	1,415	263,688
Dividends	254,885	16,785	1,466	273,136
Real Estate, Alternative Investment, and Timber net operating income	135,615	8,931	780	145,326
Less investment expense	(70,546)	(4,646)	(406)	(75,598)
Net income (loss) from investing activities	5,193,678	340,926	29,771	5,564,375
Securities lending income	32,819	2,161	189	35,169
Less securities lending borrower rebates	(20,352)	(1,340)	(117)	(21,809)
Less securities lending agent fees	(3,072)	(202)	(18)	(3,292)
Net income from securities lending	9,395	619	54	10,068
Net investment income (loss)	5,203,073	341,545	29,825	5,574,443
Other additions	3	0	0	3
Total additions	6,692,227	478,218	41,258	7,211,703
Deductions				
Benefits				
Benefits paid to retirees/cobeneficiaries	1,448,730	65,996	8,151	1,522,877
Benefits paid to survivors	20,613	1,462	316	22,391
Benefits paid to health care participants	0	0	0	0
Total benefits	1,469,343	67,458	8,467	1,545,268
Refunds of contribution accounts, including match and interest	99,039	10,453	596	110,088
Disability and life insurance premiums	3,592	326	18	3,936
Administrative expenses	19,750	1,724	22	21,496
Other deductions/(transfers)	448	1,965	(849)	1,564
Total deductions	1,592,172	81,926	8,254	1,682,352
Net increase (decrease) in assets available	**5,100,055**	**396,292**	**33,004**	**5,529,351**
Net assets available for pension plan benefits, postemployment healthcare plan benefits and Insurance Dividend Reserve participants				
Beginning of year	**22,023,781**	**1,422,948**	**125,605**	**23,572,334**
End of year	**$27,123,836**	**$1,819,240**	**$158,609**	**$29,101,685**

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

(In Thousands of Dollars)

401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Insurance Dividend Reserve	Combined Totals 2003	Combined Totals 2002
$50,144	$470,108	$64,443	$0	$534,551	$498,951
189,054	634,387	0	0	634,387	613,654
0	771,960	0	0	771,960	362,109
0	0	55,668	0	55,668	48,825
239,198	1,876,455	120,111	0	1,996,566	1,523,539
144,115	5,101,938	29,760	2,577	5,134,275	(3,998,483)
5,307	268,995	1,576	136	270,707	253,951
8,138	281,274	1,632	237	283,143	267,884
0	145,326	868	75	146,269	133,285
0	(75,598)	(451)	(39)	(76,088)	(83,341)
157,560	5,721,935	33,385	2,986	5,758,306	(3,426,704)
126	35,295	210	18	35,523	49,515
(88)	(21,897)	(130)	(11)	(22,038)	(36,030)
(9)	(3,301)	(20)	(2)	(3,323)	(3,308)
29	10,097	60	5	10,162	10,177
157,589	5,732,032	33,445	2,991	5,768,468	(3,416,527)
1,918	1,921	2,118	0	4,039	3,061
398,705	7,610,408	155,674	2,991	7,769,073	(1,889,927)
0	1,522,877	0	0	1,522,877	1,350,359
0	22,391	0	0	22,391	21,859
0	0	120,814	0	120,814	113,898
0	1,545,268	120,814	0	1,666,082	1,486,116
219,157	329,245	0	0	329,245	199,140
0	3,936	0	1,899	5,835	7,176
3,382	24,878	6,157	271	31,306	28,599
0	1,564	0	0	1,564	1,059
222,539	1,904,891	126,971	2,170	2,034,032	1,722,090
176,166	**5,705,517**	**28,703**	**821**	**5,735,041**	**(3,612,017)**
737,849	**24,310,183**	**131,256**	**12,155**	**24,453,594**	**28,065,611**
$914,015	**$30,015,700**	**$159,959**	**$12,976**	**$30,188,635**	**$24,453,594**

(In Thousands of Dollars)

NOTE 1—PLAN DESCRIPTION

Organization

Colorado PERA (PERA) was established in 1931; the statute relating to PERA is Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.). PERA administers cost-sharing multiple-employer defined benefit plans for the State and School Division Trust Fund, Municipal Division Trust Fund, and Judicial Division Trust Fund (Division Trust Funds). PERA also administers a cost-sharing multiple-employer defined benefit healthcare plan (Health Care Trust Fund, see Note 8), a private purpose trust fund (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 active affiliated employers for the three Divisions is as follows:

	As of December 31	
	2003	2002
State and School	267[1]	269
Municipal	126	118
Judicial	6	6
Total employers	**399**	**393**

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

Membership

Division Trust Funds-Defined Benefit Pension Plans

Benefit recipients and members of PERA consisted of the following as of December 31, 2003, and with comparative combined totals for 2002:

	State and School	Municipal	Judicial	Totals 2003	Totals 2002
Retirees and beneficiaries currently receiving benefits	60,644	3,104	240	63,988	60,548
Terminated members entitled to benefits, but not yet receiving them	11,125	811	15	11,951	10,921
Non-vested inactive members	87,395	8,796	3	96,194	89,002
Active members:					
Vested					
General employees	86,109	6,549	213	92,871	84,189
State troopers	575	0	0	575	535
Non-vested					
General employees	71,271	6,022	57	77,350	87,808
State troopers	195	0	0	195	229
Total active members	158,150	12,571	270	170,991	172,761
Totals	**317,314**	**25,282**	**528**	**343,124**	**333,232**

Voluntary Investment Program

See Note 7.

Health Care Trust Fund

See Note 8.

(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 (Other than Troopers)

Minimum Service Credit	Minimum Age
30 Years	50
Age and Service = 80 years or more	55
5 Years	65
Less than 5 years	65

Reduced Service Retirement Benefits (Other than Troopers)

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

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

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

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

Reduced service retirement benefits are calculated for each month prior to the member's first eligible service retirement date.The reduction factor used to calculate PERA benefits for reduced service retirement is 3 percent per year (0.25 percent per month) for members retiring from age 55 through age 59, with 20 through 29 years of service, and 4 percent per year (0.333 percent per month) on benefits paid to members retiring at ages 60 through 64 with 5 years of service. Members receive no reduction in their retirement benefit if their total years of age plus service equals 80 years or more, if they are at least 55 years old and have at least five years of service credit.

PERA provides a two-tier Disability Program. This Program requires that members have five or more years of earned service credit, with at least six months of this credit earned since the most recent period of membership. Disability retirement benefits are provided to members who are totally and permanently mentally or physically incapacitated from regular and substantial gainful employment. The amount of the disability retirement benefit is based on the member's HAS and earned, purchased, and in some circumstances, projected service credit. Short-term disability payments are provided to members who are mentally or physically incapacitated from performance of essential job duties after reasonable accommodation, but who are not totally and permanently incapacitated from regular and substantial gainful employment. PERA provides reasonable income replacement and rehabilitation or retraining services. The maximum period for short-term disability payments is 22 months, and the maximum income replacement is 60 percent of the member's pre-disability PERA-includable salary as defined in C.R.S. § 24-51-101(42).

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

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

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

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

Members who withdraw their accounts before reaching age 65 or meeting the age and service requirements for retirement eligibility receive a refund that includes their member contributions and accrued interest, and a matching amount equal to 50 percent of the member's contributions and accrued interest. Members who withdraw their accounts upon or after reaching age 65 or retirement eligibility receive a 100 percent matching amount of the member's contributions and accrued interest. Senate Bill 03-98 ("Modification of PERA Benefits Provisions"), initiated by the Board and signed into law on June 5, 2003, provides a 100 percent match on any money that remains in a deceased retiree's account to be paid to the beneficiary.

Interest credited to member contribution accounts is set at 80 percent of PERA's actuarial investment assumption rate. For 2003, the actuarial investment assumption rate was 8.75 percent and the member interest rate was 80 percent of that, or 7 percent.

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 credit through lump-sum or installment payments for certain periods of non-vested private or public sector employment not covered by PERA and for paid sabbatical leaves.

In the 2003 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 Board 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.

The match set by the Board for the 2003 calendar year was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 2 percent of PERA-includable salary for State and School Division members, 2 percent of PERA-includable salary for Municipal Division members, and 6 percent of PERA-includable salary for Judicial Division members as defined in C.R.S. § 24-51-101.

Voluntary Investment Program
See Note 7.

Health Care Trust Fund
See Note 8.

Pension Plan Disclosure Statements for PERA Employees

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

PERA's contributions to the State and School Division Trust Fund for the years ending December 31, 2003, 2002, and 2001 were $1,086, $728, and $699, respectively, equal to its required contributions for each year. PERA's contributions to the Health Care Trust Fund for the years ending December 31, 2003, 2002, and 2001 were $168, $216, and $169, respectively, equal to its required contributions for each year. The 401(k) Plan member contributions from PERA for the years ended December 31, 2003, 2002, and 2001 were $1,028, $1,006, and $845, respectively. The PERA MatchMaker contributions to the 401(k) Plan for the years ended December 31, 2003, 2002, and 2001 were $283, $372, and $340, respectively. In addition to the MatchMaker, PERA also provides its employees with an employer match to their contributions to the 401(k) Plan totaling for the years ended December 31, 2003, 2002, and 2001 were $250, $239, and $217, respectively.

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 by those members who have voluntarily enrolled in life insurance programs, adjusted for actual historical experience. The proceeds from IDR received are used to provide increased life insurance benefits to active and retired members without increasing premiums to them.

(In Thousands of Dollars)

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

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

Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statements numbers 25, 26, 28, 34, and 37, as well as generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

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

Basis of Accounting

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

During 2003, it was determined that the IDR would be more properly reported as a private purpose trust fund rather than an agency fund. The 2002 balances for the statement of changes in fiduciary assets now include the results of operations from the IDR as required for a private purpose trust fund.

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, 2003, and 2002, the ownership percentages of each fund were as follows:

	Ownership Percentage as of December 31	
	2003	2002
State and School	92.62%	92.82%
Municipal	6.20	6.00
Judicial	0.54	0.53
HCTF	0.59	0.60
IDR	0.05	0.05
Total	**100.00%**	**100.00%**

The administrative activities and operating assets and liabilities are pooled and recorded in a common operating fund. Expenses incurred and net operating assets are allocated from the common operating fund to the Division Trust Funds based on the ratio of the number of members and benefit recipients at the beginning of the year in each Division to the total for all the Division Trust Funds. Expenses are allocated to the HCTF, the IDR, and the Voluntary Investment Program based on estimated time and resources devoted to these Funds.

(In Thousands of Dollars)

Fair Value of Investments

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

Property and Equipment

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

Reclassification of Prior Year Amounts

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

NOTE 3—CONTRIBUTIONS

Division Trust Funds-Defined Benefit Pension Plans

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under C.R.S. §§ 24-51-401 *et. seq.*

Members are required to contribute 8 percent of their 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, 2003, through December 31, 2003, were as follows:

Employer Contributions as a Percent of Members' Salaries
January 1, 2003, through June 30, 2003

Division	Membership	Contributions
State and School	All members (except State Troopers)	10.04%
State and School	State Troopers	12.74%
Municipal	All members	9.60%
Judicial	All members	11.82%

Employer Contributions as a Percent of Members' Salaries
July 1, 2003, through December 31, 2003

Division	Membership	Contributions
State and School	All members (except State Troopers)	10.15%
State and School	State Troopers	12.85%
Municipal	All members	9.60%
Judicial	All members	12.66%

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 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.

(In Thousands of Dollars)

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

Investment Concentrations

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

Cash

The table below presents the PERA combined total deposits and money market funds as of December 31, 2003.

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, 2003, on the Statement of Fiduciary Net Assets includes short-term fixed income of $97,754 and deposit and money market funds of $565,867 for a total of $663,621. PERA considers fixed income and real estate debt investments purchased with a maturity of 12 months or less to be short-term investments.

	Carrying Value	Bank Balance
Deposits with banks *(fully insured by federal depository insurance)*	$31,633	$37,259
Deposits held at bank *(fully collateralized by underlying securities, held by PERA's agent in PERA's name)*	32,496	32,496
Money market funds held at bank *(fully collateralized by underlying securities, held by PERA's agent in PERA's name)*	501,738	501,738
Total deposits and money market funds	**$565,867**	**$571,493**

Other Investments

The table that follows presents the combined PERA total investments held at December 31, 2003, categorized to give an indication of the level of risk assumed by PERA. The categories are:

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

Investments not evidenced by securities are not categorized.

Short-term U.S. government obligations of $600, short-term domestic fixed income of $78,871 and short-term international fixed-income of $18,283 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	$1,894,117
Domestic corporate bonds	1,275,919
International fixed income	1,043,730
Domestic stocks	12,374,879
International stocks	3,690,767
Short-term U.S. government obligations	600
Short-term domestic corporate bonds	73,611
Short-term international fixed income	18,283
Total investments-category 1	**20,371,906**
Investments—Not categorized	
Investments held by broker-dealers under securities loans with cash collateral	
U.S. government obligations	833,104
Domestic corporate bonds	205,903
International fixed income	89,974
Domestic stocks	937,190
International stocks	270,136
Short-term domestic corporate bonds	5,260
Subtotal	2,341,567
Investments held by broker-dealers under securities loans with pooled non-cash collateral	
U.S. government obligations	229,150
Domestic corporate bonds	13,769
International fixed income	7,980
Domestic stocks	56,819
International stocks	419,314
Subtotal	727,032
Securities lending short-term collateral investment pool	2,407,009
Real estate equity	2,223,928
Real estate debt	215,669
Alternative investments	3,238,112
Timber	285,057
Subtotal	8,369,775
Total investments-not categorized	**11,438,374**
Total investments	**$31,810,280**

Securities Lending Transactions

C.R.S. § 24-51-206, and Board policies permit PERA to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. PERA's custodian, The Northern Trust Company, lends securities of the type on loan at year-end for collateral in the form of U.S. and non-U.S. currencies, Organization for Economic Cooperation and Development (OECD) government securities, equities, and irrevocable letters of credit. When the loaned securities and the collateral are denominated in the same currency, the initial collateralization is not less than 102 percent. When the loaned securities and the collateral are in different currencies, the initial collateralization is not less than 105 percent. Collateral is marked to market daily if price movements exceed certain minimal thresholds. There are no restrictions on the amount of securities that can be lent at one time. Securities lent at year-end for cash and securities collateral are classified according to the category for the collateral in the preceding schedule of custodial credit risk.

(In Thousands of Dollars)

As of December 31, 2003, PERA had no credit risk exposure to borrowers because the market value of the collateral held exceeds the market value of the securities amount borrowed. The contract with PERA's 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, 2003.

PERA or the borrower can terminate any security loan on demand. The weighted average loan life of overall loans was 89 days as of December 2003. Cash collateral is invested in a custom collateral account made up of a combination of The Northern Trust Company's Collective Short-Term Extendible Portfolio (52.7 percent), The Northern Trust Company's Short-Term Advantage Fund (3.5 percent), and The Northern Trust Company's Global Core Collateral Section (43.7 percent). The weighted average maturities of these funds as of December 31, 2003, were 37, 36, and 30 days, respectively. The Northern Trust Company manages withdrawals daily. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. PERA cannot pledge or sell non-cash collateral unless the borrower defaults.

The following table represents the balances relating to the securities lending transactions as of December 31, 2003, and December 31, 2002.

Securities Lent	Carrying Amount (Fair Value) of Underlying Securities 12/31/2003	Carrying Amount (Fair Value) of Underlying Securities 12/31/2002
U.S. government obligations	$1,062,254	$598,526
Domestic corporate bonds	224,932	181,547
International fixed income	97,954	107,751
Domestic stocks	994,009	1,510,479
International stocks	689,451	523,465
Total	**$3,068,600**	**$2,921,768**

As of December 31, 2003, the fair value of lent securities was $3,068,600. The fair value of associated collateral was $3,162,572. Of this amount, $2,407,009 represents the fair value of cash collateral and $755,563 represents the fair value of the non-cash collateral. 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 $10,162 for the year ended December 31, 2003. As of December 31, 2002, the fair value of lent securities was $2,921,768. The fair value of associated collateral was $3,012,979. Of this amount, $2,271,784 represents the fair value of cash collateral and $741,195 represents the fair value of the non-cash collateral. PERA's income net of expenses from securities lending was $10,177 for the year ended December 31, 2002.

Reverse Repurchase Agreements

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

PERA, within its real estate debt holdings, was obligated under four reverse repurchase agreements as of December 31, 2003. The agreements have maturity dates of January 13, 2004, and March 30, 2004, and were rolled over on those dates. Credit risk exposure for PERA arises when the broker-dealer does not return the securities or their value at the conclusion of the reverse repurchase agreement. The amount of the potential economic loss is the difference between the fair value of the securities related to the reverse repurchase agreements, including accrued interest, and the amount of the obligations, including accrued interest, under the reverse repurchase agreements. As of December 31, 2003, PERA is exposed to a potential economic loss of $2,538. The fair value of the securities relating to the reverse repurchase agreements plus accrued interest is $11,497 and the total amount of the reverse purchase agreements plus accrued interest is $8,959. PERA's investment strategy is to increase the book yield of the portfolio by entering into investment interest rate swaps disclosed in Note 5. The interest PERA receives on the interest rate swaps is reset quarterly to coincide with the interest rate paid on the reverse repurchase agreements which is also reset quarterly. The reverse repurchase agreements will be rolled over every six months to coincide with the payment dates of the interest rate swaps.

(In Thousands of Dollars)

Alternative Investments

The following table presents the categories of investments within the alternative investment asset class at December 31, 2003.

	Fair Value at December 31, 2003
Leveraged buyout funds	$2,540,131
Venture capital	636,729
Special situations	61,252
Total alternative investments	**$3,238,112**

NOTE 5—FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Currency Option

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. 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, 2003, the fair value of the contract was ($14).

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 2003. Forwards are usually traded over-the-counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, PERA records the unrealized currency translation gain or loss based on the applicable forward exchange rates.

At December 31, 2003, PERA had outstanding forward foreign exchange contracts to purchase foreign currencies with a fair value of $720,387 and outstanding contracts to sell foreign currencies with a fair value of ($724,168).

Interest Rate Swaps

Interest rate swaps represent an agreement between counterparties to exchange interest cash flows by reference to specified indexes on a notional principal amount for a specified period. PERA entered into four interest rate swaps during 2003, for varying terms. For the two swaps held within the real estate debt holdings the counterparty will pay PERA United States Dollar-London Interbank Offered Rate (LIBOR)-BBA on the notional amount quarterly. PERA will pay the counterparty a fixed rate on the notional amount semiannually. These interest rate swaps were entered into to offset the cash flows on the reverse repurchase agreements and increase the book yield of the portfolio. For the other two swaps held within the fixed income holdings, the parties exchanged the United States Dollar-LIBOR-BBA against the Lehman Investment Grade CMBS Index. The parties will make payments at dates designated in the contracts. PERA entered into these contracts because it is an efficient way to gain exposure to the CMBS asset class.

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

The fair value of these contracts was $2,547 as of December 31, 2003.

(In Thousands of Dollars)

The financial instruments discussed above involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amounts recognized in the Statement of Fiduciary Net Assets. Market risk arises from the potential unfavorable change in the value of the underlying instruments. The following contract or notional amounts of these instruments reflect the extent of PERA's involvement in each class of financial instrument as of December 31, 2003. The contract or notional amounts do not represent the exposure to market loss.

Contracts	Description	Contract or Notional Value
1	Currency call option	$50,000
51	Long forward foreign exchange contracts	696,091
51	Short forward foreign exchange contracts	(696,091)
4	Interest rate swaps	$90,000

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.

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, 2003, the fair value of government mortgage-backed securities was $1,600,206 and the fair value of asset-backed securities was $8,207. The fair value of CMOs as of December 31, 2003, was $109,453.

NOTE 6—COMMITMENTS AND CONTINGENCIES

As of December 31, 2003, PERA had commitments for the future purchase of investments in alternative investments of $1,774,667, real estate of $425,928, and timber of $2,315.

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

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

The Voluntary Investment Program is an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA to provide benefits at retirement to PERA members in the State and School, Municipal, and Judicial Division Trust Funds. Plan participation is voluntary to all PERA members (described in Note 1), and contributions are separate from the defined benefit contributions made to PERA. At December 31, 2003, there were 72,185 participants with account balances.

In 2003, participants could contribute the lesser of $12,000 (actual dollars), or 100 percent of compensation less PERA contributions and employer 401(k) contributions. Catch-up contributions up to $2,000 (actual dollars) in 2003 were allowed for participants who had attained age 50 before the close of the Plan Year, subject to the limitations of IRC Section 414(v). Employer contributions are allowable in the plan with total participant and employer contributions limited to $40,000 (actual dollars) per participant in 2003. The contribution requirements for the program are established under C.R.S. § 24-51-1402.

Participants of the Voluntary Investment Program are allowed to transfer account balances among 16 investment funds, or change the contribution percentages designated to each fund on a daily basis. The 16 investment funds are: Northern Trust Short Term Fund, PIMCO Low Duration Fund, PIMCO Total Return Fund, Dodge & Cox Balanced Fund, PERA Growth & Income Stock Fund, Vanguard Institutional Index Fund, Dodge & Cox Stock Fund, Janus Fund, Fidelity Contrafund, American Funds EuroPacific Growth Fund, Fidelity Freedom Income Fund, Fidelity Freedom 2000 Fund, Fidelity Freedom 2010 Fund, Fidelity Freedom 2020 Fund, Fidelity Freedom 2030 Fund, and Fidelity Freedom 2040 Fund. Participants may access their funds through loans, in-service withdrawals, and distributions as allowed under the Internal Revenue Code. Plan provisions are established or are authorized to be established by the Board under C.R.S. §§ 24-51-1401 *et. seq.*

(In Thousands of Dollars)

Significant Accounting Policies-401(k) Voluntary Investment Program

Basis of Accounting

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

Method Used to Value Investments

Plan investments are presented at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment Concentrations

The following investments of the Voluntary Investment Program represent 5 or more percent of the total plan net assets at December 31, 2003.

PERA Growth & Income Stock Fund (Managed by PERA Staff)	$229,459
Dodge & Cox Balanced Fund	141,322
Fidelity Contrafund	123,686
PIMCO Total Return Fund	82,395
Janus Fund	66,621
Northern Trust Short Term Fund	$63,388

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

Plan Description and Benefit Provisions

The Health Care Trust Fund (HCTF) provides a health care premium subsidy to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. C.R.S. §§ 24-51-1201 *et. seq.* specifies the eligibility for enrollment and the amount of the premium subsidy. The maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is for benefit recipients whose retirement benefits are based on 20 years or more of service credit. For those with less service credit, the subsidy is reduced by 5 percent for each year fewer than 20 years. The benefit recipient pays the remaining portion of the premium if the subsidy does not cover the entire amount. As of December 31, 2003, the HCTF had 37,067 enrollees of whom 12,258 were under age 65 and 24,809 who were age 65 or older.

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

In addition, all of the fully insured pre-Medicare health plans are available to any PERA employer who voluntarily elects to provide health care coverage through the Health Care Program for its employees who are PERA members. PERA acts as a purchaser of private insurance to obtain economies of scale for the employers that elect to join in the joint purchasing arrangement. The insurance companies who provide coverage through the program set rates based on employer size and geographic region. For larger employers (those with more than 250 eligible employees, depending upon the geographic region), the insurance companies provide custom rates. In all cases, there is no transfer of risk to the HCTF, to PERA, or between the participating employers. The insurance companies providing the benefits bear the risk for the plan. The employers and/or participants pay the premiums for the coverage. PERA collects the premiums and deposits them into the HCTF and then pays these premiums to the insurance companies who provide the coverage. As of December 31, 2003, PERA had 32 employers in the program with 640 active members enrolled.

Dental and vision plans are also available to participants. These plans are all fully insured; the risk is borne by the insurance companies that are contracted to provide the coverage. The participants and/or employers pay the premiums for the coverage. PERA collects the premiums and deposits them into the HCTF and then pays these premiums to the insurance companies who provide the coverage. There is no PERA subsidy provided for the dental and vision plans. As of December 31, 2003, there were 7,714 members and retirees enrolled in the dental plans and 8,788 members and retirees enrolled in the vision plans.

The Board has the authority to contract, self-insure, and make disbursements necessary to carry out the purposes of the Program. PERA contracts with a major national insurance carrier to administer claims for the self-insured plans, with a national prescription benefit manager to administer a pharmacy benefit for the self-insured plans, and with health insurance companies to provide fully insured health plans providing services within Colorado.

Membership

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

- PERA benefit recipients and their dependents.
- Guardians of children receiving PERA survivor benefits if the children are enrolled in the Program.
- Surviving spouses of deceased retirees who are not receiving PERA benefits, but were enrolled in the Program when death occurred.
- Divorced spouses of retirees who are not receiving PERA benefits, but were enrolled in the Program when the divorce occurred.
- Members while receiving short-term disability program payments.
- Members whose employers have elected to provide coverage through the Health Care Program and such members' dependents.

Contributions

The HCTF is funded by affiliated employer contributions for all PERA members equal to 1.10 percent of covered salaries in the State and School Division, 1.69 percent of covered salaries in the Municipal Division, and 3.11 percent of covered salaries in the Judicial Division. Funding is also provided from a portion of the amount paid by members to purchase service credit; premium receipts for participating benefit recipients, members, and dependents; interest; and a proportional share of investment income. The contribution requirements for the affiliated employers are established under C.R.S. § 24-51-208.

NOTE 9—SUBSEQUENT EVENTS

During the 2004 legislative session, several bills were passed by the Legislature and were signed into law. The features of the bills that could potentially impact the financial statements to the greatest extent are listed below:

Senate Bill 04-132. Suspension of MatchMaker Contributions.

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

- Suspend MatchMaker contributions beginning June 1, 2004.
- Reduce interest credit on member contributions to a maximum of 5 percent per year, beginning July 1, 2004.
- Change the due date for contributions to be delivered by PERA employers to PERA to five business days after the payroll date, effective July 1, 2004.
- Reallocate 0.08 percent of salary of future employer contributions to the PERA pension trust funds rather than to the PERA Health Care Trust Fund.
- Provide that members hired on or after July 1, 2005:
  - Will not be eligible for full retirement benefits at age 50 with 30 years service.
  - Will receive annual post-retirement increases of 3 percent or the actual change in the Consumer Price Index, whichever is lower.

This bill was passed by the Legislature on April 20, 2004, and Governor Owens signed the bill on April 30, 2004.

Senate Bill 04-257. Public Employee Retirement Plans.

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

- An "Amortization Equalization Disbursement" (AED) will be established and will require each PERA employer to pay 0.5 percent of salary to PERA each year, beginning January 1, 2006, increasing by 0.5 percent of salary in 2007 and by 0.4 percent of salary each subsequent year, reaching a maximum of 3 percent of salary in 2012 and thereafter. This payment will be used to help amortize PERA's unfunded liability. The current contribution rates to PERA are not adequate to amortize PERA's unfunded liability within a 40-year period. If at some point in the future the AED reduces the amortization period below 40 years, the AED payment will be scaled back below 3 percent of salary. If PERA approached 100 percent funded status, the AED would be repealed.

- Separation of the State and School Divisions beginning January 1, 2006. The School Division will not have the DC (defined contribution) plan option and creating a separate division protects the School Division from any funding deterioration the DC option could cause in the State Division.
- Increase in School employer rates. The actuarial normal cost of PERA benefits for school members is about 0.4 percent of salary higher than for state members. To reflect this cost in School Division rates, the School employer contribution rate to PERA will increase by 0.4 percent of salary, beginning January 1, 2013.
- Provide that new state employees hired on or after January 1, 2006, will have the option to be covered by PERA or the State DC Plan. This decision will be made in the first 60 days of employment and will be irrevocable. If the member chooses PERA, he or she may elect into the PERA DC plan if they wish. If no election is made within 60 days, the new employee will be covered by the PERA Defined Benefit (DB) plan. The AED will be paid by employers on the payroll of PERA members as well as on the payroll of new hire state employees who elect the State DC Plan instead of PERA.

  Employees in higher education would not have the options added by SB 257.

  An employee covered by the State DC Plan, or by the PERA DC Plan, who moves to a position at an institution of higher education, could continue membership in that plan while in higher education. Existing higher education employees, and new hires coming directly into higher education positions remain covered as they have been under PERA's current DB plan or by an Optional Retirement Plan (ORP), if the institution has one for their faculty and other employees who are exempt from the state personnel system.
- Requires employer contributions to be paid for a PERA retiree working for a PERA-affiliated employer beginning July 1, 2005.
- Renames the Municipal Division the PERA Local Government Division.

This bill passed the Senate on April 30, 2004, and the House passed the bill on May 5, 2004. Governor Owens signed the bill on June 4, 2004.

During the 2003 legislative session the following bill was passed by the Legislature and signed into law by the Governor. The features of the bill that could potentially impact the financial statements to the greatest extent are listed below:

- Senate Bill 03-250—This bill would merge the assets and liabilities of the Denver Public Schools Retirement System (DPSRS) into the State and School Division Trust fund under conditions that are fair actuarially to both systems. The date of merger is January 1, 2005. All assets, liabilities and obligations of the DPSRS will become the assets, liabilities, and obligations of PERA on that date. On or before July 1, 2004, any of the parties to the merger may terminate the merger for any reason.

This bill was passed by the Legislature on April 22, 2003. Governor Owens signed the bill on June 5, 2003.

401(k) Voluntary Investment Program—Investment Fund Change

On March 1, 2004, the assets of the Janus Fund in the 401(k) Voluntary Investment Program were transferred to the GMO Growth Fund managed by Grantham, Mayo, Van Otterloo & Co.

Boulder County Affiliates With Colorado PERA

On April 1, 2004, Boulder County became the first county government to affiliate with the Municipal Division Trust Fund. As PERA members, employees of Boulder County will participate in the Municipal Division Trust Fund defined benefit retirement plan and have the option of joining PERA's 401(k) Voluntary Investment Program. The County's 2,145 employees will represent a 17 percent increase in the Municipal Division active membership. In addition, in April 2004, Boulder County transferred the assets, amounting to $79,329, of its defined contribution plan into the 401(k) Voluntary Investment Program.

Required Supplementary Information—Unaudited

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

State and School Division Trust Fund	2003	2002	2001	2000	1999	1998
Actuarial value of assets (a)	**$28,522,222**	$28,551,607	$28,947,935	$27,749,435	$24,976,228	$21,644,949
Actuarial accrued liability (b)	**37,914,502**	32,463,918	29,469,608	26,492,574	24,311,246	22,498,963
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**9,392,280**	3,912,311	521,673	(1,256,861)	(664,982)	854,014
Funded ratio (a/b)	**75.2%**	87.9%	98.2%	104.7%	102.7%	96.2%
Covered payroll	**5,140,918**	5,278,586	4,954,605	4,561,133	4,309,573	4,098,423
UAAL/OAAL as a percentage of covered payroll	**182.7%**	74.1%	10.5%	(27.6)%	(15.4)%	20.8%

Municipal Division Trust Fund	2003	2002	2001	2000	1999	1998
Actuarial value of assets (a)	**$1,907,786**	$1,839,632	$1,822,413	$1,717,017	$1,524,667	$1,300,574
Actuarial accrued liability (b)	**2,379,229**	1,966,143	1,746,761	1,541,014	1,413,208	1,301,869
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**471,443**	126,511	(75,652)	(176,003)	(111,459)	1,295
Funded ratio (a/b)	**80.2%**	93.6%	104.3%	111.4%	107.9%	99.9%
Covered payroll	**479,098**	474,760	436,582	399,737	380,064	359,025
UAAL/OAAL as a percentage of covered payroll	**98.4%**	26.6%	(17.3)%	(44.0)%	(29.3)%	0.4%

Judicial Division Trust Fund	2003	2002	2001	2000	1999	1998
Actuarial value of assets (a)	**$166,654**	$162,901	$165,130	$159,426	$142,499	$124,059
Actuarial accrued liability (b)	**198,377**	165,672	150,943	132,653	122,237	115,228
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**31,723**	2,771	(14,187)	(26,773)	(20,262)	(8,831)
Funded ratio (a/b)	**84.0%**	98.3%	109.4%	120.2%	116.6%	107.7%
Covered payroll	**25,452**	26,357	24,140	21,673	20,123	19,854
UAAL/OAAL as a percentage of covered payroll	**124.6%**	10.5%	(58.8)%	(123.5)%	(100.7)%	(44.5)%

Health Care Trust Fund	2003	2002	2001	2000	1999	1998
Actuarial value of assets (a)	**$160,416**	$161,700	$138,198	$116,034	$100,825	$82,929
Actuarial accrued liability (b)	**897,461**	813,211	782,961	809,709	782,698	591,222
Total unfunded actuarial accrued liability (UAAL) (b-a)	**737,045**	651,511	644,763	693,675	681,873	508,293
Funded ratio (a/b)	**17.9%**	19.9%	17.7%	14.3%	12.9%	14.0%
Covered payroll	**5,645,468**	5,779,703	5,415,327	4,982,543	4,709,760	4,477,302
UAAL as a percentage of covered payroll	**13.1%**	11.3%	11.9%	13.9%	14.5%	11.4%

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

(In Thousands of Dollars)

State and School Division Trust Fund	2003	2002	2001	2000	1999	1998
Dollar amount of annual required contribution (ARC)	**$571,156**	$315,825	$314,649	$420,031	$422,025	$409,749
ARC[1]	**11.11%**	6.37%	6.84%	9.82%	10.46%	10.61%
% ARC contributed	**69%**	100%	100%	100%	100%	100%

Municipal Division Trust Fund	2003	2002	2001	2000	1999	1998
Dollar amount of annual required contribution (ARC)	**$45,658**	$21,972	$25,435	$32,639	$31,418	$30,186
ARC[1]	**9.53%**	5.02%	6.26%	8.90%	9.05%	9.20%
% ARC contributed	**69%**	100%	100%	100%	100%	100%

Judicial Division Trust Fund	2003	2002	2001	2000	1999	1998
Dollar amount of annual required contribution (ARC)	**$1,013**	$383	$637	$2,726	$2,689	$2,693
ARC[1]	**3.98%**	1.55%	1.79%	13.40%	14.05%	14.20%
% ARC contributed	**100%**	100%	100%	100%	100%	100%

Health Care Trust Fund	2003	2002	2001	2000	1999	1998
Dollar amount of annual required contribution (ARC)	**$65,487**	$92,562	$74,324	$51,351	$43,136	$33,522
ARC[1]	**1.16%**	1.71%	1.48%	1.10%	0.95%	0.80%
% ARC contributed	**100%**	100%	100%	100%	100%	100%

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

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

NOTE 1—DESCRIPTION

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

NOTE 2—ACTUARIAL ASSUMPTIONS AND METHODS

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

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Health Care Trust Fund
Valuation date	12/31/03	12/31/03	12/31/03	12/31/03
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent, Open	Level percent, Open	Level percent, Open	Level percent, Open
Amortization period used in ARC calculation	40[1]	40[1]	40[1]	34
Remaining amortization period with current funding	Infinite[3]	Infinite[3]	Infinite[3]	34[3]
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions				
Investment rate of return[2]	8.50%	8.50%	8.50%	8.50%
Projected salary increases[2]	4.50–10.00%	5.50–12.90%	5.00–6.01%	Not applicable
Cost-of-living adjustments	3.50% compounded annually	3.50% compounded annually	3.50% compounded annually	None
Health care inflation factor	Not applicable	Not applicable	Not applicable	Zero

[1] The actuarially determined annual required contribution rate (ARC) for 2004 based on a 40-year funding period of the unfunded actuarial accrued liability is as follows: State and School Division Trust Fund 17.31 percent, Municipal Division Trust Fund 13.98 percent, Judicial Division Trust Fund 16.22 percent.

[2] Includes inflation at 3.75 percent.

[3] See Management's Discussion and Analysis on unfunded actuarial accrued liabilities on page 22.

NOTE 3—SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

Pension Plans

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

- The actuarial investment assumption rate was changed to 8.50 percent, the rate of inflation assumption was changed to 3.75 percent, the real rate of return assumption was changed to 4.75 percent, and the payroll growth rate assumption was changed to 4.5 percent.

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

- No material changes.

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

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

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

- A Modified Rule of 80 provision was added. Members whose age plus years of service total 80 or more will retire without reduction for early retirement, if they are at least age 55 and have a minimum of five years of service.
- The annual increase for PERA benefit recipients was fixed at 3.5 percent compounded annually.
- If the actuarial valuation determines that either the State and School or Judicial Division is overfunded, then for the following year:
  - The employer contribution rate will be reduced by 20 percent of the ten-year amortization of the overfunding, with statutory minimum reductions. In addition, a portion of the employer contribution will be made available for MatchMaker, the defined contribution plan matching program. The maximum amount available for MatchMaker will be 2 percent of covered salaries plus 50 percent of the ten-year amortization of the overfunding. The level of the matching contributions will be determined by the Board for each calendar year based on the amount available. In addition, a portion of the employer contribution equal to 30 percent of the ten-year amortization of the overfunding will be allocated to the Health Care Trust Fund.
- If the actuarial valuation determines that the Municipal Division is overfunded, then for the following year:
  - The employer contribution rate will be temporarily reduced by 20 percent of the ten-year amortization of the overfunding. In addition, a portion of the employer contribution will be made available for MatchMaker, the defined contribution plan matching program. The maximum amount available for MatchMaker will be 0.5 percent of covered salaries plus 50 percent of the ten-year amortization of the overfunding. The level of the matching contributions will be determined by the Board for each calendar year based on the amount available. In addition, a portion of the employer contribution equal to 30 percent of the ten-year amortization of the overfunding will be allocated to the Health Care Trust Fund.

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

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

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.

Health Care Trust Fund

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

- The actuarial investment assumption rate was changed to 8.50 percent, the rate of inflation assumption was changed to 3.75 percent, the real rate of return assumption was changed to 4.75 percent, and the payroll growth rate assumption was changed to 4.5 percent.

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

- No material changes.

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

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

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

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

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

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

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.

(In Thousands of Dollars)

	2003	2002
Personnel services:		
Salaries	$15,680	$14,234
Employee benefits	4,540	3,904
Total personnel services	**20,220**	**18,138**
Staff education:		
Tuition assistance program	38	38
PERA-required education	196	291
Total staff education	**234**	**329**
Professional contracts:		
Actuarial contracts	281	326
Audits	98	158
Investment counsel	547	746
Legal and legislative counsel	1,026	1,097
Computer services and consulting	776	515
Management consulting	293	488
Health care consultants	201	188
Other	202	170
Total professional contracts	**3,424**	**3,688**
Miscellaneous:		
Equipment rental and services	911	782
Memberships	168	173
Publications and subscriptions	58	62
Travel and local expense	486	487
Auto expense	21	20
Telephone	336	324
Postage	932	938
Insurance	189	173
Printing	462	577
Office supplies	305	322
Building rent, supplies, and utilities	583	643
Total miscellaneous	**4,451**	**4,501**
Total budgeted expense	**28,329**	**26,656**
Depreciation expense	1,634	1,637
Health Care Trust Fund Plan Expense	4,872	4,571
401(k) Voluntary Investment Program expense	2,045	1,803
Total expense	**36,880**	**34,667**
Interfund–tenant and other expense	(89)	(194)
Interfund–CIF investment expense	(5,485)	(5,874)
Total administrative expense	**$31,306**	**$28,599**
Allocation of administrative expense:		
State and School Division Trust Fund	$19,750	$17,752
Municipal Division Trust Fund	1,724	1,539
Judicial Division Trust Fund	22	20
401(k) Voluntary Investment Program	3,382	3,289
Health Care Trust Fund	6,157	5,409
Insurance Dividend Reserve	271	590
Total allocation	**$31,306**	**$28,599**

Schedule of Investment Expenses

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

	2003	2002
External manager expenses		
Domestic fixed income	$2,942	$2,061
Domestic equity	4,151	4,374
International equity	11,462	10,935
International fixed income	595	553
Real estate debt and equity	23,762	31,385
Alternative investments	21,588	21,887
Timber investments	3,725	3,648
Total external manager expenses	68,225	74,843
Internal manager expenses	5,485	5,874
Other investment expenses and custody fees	2,378	2,624
Total investment expenses	**$76,088**	**$83,341**

Schedule of Other Additions

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

	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Insurance Dividend Reserve	Totals 2003	Totals 2002
Administrative fee income	$0	$0	$0	$0	$0	$0	$1,082	$0	$1,082	$1,054
Alliance fees	0	0	0	0	615	615	0	0	615	627
401(k) participant loan interest	0	0	0	0	1,296	1,296	0	0	1,296	1,374
Purchase service transfer to HCTF	0	0	0	0	0	0	1,034	0	1,034	0
Miscellaneous	3	0	0	3	7	10	2	0	12	6
Total other	**$3**	**$0**	**$0**	**$3**	**$1,918**	**$1,921**	**$2,118**	**$0**	**$4,039**	**$3,061**

Schedule of Other Deductions/(Transfers)

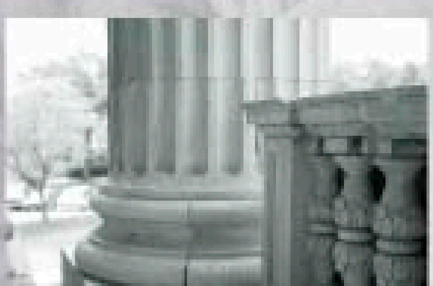
For the Year Ended December 31
(In Thousands of Dollars)

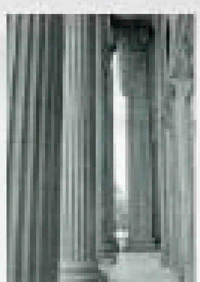
	State and School Division Trust Fund	Municipal Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Insurance Dividend Reserve	Totals 2003	Totals 2002
Interfund transfers at retirement	($916)	$1,782	($866)	$0	$0	$0	$0	$0	$0	$0
Purchase service transfer to HCTF	887	131	16	1,034	0	1,034	0	0	1,034	0
Unclaimed property transfer	456	51	0	507	0	507	0	0	507	879
Plan withdrawals	23	0	0	23	0	23	0	0	23	154
Miscellaneous	(2)	1	1	0	0	0	0	0	0	15
Interest on erroneous contributions	0	0	0	0	0	0	0	0	0	11
Total	**$448**	**$1,965**	**($849)**	**$1,564**	**$0**	**$1,564**	**$0**	**$0**	**$1,564**	**$1,059**

Investment Section

Central High School, Pueblo School District 60

Noted for its distinctive Composite columns and architecture, construction on Central High School was completed in 1912, only to have a fire partially destroy the school five years later, leaving behind only the walls. The school was rebuilt in mid-1919 and continues to educate students.






State Law

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

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

Board of Trustees' Statutory Fiduciary Responsibility

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

Goal

The function of the Association is to provide present and future retirement or survivor benefits for its members. The investment function is managed in a manner to promote long-term financial security for our membership while maintaining the stability of the fund.

Outline of Investment Policy

The Board of Trustees determines an asset allocation policy for the fund. PERA currently invests in six asset classes. These classes are domestic equities, international equities, fixed income, real estate, alternatives, and timber. The Board's policy specifies the desired target for these asset classes as well as ranges within which they may operate. This asset allocation policy is driven by an intensive asset/liability analysis conducted every two years or as necessary. Expected investment returns, risks, and correlation of returns are considered. The characteristics of the fund's liabilities are analyzed in conjunction with expected investment risks and returns. The asset allocation policy seeks to optimize expected total return while minimizing risk. The fund's investment policy supports the implementation of the Board's asset allocation decision.

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

Corporate Governance

General Policy

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

Board of Trustees Shareholder Responsibility Committee

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

Proxy Voting Policy

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

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

A.G. Edwards
Banc of America Securities LLC
Bank of New York
Bank One Capital Markets
Barclays Capital Inc.
Bear Stearns & Co. Inc.
B-Trade Services LLC
Cantor, Fitzgerald & Co.
CIBC World Markets
Citigroup Global
Credit Suisse First Boston Corporation
Deutsche Bank Alex Brown Inc.
First Albany Corporation
Friedman Billings & Ramsey
Goldman, Sachs & Co.
Heitman Investment Management
HSBC Securities
Instinet Clearing Services
INVESCO Realty Advisors
ITG Inc.
J.P. Morgan Securities
Jefferies & Co.
Jones Lang LaSalle
Keefe, Bruyette & Woods
La Branche & Co. Inc.
Lehman Brothers Inc.
Merrill Lynch, Pierce, Fenner & Smith Inc.
Morgan Stanley & Co. Incorporated
Prudential Realty Investors
RBC Dain Rauscher
RBS Greenwich Capital Markets
REDI Book
RREEF
Russell Real Estate Advisors
Salomon Smith Barney Inc.
Sanford C. Bernstein & Co. LLC
SG Cowen Securities Corporation
Soundview Technology Group
Stifel Nicolaus & Company, Inc.
Thomas Weisel Partners LLC
UBS Warburg LLC
US Bancorp Piper Jaffray
Wachovia Securities
Wells Fargo Securities LLC
William Blair & Company LLC

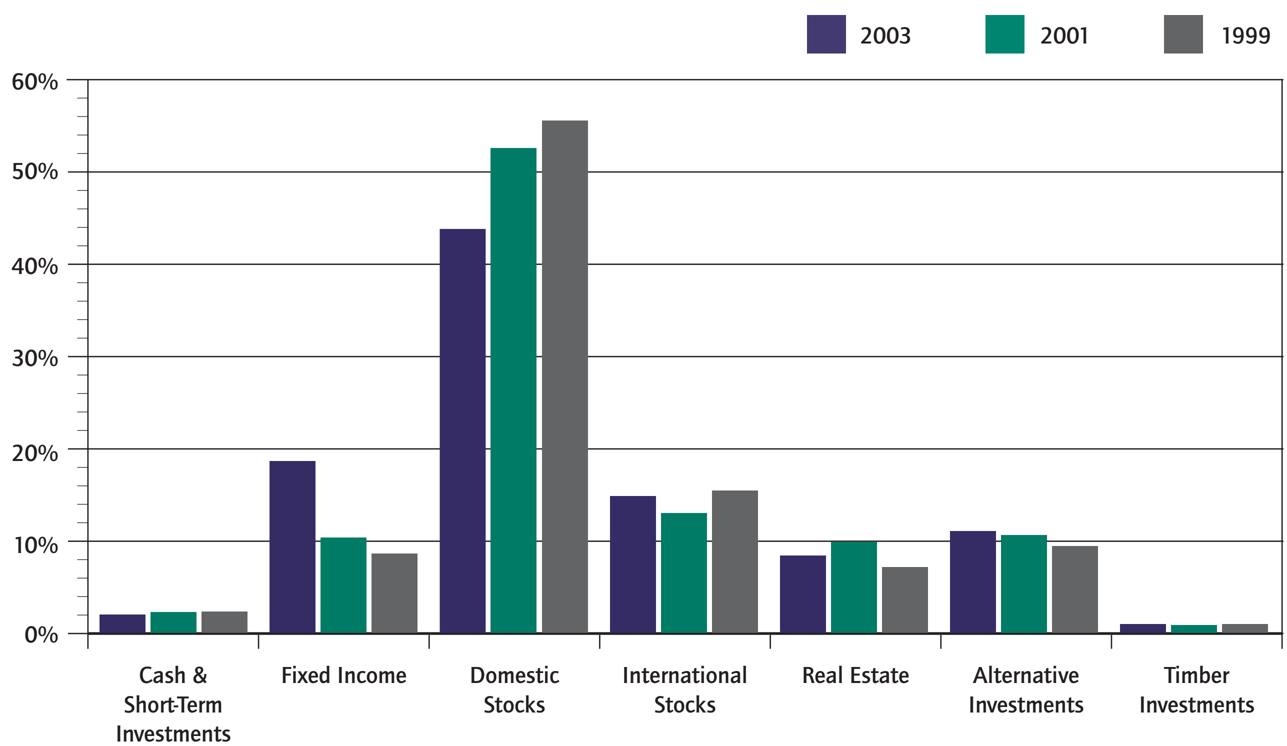
Investment Summary

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

	Market Value December 31, 2003	Percent of Total Market Value 2003	2001	1999
Cash and short-term investments	**$571,763**	**2.0%**	2.3%	2.4%
Fixed income				
U.S. Government obligations	**2,956,371**	**10.2%**	4.7%	3.8%
Domestic corporate bonds	**1,340,166**	**4.6%**	3.2%	2.7%
International fixed income	**1,141,684**	**3.9%**	2.5%	2.2%
Total fixed income	**5,438,221**	**18.7%**	10.4%	8.7%
Domestic stocks	**12,779,093**	**43.9%**	52.7%	55.7%
International stocks	**4,330,965**	**14.9%**	13.1%	15.5%
Real estate				
Real estate equity	**2,223,928**	**7.7%**	9.0%	6.6%
Real estate debt	**215,669**	**0.7%**	0.9%	0.6%
Total real estate	**2,439,597**	**8.4%**	9.9%	7.2%
Alternative investments	**3,238,112**	**11.1%**	10.7%	9.5%
Timber investments	**285,057**	**1.0%**	0.9%	1.0%
Total investments	**$29,082,808**	**100.0%**	100.0%	100.0%

Asset Allocation at Market Value

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



Evaluation

R.V. Kuhns and Associates and The Northern Trust Company are retained by Colorado PERA to evaluate fund performance. Russell Real Estate Advisors, Inc. is used for the real estate portfolio performance evaluation and industry comparisons. In their analysis, R.V. Kuhns and The Northern Trust include all investments within the portfolio, including cash and accrued income. They also compute the annual rates of return. In order to provide fund returns inclusive of all asset classes, performance calculations were prepared using time-weighted rates of return. Domestic stock, international stock and fixed income returns were prepared in accordance with the standards outlined by the Association for Investment Management and Research Performance Presentation Standards.

Asset Allocation

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

Total Portfolio Results

For the year ended December 31, 2003, Colorado PERA's total fund returned 24.1 percent, compared to the R.V. Kuhns' Median Public Fund return of 23.1 percent. The Kuhns' Median Public Fund measure is comprised of 81 public pension funds with assets of approximately $1.3 trillion. Colorado PERA's total fund returned 0.2 percent and 3.7 percent on a three– and five–year annualized basis, compared with Kuhns' Median Public Fund returns of 2.6 percent and 4.6 percent, respectively, for these periods. PERA's 10–year annualized rate of return was 9.1 percent compared to the Kuhns' Median Public Fund return of 9.1 percent.

Domestic Equities

It was a turnaround year in 2003 for the U.S. equity markets as stocks ended a three-year streak of double-digit negative returns. Despite the steady stream of corporate scandals and the Iraq war, equity investors focused on the good news for most of the year. The equity markets were supported by strong economic growth, low interest rates, improving investor sentiment, and mounting evidence that corporate profits were recovering.

The equity rally had a speculative orientation. Investors purchased stocks among small-capitalization and low quality companies. As a result, portfolios concentrated in small and mid capitalization stocks tended to outperform portfolios holding large capitalization stocks. All of the major industry sectors posted positive returns in 2003. The technology, materials, and consumer discretionary sectors were the top performers while the telecommunication, healthcare, and consumer staple sectors trailed the market.

In 2003, Colorado PERA's total domestic equity portfolio returned 29.1 percent, compared to its benchmark's (S&P 1500 Index) total return of 29.6 percent. PERA's three–year annualized domestic equity portfolio total return was –2.0 percent, ahead of the S&P 1500 Index's return of –3.0 percent. The five–year annualized total return for PERA's domestic portfolio was 1.4 percent, compared to the S&P 1500 Index's total return of 0.4 percent.

International Equities

International equity markets rebounded strongly in 2003 following three years of negative returns. The quick collapse of the Iraq regime served as a catalyst, prompting equity investors back into the market. This improvement was then supported by a combination of low interest rates, brightening economic prospects, higher government spending, and improving corporate profits. The weakness of the U.S. dollar was a key feature of the strong performance in international equities. The U.S. dollar's decline against most world currencies positively impacted local currency returns.

All of the major international industry sectors posted positive returns in 2003. The technology, materials, and financial-related sectors were among the top performers while healthcare and consumer staples lagged the market. In addition, small and mid sized companies' stocks registered significant out-performance. The German and Australian equity markets were among the top performers during the year.

PERA's international equity return in 2003 was 38.7 percent, compared with 39.4 percent for its custom benchmark [75 percent of the Europe-Australasia-Far East (EAFE) Index and 25 percent of the EAFE excluding Japan Index]. PERA's three–year annualized international equity portfolio total return figure was 0.4 percent, ahead of the benchmark's return of –2.4 percent. The five–year annualized total return for PERA's international portfolio was 3.3 percent, compared to the benchmark's total return of 0.3 percent.

Domestic Fixed Income

Improvement in the U.S. economy also impacted the domestic bond market. Corporate balance sheets strengthened, default rates dropped and corporate bonds performed well. High yield corporate bonds were the top performing fixed income asset class for 2003 with a return of almost 29 percent. Investment grade corporate bonds returned 7.7 percent. Dollar-denominated emerging market bonds returned over 25 percent for the year. The improving U.S. economy led to an increase in interest rates. U.S. Treasury bond yields, of intermediate and longer term maturities, increased approximately one-fourth to one-half of 1 percent.

PERA's domestic fixed income portfolio returned 6.2 percent in 2003, compared with the Lehman Aggregate Index return of 4.1 percent. The three–year and five–year annualized returns for domestic fixed income were 7.9 and 6.4 percent compared to the Lehman Aggregate returns of 7.6 percent and 6.6 percent respectively.

International Fixed Income

International Fixed Income returned 19.7 percent compared with the CITI World Government Non-US Bond Index return of 18.5 percent in 2003. Positively impacting the performance of the portfolio was the decline of the U.S. dollar and greater exposure to stronger performing countries such as Japan. International fixed income returned 10.9 percent for the three-year annualized period compared to its benchmark return of 11.7 percent. For the five-year period, international fixed income returned 5.2 percent and the benchmark return was also 5.2 percent.

Alternatives

The private equity markets had a strong year on a price appreciation and cash flow basis due to the recovery in the global capital markets. The increase in public market valuations positively impacted private portfolio values. Increased activity in merger and acquisitions, initial public offerings, and financing markets has led to the harvesting of many existing investments during the year.

In 2003, Colorado PERA approved nine new commitments in alternative investments totaling $285 million.

PERA's alternative portfolio returned 26.0 percent in 2003 compared with the Custom Alternatives Benchmark return of 36.1 percent. PERA's alternative portfolio returned –4.4 percent and 9.8 percent for the three– and five–year annualized periods compared with the annualized benchmark returns of –0.9 percent and 1.8 percent for the same periods.

Timber

There was no new investment activity in the timber portfolio in 2003. Our external timber manager disposed of $33 million of assets during the year. PERA's timber portfolio produced one–, three–, and five–year annualized returns of 14.8 percent, 5.0 percent, and 6.2 percent, respectively, compared with the NCREIF Timber Index returns of 7.7 percent, 1.3 percent and 4.2 percent, respectively, for these periods.

Real Estate

In the U.S. real estate market, property fundamentals declined but pricing was supported by strong demand. Sustained capital flows continued to offset declining property market fundamentals throughout 2003. The improving economy may translate into increased demand and better fundamentals for most types of real estate, but capital flows may ultimately determine investment performance again.

In 2003 the real estate portfolio had a return of 14.4 percent, under its custom benchmark return of 17.5 percent. The real estate portfolio returned 11.5 percent and 12.0 percent for the three– and five–year annualized periods, which compared favorably to the custom benchmark returns of 10.4 percent and 10.1 percent, respectively. The Custom Real Estate Benchmark is comprised of four indices that are weighted according to the real estate asset sector targets prescribed by the Board. Real estate invests in U.S. private and international private equity, as well as U.S. public equity and debt.

Schedule of Investment Results

Does not include 401(k) Voluntary Investment Program
As of December 31, 2003

	2003	3-Year	5-Year	10-Year
PERA Total Portfolio	**24.06%**	0.19%	3.69%	9.06%
Median Plan (R.V. Kuhn's Median Public Fund Universe)	**23.10%**	2.62%	4.56%	9.10%
Domestic Stocks	**29.13%**	(2.00)%	1.40%	10.12%
Standard & Poor's 1500 (S&P 1500)	**29.60%**	(3.04)%	0.39%	N/A
International Stocks	**38.67%**	0.35%	3.30%	5.52%
Custom MSCI EAFE Index[1]	**39.37%**	(2.41)%	0.29%	5.38%
Domestic Fixed Income	**6.19%**	7.88%	6.38%	6.32%
Lehman Brothers Aggregate	**4.11%**	7.57%	6.62%	6.95%
Custom Fixed Income Benchmark[2]	**6.09%**	8.22%	7.23%	N/A
International Fixed Income	**19.74%**	10.87%	5.19%	7.70%
CITI World Gov Non U.S. Bond Index	**18.52%**	11.73%	5.21%	6.72%
Real Estate	**14.39%**	11.54%	12.02%	10.89%
Custom Real Estate Benchmark[3]	**17.51%**	10.41%	10.06%	9.04%
NCREIF Property Index	**9.00%**	7.67%	9.31%	10.06%
Alternative Investments	**26.03%**	(4.39)%	9.76%	16.47%
Custom Alternative Benchmark[4]	**36.05%**	(0.85)%	1.84%	10.13%
PERA Timber Investments	**14.79%**	5.00%	6.17%	7.87%
NCREIF Timberland Property Index	**7.67%**	1.30%	4.18%	8.76%

Note: Performance calculations were prepared using time-weighted rates of return. Domestic and International Stocks and Fixed Income were prepared in accordance with the Association for Investment Management and Research Performance Presentation Standards.

[1] 75 percent Morgan Stanley Capital International Europe-Australasia-Far East (MSCI EAFE) and 25 percent MSCI EAFE excluding Japan.

[2] Effective January 1, 2003, a 90 percent Lehman Brothers Aggregate, 10 percent Lehman Brothers Emerging Markets index blend.

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

[4] 50 percent S&P 500 Index, 25 percent Russell 2000, 25 percent MSCI EAFE excluding Japan.

Profile of Investments in Colorado

Does not include 401(k) Voluntary Investment Program
As of December 31, 2003
(In Thousands of Dollars)

	Market Value
Commercial mortgages	$5,327
Committed to future funding	67,700
Common stock of companies headquartered in Colorado	151,495
PERA portion of general partnerships investing in Colorado companies[1]	33,686
Bonds and notes	56,419
Real estate equity	103,048
Funds under management of Colorado companies[2]	482,980
Total	**$900,655**

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

Largest Stock Holdings (Market Value)

As of December 31, 2003
(In Thousands of Dollars)

	Shares	Market Value
Microsoft Corp	13,083,020	$360,306
General Electric Co	11,024,210	341,530
Pfizer Inc	8,787,861	310,475
Citigroup Inc	6,050,332	293,683
Intel Corp	7,389,900	237,955
Exxon Mobil Corp	5,587,970	229,107
Wal-Mart Stores Inc	3,849,600	204,221
Cisco Systems Inc	8,309,600	201,840
American International Group Inc	2,793,900	185,180
International Business Machines Corp	1,800,700	166,889

A complete list of holdings is available upon request.

Largest Bond Holdings (Market Value)

As of December 31, 2003
(In Thousands of Dollars)

	Par Value	Market Value
Germany (Fed Rep), 4.75%; Due 7/4/2008	$47,490	$50,016
Germany (Fed Rep), 4.25%; Due 2/18/2005	45,219	46,187
U.S. Treasury Bonds, 6.25%; Due 8/15/2023	40,000	45,558
U.S. Treasury Notes, 3.00%; Due 2/15/2008	37,000	37,174
FHLB Bond, 2.125%; Due 5/15/2006	35,500	35,378
FNMA Pool #696399, 5.50%; Due 3/1/2033	34,859	35,330
FNMA Pool #617449, 7.00%, Due 1/1/2032	32,826	34,757
Germany (Fed Rep), 3.00%; Due 4/11/2008	35,040	34,511
FNMA Pool #708950, 4.375%; Due 6/1/2033	33,552	33,606
Italy (Rep of), 1.80%; Due 2/23/2010	$31,725	$33,572

A complete list of holdings is available upon request.

(In Thousands of Dollars)

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

In 2003, participants were able to make tax-deferred contributions of up to 100 percent of their annual gross salary less the PERA 8 percent deduction, up to a maximum of $12,000 (actual dollars). Participants age 50 or older in 2003 could contribute an additional $2,000 (actual dollars) as catch-up contributions. Contributions to the 401(k) Plan are deducted from the participant's salary, and earnings on 401(k) Plan investments are also tax-deferred. In the 2003 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 2003 calendar year was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 2 percent of PERA-includable salary per payroll for State and School and Municipal Division members, and 6 percent for Judicial Division members. In 2003, the Board set Matchmaker amounts for the 2004 calendar year. The 2004 Matchmaker amounts are as follows: 1 percent for State and School and Municipal Division members and 5 percent for Judicial Division members. Late in 2003, the Board developed a legislative proposal to suspend the MatchMaker program as early as possible in 2004. Senate Bill 04-132 containing this provision, among others, was passed and signed into law on April 30, 2004. The MatchMaker program will end on May 31, 2004, and resume when the PERA trust funds are funded at 110 percent or better.

An administrative fee pays for recordkeeping, communications, education, consulting, staff, and other overhead expenses. In 2003, the fee equaled $1 (actual dollars) per month per person for the first 12 months of participation in the Plan, then $1.50 (actual dollars) per month thereafter. Expenses are also offset by a partial return of investment management fees by each fund.

On December 31, 2003, the 401(k) Plan had net assets of $914,015 and 72,185 accounts, a net increase of 24 percent in the total Plan value in one year, and 2 percent in membership. During the year, $219,157 was withdrawn from plan accounts of which $190,477 was transferred to purchase PERA service credit.

During 2003, participant contributions totaled $166,884 with $22,170 received as rollovers. In addition, PERA-affiliated employers contributed $50,144 consisting of $46,689 in employer matching contributions funded by the PERA MatchMaker program, $1,479 in employer matching contributions funded by the employer, and $1,976 in employer discretionary contributions.

As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the 401(k) Plan has accepted tax-paid and tax-deferred rollovers from 403(b) Deferred Compensation plans in addition to money from 401(a) and 401(k) plans. Tax-deferred rollovers from IRAs are also accepted in the Plan. There was $29,210 loaned from the 401(k) Plan in 2003 in 5,949 (actual number) loan agreements.

Year-End Statistics

	Assets	Number of Accounts
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
2002	737,849	70,664
2003	**$914,015**	**72,185**

2003 Activities

Effective September 30, 2003, the Janus Enterprise Fund and the Morgan Stanley Institutional Fund Trust U.S. Mid Cap Core Portfolio Fund (formerly the Morgan Stanley Mid Cap Value Inst Fund, renamed effective January 31, 2003) were eliminated from the PERA 401(k) Plan. The Morgan Stanley Fund was replaced with the Dodge & Cox Stock Fund in May of 2003. Any funds that remained in the Janus Enterprise Fund at the close of business were transferred to the Janus Fund. Investments in the Morgan Stanley Fund were transferred to the Dodge & Cox Stock Fund after September 30, 2003.

The Northern Trust Short Term Fund discontinued the use of the Short-Term Extendable Portfolio (STEP) in its fund, and now only uses the Short-Term Investment Fund (STIF). This change was made to better align the investment guidelines of the fund with the more conservative terms of the credit and maturity limits of the STIF.

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

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.

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.

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

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

Dodge & Cox Stock Fund: The fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income. This fund was added in May of 2003 and is managed by Dodge & Cox.

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

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.

GMO Growth Fund: Seeks long-term growth of capital by investing in a diversified portfolio of stocks from the 1,000 largest U.S. companies. Managed by Grantham, Mayo, Van Otterloo & Co.

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

The following funds were eliminated from the PERA 401(k) Plan in 2003:

- 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. (Eliminated from the Plan in September 2003.)
- 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. (Eliminated from the Plan in September 2003.)

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

- Janus Fund: The fund invests primarily in common stocks selected for their growth potential. Although the fund can invest in companies of any size, it generally invests in larger, more established companies. Managed by Janus Funds. (Eliminated from the Plan in February of 2004.)

	Annualized Returns			
	2003	**3-Year**	**5-Year**	**10-Year**
Northern Trust Short Term Fund	**1.2%**	2.3%	3.8%	4.6%
PIMCO Low Duration Fund	**2.9%**	6.1%	5.8%	N/A
PIMCO Total Return Fund	**5.5%**	8.4%	7.3%	N/A
PERA Growth & Income Stock Fund	**26.9%**	(4.3)%	3.6%	12.1%
Vanguard Institutional Index Fund	**28.5%**	(4.1)%	N/A	N/A
Fidelity Contrafund	**28.0%**	0.4%	3.4%	N/A
Dodge & Cox Stock Fund[1]	**N/A**	N/A	N/A	N/A
American Funds EuroPacific Growth Fund	**32.9%**	0.3%	5.5%	N/A
Dodge & Cox Balanced Fund	**24.4%**	10.0%	11.4%	N/A
Fidelity Freedom Income	**7.2%**	N/A	N/A	N/A
Fidelity Freedom 2000	**9.3%**	N/A	N/A	N/A
Fidelity Freedom 2010	**17.1%**	N/A	N/A	N/A
Fidelity Freedom 2020	**25.0%**	N/A	N/A	N/A
Fidelity Freedom 2030	**28.1%**	N/A	N/A	N/A
Fidelity Freedom 2040	**31.1%**	N/A	N/A	N/A
Janus Enterprise Fund[2]	**N/A**	N/A	N/A	N/A
Morgan Stanley Inst Mid Cap Value[2]	**N/A**	N/A	N/A	N/A
Janus Fund	**31.7%**	(11.1)%	N/A	N/A

Returns gross of management fees from R.V. Kuhns & Associates Inc.

N/A—Fund not in PERA's 401(k) Voluntary Investment Program.

[1] This fund joined PERA's 401(k) Voluntary Investment Program in May 2003.

[2] These funds were removed from PERA's 401(k) Voluntary Investment Program in September 2003.

(In Thousands of Dollars)

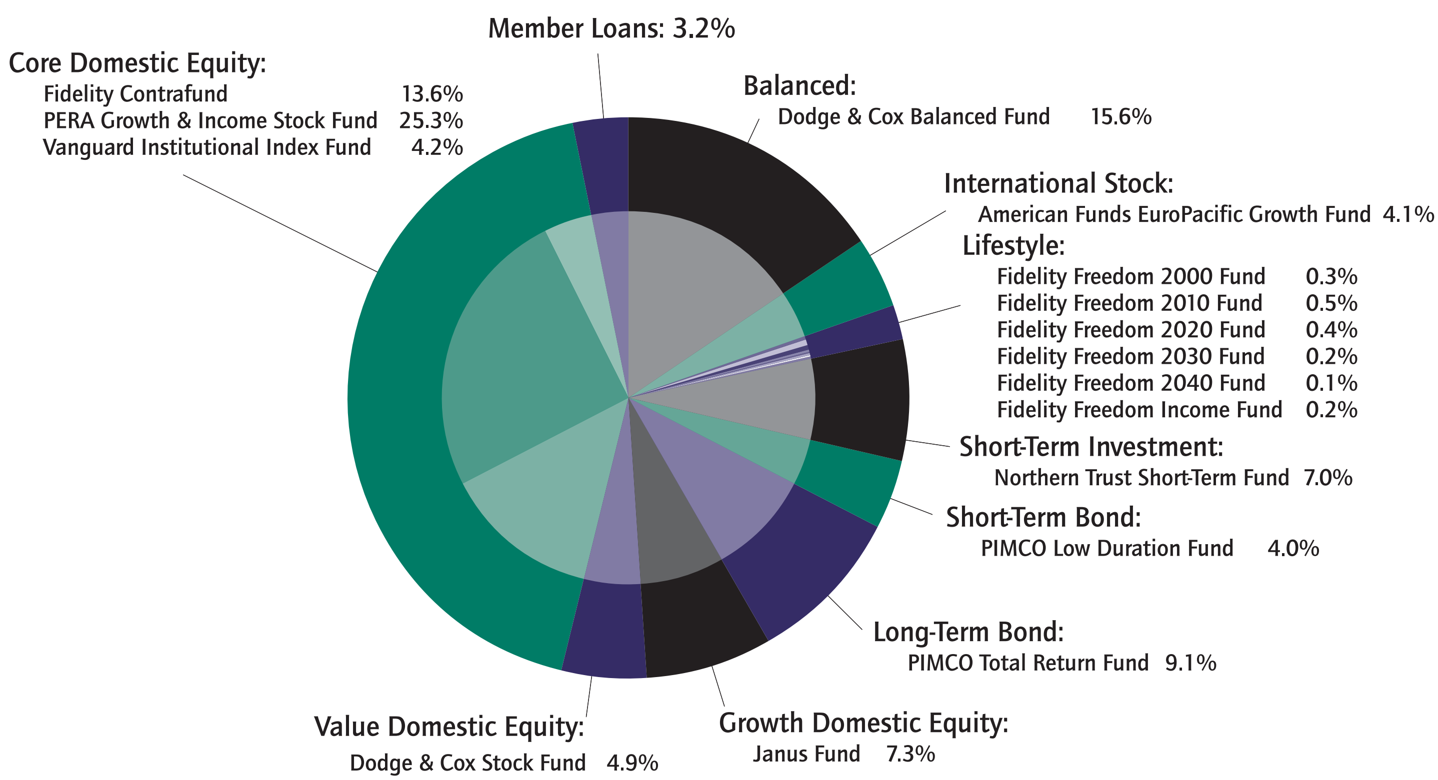
	Market Value December 31, 2003	Percent of Total Market Value 2003	2001	1999
Northern Trust Short Term Fund	**$63,388**	**7.0%**	6.3%	2.8%
PIMCO Low Duration Fund	**35,995**	**4.0%**	3.5%	3.3%
PIMCO Total Return Fund	**82,395**	**9.1%**	6.9%	5.4%
PERA Growth & Income Stock Fund	**229,459**	**25.3%**	34.2%	46.5%
Vanguard Institutional Index Fund	**38,542**	**4.2%**	2.2%	N/A
Fidelity Contrafund	**123,686**	**13.6%**	16.8%	25.4%
Dodge & Cox Stock Fund[1]	**44,962**	**4.9%**	N/A	N/A
American Funds EuroPacific Growth Fund	**37,141**	**4.1%**	3.5%	3.7%
Dodge & Cox Balanced Fund	**141,322**	**15.6%**	14.1%	10.7%
Fidelity Freedom Income	**1,677**	**0.2%**	N/A	N/A
Fidelity Freedom 2000	**2,940**	**0.3%**	N/A	N/A
Fidelity Freedom 2010	**4,319**	**0.5%**	N/A	N/A
Fidelity Freedom 2020	**3,405**	**0.4%**	N/A	N/A
Fidelity Freedom 2030	**1,436**	**0.2%**	N/A	N/A
Fidelity Freedom 2040	**1,347**	**0.1%**	N/A	N/A
Janus Enterprise Fund[2]	**0**	**N/A**	3.4%	N/A
Morgan Stanley Inst Mid Cap Value[2]	**0**	**N/A**	2.5%	N/A
Janus Fund	**66,621**	**7.3%**	3.3%	N/A
Member Loans	**$29,210**	**3.2%**	3.3%	2.2%

N/A—Fund not in PERA's 401(k) Voluntary Investment Program.

[1] This fund joined PERA's 401(k) Voluntary Investment Program in May 2003.

[2] These funds were removed from PERA's 401(k) Voluntary Investment Program in September 2003.

Asset Allocation by 401(k) Voluntary Investment Program Investment Funds
As of December 31, 2003



Kepner Hall and Guggenheim Hall, University of Northern Colorado

Kepner Hall *(large photo and two small photos on left side)* was built in 1912 as a training school to allow UNC students to practice their teaching skills. The building is currently home to the Kenneth Monfort College of Business. Guggenheim Hall *(small photos middle to right)* also was built in 1912 and later fell victim to one of the worst fires in campus history in 1951. The building was repaired and currently houses the Department of Visual Arts. Both buildings, with their Ionic columns, are reminiscent of grand buildings constructed in the early 1900s.

Mellon

Human Resources & Investor Solutions

May 27, 2004

Board of Trustees
Public Employees' Retirement Association of Colorado
1300 Logan Street
Denver, CO 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, 2003. PERA provided the participant data and the asset information. Mellon reviewed the data for reasonableness. The data did not include purchased service credit, so Mellon requested and received these amounts. No material changes in the plan provisions have occurred since the prior valuation.

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

The economic assumptions have changed since the prior actuarial valuation was performed as of December 31, 2002. The following changes, adopted by the Board in July 2003, were used in the December 31, 2003 actuarial valuations:

- A reduction in the investment return assumption from 8.75% to 8.50% per year
- A reduction in the inflation assumption from 4.50% to 3.75% per year
- A reduction in the payroll growth assumption from 5.50% to 4.50% per year

In our opinion, the assumptions are internally consistent and produce results which are reasonable in a the aggregate. We also believe the assumptions and actuarial methods meet the requirements of Governmental Accounting Standards Board Statement No. 25.

Mellon updated the following schedules for the December 31, 2003 CAFR:

Financial Section

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

Tabor Center • 1200 17th Street, Suite 1200 • Denver, CO 80202
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*A Mellon Financial Company*SM

Board of Trustees
Public Employees' Retirement Association of Colorado
May 27, 2004
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ACTUARIAL SECTION

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STATISTICAL SECTION

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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 to have a relatively good funded ratio of 76% (based on the actuarial value of assets). Although the current funding is sufficient to pay expected benefit payments for decades, the contribution rates are currently not sufficient to support the pension system's benefit structure long-term. If there is not a significant recovery in the investment markets in the near future, the long-term ability of the System to support the benefits will be challenged in the absence of a significant increase in the contribution rates.

Sincerely,

David H. Slishinsky

David H. Slishinsky, A.S.A., E.A., M.A.A.A.
Principal and Consulting Actuary

WB Fornia

William B. Fornia, F.S.A., E.A., M.A.A.A.
Principal and Consulting Actuary

/mlp

Mellon

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

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

Administration of the Plan

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

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

Member Contributions

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

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

Employer Contributions

PERA-affiliated employers contribute a percentage of their total payroll to the Fund. Respective employer contribution rates are shown on the "Schedule of Contribution Rate History" on pages 84–85.

The "Schedule of Computed Employer Contribution Rates" on page 83 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 2003 was 7.0 percent. In 2003, the Board voted to decrease the actuarial investment assumption rate. Therefore, effective beginning January 1, 2004, the interest rate credited to member contribution accounts will be 6.8 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.

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

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

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

Money Purchase Retirement Benefit

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

Survivor Benefits

The benefit amount that qualified survivors receive is determined by which survivors are eligible to receive benefits and the member's HAS.

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

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

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

Disability Benefits

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

Annual Benefit Increases

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

MatchMaker Program

In the 2003 calendar year, the PERA MatchMaker program provided an employer match on members' voluntary contributions to tax-deferred defined contribution (DC) plans. The MatchMaker program is contingent on any overfunding in the PERA retirement trust funds and 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 2003 calendar year was a 100 percent match of members' voluntary contributions to eligible DC plans, up to a maximum of 2 percent of PERA-includable salary for State and School Division members, 2 percent of salary for Municipal Division members, and 6 percent of PERA-includable salary for Judicial Division members per pay period.

In 2003, the Board drafted a 2004 legislative package that would change some of the PERA benefit provisions after the 2003 calendar year. Please see Note 9 on page 42 for information on Senate Bill 04-132 ("Modification of Existing Benefit Plans for PERA Members") and Senate Bill 04-257 ("Modifications to Retirement Plans for Public Employees") that were signed into law in 2004 and affect PERA.

Actuarial Methods

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

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

Entry Age Actuarial Cost Method

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

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

The excess of the total actuarial accrued liability over the value of the Plan assets is called the "unfunded actuarial accrued liability." Funding requirements under the Entry Age Actuarial Cost Method are determined by adding the normal cost and the cost to amortize the unfunded liability.

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

Asset Valuation Method

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

Actuarial Assumptions

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

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

The most recent five–year experience study was completed in 2001 by Watson Wyatt, who served as the independent retained actuary throughout 2001. This study compared actual to expected results on all PERA actuarial assumptions for the 1996–2000 period. The most recent review of actuarial valuation and processes was conducted in 2001 by Gabriel, Roeder, Smith & Company (GRS) before GRS acquired Watson Wyatt's U.S.-based public sector retirement practice and became PERA's independent retained actuary. In 2003, Mellon HRIS was selected as PERA's independent retained actuary effective with the annual valuation for the 2003 calendar year.

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

Economic Assumptions

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

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

The overall member payroll was assumed to increase 4.5 percent annually in 2003. Pay increase assumptions for individual members in 2003 are shown for sample ages in Exhibits A, B and C. Judicial Division pay increases (Exhibit C) are determined by the State Legislature. Benefits are assumed to increase at a rate of 3.5 percent after payments begin.

Non-Economic Assumptions

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

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

Exhibit A—State and School Division

Sample Ages	*Percent of Members Separating Within the Next Year* Ultimate Withdrawal[1] Men	Ultimate Withdrawal[1] Women	Death Men	Death Women	Disability Men	Disability Women	*Pay Increase Assumptions for an Individual Member* Merit and Seniority	Inflation and Productivity (Economy)	Increase (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.

Exhibit B—Municipal Division

Sample Ages	Percent of Members Separating Within the Next Year: Ultimate Withdrawal[1] Men	Ultimate Withdrawal[1] Women	Death Men	Death Women	Disability Men	Disability Women	Pay Increase Assumptions for an Individual Member: Merit and Seniority	Inflation and Productivity (Economy)	Increase (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

Sample Ages	Percent of Members Separating Within the Next Year: Ultimate Withdrawal[1] Men	Ultimate Withdrawal[1] Women	Death Men	Death Women	Disability Men	Disability Women	Pay Increase Assumptions for an Individual Member: Seniority[1]	Inflation and Productivity (Economy)	Increase (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]

Years of Service	State and School Division: *State Category* Men	*State Category* Women	*School Category* Men	*School Category* Women	Municipal Division Men	Municipal Division 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.

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	$137.77	$141.42	$206.51	$217.02	40.79	46.04
45	133.88	138.90	196.16	208.84	36.05	41.20
50	129.19	135.54	184.57	199.07	31.53	36.45
55	123.79	131.14	171.94	187.52	27.27	31.81
60	116.53	125.05	156.88	173.51	23.09	27.23
65	106.81	117.21	139.09	157.35	19.01	22.84
70	95.62	107.39	120.36	139.12	15.32	18.68
75	83.48	95.38	101.61	119.03	12.09	14.80
80	70.97	81.84	83.66	98.31	9.36	11.35
85	$58.90	$66.53	$67.42	$77.00	7.13	8.29

Percent of Eligible Members Retiring Next Year Assumptions

Exhibit F

Retirement Ages	State and School Division					Municipal Division		Judicial Division
	State Category		*State*	*School Category*				
	Men	Women	*Troopers*	Men	Women	Men	Women	
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%

Year Ended	Added to Payroll No.	Added to Payroll Annual Benefits	Removed from Payroll No.	Removed from Payroll Annual Benefits	Payroll—End of Year No.[2]	Payroll—End of Year Annual Benefits	Average Annual Benefits	Increase in Average Benefits
12/31/94	3,121	$51,809,484	1,301	$10,650,936	42,362	$605,429,820	$14,292	4.6%
12/31/95	3,174	54,087,286	1,496	17,421,180	44,040	657,482,568	14,929	4.5%
12/31/96	3,074	53,056,140	1,390	15,449,340	45,716	726,848,793	15,899	6.5%
12/31/97	3,411	71,578,344	1,477	18,628,140	47,621	863,077,468	18,124	14.0%
12/31/98	3,139	78,278,484	1,694	13,692,660	49,808	926,962,944	18,611	2.7%
12/31/99	4,212	115,746,756	1,562	22,867,068	52,458	1,026,797,016	19,574	5.2%
12/31/00	4,369	123,249,792	1,680	28,151,484	55,147	1,142,638,708	20,720	5.9%
12/31/01	4,016	118,919,172	1,247	16,325,628	57,860	1,281,834,264	22,154	6.9%
12/31/02	4,064	123,812,748	1,376	19,675,356	60,548	1,427,278,692	23,573	6.4%
12/31/03	**5,145**	**$172,028,340**	**1,508**	**$23,550,024**	**63,988**	**$1,620,754,488**	**$25,329**	**7.4%**

[1] Numbers derived on an accrual basis.

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

The number of persons receiving monthly retirement benefits has grown steadily in relation to membership. This trend will continue for many years into the future. The retirement benefit disbursements shown in the right-hand column include cost-of-living increases paid in years since 1970. Prior to 1981, figures are for years ended June 30.

Year	Number of Retiree Accounts on 12/31	Number of Member Accounts on 12/31[2]	Retiree Accounts as % of Members on 12/31	Total Benefits Paid–Year Ended 12/31
1940	93	3,715	2.5%	$72,588
1945	171	5,585	3.1%	137,442
1950	280	11,853	2.4%	237,866
1955	747	21,185	3.5%	745,679
1960	1,775	33,068	5.4%	2,055,139
1965	3,631	49,701	7.3%	5,486,225
1970	6,308	65,586	9.6%	13,115,234
1975	11,650	84,781	13.7%	32,820,433
1980	17,301	96,473	17.9%	71,289,456
1985	24,842	101,409	24.5%	192,456,029
1990	32,955	115,350	27.4%	350,398,094
1995	41,909	203,102	20.6%	639,501,796
1996	43,611	210,893	20.7%	694,349,889
1997	45,525	220,860	20.6%	787,128,075
1998	47,735	221,978	21.5%	893,810,708
1999	50,344	238,111	21.1%	989,536,328
2000	53,015	248,104	21.4%	1,093,779,068
2001	55,733	263,712	21.1%	1,228,730,063
2002	58,357	271,989	21.5%	1,372,219,187
2003	**62,029**	**278,841**	**22.2%**	**$1,545,267,772**

[1] Numbers derived on a cash basis.

[2] Includes inactive member accounts.

State Category

Members included in the State Category valuation totaled 52,474 and involved annual salaries totaling $1,989,819,480. The average age for these members (excluding State Troopers) was 44.7 years, and the average service was 9.4 years. The average age for State Troopers was 39.1 years, and the average service was 11.0 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	604	0	0	0	0	0	0	604	$3,471,840
20-24	1,881	24	0	0	0	0	0	1,905	30,590,325
25-29	3,262	417	6	0	0	0	0	3,685	98,492,004
30-34	3,424	1,458	309	8	0	0	0	5,199	173,968,739
35-39	2,877	1,515	978	276	21	0	0	5,667	209,030,205
40-44	3,744	1,615	1,316	965	353	31	0	8,024	301,082,274
45-49	3,401	1,645	1,527	1,298	903	424	15	9,213	381,264,642
50-54	2,448	1,624	1,589	1,407	893	696	150	8,807	391,318,360
55-59	1,588	946	1,048	951	583	463	227	5,806	263,280,346
60	207	133	134	118	57	56	31	736	32,247,186
61	177	107	140	88	58	50	26	646	27,802,212
62	132	71	87	79	44	34	19	466	19,575,220
63	101	70	59	72	33	19	20	374	15,588,672
64	83	49	47	45	28	17	18	287	11,230,716
65	85	44	44	26	20	16	21	256	10,014,988
66	87	31	31	19	13	5	7	193	5,661,756
67	50	21	25	14	10	3	3	126	3,623,476
68	46	15	20	13	3	10	6	113	3,860,664
69	37	13	11	6	2	1	0	70	1,738,889
70+	154	45	37	25	17	14	5	297	5,976,966
Totals	**24,388**	**9,843**	**7,408**	**5,410**	**3,038**	**1,839**	**548**	**52,474**	**$1,989,819,480**

School Category

Members included in the School Category valuation totaled 105,676 and involved annual salaries totaling $3,151,098,601. The average age for these members was 43.8 years, and the average service was 8.2 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	1,113	0	0	0	0	0	0	1,113	$6,548,942
20-24	4,229	50	0	0	0	0	0	4,279	74,499,826
25-29	8,500	947	14	0	0	0	0	9,461	255,570,479
30-34	6,911	3,319	524	4	0	0	0	10,758	315,988,963
35-39	6,813	2,779	1,901	298	10	0	0	11,801	330,385,795
40-44	9,555	3,473	2,144	1,673	404	9	0	17,258	462,565,465
45-49	6,694	3,752	2,643	1,900	1,771	553	11	17,324	544,970,467
50-54	4,711	2,904	3,217	2,292	1,608	1,687	310	16,729	619,852,105
55-59	3,031	1,571	1,907	1,751	1,084	707	381	10,432	381,103,872
60	391	187	209	198	134	73	35	1,227	39,901,846
61	396	167	149	122	102	51	31	1,018	30,921,554
62	309	118	143	103	79	40	23	815	22,918,324
63	218	90	104	89	55	40	12	608	16,201,054
64	221	79	85	61	45	31	14	536	12,999,425
65	211	57	56	43	34	29	9	439	9,511,091
66	141	50	37	30	24	13	3	298	6,019,654
67	148	46	46	18	10	8	9	285	4,869,703
68	150	32	32	19	7	8	6	254	3,765,739
69	130	35	19	15	12	7	3	221	3,325,105
70+	494	155	90	30	24	15	12	820	9,179,192
Totals	**54,366**	**19,811**	**13,320**	**8,646**	**5,403**	**3,271**	**859**	**105,676**	**$3,151,098,601**

Municipal Division Members included in the Municipal Division valuation totaled 12,571 and involved annual salaries totaling $479,098,239. The average age for these members was 42.8 years, and the average service was 8.1 years.

	Years of Service to Valuation Date							*Totals*	
Attained Age	0–4	5–9	10–14	15–19	20–24	25–29	30+	No.	Valuation Payroll
Under 20	356	0	0	0	0	0	0	356	$1,639,164
20-24	659	22	0	0	0	0	0	681	12,927,229
25-29	855	129	2	0	0	0	0	986	30,151,828
30-34	899	309	79	2	0	0	0	1,289	47,725,544
35-39	815	392	168	69	6	0	0	1,450	57,603,278
40-44	1,049	461	273	237	155	27	0	2,202	87,344,870
45-49	753	379	295	258	207	154	37	2,083	92,647,712
50-54	576	266	241	190	176	158	120	1,727	79,967,845
55-59	340	131	133	110	125	104	102	1,045	45,938,403
60	58	20	17	11	15	12	10	143	5,500,511
61	35	10	15	9	25	10	16	120	5,107,394
62	21	13	9	9	6	10	5	73	2,681,337
63	32	10	16	5	10	4	5	82	2,635,776
64	29	10	8	5	4	4	5	65	1,932,864
65	20	5	4	2	2	2	4	39	1,065,096
66	11	4	1	1	2	0	2	21	383,292
67	23	5	3	0	4	1	1	37	833,772
68	18	3	5	1	3	1	0	31	704,676
69	13	6	1	1	3	2	1	27	850,080
70+	69	25	8	6	3	2	1	114	1,457,568
Totals	**6,631**	**2,200**	**1,278**	**916**	**746**	**491**	**309**	**12,571**	**$479,098,239**

Judicial Division Members included in the Judicial Division valuation totaled 270 and involved annual salaries totaling $25,452,060. The average age for Judicial Division members was 54.3 years, and the average service was 14.4 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	0	0	0	0	0	0	0	0	–
20-24	0	0	0	0	0	0	0	0	–
25-29	0	0	0	0	0	0	0	0	–
30-34	1	0	0	0	0	0	0	1	$93,468
35-39	4	0	0	0	0	0	0	4	240,576
40-44	12	4	3	2	0	0	0	21	1,816,176
45-49	12	8	7	5	1	0	0	33	3,013,008
50-54	18	16	16	16	5	6	0	77	7,159,608
55-59	19	17	11	18	12	5	1	83	8,072,172
60	3	3	0	3	2	2	0	13	1,200,564
61	1	2	0	0	5	1	0	9	934,140
62	1	2	1	4	1	2	0	11	1,151,424
63	0	1	1	2	0	0	0	4	399,732
64	0	0	0	1	1	2	0	4	386,592
65	0	0	1	0	1	1	0	3	323,520
66	0	1	0	0	0	0	0	1	122,304
67	0	0	0	0	0	0	1	1	22,536
68	0	0	1	0	0	1	1	3	311,460
69	0	0	0	0	0	0	0	0	–
70+	0	1	0	1	0	0	0	2	204,780
Totals	**71**	**55**	**41**	**52**	**28**	**20**	**3**	**270**	**$25,452,060**

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

Until 1999, Colorado PERA's contribution rates were occasionally increased to fund benefit improvements, or temporarily decreased at the State Legislature's direction. (See "Schedule of Contribution Rate History" on pages 84–85.) Legislation enacted in 1999 and 2000:

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

The results of PERA's annual valuation on December 31, 2003, determined that the funding ratio for the retirement trust funds had declined from 88.3 percent to 75.6 percent. In 2003, in anticipation of this finding, the Board drafted a moderate and balanced 2004 legislative proposal that would improve PERA's financial soundness.

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

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

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

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. The actuarial valuation of December 31, 2003, shows that liability 1 and liability 2 are fully covered by PERA assets.

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.

Valuation Date	Member Contributions (1)[1]	Retirees and Beneficiaries (2)	Employer-Financed Portion of Active Members (3)	Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
12/31/94	$2,395,959,381	$7,163,767,095	$6,204,351,274	$13,717,384,820	100%	100%	67%
12/31/95	3,727,497,280	7,862,779,572	5,510,030,884	15,349,515,165	100%	100%	68%
12/31/96	4,040,814,028	8,339,476,944	5,611,614,086	17,321,769,518	100%	100%	88%
12/31/97	4,161,334,387	10,303,331,080	7,029,404,533	19,776,487,860	100%	100%	76%
12/31/98	4,413,349,123	11,659,836,332	7,842,874,545	23,069,582,456	100%	100%	89%
12/31/99	4,631,541,543	12,650,882,161	8,564,267,296	26,643,394,180	100%	100%	100%
12/31/00	4,833,143,560	14,162,593,257	9,170,504,492	29,625,878,179	100%	100%	100%
12/31/01	5,562,390,361	16,301,486,412	9,503,435,639	30,935,478,756	100%	100%	95%
12/31/02	6,118,094,036	18,208,961,462	10,268,677,964	30,554,140,114	100%	100%	61%
12/31/03	**$6,316,579,440**	**$20,884,057,920**	**$13,291,470,411**	**$30,596,661,957**	**100%**	**100%**	**26%**

[1] Includes accrued interest on member contributions.

Unfunded/overfunded actuarial accrued liabilities are the difference between actuarially calculated liabilities for service already rendered and the assets of the retirement fund. It is natural for unfunded liabilities to exist for Colorado PERA and other defined benefit retirement plans. The law governing Colorado PERA requires that these unfunded liabilities be financed (amortized) systematically over future years.

The ratio of PERA's assets to accrued liabilities exceeded 100 percent for the first time on December 31, 1999, and again exceeded it in 2000. However, the ratio fell to 99 percent in 2001, 88 percent in 2002, and 76 percent in 2003. Contribution levels on December 31, 2003, are not sufficient to amortize unfunded liabilities within a 40–year period in the State and School Division, the Municipal Division, and in the Judicial Division. Increased unfunded liabilities on December 31, 2003, were attributed to the following factors:

- Recognition of investment losses experienced from 2000–2002.
- A decrease in the investment return assumption, from 8.75 percent to 8.5 percent, which increased the normal cost and increased the dollar amount of actuarial liabilities.
- A record number of members purchased PERA service credit at a subsidized cost. In addition, service credit purchases before 2003 were included in the valuation.
- Although there were no surplus funds available to finance the 2000 gainsharing law's formula, a portion of each Division's employer contributions was allocated to the MatchMaker program. This allocation was due to the statutory requirement that the MatchMaker contribution rate may not decrease more than 1.0 percent of pay per year. Legislation adopted during the 2004 legislative session (Senate Bill 04-132 noted below) removed this limitation.

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

PERA initiated legislation in 2003 that would have increased employer contribution rates as needed to properly amortize unfunded liabilities, terminate MatchMaker contributions after December 2003 payrolls, and resume gainsharing only if PERA became 110 percent funded in the future. However, Senate Bill 03-101 was vetoed by Governor Owens on May 22, 2003. Senate Bill 03-98 was signed by Governor Owens on June 5, 2003, and included a limit of 10 years on the number of years of eligible noncovered employment that may be purchased, for purchases initiated on or after November 1, 2003. Legislation drafted by the Board in 2003 and introduced in 2004 contains moderate and balanced provisions that will improve PERA's financial soundness. The Board was gratified that both bills were passed and signed into law.

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

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

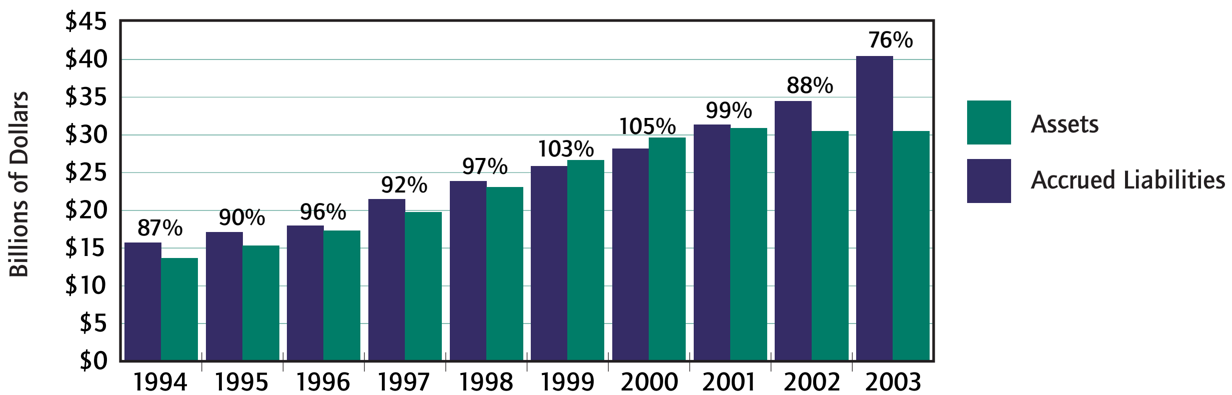
Senate Bill 04-257 ("Modifications to Retirement Plans for Public Employees") as amended, was signed by the Governor on June 4, 2004. SB 04-257 includes provisions that will phase-in increased funding from PERA employers with an amortization equalization disbursement beginning in January 2006 through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

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

Since inflation decreases the dollar's value, it is important to examine more than only the dollar amounts of assets, benefits paid, member salaries, and unfunded/overfunded actuarial accrued liabilities when assessing the Plan's financial status. The ratio of unfunded/overfunded actuarial accrued liability dollars divided by member salary dollars can provide a meaningful index. The smaller the ratio, the stronger the system. Observation of this relative index over a period of years will give an indication of the financial strength of the system. This ratio has decreased at times over the last decade, but increased sharply in the last three years. This increase reflects the poor investment environment, as well as increased liabilities.

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
12/31/94	$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%
12/31/02	34,595,733,462	30,554,140,114	88.3%	4,041,593,348	5,779,703,602	69.9%
12/31/03	**$40,492,107,771**	**$30,596,661,957**	**75.6%**	**$9,895,445,814**	**$5,645,468,380**	**175.3%**

Assets as a Percent of Accrued Liabilities
1994–2003



Schedule of Gains and Losses in Accrued Liabilities

Type of Activity	2003	2002	2001	2000	1999	1998
	$ Gain (or Loss) for Years Ended December 31 (In Millions of Dollars)					
Age and service retirements[1]	**($435.7)**	($557.4)	($178.4)	($323.4)	($228.8)	($306.5)
Disability retirements[2]	**(19.7)**	(3.1)	0.1	0.4	(4.1)	(23.8)
Deaths[3]	**(26.0)**	5.9	11.5	(12.2)	(6.5)	(9.3)
Withdrawal from employment[4]	**18.1**	(20.4)	0.6	21.5	(26.4)	(49.2)
New entrants[5]	**(110.7)**	(68.6)	(41.0)	(166.1)	(133.9)	(49.1)
Pay increases[6]	**716.4**	(182.7)	(495.5)	(39.4)	33.7	110.4
Investment income[7]	**(2,612.1)**	(2,710.8)	(780.1)	989.1	1,847.4	1,729.5
Other	**(1,994.7)**	(323.9)	5.7	273.1	180.2	(292.6)
Gain (or loss) during year	**(4,464.4)**	(3,861.0)	(1,477.1)	743.0	1,661.6	1,109.4
Non-recurring items[8]	**(981.3)**	–	(572.5)	(288.3)	(92.9)	(269.4)
Composite gain (or loss) during year	**($5,445.7)**	($3,861.0)	($2,049.6)	$454.7	$1,568.7	$840.0

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

Schedule of Computed Employer Contribution Rates for Fiscal Years Beginning in 2005

	Expressed as a Percentage of Member Payroll		
	State and School Division	Municipal Division	Judicial Division
Contributions:			
Service retirement benefits	11.85%	11.07%	13.14%
Disability retirement benefits	0.96%	1.64%	2.32%
Survivor benefits	0.49%	0.59%	1.25%
Termination withdrawals	3.20%	3.93%	1.48%
Total normal cost	16.50%	17.23%	18.19%
Member contributions	8.02%[1]	8.00%	8.00%[2]
Employer normal cost	8.48%	9.23%	10.19%
Percentage available to amortize unfunded actuarial accrued liabilities	0.67%	(0.25)%	2.45%
Amortization period	Infinite	Infinite	Infinite
Total employer contribution rate for actuarially funded benefits	10.17%	10.00%	13.66%
Health Care Trust Fund	1.02%	1.02%	1.02%
Employer contribution rate for defined benefit plan	9.15%[1]	8.98%	12.64%

[1] Weighted average of more than one statutory rate.
[2] Assumes no judge will elect a refund of contributions made for the 17th through the 20th year of service.

State and School Division[3] (Members Other Than State Troopers)			Percent of Payroll: Member Contribution Rate	Employer Contribution Rate[1]
7-1-97	to	6-30-98	8.00%	11.50%
7-1-98	to	6-30-00	8.00%	11.40%
7-1-00	to	6-30-01	8.00%	10.40%
7-1-01	to	6-30-02	8.00%	9.90%
7-1-02	to	**6-30-03**	**8.00%**	**10.04%**
7-1-03	**to**	**12-31-03**	**8.00%**	**10.15%**
State Troopers				
7-1-45	to	6-30-69	7.00%	7.00%
7-1-69	to	6-30-70	8.00%	8.00%
7-1-70	to	6-30-71	8.00%	9.00%
7-1-71	to	6-30-73	8.00%	9.50%
7-1-73	to	6-30-74	8.75%	10.50%
7-1-74	to	6-30-75	8.75%	11.50%
7-1-75	to	8-31-80	8.75%	11.64%
9-1-80	to	12-31-81	8.75%	13.20%
1-1-82	to	6-30-87	9.00%	13.20%
7-1-87	to	6-30-88	9.00%	11.20%
7-1-88	to	6-30-89	9.00%	13.20%
7-1-89	to	4-30-92	12.30%	13.20%
5-1-92	to	6-30-92	12.30%	7.20%[2]
7-1-92	to	6-30-93	11.50%	12.20%
7-1-93	to	6-30-97	11.50%	13.20%
7-1-97	to	6-30-99	11.50%	13.10%
7-1-99	to	6-30-01	10.00%	13.10%
7-1-01	to	6-30-02	10.00%	12.60%
7-1-02	to	**6-30-03**	**10.00%**	**12.74%**
7-1-03	**to**	**12-31-03**	**10.00%**	**12.85%**

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

[1] All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2003, 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 Member Contribution Rate	Percent of Payroll Employer Contribution Rate[1]
Municipal Division				
1-1-44	to	12-31-49	3.50%	3.50%
1-1-50	to	6-30-58	5.00%	5.00%
7-1-58	to	6-30-69	6.00%	6.00%
7-1-69	to	12-31-69	7.00%	6.00%
1-1-70	to	12-31-70	7.00%	7.00%
1-1-71	to	6-30-73	7.00%	7.50%
7-1-73	to	12-31-73	7.75%	7.50%
1-1-74	to	12-31-74	7.75%	8.50%
1-1-75	to	12-31-75	7.75%	9.50%
1-1-76	to	12-31-80	7.75%	9.86%
1-1-81	to	12-31-81	7.75%	10.20%
1-1-82	to	6-30-91	8.00%	10.20%
7-1-91	to	12-31-00	8.00%	10.00%
1-1-01	to	12-31-01	8.00%	9.43%
1-1-02	to	12-31-02	8.00%	9.19%
1-1-03	**to**	**12-31-03**	**8.00%**	**9.60%**
Judicial Division				
7-1-49	to	6-30-57	5.00%	5.00%
7-1-57	to	6-30-73	6.00%	12.00%
7-1-73	to	6-30-80	7.00%	12.00%
7-1-80	to	8-30-80	7.00%	13.00%
9-1-80	to	12-31-81	7.00%	15.00%
1-1-82	to	6-30-87	8.00%	15.00%
7-1-87	to	6-30-88	8.00%	13.00%
7-1-88	to	6-30-00	8.00%	15.00%
7-1-00	to	6-30-01	8.00%	14.00%
7-1-01	to	**6-30-03**	**8.00%**	**11.82%**
7-1-03	**to**	**12-31-03**	**8.00%**	**12.66%**

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

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

[1] All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2003, 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.

Year	Number of Employers	Number of Members	Annual Payroll	Average Annual Salary	% Increase (Decrease) in Average Pay
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%
2002	393	172,761	5,779,703,602	33,455	4.92%
2003	**399**	**170,991**	**$5,645,468,380**	**$33,016**	**(1.31)%**

Statistical Section

Logan County Courthouse

Construction on the Logan County Courthouse started in 1908 and was completed in 1910. The white-pressed brick building with Ionic columns and white stone trimming is still in use today as a seat of county government. However, the newer Logan County Justice Center was recently constructed to provide more space, consolidation, and modern amenities.




Schedule of Expenses by Type
(In Thousands of Dollars)

Year	Benefit Payments	Refunds[1]	Administrative Expenses	Disability Insurance	Other	Total
State and School Division						
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
2002	1,307,652	88,793	17,752	4,070	1,649	1,419,916
2003	**$1,469,343**	**$99,039**	**$19,750**	**$3,592**	**$448**	**$1,592,172**
Municipal Division						
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
2002	57,835	10,426	1,539	360	(125)	70,035
2003	**$67,458**	**$10,453**	**$1,724**	**$326**	**$1,965**	**$81,926**
Judicial Division						
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
2002	6,731	83	20	20	(460)	6,394
2003	**$8,467**	**$596**	**$22**	**$18**	**($849)**	**$8,254**
Health Care Trust Fund						
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
2002	113,898	–	5,409	–	–	119,307
2003	**$120,814**	**$–**	**$6,157**	**$–**	**$–**	**$126,971**

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

(In Thousands of Dollars)

Year	Member Contributions[1]	Employer Contributions[1]	Service Credit Purchases	Retiree Health Care Premiums	Net Investment Income	Other	Total Revenues
State and School Division							
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)
2002	397,315	315,825	329,572	–	(3,099,924)	5	(2,057,207)
2003	**$405,715**	**$387,920**	**$695,516**	**$–**	**($5,203,073)**	**$3**	**($6,692,227)**
Municipal Division							
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)
2002	35,202	21,972	30,609	–	(196,652)	–	(108,869)
2003	**$37,584**	**$31,033**	**$68,056**	**$–**	**$341,545**	**$–**	**$478,218**
Judicial Division							
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)
2002	1,982	383	1,928	–	(17,521)	–	(13,228)
2003	**$2,034**	**$1,011**	**$8,388**	**$–**	**$29,825**	**$–**	**$41,258**
Health Care Trust Fund							
1998	$–	$33,522	$–	$21,798	$14,089	$–	$69,409
1999	–	43,136	–	25,611	17,891	–	86,638
2000	–	51,351	–	28,751	(94)	–	80,008
2001	–	74,324	–	43,960	(10,818)	–	107,466
2002	–	92,562	–	48,825	(17,742)	1,055	124,700
2003	**$–**	**$64,443**	**$–**	**$55,668**	**$33,445**	**$2,118**	**$155,674**

[1] Member and employer contribution rate history is shown on pages 84–85.

Member and Benefit Recipient Statistics[1]

	State Category	School Category	Municipal Division	Judicial Division	Total
Active members—12/31/03	52,474	105,676	12,571	270	170,991
Retirements during 2003:					
Disability retirements	81	3	7	1	92
Service retirements	1,842	2,589	244	27	4,702
Total	1,923	2,592	251	28	4,794
Retirement benefits:					
Total receiving disability and service retirement benefits on Dec. 31, 2002	23,126	32,247	2,778	206	58,357
Total retiring during 2003	1,923	2,592	251	28	4,794
Cobeneficiaries continuing after retiree's death	73	146	17	3	239
Returning to retirement rolls from suspension	13	24	0	0	37
Total	25,135	35,009	3,046	237	63,427
Retirees and cobeneficiaries deceased during year	588	657	83	11	1,339
Retirees suspending benefits to return to work	17	39	3	0	59
Total receiving retirement benefits	24,530	34,313	2,960	226	62,029
Annual retirement benefits for retirees as of 12/31/03	$636,286,320	$880,515,680	$68,077,332	$8,059,536	$1,592,938,868
Average monthly benefit on 12/31/03	$2,162	$2,138	$1,917	$2,972	$2,140
Average monthly benefit for all members who retired during 2003	$3,014	$2,793	$2,929	$4,524	$2,899
Survivor benefit accounts:					
Total survivors being paid on 12/31/03	883	918	144	14	1,959
Annual benefits payable for survivors as of 12/31/03	$13,956,612	$11,668,992	$1,870,176	$320,064	$27,815,844
Future benefits:					
Future retirements to age 60 or 65	3,650	6,214	747	14	10,625
Total annual future benefits	$30,405,443	$34,891,406	$5,271,103	$234,069	$70,802,021
Future survivor beneficiaries of inactive members	225	758	48	–	1,031
Total annual future benefits	$1,243,399	$3,044,885	$282,252	$–	$4,570,535

[1] In addition, as of 12/31/03, there was a total of 96,194 non-vested terminated members due a refund of their contributions—State and School Division: 87,395; Municipal Division: 8,796; and Judicial Division: 3.

Schedule of Average Retirement Benefits Payable[1]

Year Ended	Average Monthly Benefit	Average Age at Retirement	Average Current Age of Retirees	Average Years of Service at Retirement
12/31/94	$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
12/31/02	1,997	58.5	68.0	21.6
12/31/03	**$2,140**	**58.2**	**68.4**	**22.0**

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

Schedule of Benefit Disbursements by Type[1]

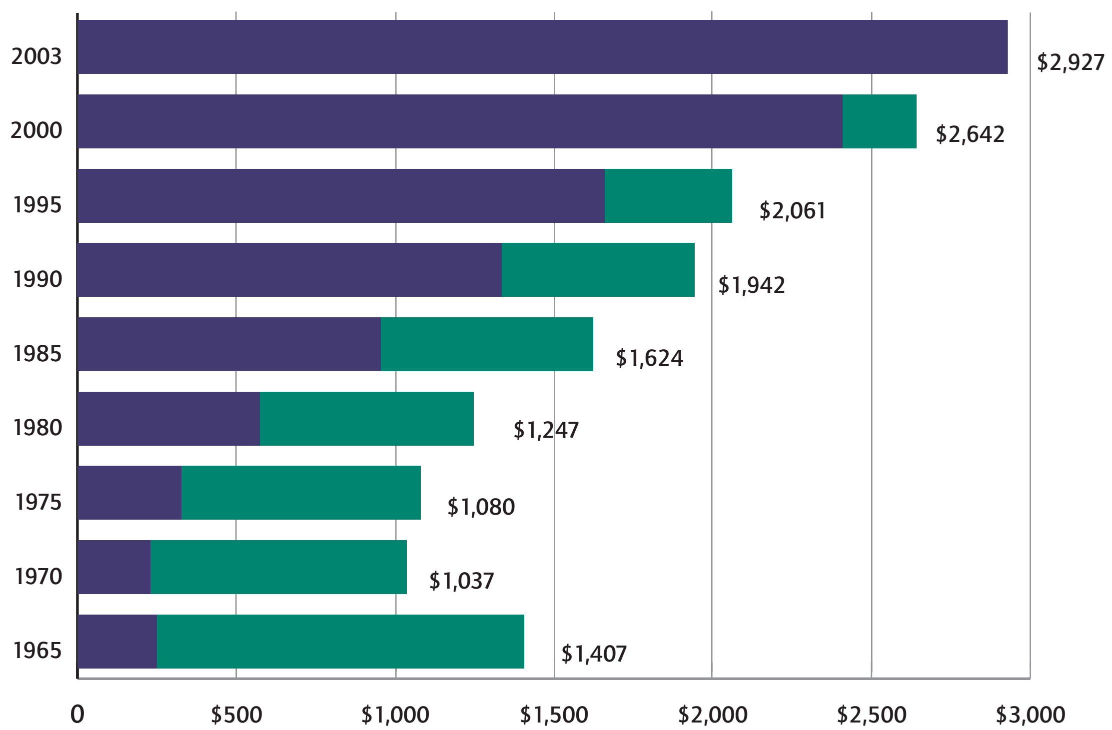
(In Thousands of Dollars)

Year Ended	Retirement Benefits	Survivor Benefits	Contribution Refunds	Interest and Matching Amount Paid	Health Care	Total
12/31/98	$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
12/31/02	1,350,359	21,859	44,450	54,852	113,898	1,585,418
12/31/03	**$1,522,877**	**$22,391**	**$48,988**	**$61,100**	**$120,814**	**$1,776,170**

[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, 2003



	1965	1970	1975	1980	1985	1990	1995	2000	2003
Original Benefit at Retirement	$250	$229	$327	$574	$955	$1,336	$1,659	$2,408	$2,927
Benefit Increases	$1,157	$808	$753	$673	$669	$606	$402	$234	$0

Schedule of Retirees and Survivors by Type of Benefit
As of December 31, 2003

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

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

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

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

State and School Division

		Type of Benefit					
Amount of Benefit	Total (Columns 1–5)	1	2	3	4	5	6
$1–$250	2,660	2,383	74	5	153	45	3,754
$251–$500	4,283	3,505	431	12	295	40	2,994
$501–$750	4,425	3,446	657	15	250	57	1,714
$751–$1,000	4,456	3,280	913	14	197	52	883
$1,001–$1,250	4,380	3,170	991	13	180	26	529
$1,251–$1,500	4,258	3,096	988	14	144	16	304
$1,501–$1,750	4,252	3,311	818	10	104	9	213
$1,751–$2,000	3,781	3,055	628	8	80	10	149
Over $2,000	28,427	26,762	1,335	93	214	23	307
Totals	**60,922**	**52,008**	**6,835**	**184**	**1,617**	**278**	**10,847**

			Option Selected			
Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1–$250	1,656	100	331	15	282	73
$251–$500	2,519	233	508	17	541	118
$501–$750	2,557	311	478	28	598	131
$751–$1,000	2,455	424	597	26	561	130
$1,001–$1,250	2,341	516	666	40	457	141
$1,251–$1,500	2,293	493	786	29	368	115
$1,501–$1,750	2,290	568	808	31	334	98
$1,751–$2,000	1,981	550	756	37	263	96
Over $2,000	14,405	5,893	6,345	160	979	315
Totals	**32,497**	**9,088**	**11,275**	**383**	**4,383**	**1,217**

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

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

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

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

Municipal Division

Type of Benefit

Amount of Benefit	Total (Columns 1–5)	1	2	3	4	5	6
$1–$250	121	106	3	0	11	1	211
$251–$500	207	173	17	0	14	3	237
$501–$750	256	176	49	2	26	3	140
$751–$1,000	281	170	81	2	24	4	77
$1,001–$1,250	359	188	141	2	27	1	49
$1,251–$1,500	328	190	128	0	9	1	28
$1,501–$1,750	254	162	89	1	2	0	18
$1,751–$2,000	224	140	78	3	3	0	14
Over $2,000	1,090	972	97	7	11	3	21
Totals	**3,120**	**2,277**	**683**	**17**	**127**	**16**	**795**

Option Selected

Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1–$250	65	4	20	0	17	3
$251–$500	95	8	29	2	49	7
$501–$750	93	14	36	1	71	10
$751–$1,000	130	23	45	2	49	2
$1,001–$1,250	146	45	79	6	45	8
$1,251–$1,500	135	59	78	4	32	10
$1,501–$1,750	112	46	67	2	18	6
$1,751–$2,000	91	28	67	3	20	9
Over $2,000	416	242	350	6	41	14
Totals	**1,283**	**469**	**771**	**26**	**342**	**69**

Schedule of Retirees and Survivors by Type of Benefit
As of December 31, 2003

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

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

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

Surviving Cobeneficiary:
Retiree has predeceased the cobeneficiary.

Surviving Retiree:
Cobeneficiary has predeceased the retiree.

Judicial Division

		Type of Benefit					
Amount of Benefit	Total (Columns 1–5)	1	2	3	4	5	6
$1–$250	3	3	0	0	0	0	1
$251–$500	12	12	0	0	0	0	0
$501–$750	3	1	2	0	0	0	3
$751–$1,000	10	7	0	0	3	0	1
$1,001–$1,250	8	8	0	0	0	0	1
$1,251–$1,500	15	11	3	0	1	0	4
$1,501–$1,750	16	12	1	0	2	1	1
$1,751–$2,000	10	8	0	0	2	0	0
Over $2,000	164	145	13	0	6	0	3
Totals	**241**	**207**	**19**	**0**	**14**	**1**	**14**

	Option Selected					
Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1–$250	0	0	1	0	2	0
$251–$500	5	1	1	0	5	0
$501–$750	1	0	1	0	1	0
$751–$1,000	1	1	1	0	4	0
$1,001–$1,250	3	0	3	1	1	0
$1,251–$1,500	2	0	5	1	6	0
$1,501–$1,750	1	3	6	0	3	0
$1,751–$2,000	1	0	1	0	6	0
Over $2,000	32	29	60	4	29	4
Totals	**46**	**34**	**79**	**6**	**57**	**4**

	Years of Service Credit					
Year Retired	**0–10**	**10–15**	**15–20**	**20–25**	**25–30**	**30+**
Period 1/1/03 to 12/31/03						
Average monthly benefit	**$337**	**$538**	**$901**	**$1,725**	**$2,357**	**$3,851**
Average highest average salary	**$1,956**	**$2,100**	**$2,609**	**$3,576**	**$3,992**	**$5,072**
Number of service retirees	**231**	**164**	**200**	**627**	**755**	**2,725**
Period 1/1/02 to 12/31/02						
Average monthly benefit	$322	$653	$1,175	$1,834	$2,649	$3,769
Average highest average salary	$1,961	$2,303	$2,909	$3,565	$4,150	$5,015
Number of service retirees	187	219	178	747	639	1,712
Period 1/1/01 to 12/31/01						
Average monthly benefit	$361	$738	$1,121	$1,796	$2,660	$3,646
Average highest average salary	$2,181	$2,591	$2,777	$3,504	$4,193	$4,872
Number of service retirees	158	193	137	824	708	1,559
Period 1/1/00 to 12/31/00						
Average monthly benefit	$334	$746	$1,042	$1,770	$2,527	$3,468
Average highest average salary	$2,004	$2,680	$2,567	$3,466	$4,018	$4,652
Number of service retirees	160	201	168	819	615	1,599
Period 1/1/99 to 12/31/99						
Average monthly benefit	$351	$659	$1,039	$1,591	$2,387	$3,385
Average highest average salary	$2,117	$2,495	$2,836	$3,278	$3,934	$4,551
Number of service retirees	149	193	162	820	553	1,513
Period 1/1/98 to 12/31/98						
Average monthly benefit	$296	$611	$975	$1,586	$2,194	$3,293
Average highest average salary	$1,815	$2,296	$2,543	$3,249	$3,709	$4,398
Number of service retirees	153	191	160	754	488	1,059
Period 1/1/97 to 12/31/97						
Average monthly benefit	$600	$828	$1,159	$1,588	$2,171	$3,097
Average highest average salary	$2,011	$2,395	$2,716	$3,322	$3,727	$4,170
Number of service retirees	322	308	277	775	556	736
Period 1/1/96 to 12/31/96						
Average monthly benefit	$599	$800	$1,023	$1,514	$2,200	$3,211
Average highest average salary	$1,917	$2,298	$2,444	$3,098	$3,671	$4,169
Number of service retirees	304	313	265	714	374	559
Period 1/1/95 to 12/31/95						
Average monthly benefit	$628	$797	$1,082	$1,544	$2,190	$3,248
Average highest average salary	$1,964	$2,242	$2,450	$3,043	$3,526	$4,119
Number of service retirees	337	318	286	724	466	519
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

State Category

Agencies and Instrumentalities

Colorado Association of School Boards
Colorado Association of School Executives
Colorado Council on the Arts
Colorado High School Activities Association
Colorado Public Employees' Retirement Association
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 and Veterans Affairs
Department of Natural Resources
Department of Personnel and Administration
Department of Public Health and Environment
Department of Public Safety
Department of Regulatory Agencies
Department of Revenue
Department of State
Department of the Treasury
Department of Transportation
Fire and Police Pension Association
General Assembly
Joint Budget Committee
Judicial Department
Legislative Council
Office of the District Attorneys
Office of the Governor
Office of Legislative Legal Services
Office of the Lieutenant Governor
Office of the State Auditor
Pinnacol Assurance
School for the Deaf and the Blind
Special District Association of Colorado
State Historical Society

Institutions of Higher Education

Adams State College
Aims Community College
Arapahoe Community College
Auraria Higher Education Center
Aurora Community College
Colorado Mountain College
Colorado Northwestern Community College
Colorado School of Mines
Colorado State University
Colorado State University at Pueblo
Commission on Higher Education
Denver Community College
Fort Lewis College
Front Range Community College
Lamar Community College
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
State Colleges in Colorado
Trinidad State Junior College
University of Colorado at Boulder
University of Northern 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

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

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

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

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

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

Gilpin County
Gilpin County School District Re-1

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

Gunnison County
Gunnison Watershed School District Re1J

Hinsdale County
Hinsdale County School District Re-1

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

Jackson County
North Park School District R-1

Jefferson County
Jefferson County School District R-1

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

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

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

Lake County
Lake County School District R-1

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

Las Animas County
Aguilar Reorganized School District 6
Branson Reorganized School District 82
Hoehne Reorganized School District 3
Kim Reorganized School District 88
Primero Reorganized School District 2
Trinidad School District 1

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

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

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

Mineral County
Creede Consolidated School District 1

Moffat County
Moffat County School District Re No. 1

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

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

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

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

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

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

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

Pitkin County
Aspen School District 1

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

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

Rio Blanco County
Meeker School District RE1
Rangely School District RE4

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

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

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

San Juan County
Silverton School District 1

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

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

Summit County
Summit School District Re 1

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

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

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

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

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

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

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

Municipal Division

Adams and Jefferson County Hazardous Response Authority
Adams County Housing Authority
Alamosa Housing Authority
Arapahoe Parks and Recreation District
Arkansas Valley Regional Library Service System
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 and Recreation District
Castle Pines Metropolitan District
Castle Pines North Metropolitan District
Center Housing Authority
City of Alamosa
City of Boulder
City of Colorado Springs
City of Fort Morgan
City of Las Animas
City of Manitou Springs
City of Pueblo
City of Wray
City of Yuma
Collbran Conservancy District
Colorado District Attorneys' Council
Colorado Health Facilities Authority
Colorado Housing Finance Authority
Colorado School District Self Insurance Pool
Colorado Springs Utilities
Columbine Knolls-Grove Metropolitan Recreation District
Costilla Housing Authority
County Technical Services
Cunningham Fire Protection District
Douglas County Housing Authority
Douglas Public Library District
Durango Fire and Rescue Authority
East Cheyenne Groundwater Management District
East Larimer County Water District
Eastern Rio Blanco Parks and Recreation Department
Eaton Housing Authority
Elbert County Library District
Estes Valley Public Library District
Forest Lakes Metropolitan District
Fremont Conservation District
Fremont Sanitation District
Garfield County Housing Authority
Grand Valley Fire Protection District
Green Mountain Water and Sanitation District
GVR Metropolitan District
Housing Authority of Arriba
Housing Authority of the 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 Cemetery District
Meeker Regional Library District
Meeker Sanitation District
Memorial Hospital–Colorado Springs
Montrose Fire Protection District
Montrose Recreation District
Monument Sanitation District
Morgan Conservation District
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
Pathfinder Regional Library Service System
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 and Blue Fire Protection District
Rifle Fire Protection District
Rio Blanco Fire Protection District
Rio Blanco Water Conservancy District
Routt County Conservation District
Sable-Altura Fire Protection District
San Luis Valley Development Resources Group
San Luis Valley Water Conservancy District
San Miguel County Public Library
San Miguel Regional and Telluride Housing Authority
Scientific and Cultural Facilities District
Sheridan Sanitation District #1
Soldier Canyon Filter Plant
Southwest Library Services
Steamboat II Water and Sanitation District
Steamboat Springs Rural Fire Protection District
St. Vrain Sanitation District
Three Rivers Regional Library System
Town of Alma
Town of Bayfield
Town of Crawford
Town of Dinosaur
Town of Eckley
Town of Estes Park
Town of Firestone
Town of Lake City
Town of Lochbuie
Town of Mountain Village
Town of Platteville
Town of Rico
Town of Rye
Town of Seibert
Town of Silver Plume
Tri-County Health Department

Upper Colorado Environmental Plant Center
Walker Field Airport Authority
Washington-Yuma Counties Combined Communications Center
Weld County Department of Public Health and Environment
West Greeley Conservation District
Western Rio Blanco Metropolitan Recreation and Park District
Windsor-Severance Library District
Yuma Housing Authority

Judicial Division

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

History

Legislation in 1985 established the PERA Health Care Fund and the Health Care Program, which began offering benefit recipients and their qualified dependents health care coverage on July 1, 1986. Since inception, the Fund has received contributions from affiliated employers. On July 1, 1999, the Fund was converted to the PERA Health Care Trust Fund (HCTF). Legislation enacted in 1999 expanded eligibility in PERA's Health Care Program to PERA-affiliated employers for their active employees, effective January 1, 2001. Also effective for 2001, PERA's Health Care Program was renamed "PERACare."

Funding

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

The Board voted in 2002 to propose 2003 legislation that would transfer a portion of a PERA member's service credit purchase payment for non-PERA covered employment to the HCTF when a member retires or dies with survivor benefits paid. This transfer better funds the cost of future retiree health care premium subsidies that the HCTF incurs when a member purchases service credit. Senate Bill 03-98 ("Modification of PERA Benefits Provisions"), signed by the Governor on June 5, 2003, included this provision.

PERA's 2002 actuarial valuation determined that the retirement trust funds were no longer overfunded. Recognizing that PERA's 2003 valuation would report a further decrease in the funded ratio of the retirement trust funds, the Board voted in 2003 to support 2004 legislation that would:

- Decrease the HCTF's permanent allocation from 1.1 percent to 1.02 percent of payroll, by reallocating 0.08 percent of future employer contributions to the retirement trust funds, rather than to the HCTF, effective July 1, 2004.
- Result in increasing the period for amortizing the HCTF's unfunded liability from 24 to 30 years, but still leave the HCTF actuarially sound.

Senate Bill 04-132 ("Suspension of MatchMaker Contributions"), signed by the Governor on April 30, 2004, includes this provision effective July 1, 2004.

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

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

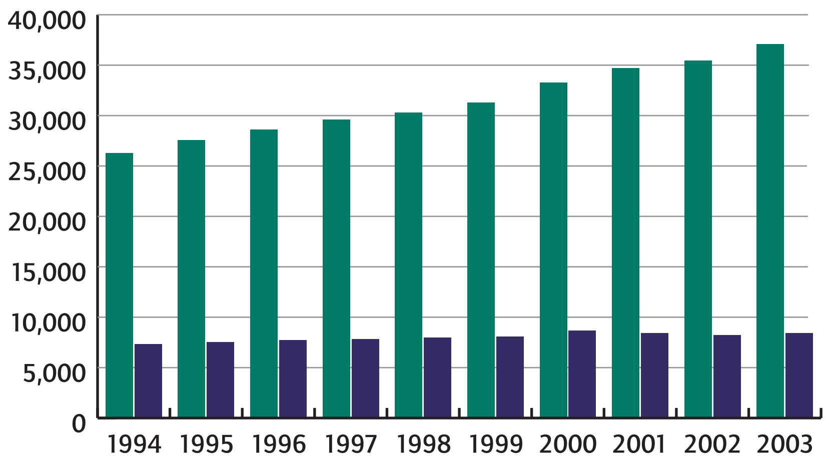
Colorado PERA subsidizes the monthly premium for benefit recipients enrolled in its health care program. In 2003, the maximum subsidies for benefit recipients were $230 per month for benefit recipients under age 65 and not eligible for Medicare, and $115 per month for benefit recipients age 65 or older 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.

At the end of 2003, 32 PERA-affiliated employers had opted to offer PERACare (including dental and vision) to over 700 active employees. The PERACare program consisted of the following plans in 2003:

- 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.

- Fully insured plans from Kaiser Permanente, Rocky Mountain Health Plans, and CIGNA HealthCare for active employees and pre-Medicare participants. Each carrier offers three different levels of HMO plan benefits, in addition to a Point-of-Service (POS) plan. In addition, Rocky Mountain Health Plans offers two PPO plans.
- Two HMO plans (one from Kaiser Permanente and one from Rocky Mountain Health Plans) for Medicare participants.
- Two dental care plans (a dental HMO from CIGNA and a PPO plan from United Concordia), and four vision plans (two 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.

Health Care Program Enrollments



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Benefit Recipients	26,270	27,531	28,575	29,571	30,291	31,293	33,261	34,673	35,418	37,067
Spouses & Dependents	7,334	7,534	7,731	7,817	7,974	8,052	8,657	8,396	8,213	8,424

Colorado PERA has provided its members with access to voluntary supplemental life insurance benefits since 1956 when it contracted with New York Life Insurance Company for coverage. The PERA Board of Trustees transferred the plan underwritten by New York Life to Rocky Mountain Life Insurance Company in 1988. In December 2000, Rocky Mountain Life merged with its Anthem Life affiliate, giving the current decreasing-term life coverage the Anthem Life name. New York Life retained coverage for members and retirees having paid-up policies, and certain disability retirees with waivers of premiums.

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

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

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

Life Insurance Program Enrollment

Year	Anthem Life	Prudential	Anthem Life (Closed Group)	New York Life[1]	Total Enrollments
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
2002	38,300	18,360	1,373	13,710	71,743
2003	**39,296**	**19,203**	**893**	**13,331**	**72,723**

[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]
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
2002	5,749,934	784	1,875,580	311	207,264	152	446,384	380	8,279,162	1,627
2003	**$5,637,526**	**836**	**$2,086,882**	**334**	**$226,137**	**132**	**$580,157**	**471**	**$8,530,702**	**1,773**

[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.

COLORADO PERA®

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