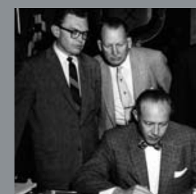
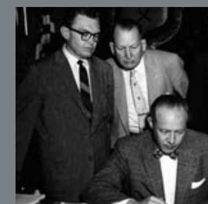


75

COLORADO PERA®

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2006



75

COLORADO PERA®

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2006

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

Prepared by the PERA Staff

Colorado Public Employees' Retirement Association
1931 Protecting the Promise 2006
Celebrating 75 Years

Introductory Section

Financial Section

Investment Section

Actuarial Section

Statistical Section

Introductory Section

Courtesy Colorado Springs Pioneer Museum

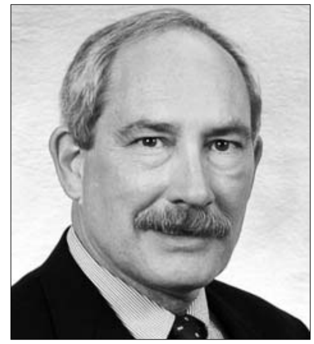
The State Employees' Retirement Association (SERA) officially began as the retirement plan for all State employees in 1931. SERA changed its name to the Public Employees' Retirement Association (PERA) in 1943 and has since become the retirement plan for nearly all Colorado school districts, judges, and state troopers, as well as many municipalities and local governments. PERA's first Executive Secretary was Raymond "Doc" Heath, who guided PERA from its inception in 1931 until his retirement in 1965.

Letter of Transmittal

COLORADO PERA

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 15, 2007



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, 2006.

Much of 2006 was devoted to addressing PERA's funded status in such a way that would not impair earned pension benefits for existing and retired members. The PERA Board and staff worked with actuaries and financial professionals to develop legislative reform that would address PERA's funding issues while at the same time, be fair to members, retirees, and taxpayers.

After a few months of intense discussions involving PERA, elected officials, and public employer and employee groups, Senate Bill 06-235 emerged, which bridged the gaps between key parties and put Colorado PERA back on strong financial footing. While the bill differed significantly from PERA's original reform proposal, it incorporated constructive suggestions brought to the table by other parties. The PERA Board endorsed this fiscally prudent solution that was ultimately passed by the Colorado General Assembly and signed by Governor Bill Owens on May 25, 2006.

On August 1, 2006, Colorado PERA celebrated 75 years of "protecting the promise" made to Colorado's public employees, employers, and citizens to provide comprehensive retirement benefits at a low cost. Throughout the decades, we have worked to ensure that the fund is well managed and that we provide benefits and cost-effective programs in the best interest of our members and Colorado taxpayers. Since 1931, we have protected the promise first made to Colorado's public servants 75 years ago—to provide secure retirements for Colorado's public employees.

We continue to evolve and adapt to the ever-changing environment around us, with the goal of being the retirement plan of choice for Colorado's public employees.

Report Contents and Structure

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with PERA's management. This *CAFR* is designed to comply with the reporting requirements as stated under Title 24, Article 51, Section 204(8) of the Colorado Revised Statutes.

This report contains the following five sections:

- The Introductory Section contains this letter of transmittal and general administrative and operational information about Colorado PERA.
- The Financial Section contains the independent auditor's letter, management's discussion and analysis, the financial statements, and other required supplementary information.
- The Investment Section contains information on the management of Colorado PERA's investments.
- The Actuarial Section contains the certification letter from the independent actuary as well as the results of the annual actuarial valuation and other actuarial statistics.
- The Statistical Section contains general statistical information about Colorado PERA's finances and participants.

Overview of Colorado PERA

Established in 1931, Colorado PERA operates by authority of the Colorado General Assembly and is administered under Title 24, Article 51, of the Colorado Revised Statutes. 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 local government entities.

For most members, PERA serves as a substitute for Social Security. 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 also administers a cost-sharing multiple-employer defined benefit other postemployment

Letter of Transmittal

benefit plan (Health Care Trust Fund), a private purpose trust fund (Life Insurance Reserve), and a multiple-employer Internal Revenue Code (IRC) Section 401(k) defined contribution plan (Voluntary Investment Program).

Highlights and Major Initiatives

Legislation

PERA's goals for the 2006 legislative session were to (1) maintain strong, comprehensive benefits for current retirees and members, as well as for future employees entering the workforce; (2) establish a plan that would amortize the long-term unfunded liabilities; and (3) establish criteria for ongoing adjustments in the plan for future employees to ensure that the plan will remain actuarially sound. The Board directed staff to seek proposed legislation incorporating these goals.

PERA originally proposed Senate Bill 06-174: Public Employee Pension Benefits. Most notably, this bill would have created a separate tier of benefits for new members hired after January 1, 2007. Although this bill was postponed indefinitely, it was the first step in deliberations and counter-proposals with all parties interested in PERA, and the result was the emergence of Senate Bill 06-235.

During 2006, the following legislation was passed and signed into law, which affected PERA:

Senate Bill 06-235: Concerning Public Employees' Retirement Benefit Plans

Signed by Governor Owens on May 25, 2006, this bill calls for a gradual increase (0.5 percent per year) in contributions over six years to be paid by employers from foregone employee wage increases, effective January 1, 2008. This bill also contains the following provisions:

- Rule of 85 for members hired on or after January 1, 2007.
- A new cost of living fund for members hired on or after January 1, 2007.
- Elimination of the State Auditor's position on the PERA Board of Trustees.
- Substitution of three member-elected Trustees with three Governor-appointed, Senate-approved Trustees to the PERA Board effective July 1, 2007.
- Expansion of retirement plan choice to institutions of higher education in 2008. (Repealed under House Bill 07-1377; see Note 10 on page 53.)
- Reduces the statutorily prescribed amortization period from 40 years to 30 years.
- Requires the General Assembly to contract for an independent actuarial study before future benefit increases could occur.

Senate Bill 06-6: Deny PERA Employment to Convicted Felons

This was signed by Governor Owens on March 31, 2006. The bill clarifies PERA's ability to include a criminal background check of job applicants with other checks that are part of the PERA employment process. This bill allows PERA to consider an applicant's criminal history when making employment decisions.

Investments

Investment portfolio income is a significant source of revenue to Colorado PERA. The Investment Committee is responsible for assisting the Board in overseeing PERA's investment program.

In 2006, there was net investment income of $5,476,054,000 compared with total contributions by members and employers of $661,794,000 and $677,529,000, respectively.

For the year ended December 31, 2006, the total fund had a rate of return of 15.7 percent on a market value basis. PERA's annualized rate of return over the last three years was 13.2 percent, over the last five years it was 9.6 percent, and over the last 10 years it was 9.2 percent.

Proper funding and healthy investment returns are important to the financial soundness of Colorado PERA. Changes in the composition of the portfolio are reflected in the "Investment Summary" on page 68.

An integral part of the overall investment policy is the strategic asset allocation policy. The targeted strategic asset allocation is designed to provide appropriate diversification and balance the expected total rate of return with the volatility of expected returns. Specifically, the fund is to be broadly diversified across and within asset classes to limit the volatility of the total fund investment returns and to limit the impact of large losses on individual investments. Both traditional and nontraditional assets are incorporated into the asset allocation mix.

In addition to asset class targets, the Board of Trustees sets ranges within which asset classes are maintained. The current permissible ranges were adopted by the Board of Trustees in December 2005. The targeted asset allocation mix and the specified ranges for each asset class are presented on page 66. All of the asset classes were within their specified ranges at year end.

PERA's investment policy is summarized in the "PERA Report on Investment Activity" on page 66.

401(k) Voluntary Investment Program Activities

In 2006, 401(k) Voluntary Investment Program net assets grew from $1,296,998,000 at the end of 2005 to $1,522,839,000 at the end of 2006, with 72,932 participant accounts by the close of the 2006 year. Assets continued to increase and the number of participant accounts increased by 65 in 2006, compared with the previous year.

During 2006, Colorado PERA 401(k) Voluntary Investment Program participants transferred a total of $108,485,000 from their accounts. Of that total, 2,780 participants used $40,372,517 to purchase PERA service credit. The number of members

Letter of Transmittal

purchasing service credit using their 401(k) accounts represents a 57 percent decline from 2005.

PERAChoice DC Plan—Component of the 401(k) Voluntary Investment Program

On January 1, 2006, eligible new State employees were offered a new defined contribution choice option. Eligible new State employees may now select the PERA Defined Benefit Plan, the PERA Defined Contribution Plan, or the defined contribution plan offered by the State. At the end of 2006, the PERA DC Plan had 225 participant accounts and assets of $516,106. Withdrawals from the PERA DC Plan totaled $10,604 in 2006, with $7,594 representing participant terminations and $3,010 of plan forfeitures.

Corporate Governance

PERA continued to be active in the securities litigation arena, fulfilling the Board's commitment to support corporate governance reforms such as transparency, accountability, and enforcement of shareholder's rights. PERA also has been active in corporate governance reform through its participation in the Council of Institutional Investors. During 2006, PERA continued to demonstrate its commitment in the securities litigation arena by monitoring all securities litigation activities and pursuing all available claims. In addition, PERA continues to pursue recovery from the audit firms involved in the Royal Ahold securities class action. (Settlement was reached with the principal defendants in 2005 for $1.1 billion.)

Total Compensation Philosophy

To support the application of PERA's Total Compensation Philosophy, the Hay Group was retained in 2006 to conduct the annual market analysis to support the setting of the 2007 Base Pay Ranges. PERA also participated in several compensation and benefits surveys, most notable being the Mountain States Employers' Council Front Range Survey and the McLagan Partners Pension Fund Data Exchange Compensation Survey. These surveys, in combination with the market analysis, provide solid comparable compensation data to assist in keeping PERA's compensation programs competitive, and to ensure PERA's ability to attract and retain critical talent.

In January 2006, PERA implemented a Web-based performance management system. The system provides the entire organization with a consistent methodology to establish performance objectives and goals and to conduct performance reviews. Performance reviews were completed using the new system to support the 2006 base pay increases.

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;" Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans;" and Statement No. 34, "Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments" as well as other GASB statements as appropriate.

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. 43 provides financial reporting standards for other postemployment benefit plans.

GASB Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it.

In April 2004, the GASB issued Statement No. 43, "Financial Reporting for Postemployment Benefits Other Than Pensions." PERA adopted the provisions of this standard for the year ended December 31, 2006, and the additional reporting can be found in the Financial Section.

In May 2004, the GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1." PERA adopted the provisions of this standard for the year ended December 31, 2006, and the additional reporting can be found in the Statistical Section.

In June 2006, the GASB issued Technical Bulletin No. 2006-1, "Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D." PERA adopted the provisions of this standard for the year ended December 31, 2006, and the additional reporting can be found in the Financial Section.

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 compensation becomes payable to the member and the employer is statutorily committed to pay these contributions to the appropriate 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 Broomfield, Colorado, office of Clifton Gunderson LLP audited PERA's 2006 financial statements under the control and oversight of the State Auditor. PERA continues to maintain appropriate 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

Letter of Transmittal

year ended December 31, 2005. 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 one year. PERA has been awarded this distinction for the past 21 years. We believe this *CAFR* continues to meet GFOA requirements and we are submitting it to the GFOA to determine its eligibility for another Certificate.

The GFOA also awarded Colorado PERA an Award for Outstanding Achievement in Popular Annual Financial Reporting for its *Popular Annual Financial Report* for the fiscal year ended December 31, 2005. This award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports. In order to receive this award, a government unit must publish a *Popular Annual Financial Report* whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

Economic Condition and Outlook

The U.S. economy grew at a modest, steady pace in 2006 despite higher oil prices during much of the year and a slowdown in the housing market. The labor market continued to strengthen and labor costs began to show signs of increasing, reflecting the tightening labor market conditions. Consumer demand continued to fuel economic growth and business demand was also solid. Inflation indicators spent much of 2006 above the upper end of the Federal Reserve's target range but appeared to be moderating near year end. The Fed raised the Fed Funds rate to 5.25 percent during early 2006, then decided to pause in August and remained on hold for the remainder of the year.

Underlying the growth in the economy, certain risks and imbalances persist. The housing market in the U.S. has experienced a slowdown. Consumer demand has remained resilient despite a fairly substantial correction in residential housing prices. Foreign demand for U.S. securities has kept longer maturity interest rates low and financed an expanding current account deficit. The U.S. dollar weakened significantly during 2006 in relation to most major currencies. Continued weakness in the dollar could potentially hurt demand for domestic securities. Volatility in the marketplace has remained at historically low levels.

The fundamental factors underpinning the domestic economy's performance remain intact. Corporate earnings continue to grow. Long-term interest rates are low on a historical basis, which may continue to provide liquidity and stimulate growth. The economy is likely to deliver modest, steady growth in 2007 although potential risks remain that could impact growth.

The Colorado economy continues to grow; energy and mining are two of the strongest sectors of the State's economy. The Colorado labor market has continued to grow and personal income is rising modestly. The residential market has experienced a slowdown; price appreciation has lagged and new home construction is slowing, while commercial real estate markets are improving. The outlook for job growth and the State's economy is positive, with expectations for both continuing to improve in 2007.

Funding

The funding objective for Colorado PERA 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. Each year members and employers pay their share for retirement service earned in that year by PERA members. If the retirement system follows level contribution rate financing principles, the system will be able to pay all promised benefits when due.

On December 31, 2006, PERA's funded ratio equaled 74.1 percent. (Please see the Management's Discussion and Analysis on pages 19–31 for additional information on PERA's funding ratio.)

The Board of Trustees has focused on improving the funded status since 2002 when the Board approved pursuing legislation in the 2003 session that would stabilize contribution rates and allow for increases or decreases in the rates when certain funding thresholds were reached. This legislation was passed, but ultimately vetoed in 2003. The Board again pursued legislation in 2004 to improve funding and both pieces of legislation were enacted into law (Senate Bill 04-132 and Senate Bill 04-257).

In 2005, Senate Bill 05-73 was enacted that allows PERA to collect contributions from PERA employers on salaries paid to PERA retirees. The Board also raised the service credit purchase rates effective November 1, 2005, to full actuarial cost.

In 2006, Senate Bill 06-235 improved funding, revised benefits, made changes to Board governance, and expanded retirement plan choice to institutions of higher education.

Board Composition

PERA is governed by a 16-member Board of Trustees; 14 are elected by the membership for staggered four-year terms and serve without compensation except for necessary expenses. The State Auditor and State Treasurer serve as ex-officio voting Trustees.

In the 2006 Board election, two incumbents were sole candidates for their respective Trustee positions; Scott Murphy, a School Division Trustee, and Mark Anderson, a Local Government Division Trustee. The Board reappointed Murphy and Anderson to four-year terms and approved not conducting an election for these positions. State Division members elected Carol Hoglund, the Chief Business Officer at Aims Community College to a four-year term vacated by Donna Bottenberg, who retired from her PERA-covered position at the University of Northern Colorado and therefore chose not to run for re-election. Bottenberg had been a Trustee since 1993.

Acting State Treasurer Mark Hillman served on the Board in an ex-officio position until March 28, 2006, when Mike Coffman returned from active military service and resumed his responsibilities as State Treasurer.

Joanne Hill resigned as Colorado State Auditor in May 2006, and the Colorado General Assembly appointed Sally Symanski to serve as State Auditor.

Legislation enacted in 2006 (Senate Bill 06-235) changed the Board composition beginning in 2007. Three member-elected positions will be eliminated as terms end. These positions will be replaced with three Governor-appointed Trustees with confirmation by the Senate. The State Auditor's position will be eliminated from the Board beginning January 1, 2007.

Employer Affiliations

In 2006, the following three public employers affiliated with Colorado PERA: Town of Timnath, White River Conservation District, and North Carter Lake Water District.

Executive Management Changes

On June 1, 2006, Kim Natale retired as Colorado PERA Chief Administrative Officer. As the Chief Administrative Officer, Natale supervised the Accounting, Human Resources, Information Systems, Operations Support, and Property Management and Fleet Services Divisions. He also oversaw the budgeting process and acted as staff liaison to the Board of Trustees on salary and budget issues. Prior to joining the PERA staff, Natale served on PERA's Board of Trustees for 17 years.

Also on June 1, 2006, Rob Gray, Colorado PERA's Director of Government Relations, retired after 33 years at PERA. Gray worked extensively with the Colorado General Assembly, including researching, drafting, and lobbying for PERA-proposed legislation as well as analyzing other legislation affecting PERA both locally and at the national level. He also served as the staff liaison for PERA's consulting actuary. Gray is currently the Manager of the Colorado PERA Ambassador Program.

Other members of PERA's executive staff have assumed the duties of Natale and Gray.

Acknowledgements

Colorado PERA thanks the staff and management of our affiliated employers for their continuing support. The cooperation of our affiliated employers is significant to the success of Colorado PERA.

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.

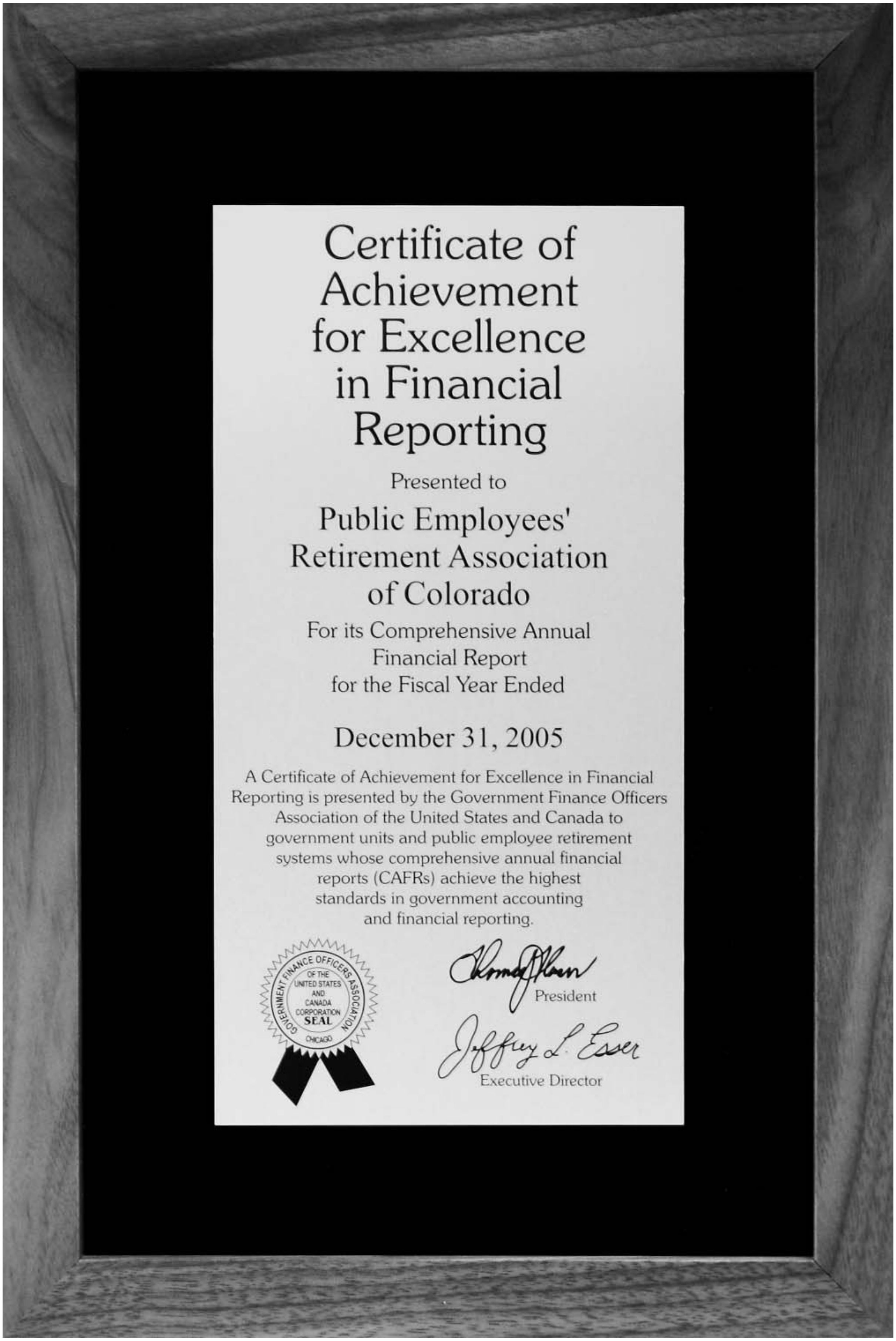
This *CAFR* is being mailed to all affiliated employers and other interested parties; a summary will be sent to members and benefit recipients. An electronic version is available on the Colorado PERA Web site at www.copera.org.

As Colorado PERA celebrates 75 years of providing secure retirements for Colorado's public employees, I would like to express my thanks for the dedication and hard work of the PERA staff, Board of Trustees, and consultants who worked tirelessly during 2006 to ensure the successful operation of Colorado PERA. We have protected the promise first made in 1931, and I expect we'll be doing the same for the next 75 years.

Respectfully submitted,

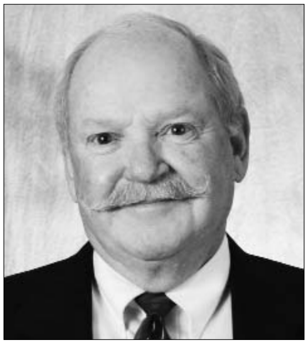
Meredith Williams
Colorado PERA Executive Director

Certificate of Achievement



Board Chair's Report

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



Mark J. Anderson
Board Chair

June 15, 2007

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

As Chair of the Board of Trustees of the Colorado Public Employees' Retirement Association, I am pleased to present Colorado PERA's 2006 *Comprehensive Annual Financial Report (CAFR).* This report offers a detailed view of the financial and actuarial status of your retirement system.

During 2006, the DJ Wilshire 5000 returned 15.8 percent and the fixed income market produced low single-digit returns. However, the PERA trust fund returned a solid 15.7 percent, which is well above the actuarial assumed investment return of 8.5 percent.

The PERA Board of Trustees acted to address PERA's funded status and worked extensively with staff and external consultants to develop recommendations for potential legislation in 2006. After extensive negotiations with all parties interested in PERA, the 2006 General Assembly passed significant legislation for increased funding to the plan. The Governor signed the legislation into law in late May 2006.

The 2006 legislation (Senate Bill 06-235) calls for a gradual increase (0.5 percent per year) in contributions over six years to be paid by employers from foregone employee wage increases, effective January 1, 2008. Other provisions of the legislation include:

- Rule of 85 for members hired on or after January 1, 2007.
- A new cost of living fund for members hired on or after January 1, 2007.
- Elimination of the State Auditor's seat on the Board effective January 1, 2007.
- Substitution of three member-elected Trustees with three Governor-appointed, Senate-approved Trustees to the Board effective July 1, 2007.
- Expansion of retirement plan choice to institutions of higher education in 2008.

On January 1, 2006, the PERA DC Plan (a component of the 401(k) Voluntary Investment Program) opened to eligible new State employees. The PERA DC Plan was created as a result of legislation passed in 2005 that allowed eligible new State employees to select from the PERA DB Plan, the PERA DC Plan, or a DC plan offered by the State. The PERA DC Plan mirrors the PERA 401(k) Plan fund line-up. However, PERA's DC Plan participants are not allowed to take loans or hardship withdrawals from their DC accounts. Assets in the PERA DC Plan totaled just over one-half million dollars at the end of 2006.

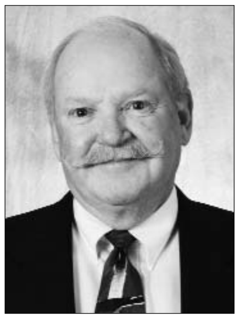
In closing, on behalf of the Board, I want to emphasize our commitment as Trustees of the PERA Plan to provide competitive benefits while ensuring the integrity of the fund. I extend appreciation for your continued support and interest in Colorado PERA.

Sincerely,

Mark J. Anderson
Chair, PERA 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 Division, four from the State Division, two from the Local Government 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 election.

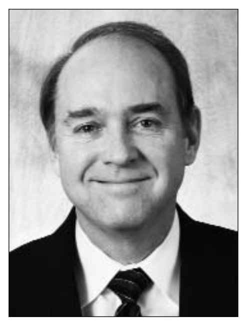


Mark J. Anderson, Chair
Risk Manager, City of
Colorado Springs;
Current term expires June 30, 2010

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

Susan Beeman
Teacher on special assignment for
Exceptional Student Services for
Pueblo School District 60;
Current term expires June 30, 2009

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

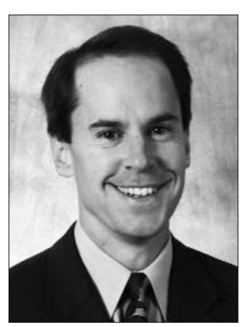


James Casebolt
Judge,
Colorado Court of Appeals;
Current term expires
June 30, 2007

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

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
(Resigned State Auditor Position
May 2006)



Mark Hillman
State Treasurer;
Ex-officio member; Continuous term
(Relinquished duties in March 2006
upon return of Michael Coffman from
military service)

Carol Hoglund
Chief Business Officer,
Aims Community College;
Current term expires June 30, 2010

Board of Trustees

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

Tamela Long
Business Officer,
Colorado State Patrol;
Current term expires June 30, 2008

Maryann Motza
Social Security Administrator
for the State;
Current term expires June 30, 2009

Scott Murphy
Superintendent,
Littleton Public Schools;
Current term expires June 30, 2010

Amy L. Nichols
Math Teacher,
Aurora Public Schools;
Current term expires June 30, 2008

Scott L. Noller
Assistant Principal,
Colorado Springs School District #11;
Current term expires June 30, 2009

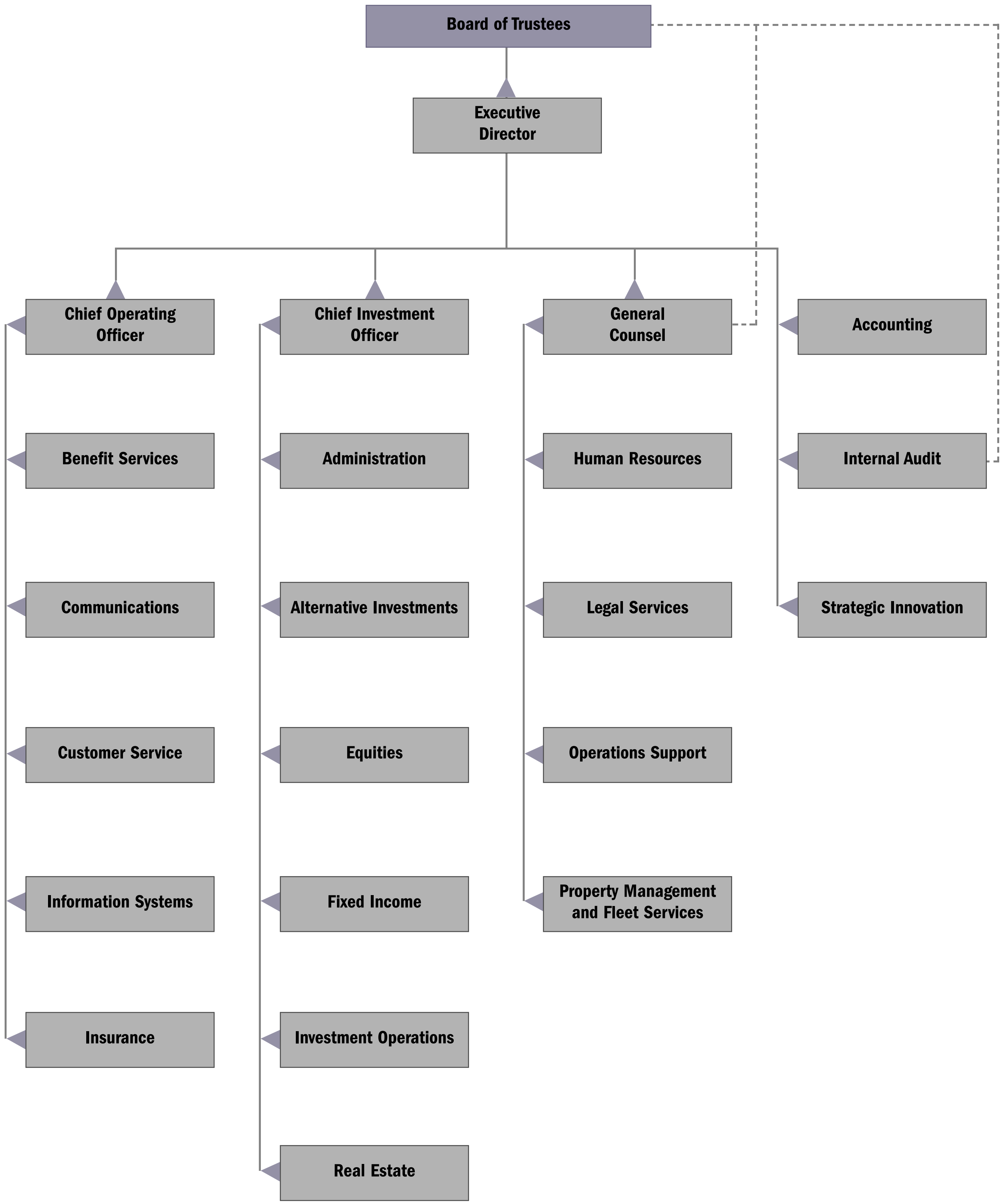
Marcus Pennell
Science Teacher,
Jefferson County School District R-1;
Current term expires June 30, 2007

Ben Stein
Deputy State Treasurer

Sally Symanski
State Auditor;
Ex-officio member;
Continuous Term

Carole Wright
Retired Teacher from
Aurora Public Schools;
Current term expires June 30, 2009

Administrative Organizational Chart
As of May 15, 2007



Colorado PERA Executives and Management

(Left to right): David Maurek, Chief Operating Officer; Meredith Williams, Executive Director; Jennifer Paquette, Chief Investment Officer; Greg Smith, General Counsel

(Left to right): Karl Greve, Director of Accounting/Controller; Karl Paulson, Manager of Strategic Innovation; John Spielman, Director of Internal Audit

(Left to right): Jim Liptak, Director of Equities; Jim Lavan, Director of Real Estate; Tom Liddy, Director of Investment Operations; Bill Koski, Senior Opportunities Manager; Martha Argo, Director of Administration; Tim Moore, Director of Alternative Investments

(Left to right): Katie Kaufmanis, Director of Communications; Rick Larson, Director of Benefit Services; Anne Bandy, Director of Customer Service; Wendy Tenzyk, Director of Insurance

(Left to right): Diane Ahonen, Director of Legal Services; Donna Trujillo, Director of Operations Support; Sharyl Harston, Director of Human Resources; Dennis Fischer, Director of Property Management and Fleet Services

Consultants

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

Independent Auditors
Clifton Gunderson LLP
370 Interlocken Boulevard
Suite 500
Broomfield, CO 80021

Investments—Portfolio Consultant
Ennis Knupp & Associates
10 South Riverside Plaza
Suite 700
Chicago, IL 60606

Investment Performance Consultants
Ennis Knupp & Associates
10 South Riverside Plaza
Suite 700
Chicago, IL 60606

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

Investments—Real Estate Performance
Ennis Knupp & Associates
10 South Riverside Plaza
Suite 700
Chicago, IL 60606

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
Cavanaugh Macdonald Consulting, LLC
3550 Busbee Parkway
Suite 250
Kennesaw, GA 30144

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

401(k) Service Provider
CitiStreet LLC
One Heritage Drive
North Quincy, MA 02171

Financial Section

Over the decades, enhancements made PERA more than just a retirement plan. Members are protected prior to retirement with disability and survivor benefits. We offer additional benefits through voluntary programs, including life insurance, long term care, health care (through the PERACare program), and a voluntary investment program. Jack Kennedy was named PERA's Executive Secretary from 1965 until 1977. Under his direction, major benefit improvements were made to PERA in the late 1960's.

Report of the Independent Auditors

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Board of Trustees
Colorado Public Employees' Retirement Association
Denver, Colorado

We have audited the accompanying statements of fiduciary net assets and the related statement of changes in fiduciary net assets of the Colorado Public Employees' Retirement Association as of and for the year ended December 31, 2006 which collectively comprise Colorado Public Employees' Retirement Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Colorado Public Employees' Retirement Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Colorado Public Employees' Retirement Association's December 31, 2005 financial statements, and in our report dated May 26, 2006, we expressed an unqualified opinion on the respective financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Colorado Public Employees' Retirement Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Public Employees' Retirement Association as of December 31, 2006, and related changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Offices in 14 states and Washington, DC

Member of HLB International

Report of the Independent Auditors

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2007, on our consideration of Colorado Public Employees' Retirement Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 19 through 31, and the schedule of funding progress and schedule of employer contributions on pages 56 through 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Colorado Public Employees' Retirement Association's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section, investment section, actuarial section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Denver, Colorado
June 8, 2007

Management's Discussion and Analysis
(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, 2006. We encourage readers to consider the information presented here in conjunction with additional information in the Letter of Transmittal beginning on page 3 of this *CAFR*.

PERA administers seven fiduciary funds, including four defined benefit pension trust funds: the State Division Trust Fund, the School Division Trust Fund, the Local Government 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 cost-sharing multiple-employer defined benefit other postemployment benefit plan, the Health Care Trust Fund (HCTF), and one private purpose trust fund, the Life Insurance Reserve (LIR).

Two changes were made to the funds administered by PERA on January 1, 2006, due to the passage and signing of Senate Bill 04-257. The State and School Division Trust Fund, which had been merged since 1997, was separated and the Municipal Division Trust Fund was renamed the Local Government Division Trust Fund.

Financial Highlights

Net Assets—Plan net assets for all funds administered by PERA increased $4,382,534 during calendar year 2006.

	2006 Change in Net Assets	2006 Ending Net Assets
State Division Trust Fund	$1,412,200	$14,041,260
School Division Trust Fund	2,308,355	21,635,957
Local Government Division Trust Fund	373,600	2,751,071
Judicial Division Trust Fund	26,998	221,663
401(k) Voluntary Investment Program	225,841	1,522,839
Health Care Trust Fund	33,718	226,850
Life Insurance Reserve	1,822	16,522
Total increase in plan net assets	$4,382,534	$40,416,162

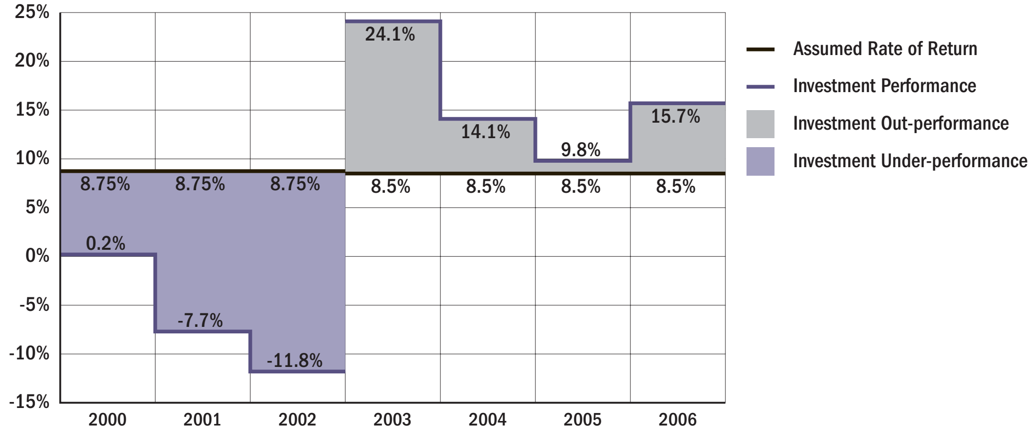
In the 401(k) Voluntary Investment Program, the increase in net assets was primarily due to strong investment returns in domestic and international stocks. In all other funds, the increase in net assets was primarily due to strong investment returns in domestic and international stocks, alternative investments, and real estate.

Investment Highlights

The Investment Highlights in the following section do not include the 401(k) Voluntary Investment Program. This plan is a participant directed defined contribution plan. Investments for all of the other plans are pooled (the four Division Trust Funds, the HCTF and the LIR).

Investment Performance Trend Information—For the year ended December 31, 2006, the rate of return on the pooled investment assets was 15.7 percent, which was greater than the 9.8 percent for the year ended December 31, 2005, and continues to exceed the actuarial assumed rate of 8.5 percent. While the fund has posted four strong years, the plan is still recovering from the underperformance of 2000 through 2002, which was one of the worst bear markets ever recorded. The chart below compares the actual investment performance of the pooled investment assets versus the actuarial assumed rate of return for the period 2000 through 2006.

Actual vs. Assumed Rate of Return 2000-2006



Management's Discussion and Analysis
(In Thousands of Dollars)

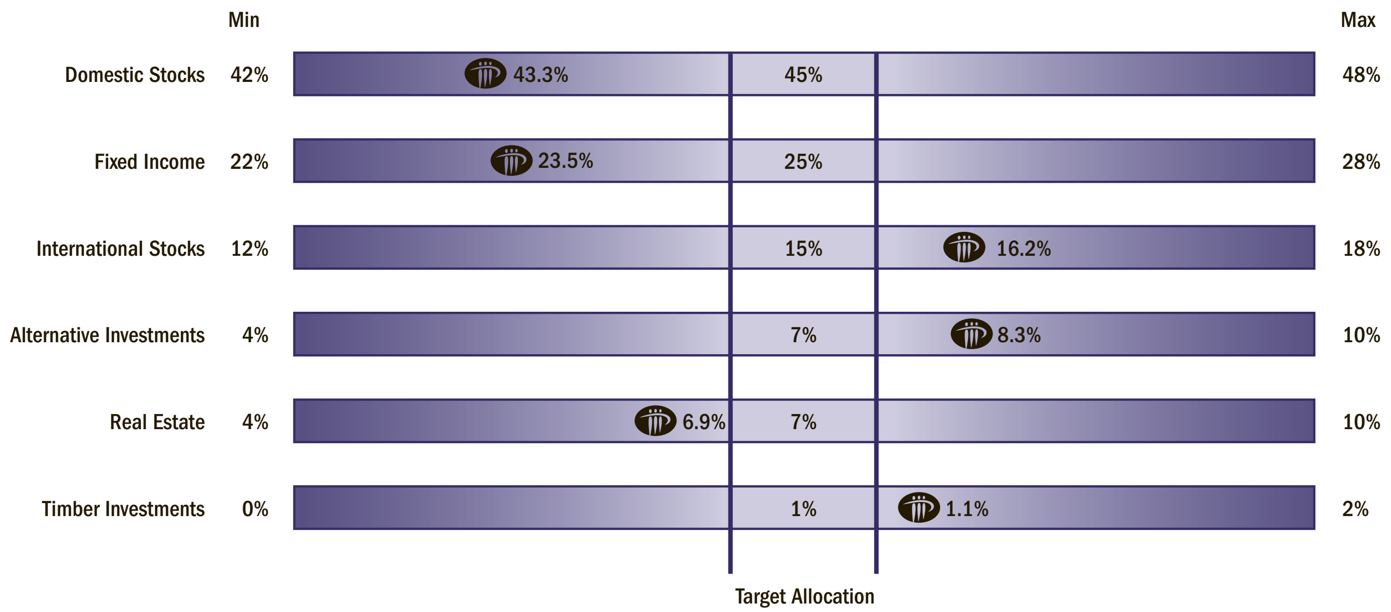
Asset Allocation—The Board of Trustees of PERA (the Board) has the responsibility for the investment of PERA's funds with the following statutory limitations: the aggregate amount of monies invested in corporate stocks and fixed income securities convertible into stock cannot exceed 65 percent of the 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.

The Board commissioned an Asset/Liability Study in 2005, which was prepared by Ennis Knupp & Associates. The objective of the study was to determine the optimal strategic asset allocation policy that would ultimately allow PERA to meet its benefit obligations while also ensuring that PERA incurs appropriate levels of risk. The Board's policy specifies the desired target allocation for each asset class as well as the ranges within which each asset class may operate. As a result of the study, the Board approved new asset allocation targets and ranges, effective January 1, 2006, at its December 2005 Board meeting.

	12-31-2005 Actual %	2005 Target %	12-31-2006 Actual %	2006 Target %	2006 Ranges
Domestic Stocks	43.1%	45%	**43.3%**	45%	42%-48%
Fixed Income	23.4%	25%	**23.5%**	25%	22%-28%
International Stocks	17.1%	14%	**16.2%**	15%	12%-18%
Alternative Investments	8.6%	8%	**8.3%**	7%	4%-10%
Real Estate	6.1%	7%	**6.9%**	7%	4%-10%
Timber	1.1%	1%	**1.1%**	1%	0%-2%
Cash and Short-Term Investments	0.6%	0%	**0.7%**	0%	

Asset allocation decisions are made based on the total holdings of the portfolios within each asset class. Therefore, the investment receivables, payables, accruals, and cash and short-term investments are allocated back to the investment portfolios that hold them for purposes of the table (shown above) and graph (shown below).

2006 Asset Allocation Permissible Ranges vs. December 31, 2006, Actual Allocation



In addition to the asset allocation study that was completed in 2005, a thorough reevaluation of the strategic plan for investing in real estate was completed by the Townsend Group and approved by the Board. The revised strategy changed the benchmark for the asset class beginning January 1, 2006, created revised risk parameters for various property sectors, and removed public REITs and real estate debt from the real estate allocation.

Management's Discussion and Analysis
(In Thousands of Dollars)

Cash and Short-Term Investments—As of December 31, 2006, PERA had cash and short-term investments of $990,915, an increase of $442,699 from 2005. The increase included an additional $209,259 of short-term fixed income securities held in portfolios. Also, an investment decision was made concerning the internally managed fixed income portfolio to increase the funds in the short-term investment fund because of favorable rates compared to shorter-term U.S. Treasury securities.

Investment Settlements and Other Receivables and Payables—As of December 31, 2006, PERA had Investment Settlements and Income Receivables of $125,517, a decrease of $25,197. This decrease was primarily due to a lesser number of pending investment sales at the end of the year. As of December 31, 2006, PERA had Investment Settlements and Other Liabilities of $120,071, a decrease of $51,822. This decrease was due to a lesser number of pending investment purchases at the end of the year.

Securities Lending Collateral and Obligations—As of December 31, 2006, PERA had securities lending collateral of $6,053,348, an increase of $855,688 from 2005. The main reasons for the increase in cash collateral were an overall increase in lendable assets as the portfolio grew and a small increase in the percentage of assets out on loan at the end of the year.

Commitments—As of December 31, 2006, PERA had commitments for the future purchase of investments in alternative investments of $1,388,606, and real estate of $904,336.

Actuarial Summary

The December 31, 2006, actuarial valuation was prepared by Cavanaugh Macdonald Consulting, LLC.

Actuarial Statistics—As of December 31, 2006, the Funding Ratio, the Unfunded Actuarial Accrued Liabilities (UAAL) and the amortization periods for each fund are shown below:

Trust Fund	Funding Ratio	UAAL	Amortization Period with Current Funding
State Division Trust Fund	73.0%	$4,918,720	Infinite
School Division Trust Fund	74.1%	7,172,949	Infinite
Local Government Division Trust Fund	79.5%	675,035	48 Years
Judicial Division Trust Fund	85.1%	36,858	Infinite
Health Care Trust Fund	17.2%	$1,033,134	37 Years

See the Required Supplementary Information and the accompanying notes on pages 56–61 for additional information.

Title 24, Article 51, Section 211 of the Colorado Revised Statutes (C.R.S.) states that the amortization period of 30 years shall be deemed actuarially sound. At the end of 2006, given the current contribution rates, all funds exceeded the 30–year amortization period.

Although the current funding is sufficient to pay expected benefit payments for decades, the current contribution rates are not sufficient to support the current benefit structures of the State Division Trust Fund, the School Division Trust Fund, and the Judicial Division Trust Fund.

The Board has sought and secured legislation to help address this issue going forward. The table below shows the amortization periods adjusted to include the additional contributions that are a result of the 2004 legislation which established the Amortization Equalization Disbursement (AED), and the 2006 legislation which established the Supplemental Amortization Equalization Disbursement (SAED). For more information on the future impact of the 2004 and 2006 legislation, refer to Note 10 of the Financial Statements on page 53.

Based on the current December 31, 2006, valuation, the amortization periods for each fund are shown below and include all future AED and SAED contributions:

	Amortization Period With AED	Amortization Period with AED and SAED
State Division Trust Fund	Infinite	Infinite
School Division Trust Fund	Infinite	52 Years
Local Government Division Trust Fund	32 Years	17 Years
Judicial Division Trust Fund	Infinite	28 Years
Health Care Trust Fund	37 Years	37 Years

Management's Discussion and Analysis
(In Thousands of Dollars)

The amortization period with AED and SAED does not include the full effect of the 2006 legislation. The legislation includes plan changes that will lower the normal cost for future hires and will allow more of the employer's contribution to be used to amortize past service costs earned. The future AED and SAED have not been taken into consideration in the calculation of the Annual Required Contribution as defined in GASB Statement 25 or in the amortization period based on the current year funding.

As stated in the Report of the Independent Actuary on pages 79-82 by Cavanaugh Macdonald Consulting, LLC, "PERA has a funded ratio of 74% based on the Actuarial Value of Assets. The funded ratio on Market Value of Assets is higher, at 78%. It is our opinion that the current funding is sufficient to pay benefit payments through the projected actuarial period of 30 years. Recent contribution changes under SB 06-235 are expected to stabilize the funding levels of the Local Government and Judicial Division trust funds by attaining a 30-year amortization period within the projected actuarial period of 30 years. The recent contribution changes combined with the benefit changes of SB 06-235 are expected to stabilize the State and School Division trust funds by attaining a 30-year amortization within the projected actuarial period based on previous actuarial projections."

Current Year Actuarial Gains/(Losses)—A summary of the activities that caused gains and losses in the actuarial liability for 2006 are shown below by fund and are in millions of dollars:

	State	School	Local Government	Judicial	HCTF
From differences between assumed and actual experience on liabilities					
Service retirements[1]	($21.5)	($35.5)	($3.3)	($0.4)	($1.5)
Disability retirements[2]	13.5	6.9	3.9	0.0	0.6
Deaths[3]	27.9	(32.4)	5.6	(0.8)	0.0
Withdrawal[4]	(24.3)	(55.5)	(9.1)	0.0	(2.2)
New entrants[5]	(52.2)	(69.6)	(11.2)	(3.2)	(3.4)
Salary increases[6]	49.5	(5.3)	13.7	1.7	—
Claims experience[7]	—	—	—	—	10.3
Other[8]	196.2	(118.5)	(25.6)	(5.8)	80.0
Subtotal	189.1	(309.9)	(26.0)	(8.5)	83.8
From differences between assumed and actual experience on assets	250.1	378.6	50.1	3.9	4.2
From service purchases[9]	0.0	0.0	0.0	0.0	0.0
From change in plan assumptions[10]	—	—	—	—	(86.8)
From change in method[11]	—	—	—	—	(92.2)
Total actuarial gains/(losses) on year's activities	**$439.2**	**$68.7**	**$24.1**	**($4.6)**	**($91.0)**

[1] Service retirements: If members retire at younger ages than assumed, there is a loss.
[2] Disability retirements: If disability claims are lower than assumed, there is a gain.
[3] Deaths: If survivor claims are lower than assumed or if retirees die sooner than assumed, there is a gain.
[4] Withdrawals: If less actuarial liabilities are released by terminations than assumed, there is a loss.
[5] New entrants: If the number of new members entering the plan is lower than assumed, there is a loss.
[6] Salary increases: If there are less salary increases than assumed, there is a gain. If there are greater salary increases than assumed, there is a loss.
[7] Claims experience: If actual costs for members without Medicare Part A are less than expected, there is a gain.
[8] Other: Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.
[9] Purchased service: There are no gains or losses for purchased service as members pay the full actuarial cost.
[10] Change in plan assumptions: The HCTF assumptions were updated as described in the notes to the Required Supplemental Information on page 60.
[11] Change in method: The HCTF valuation method was changed to include a liability for the Medicare Retiree Drug Subsidy as described in the notes to the Required Supplemental Information on page 60.

(In Thousands of Dollars)

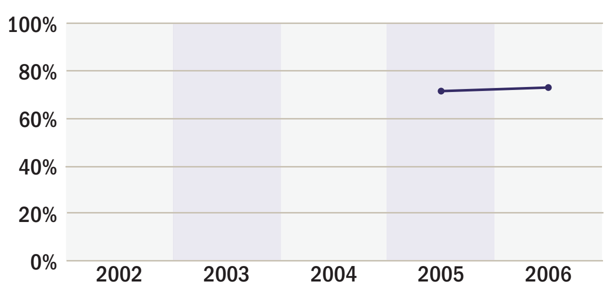
Actuarial Trend Information

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 changes in the market value over four years. The funding ratio for each of the funds at December 31 for each of the last five years is shown below:

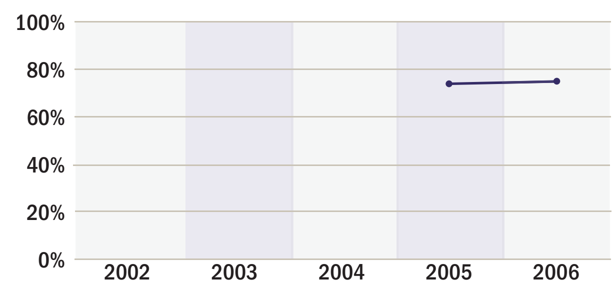
Trust Fund	2002	2003	2004	2005	2006
State Division	–	–	–	71.5%	**73.0%**
School Division	–	–	–	73.9%	**74.1%**
State and School Division	87.9%	75.2%	70.1%	–	**–**
Local Government Division	93.6%	80.2%	77.2%	78.0%	**79.5%**
Judicial Division	98.3%	84.0%	81.0%	86.3%	**85.1%**
Health Care	19.9%	17.9%	15.1%	17.1%	**17.2%**

PERA's funding objective is to meet long-term benefit promises through contributions and investment income. The funding ratios listed above give an indication of how well this objective has been met to date. A larger funding ratio indicates that a plan is better funded. As an example, for every dollar of the actuarially determined benefits earned for the State Division Trust Fund, approximately $0.73 of assets are available for payment. These benefits earned will be payable over the life span of members after their retirement.

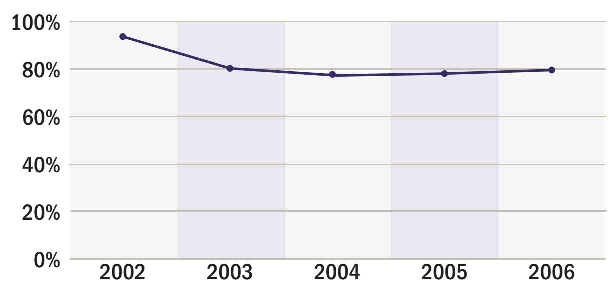
State Division



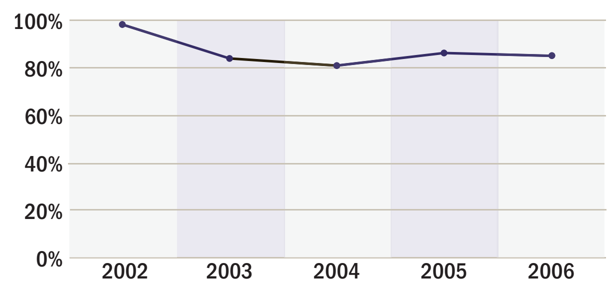
School Division



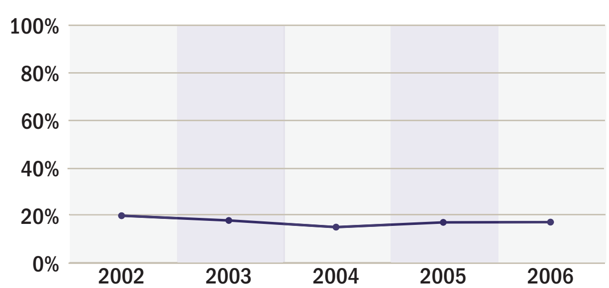
Local Government Division



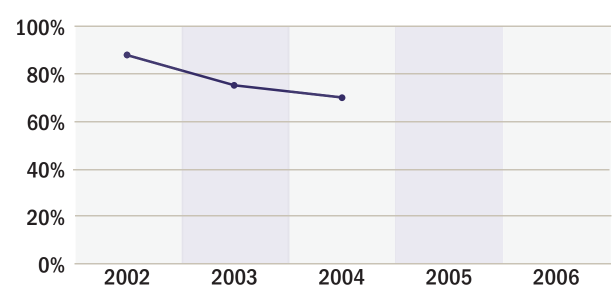
Judicial Division



Health Care Trust Fund



State and School Division



Management's Discussion and Analysis
(In Thousands of Dollars)

Unfunded Actuarial Accrued Liabilities—The table below identifies the components that contributed to the growth in the underfunded status of the Defined Benefit Trust Funds for the period 2002 to 2006. There are many factors that contribute to this complex issue and this table is included to provide a better understanding.

Defined Benefit Pension Trust Funds Changes in Unfunded Actuarial Accrued Liabilities
(Amounts in millions of dollars)

	2002	2003	2004	2005	2006	2002–2006
UAAL beginning of year	($431.8)	($4,041.6)	($9,895.4)	($12,814.9)	**($12,479.1)**	($431.8)
Experience Gains and Losses						
Age and service retirements	(557.4)	(435.7)	(436.3)	(32.4)	**(60.7)**	(1,522.5)
Disability retirements	(3.1)	(19.7)	(0.7)	(5.8)	**24.3**	(5.0)
Deaths	5.9	(26.0)	(50.7)	130.7	**0.3**	60.2
Withdrawal from employment	(20.4)	18.1	13.0	104.1	**(88.9)**	25.9
New entrants	(68.6)	(110.7)	(66.3)	(129.1)	**(136.2)**	(510.9)
Pay increases	(182.7)	716.4	97.4	(332.1)	**59.6**	358.6
Investment income	(2,710.8)	(2,612.1)	(1,697.7)	89.4	**682.7**	(6,248.5)
Other	(323.9)	(753.1)	(23.0)	70.3	**46.3**	(983.4)
Purchase of noncovered service	0.0	(1,241.6)	(215.0)	(73.2)	**0.0**	(1,529.8)
Experience gain/(loss) during year	(3,861.0)	(4,464.4)	(2,379.3)	(178.1)	**527.4**	(10,355.4)
Non-recurring Items						
Effect of changes in plan provisions	0.0	0.0	275.6	0.0	**0.0**	275.6
Actuarial assumption changes	0.0	(981.3)	0.0	(126.3)	**0.0**	(1,107.6)
Asset valuation method change	0.0	0.0	0.0	1,660.7	**0.0**	1,660.7
Non-recurring items	0.0	(981.3)	275.6	1,534.4	**0.0**	828.7
Contribution Deficiency from 30-year Amortization*						
Contribution gain/loss excluding gainsharing	215.8	(99.2)	(392.6)	(576.8)	**(380.6)**	(1,233.4)
Losses due to gainsharing						
Employer contribution reduction	(75.2)	(68.6)	(64.6)	0.0	**0.0**	(208.4)
MatchMaker contributions	(107.7)	(75.5)	(16.0)	0.0	**0.0**	(199.2)
Additional allocation to HCTF	(32.9)	(3.3)	0.0	0.0	**0.0**	(36.2)
Total gainsharing loss in year	(215.8)	(147.4)	(80.6)	0.0	**0.0**	(443.8)
30-year amortization contribution deficiency*	0.0	(246.6)	(473.2)	(576.8)	**(380.6)**	(1,677.2)
Expected change in UAAL with 30-year amortization or less*	251.2	(161.5)	(342.6)	(443.7)	**(471.3)**	(1,167.9)
Total gain/(loss) for year	(3,609.8)	(5,853.8)	(2,919.5)	335.8	**(324.5)**	(12,371.8)
UAAL end of year	**($4,041.6)**	**($9,895.4)**	**($12,814.9)**	**($12,479.1)**	**($12,803.6)**	**($12,803.6)**

* For years 2005 and prior the required amortization period was 40 years.

This schedule shows where losses and gains occurred over the five-year period compared to what was expected or assumed. The largest loss of $4.6 billion ($6.2 billion investment loss plus $1.6 billion asset valuation method gain) came from net investment losses mainly due to the market downturn from 2000 to 2002 and the four-year smoothing methodology which extended losses beyond 2002. Other large losses include $1.5 billion due to increased early retirements beyond those assumed, $1.1 billion due to moving to more conservative actuarial assumptions (2005—changes in mortality, withdrawal, retirement, disability and pay assumptions, 2003—decrease in the actuarial investment assumption from 8.75 percent to 8.5 percent), $1.5 billion due to purchase of noncovered service at a rate lower than the full actuarial cost prior to November 1, 2005, and $1.7 billion in contribution deficiencies.

Management's Discussion and Analysis
(In Thousands of Dollars)

Contribution Rate Sufficiency—With the passage of Senate Bill 04-257 an "Amortization Equalization Disbursement" (AED) was established and required each PERA employer to pay 0.5 percent of covered salary beginning January 1, 2006, to help improve funding. The AED is slated to gradually increase over several years, reaching a total of 3 percent.

In 2006, the amount received from employers as contributions and the Amortization Equalization Disbursement, defined in statute, was not sufficient to meet the Annual Required Contribution (ARC) rate calculation as specified by Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 43, which assumes a 30-year amortization period for all of the funds.

Employer Contribution Rates for 2006

Trust Fund	Annual Required Contribution	Employer Contribution Rate	Health Care Contribution Rate	AED	Contribution Rate Available for Funding
State Division	17.23%	10.15%	-1.02%	0.50%	9.63%
State Troopers		12.85%	-1.02%	0.50%	12.33%
School Division	16.06%	10.15%	-1.02%	0.50%	9.63%
Local Government Division	11.21%	10.00%	-1.02%	0.50%	9.48%
Judicial Division	15.33%	13.66%	-1.02%	0.50%	13.14%
Health Care	1.19%	–	1.02%	–	1.02%

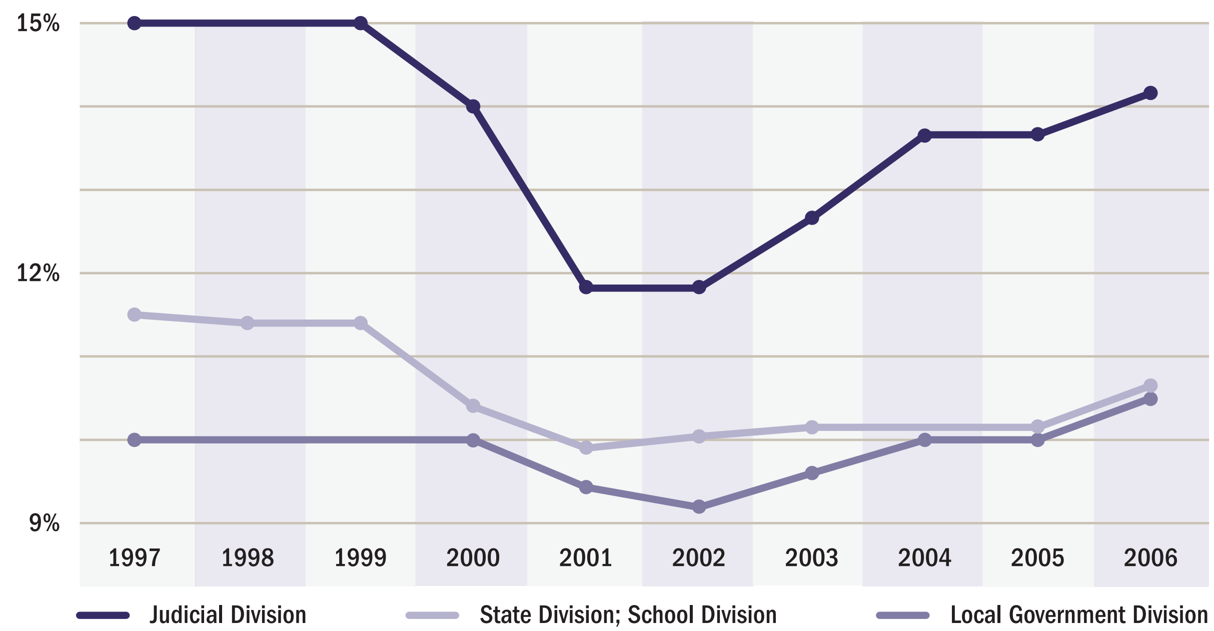
For more detail on the ARC, see the Required Supplementary Information—Schedule of Employer Contributions for the Division Trust Funds and the Schedule of Contributions by Employers and Other Entities for the Health Care Trust Fund on pages 58–59.

Using the Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 43 as a guide, the 2007 annually required employer contributions would need to be as follows:

- State Division Trust Fund—18.45 percent
- School Division Trust Fund—17.18 percent
- Local Government Division Trust Fund—11.95 percent
- Judicial Division Trust Fund—17.66 percent
- Health Care Trust Fund—1.11 percent

The graph below shows the history of contribution rates for the last 10 years to provide a perspective on the current rate levels compared to those of the past.

Employer Contribution Rates Plus Amortization Equalization Disbursement (AED) 1997–2006



Management's Discussion and Analysis
(In Thousands of Dollars)

Medicare Retiree Drug Subsidy Contributions—The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries under Medicare Part D. One of the provisions of Medicare Part D provides sponsors of postemployment healthcare plans, the opportunity to receive a payment—referred to as a retiree drug subsidy (RDS)—if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28 percent of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The provisions of Medicare Part D became effective on January 1, 2006. The HCTF will receive $12,481 in Medicare Retiree Drug Subsidies for 2006.

Initiatives to Improve Funding—In 2003, the Board pursued legislation which would stabilize the contribution rates and allow for increases or decreases in the rates when certain funding thresholds were reached. This legislation was passed, but ultimately vetoed.

In 2004, the Board again pursued legislation to improve funding, revise benefits, and move the funds back toward achieving the 40–year amortization period goal. The Board proposed major legislation (Senate Bill 04-132 and Senate Bill 04-257) that would help to address PERA's funding needs in a cost-effective and equitable manner. Both pieces of legislation were enacted into law.

In 2005, Senate Bill 05-73 was enacted to provide for an employer contribution for PERA retirees who return to work after retirement.

In 2006, Senate Bill 06-235 improved funding, revised benefits, made changes to Board governance, and expanded retirement plan choice to institutions of higher education.

In 2007, Senate Bill 07-1377 repealed a provision of SB 06-235 that would have expanded retirement plan choice to eligible new employees of higher educational institutions. The legislation was amended in the House to allow new employees of community colleges the ability to choose between the PERA defined benefit program and the PERA defined contribution program.

The Board has also acted to address funding concerns by raising the cost to purchase service credit effective November 1, 2003, and raising it again effective November 1, 2005, to the full actuarial cost.

State Division Trust Fund Retirement Choice—Effective January 1, 2006, certain new employees hired by State government became eligible to select a retirement plan in which to participate. Prior to the passage of this legislation, most new State employees were automatically enrolled in the State Division Trust Fund. Beginning on January 1, 2006, new State employees could select to participate in the State Division Trust Fund, the newly created Colorado PERA Defined Contribution Plan (PERA DC), which is a component of the 401(k) Voluntary Investment Program, or the State Defined Contribution Plan (State DC). New State employees eligible for retirement plan choice are employed by State Agencies and Departments. State employees who work for institutions of higher education and for Instrumentalities of the State are not eligible for retirement plan choice. Details of this new provision are described in Note 1 to the financial statements.

Service Purchases—In September 2004, the Board voted to increase the rates for service credit purchases to the full actuarial cost effective November 1, 2005. With the change in cost, service purchases caused no actuarial gain or loss in 2006. In the Division Trust Funds, the level of service purchases decreased from $307,982 in 2005 to $106,561 in 2006 due to the rate increase.

Management's Discussion and Analysis
(In Thousands of Dollars)

Other Changes

Defined Benefit Pension Trust Funds—Refunds in the Division Trust Funds increased $20,531 from $130,201 in 2005 to $150,732 in 2006. Refunds vary year-to-year depending on member behavior which is influenced by the economy and the local job market. In 2006, while the total number of refunds did not increase, the Division Trust Funds did experience a greater number of refunds for members who were retirement eligible or over 65, which then increased the employer match and interest on those refunds as compared to 2005. Members who are retirement eligible or over age 65 receive a 100 percent employer match (50 percent for all other members) plus interest on that match.

401(k) Voluntary Investment Program—For the 401(k) Voluntary Investment Program, investment assets increased primarily due to strong investment returns in domestic and international stock. The S&P 500 Index showed a return of 4.9 percent in 2005 and 15.8 percent in 2006 while the Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE) stock market index showed a return of 14.0 percent in 2005 and 26.9 percent in 2006. Cash and short-term investments grew primarily due to the DC plan participants' higher allocation to this investment category. As of December 31, 2006, Investment Settlements and Other Liabilities had a balance of $3,165, a decrease of $2,404 from December 31, 2005. This drop was due to a decline in pending investment purchases at the end of the year.

Total employer contributions to the fund increased from $2,484 in 2005 to $3,053 in 2006. $329 of the $569 increase was due to statutorily defined matching employer contributions in the new PERA DC Plan, a component of the Voluntary Investment Program, with the remaining increase coming from additional employer contributions in the voluntary plan. Refunds from the plan decreased from $187,557 in 2005 to $108,485 primarily attributable to less money being transferred out of the plan to pay for purchased service credit in the Division Trust Funds.

Health Care Trust Fund—Receivables increased $2,995 to $16,876 in 2006 primarily due to a new receivable for the new Medicare Retiree Drug Subsidy that began in 2006.

Retiree health care premium payment contributions increased $22,801 to $85,673 in 2006 and benefit payments increased $29,205 to $164,755 in 2006. These increases were primarily a result of a change in one of the health plan options in the HCTF. This option began to include some risk due a change in drug coverage. As a result of this change, GASB statements 10 and 30 require a different accounting approach for these financial statements. When there is no health coverage risk, the only benefit payment recorded is the subsidy benefit which is equal to the difference between the premiums collected from the enrollees and the full premium due to the insurance company. Where the plan bears risk, all premiums collected are recorded as contributions and all claims or premiums paid are accounted for as benefit payments.

Life Insurance Reserve Program—Effective April 1, 2005, UnumProvident Insurance Company (Unum) became the new carrier and administrator for PERA's life insurance program. PERA's payment to Unum is based on a flexible funding premium agreement which limits the payments to the lesser of (1) the actual cumulative premiums collected or (2) an administrative fee plus actual claims paid. With the change to Unum, there is the potential for the plan to be exposed to year-to-year risk, although it is limited to the actual cumulative premiums collected. Under GASB Statements 10 and 30, the Life Insurance Reserve now accounts for all premiums collected as income and all claims paid as an expense. As the changes occurred for only a portion of 2005, the premium contributions and premium expenses increased in 2006 as compared to 2005. Premium expenses additionally increased due to claims experience and money being shifted from administrative expenses due to the flexible funding features of this arrangement with Unum. This shift also resulted in a decrease in the administrative costs for 2006 compared to 2005. Retiree life insurance premium payment contributions increased $1,599 to $8,950 in 2006, life insurance premium expenses increased $3,082 to $8,653 in 2006, and administrative expenses decreased $1,386 to $1,100 in 2006.

Management's Discussion and Analysis
(In Thousands of Dollars)

Comparative Financial Statements

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

Defined Benefit Pension Trust Funds Fiduciary Net Assets

	December 31, 2006	December 31, 2005	% Change
Assets			
Cash and short-term investments	**$984,560**	$544,768	80.7%
Securities lending collateral	**6,014,527**	5,164,968	16.4%
Receivables	**268,730**	306,792	(12.4%)
Investments, at fair value	**37,478,502**	33,809,940	10.9%
Capital assets, net of accumulated depreciation	**17,685**	19,146	(7.6%)
Total assets	**44,764,004**	39,845,614	12.3%
Liabilities			
Security lending obligations	**6,014,527**	5,164,968	16.4%
Investment settlements and other liabilities	**99,526**	151,848	(34.5%)
Total liabilities	**6,114,053**	5,316,816	15.0%
Net assets available for benefits	**$38,649,951**	**$34,528,798**	**11.9%**

Defined Benefit Pension Trust Funds Changes in Fiduciary Net Assets

	December 31, 2006	December 31, 2005	% Change
Additions			
Employer contributions	**$609,929**	$548,796	11.1%
Member contributions	**495,893**	476,215	4.1%
Purchased service	**106,561**	307,982	(65.4%)
Investment income	**5,275,827**	3,050,841	72.9%
Other	**28**	(7)	(500.0%)
Total additions	**6,488,238**	4,383,827	48.0%
Deductions			
Benefit payments	**2,178,015**	1,973,241	10.4%
Refunds	**150,732**	130,201	15.8%
Disability insurance premiums	**5,154**	4,502	14.5%
Administrative expenses	**21,231**	20,679	2.7%
Other	**11,953**	12,516	(4.5%)
Total deductions	**2,367,085**	2,141,139	10.6%
Changes in net assets available for benefits	**4,121,153**	2,242,688	83.8%
Net assets available for benefits			
Beginning of year	**34,528,798**	32,286,110	6.9%
End of year	**$38,649,951**	**$34,528,798**	**11.9%**

Management's Discussion and Analysis
(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 and to eligible State of Colorado choice members who have selected the Colorado PERA DC Plan as their retirement plan.

401(k) Voluntary Investment Program Fiduciary Net Assets

	December 31, 2006	December 31, 2005	% Change
Assets			
Cash and short-term investments	**$119,449**	$103,085	15.9%
Receivables	**52,228**	49,098	6.4%
Investments, at fair value	**1,354,327**	1,150,384	17.7%
Total assets	**1,526,004**	1,302,567	17.2%
Liabilities			
Investment settlements and other liabilities	**3,165**	5,569	(43.2%)
Total liabilities	**3,165**	5,569	(43.2%)
Net assets available for benefits	**$1,522,839**	**$1,296,998**	**17.4%**

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

	December 31, 2006	December 31, 2005	% Change
Additions			
Employer contributions	**$3,053**	$2,484	22.9%
Member contributions	**165,901**	182,257	(9.0%)
Investment income	**166,682**	96,423	72.9%
Other	**3,396**	2,964	14.6%
Total additions	**339,032**	284,128	19.3%
Deductions			
Refunds	**108,485**	187,557	(42.2%)
Administrative expenses	**4,706**	4,298	9.5%
Total deductions	**113,191**	191,855	(41.0%)
Changes in net assets available for benefits	**225,841**	92,273	144.8%
Net assets available for benefits			
Beginning of year	**1,296,998**	1,204,725	7.7%
End of year	**$1,522,839**	**$1,296,998**	**17.4%**

Management's Discussion and Analysis

(In Thousands of Dollars)

Other Postemployment Benefit 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

	December 31, 2006	December 31, 2005	% Change
Assets			
Cash and short-term investments	**$5,913**	$3,203	84.6%
Securities lending collateral	**36,121**	30,369	18.9%
Receivables	**16,876**	13,881	21.6%
Investments, at fair value	**225,081**	198,800	13.2%
Total assets	**283,991**	246,253	15.3%
Liabilities			
Security lending obligations	**36,121**	30,369	18.9%
Investment settlements and other liabilities	**21,020**	22,752	(7.6%)
Total liabilities	**57,141**	53,121	7.6%
Net assets available for benefits	**$226,850**	**$193,132**	**17.5%**

Health Care Trust Fund Changes in Fiduciary Net Assets

	December 31, 2006	December 31, 2005	% Change
Additions			
Employer contributions	**$64,547**	$61,193	5.5%
Retiree health care premium payments	**85,673**	62,872	36.3%
Medicare retiree drug subsidy	**12,481**	0	N/A
Investment income	**30,920**	17,665	75.0%
Other	**12,997**	13,609	(4.5%)
Total additions	**206,618**	155,339	33.0%
Deductions			
Benefit payments	**164,755**	135,550	21.5%
Administrative expenses	**8,145**	8,216	(0.9%)
Total deductions	**172,900**	143,766	20.3%
Changes in net assets available for benefits	**33,718**	11,573	191.4%
Net assets available for benefits			
Beginning of year	**193,132**	181,559	6.4%
End of year	**$226,850**	**$193,132**	**17.5%**

Management's Discussion and Analysis
(In Thousands of Dollars)

Private Purpose Trust Fund. The Life Insurance Reserve (LIR) 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 received from LIR are used to pay the internal administrative costs of the plan.

Life Insurance Reserve Fiduciary Net Assets

	December 31, 2006	December 31, 2005	% Change
Assets			
Cash and short-term investments	$442	$245	80.4%
Securities lending collateral	2,700	2,323	16.2%
Receivables	56	67	(16.4%)
Investments, at fair value	16,828	15,206	10.7%
Total assets	20,026	17,841	12.2%
Liabilities			
Security lending obligations	2,700	2,323	16.2%
Investment settlements and other liabilities	804	818	(1.7%)
Total liabilities	3,504	3,141	11.6%
Net assets available for benefits	**$16,522**	**$14,700**	**12.4%**

Life Insurance Reserve Changes in Fiduciary Net Assets

	December 31, 2006	December 31, 2005	% Change
Additions			
Life insurance premium payments	$8,950	$7,351	21.8%
Investment income	2,625	1,652	58.9%
Total additions	11,575	9,003	28.6%
Deductions			
Life insurance premiums	8,653	5,571	55.3%
Administrative expenses	1,100	2,486	(55.8%)
Total deductions	9,753	8,057	21.1%
Changes in net assets available for benefits	1,822	946	92.6%
Net assets available for benefits			
Beginning of year	14,700	13,754	6.9%
End of year	**$16,522**	**$14,700**	**12.4%**

Statement of Fiduciary Net Assets

As of December 31, 2006, With Comparative Totals for 2005
(In Thousands of Dollars)

	State Division Trust Fund	School Division Trust Fund	Local Government Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans
Assets					
Cash and short-term investments					
Cash and short-term investments	$357,435	$551,482	$70,024	$5,619	$984,560
Securities lending collateral	2,183,518	3,368,921	427,762	34,326	6,014,527
Total cash and short-term investments	2,540,953	3,920,403	497,786	39,945	6,999,087
Receivables					
Benefit	61,025	66,973	12,857	1,879	142,734
Interfund	1,254	0	0	30	1,284
Investment settlements and income	45,275	69,855	8,870	712	124,712
Total receivables	107,554	136,828	21,727	2,621	268,730
Investments, at fair value:					
Fixed income	3,050,211	4,706,132	597,551	47,951	8,401,845
Domestic stocks	6,042,704	9,323,211	1,183,795	94,995	16,644,705
International stocks	2,247,312	3,467,350	440,259	35,329	6,190,250
Alternative investments	1,147,610	1,770,633	224,822	18,041	3,161,106
Real estate equity	950,581	1,466,639	186,224	14,944	2,618,388
Real estate debt	18,419	28,418	3,608	290	50,735
Timber investments	149,381	230,479	29,265	2,348	411,473
Total investments, at fair value	13,606,218	20,992,862	2,665,524	213,898	37,478,502
Capital assets, at cost, net of accumulated depreciation of $21,673 and $22,132 at December 31, 2006, and 2005, respectively	5,671	10,375	1,622	17	17,685
Total assets	16,260,396	25,060,468	3,186,659	256,481	44,764,004
Liabilities					
Investment settlements and other liabilities	35,619	54,726	7,410	492	98,247
Securities lending obligations	2,183,517	3,368,922	427,762	34,326	6,014,527
Interfund	0	863	416	0	1,279
Total liabilities	2,219,136	3,424,511	435,588	34,818	6,114,053
Commitments and contingencies (Note 7)					
Net assets held in trust for pension plan benefits, other postemployment benefits, and Life Insurance Reserve participants	**$14,041,260**	**$21,635,957**	**$2,751,071**	**$221,663**	**$38,649,951**
Net assets held for:					
Defined benefit pension plan benefits[1]	$14,041,260	$21,635,957	$2,751,071	$221,663	$38,649,951
Defined contribution pension plan benefits	0	0	0	0	0
Other postemployment benefits[1]	0	0	0	0	0
Private purpose trust fund participants	0	0	0	0	0
Net assets held in trust for pension plan benefits, other postemployment benefits, and Life Insurance Reserve participants	**$14,041,260**	**$21,635,957**	**$2,751,071**	**$221,663**	**$38,649,951**

[1] A schedule of funding progress is presented for each plan on pages 56–57.
The accompanying notes are an integral part of these financial statements.

Statement of Fiduciary Net Assets

As of December 31, 2006, With Comparative Totals for 2005
(In Thousands of Dollars)

401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Life Insurance Reserve	Combined Totals 2006	Combined Totals 2005
$119,449	$1,104,009	$5,913	$442	**$1,110,364**	$651,301
0	6,014,527	36,121	2,700	**6,053,348**	5,197,660
119,449	7,118,536	42,034	3,142	**7,163,712**	5,848,961
51,202	193,936	15,262	0	**209,198**	213,547
0	1,284	865	0	**2,149**	3,583
1,026	125,738	749	56	**126,543**	152,708
52,228	320,958	16,876	56	**337,890**	369,838
211,133	8,612,978	50,458	3,772	**8,667,208**	8,048,519
983,413	17,628,118	99,962	7,473	**17,735,553**	15,656,809
159,781	6,350,031	37,176	2,780	**6,389,987**	5,972,609
0	3,161,106	18,984	1,419	**3,181,509**	2,985,450
0	2,618,388	15,725	1,176	**2,635,289**	2,018,110
0	50,735	305	23	**51,063**	105,271
0	411,473	2,471	185	**414,129**	387,562
1,354,327	38,832,829	225,081	16,828	**39,074,738**	35,174,330
0	17,685	0	0	**17,685**	19,146
1,526,004	46,290,008	283,991	20,026	**46,594,025**	41,412,275
2,295	100,542	21,020	804	**122,366**	177,404
0	6,014,527	36,121	2,700	**6,053,348**	5,197,660
870	2,149	0	0	**2,149**	3,583
3,165	6,117,218	57,141	3,504	**6,177,863**	5,378,647
$1,522,839	**$40,172,790**	**$226,850**	**$16,522**	**$40,416,162**	**$36,033,628**
$0	$38,649,951	$0	$0	**$38,649,951**	$34,528,798
1,522,839	1,522,839	0	0	**1,522,839**	1,296,998
0	0	226,850	0	**226,850**	193,132
0	0	0	16,522	**16,522**	14,700
$1,522,839	**$40,172,790**	**$226,850**	**$16,522**	**$40,416,162**	**$36,033,628**

Statement of Changes in Fiduciary Net Assets

For the Year Ended December 31, 2006, With Comparative Combined Totals for 2005
(In Thousands of Dollars)

	State Division Trust Fund	School Division Trust Fund	Local Government Division Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans
Additions					
Contributions					
Employers	$208,795	$336,703	$60,664	$3,767	$609,929
Members	169,965	272,589	51,047	2,292	495,893
Purchased service	39,480	50,806	14,461	1,814	106,561
Retiree health care and life premiums	0	0	0	0	0
Medicare retiree drug subsidy	0	0	0	0	0
Total contributions	418,240	660,098	126,172	7,873	1,212,383
Investment income					
Net appreciation in fair value of investments	1,626,796	2,501,395	312,608	25,335	4,466,134
Interest	145,916	224,248	27,976	2,267	400,407
Dividends	130,173	200,054	24,958	2,023	357,208
Real Estate, Alternative Investment, and Timber net operating income	57,003	87,603	10,929	886	156,421
Less investment expense	(46,391)	(71,295)	(8,894)	(721)	(127,301)
Net income from investing activities	1,913,497	2,942,005	367,577	29,790	5,252,869
Securities lending income	124,895	191,943	23,946	1,941	342,725
Less securities lending borrower rebates	(115,106)	(176,899)	(22,069)	(1,789)	(315,863)
Less securities lending agent fees	(1,423)	(2,186)	(273)	(22)	(3,904)
Net income from securities lending	8,366	12,858	1,604	130	22,958
Net investment income	1,921,863	2,954,863	369,181	29,920	5,275,827
Other additions	1	23	4	0	28
Total additions	2,340,104	3,614,984	495,357	37,793	6,488,238
Deductions					
Benefits					
Benefits paid to retirees/cobeneficiaries	837,220	1,202,758	102,333	10,404	2,152,715
Benefits paid to survivors	12,009	11,117	1,823	351	25,300
Benefits paid to health care participants	0	0	0	0	0
Total benefits	849,229	1,213,875	104,156	10,755	2,178,015
Refunds of contribution accounts, including match and interest	65,911	68,493	16,328	0	150,732
Disability and life insurance premiums	1,772	2,829	529	24	5,154
Administrative expenses	7,889	11,523	1,800	19	21,231
Other deductions/(transfers)	3,103	9,909	(1,056)	(3)	11,953
Total deductions	927,904	1,306,629	121,757	10,795	2,367,085
Net increase in assets available	**1,412,200**	**2,308,355**	**373,600**	**26,998**	**4,121,153**
Net assets available for pension plan benefits, other postemployment benefits and Life Insurance Reserve participants					
Beginning of year	**12,629,060**	**19,327,602**	**2,377,471**	**194,665**	**34,528,798**
End of year	**$14,041,260**	**$21,635,957**	**$2,751,071**	**$221,663**	**$38,649,951**

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

Statement of Changes in Fiduciary Net Assets

For the Year Ended December 31, 2006, With Comparative Combined Totals for 2005
(In Thousands of Dollars)

401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Life Insurance Reserve	Combined Totals 2006	Combined Totals 2005
$3,053	$612,982	$64,547	$0	**$677,529**	$612,473
165,901	661,794	0	0	**661,794**	658,472
0	106,561	0	0	**106,561**	307,982
0	0	85,673	8,950	**94,623**	70,223
0	0	12,481	0	**12,481**	0
168,954	1,381,337	162,701	8,950	**1,552,988**	1,649,150
137,203	4,603,337	26,186	2,035	**4,631,558**	2,339,176
10,714	411,121	2,341	182	**413,644**	356,121
18,721	375,929	2,088	383	**378,400**	339,512
0	156,421	915	71	**157,407**	255,672
(1)	(127,302)	(744)	(57)	**(128,103)**	(134,801)
166,637	5,419,506	30,786	2,614	**5,452,906**	3,155,680
811	343,536	2,004	156	**345,696**	160,379
(758)	(316,621)	(1,847)	(143)	**(318,611)**	(147,215)
(8)	(3,912)	(23)	(2)	**(3,937)**	(2,263)
45	23,003	134	11	**23,148**	10,901
166,682	5,442,509	30,920	2,625	**5,476,054**	3,166,581
3,396	3,424	12,997	0	**16,421**	16,566
339,032	6,827,270	206,618	11,575	**7,045,463**	4,832,297
0	2,152,715	0	0	**2,152,715**	1,949,182
0	25,300	0	0	**25,300**	24,059
0	0	164,755	0	**164,755**	135,550
0	2,178,015	164,755	0	**2,342,770**	2,108,791
108,485	259,217	0	0	**259,217**	317,758
0	5,154	0	8,653	**13,807**	10,073
4,706	25,937	8,145	1,100	**35,182**	35,679
0	11,953	0	0	**11,953**	12,516
113,191	2,480,276	172,900	9,753	**2,662,929**	2,484,817
225,841	**4,346,994**	**33,718**	**1,822**	**4,382,534**	**2,347,480**
1,296,998	**35,825,796**	**193,132**	**14,700**	**36,033,628**	**33,686,148**
$1,522,839	**$40,172,790**	**$226,850**	**$16,522**	**$40,416,162**	**$36,033,628**

Notes to the Financial Statements
(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 Division Trust Fund, School Division Trust Fund, Local Government Division Trust Fund, and Judicial Division Trust Fund (Division Trust Funds). Prior to January 1, 2006, the State and School Division Fund were merged and the Local Government Division Trust Fund was known as the Municipal Division Trust Fund. PERA also administers a cost-sharing multiple-employer defined benefit other postemployment benefit plan (Health Care Trust Fund, see Note 9), a private purpose trust fund (Life Insurance Reserve), and a multiple-employer Internal Revenue Code (IRC) Section 401(k) defined contribution plan (Voluntary Investment Program, see Note 8). 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 Life Insurance Reserve is placed with the Board of Trustees (the Board) of PERA. The State Division Trust Fund was established in 1931, the School and Local Government Division Trust Funds in 1944, and the Judicial Division Trust Fund in 1949. The State and School Division Trust Funds were combined in 1997 and separated in 2006.

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

	As of December 31 2006
State	69
School	196
Local Government	134
Judicial	6
Total employers	**405**

Membership

Division Trust Funds-Defined Benefit Pension Plans

Benefit recipients and members of PERA consisted of the following as of December 31, 2006, and with comparative combined totals for 2005:

	State Division	School Division	Local Government Division	Judicial Division	2006	2005
Retirees and beneficiaries (including deferred survivors)	28,804	42,127	3,835	258	**75,024**	71,401
Terminated employees entitled to benefits but not yet receiving benefits	4,349	8,584	961	13	**13,907**	13,289
Inactive members	44,584	65,777	12,461	4	**122,826**	112,534
Active members						
Vested						
General Employees	28,905	57,835	7,129	225	**94,094**	91,152
State Troopers	561	0	0	0	**561**	563
Non-Vested						
General Employees	23,191	55,453	8,830	66	**87,540**	88,703
State Troopers	209	0	0	0	**209**	212
Total Actives	52,866	113,288	15,959	291	**182,404**	180,630
Grand Totals	**130,603**	**229,776**	**33,216**	**566**	**394,161**	377,854

Voluntary Investment Program

See Note 8.

Health Care Trust Fund

See Note 9.

Benefit Provisions

Division Trust Funds-Defined Benefit Pension Plans
Benefit provisions for the Colorado PERA defined benefit plans are specified in Title 24, Article 51 of Colorado Revised Statutes. These provisions may be amended by the Colorado General Assembly.

State Division Trust Fund Retirement Plan Choice
Pursuant to legislation passed in 2004 (Senate Bill 04-257), effective January 1, 2006, certain new employees hired by State government became eligible to select a retirement plan in which to participate. Prior to the passage of this legislation, most new State employees were automatically enrolled in the State Division Trust Fund. Beginning on January 1, 2006, new State employees could select to participate in the State Division Trust Fund, the newly created Colorado PERA Defined Contribution Plan (PERA DC), which is a component of the 401(k) Voluntary Investment Program, or the State Defined Contribution Plan (State DC). New State employees eligible for retirement plan choice are employed by State Agencies and Departments. State employees who work for institutions of higher education and for Instrumentalities of the State are not eligible for retirement plan choice.

Provisions of SB 04-257 include the following:

- If a new State employee had participated in the State Division Trust Fund or the State DC Plan within the past 12 months, they were automatically enrolled in the plan in which they had last contributed.
- If a retirement plan choice-eligible employee did not make an active election within 60 days of starting employment, the employee was enrolled in the State Division Trust Fund.
- New State employees who elected to participate in the State Division Trust Fund or PERA DC plan are allowed a one-time election to switch from one plan to the other after the first year and until the fifth year of participation.
- Employee contribution to the State Division Trust Fund, PERA DC, and State DC plans is 8 percent of salary (State Troopers and Colorado Bureau of Investigation (CBI) Agents contribute 10.0 percent).
- Employer contribution to the State Division Trust Fund, PERA DC, and State DC plans is 10.15 percent (12.85 percent for State Troopers and CBI Agents).

Member Accounts
As defined at C.R.S. §24-51-101(42), PERA members (all Division Trust Funds unless otherwise noted) contribute 8 percent of their PERA-includable salary to their individual accounts; State Troopers contribute 10 percent. State law authorizes the PERA Board to annually determine the interest to be credited to member accounts. Beginning July 1, 2004, the Board set the interest rate at 5 percent compounded annually. The rate currently remains at 5 percent. In no event shall the Board specify a rate that exceeds 5 percent.

Upon termination of PERA-covered employment, members may opt to withdraw or refund their account in lieu of future monthly benefits. Such a withdrawal cancels a member's service credit and benefit entitlements.

Members who withdraw their accounts before reaching retirement eligibility, as described below, receive a refund of their member account, plus interest plus a 50 percent match. Members who withdraw their accounts upon reaching retirement eligibility or age 65 receive their member account, plus interest plus a 100 percent match. State law specifies the amounts credited to a member account upon which the match is determined.

Service Credit
Members earn service credit for each month of work performed and salary earned for a PERA-affiliated employer. A full month of service credit is earned for each month of work and salary equal to 80 multiplied by the federal minimum hourly wage in effect for that month. Earned salary which is less than this amount results in a partial month of service credit.

Eligible members may purchase additional service credit based upon (1) other employment that is not covered by another retirement program or (2) the service credit forfeited as the result of a withdrawn account. Such service credit purchases are subject to limits in State and federal law. The amounts used to purchase service credit are credited to the member's account and are eligible for interest, but no match.

Notes to the Financial Statements
(In Thousands of Dollars)

Highest Average Salary
The plan benefits described below are generally calculated as a percentage of the member's highest average salary (HAS).

For all members, except judges, who retire before January 1, 2009:

- HAS is 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. The three 12–month periods do not have to be consecutive nor do they have to be the last three years of employment.
- A 15 percent annual limit in actual salary increases applies if any salary used in the HAS calculation is from the three years prior to retirement.

For all members, except judges, who retire on or after January 1, 2009:

- HAS is 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 cumulative annual limit in salary increases applies if any salary used in the HAS calculation is from the three years prior to retirement. In addition, a base year salary, the fourth highest year, is added to determine the starting point of the 15 percent limit. The four 12–month periods do not have to be consecutive nor do they have to include the last three years of employment.

For Judicial Division members (judges):

- HAS is the highest salary associated with one period of 12 consecutive months of service credit.

Service Retirement Benefits
The age and service requirements to be eligible for a service retirement benefit or a reduced service retirement benefit are listed below:

Service Retirement Eligibility for Members (other than State Troopers) hired before July 1, 2005

Age Requirement (in years)	Service Credit Requirement (in years)
50	30
55	Age and Service = 80 or more
60	20
65	5
65	Less than 5 but 60 payroll postings

Service Retirement Eligibility for Members (other than State Troopers) hired on or after July 1, 2005, but before January 1, 2007

Age Requirement (in years)	Service Credit Requirement (in years)
Any Age	35
55	30
55	Age and Service = 85 or more
60	20
65	5
65	Less than 5 but 60 payroll postings

Service Retirement Eligibility for State Troopers

Age Requirement (in years)	Service Credit Requirement (in years)
Any Age	30
50	25
55	20
65	5
65	Less than 5 but 60 payroll postings

Notes to the Financial Statements
(In Thousands of Dollars)

A service retirement benefit is the higher of the following two formulas:

- Defined Benefit Formula
  HAS × 2.5% × Years of Service Credit
- Money Purchase Formula
  An annuity is calculated using the retiring member's life expectancy, expected rates of return and other actuarial factors, and the value of the retiring member's account plus a 100 percent match on eligible amounts as of the date of retirement

Members with less than five years of service credit and less than 60 payroll postings are eligible at age 65 for the money purchase formula only.

Members in the Judicial Division who were on the bench on or before July 1, 1973, will receive the higher of the above service retirement calculation or the following:

[(4% × Years of Service Credit 1−10) + (1.66% × Years of Service Credit Over 10−16) + (1.5% × Years of Service Credit Over 16−20) + (2.5% × Years of Service Credit over 20)]

In all cases, a service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit amount allowed by federal law.

Reduced Service Retirement
The age and service requirements to be eligible for a reduced service retirement benefit are listed below:

Reduced Service Retirement Eligibility

Age Requirement (in years)		Service Credit Requirement (in years)
50		25
50	State Troopers only	20
55		20
65		5

Reduced service retirement benefits are calculated in the same manner as a service retirement benefit with a reduction for each month prior to the member's first eligible date for a service retirement. The reduction factors are specified in C.R.S. §24-51-605.

Benefit Options
Members may elect to receive their retirement benefits in the form of a single-life benefit payable for the retiree's lifetime only or one of two joint-life benefits payable for the lifetime of the retiree with a continuing benefit paid upon the retiree's death to the retiree's "cobeneficiary." Such option designations may only be changed under limited conditions specified in State law.

Disability Program
PERA members with five or more years of earned service credit, with at least six months of this credit earned since the most recent period of membership, are covered by the PERA Disability Program. The two-tier program consists of short-term disability (STD) payments and disability retirement.

PERA staff determines if the eligible member has met the statutory requirements to be covered by the program and a separate Disability Program Administrator, Standard Insurance Company, determines whether the member is eligible for STD, disability retirement, or not disabled.

Short-Term Disability (STD)—STD payments are made to eligible members who are found to be 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. STD payments are paid by Standard Insurance Company. 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 salary.

Disability Retirement Benefits—Disability retirement benefits are paid by PERA as a plan benefit to eligible members who are found to be totally and permanently mentally or physically incapacitated from regular and substantial gainful employment. Disability retirement benefits are calculated based on the eligible member's HAS, and earned, purchased, or projected service credit.

Notes to the Financial Statements
(In Thousands of Dollars)

Disability retirement benefits are paid to the disability retiree for as long as the disability retiree remains disabled. Disability retirees may elect to receive their benefits in the form of a single benefit or one of two joint-life benefits.

Survivor Benefits Program
PERA members who have at least one year of earned service credit are covered by the PERA Survivor Benefits Program. In the event of the covered member's death, monthly survivor benefits may be paid to the qualified survivors of the deceased. Qualified survivors generally include minor children, a surviving spouse, dependent parents, or a cobeneficiary (for deceased members who were eligible for retirement at the time of death).

Benefits are specified in statute and vary based upon the deceased's HAS, years of service credit, the qualified survivor to whom benefits are to be paid, and the number of qualified survivors receiving benefits.

The one-year requirement is waived if the death is job related.

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

Post-Retirement Annual Increases in Benefits
On an annual basis, retirement benefits, disability retirement benefits, and survivor benefits are increased. The amount and timing of the annual increase is determined by the date the retiree or deceased member was hired as a PERA member.

For service and disability retirees who were hired before June 30, 2005, and for survivor benefit recipients of deceased members who were hired before June 30, 2005, the annual increase is 3.5 percent, compounded annually. The first annual increase occurs in the March that immediately follows the calendar year in which the benefit recipient began receiving benefits. If benefits have been payable for less than a full year, but at least three months, a prorated annual increase is made.

For service and disability retirees who were hired on and after July 1, 2005, but before January 1, 2007, and for survivor benefit recipients of deceased members who were hired on or after July 1, 2005, but before January 1, 2007, the annual increase is the lower of 3 percent or the actual change in the Consumer Price Index, compounded annually. If benefits have been payable for less than a full year, but at least three months, a prorated annual increase is made.

Voluntary Investment Program
See Note 8.

Health Care Trust Fund
See Note 9.

Pension Plan Disclosure Statements for PERA Employees
All employees of PERA, an affiliated employer, are members of the State Division Trust Fund and earn and accrue benefits as would any other member as described above. As an affiliated employer of the State Division Trust Fund, PERA also contributes to the Health Care Trust Fund (see Note 9) and employees are able to voluntarily participate in the Voluntary Investment Program (see Note 8).

PERA's employer contributions to the State Division Trust Fund for the years ending December 31, 2006, 2005, and 2004, were $1,518, $1,474, and $1,258, respectively, equal to its required contributions for each year. PERA's member contributions to the State Division Trust Fund for the years ended December 31, 2006, 2005, and 2004, were $1,254, $1,283, and $1,160, respectively. PERA's contributions to the Health Care Trust Fund for the years ending December 31, 2006, 2005, and 2004, were $161, $164, and $154, respectively, equal to its required contributions for each year. The 401(k) Plan member contributions from PERA for the years ended December 31, 2006, 2005, and 2004, were $1,513, $1,526, and $1,295, respectively. The PERA MatchMaker contributions to the 401(k) Plan for the years ended December 31, 2006, 2005, and 2004, were $0, $0, and $60, respectively. In addition to the MatchMaker program, PERA also provides its employees with an employer match to their contributions to the 401(k) Plan, and the totals for the years ended December 31, 2006, 2005, and 2004 were $277, $274, and $256, respectively.

Life Insurance Reserve
The Life Insurance Reserve (LIR) 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 received from LIR are used to pay the internal administrative costs of the plan.

(In Thousands of Dollars)

Termination of Colorado PERA

If PERA is partially or fully terminated for any reason, State law (C.R.S. § 24-51-217) 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, 28, 34, 37, and 43 as well as generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

In April 2004, the GASB issued Statement No. 43, "Financial Reporting for Postemployment Benefits Other Than Pensions." PERA adopted the provisions of this standard for the year ended December 31, 2006.

In May 2004, the GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1." PERA adopted the provisions of this standard for the year ended December 31, 2006, and the additional reporting can be found in the Statistical Section.

In June 2006, the GASB issued Technical Bulletin No. 2006-1, "Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D." PERA adopted the provisions of this standard for the year ended December 31, 2006.

Basis of Accounting

The accompanying financial statements for the pension trust funds, the private purpose trust fund, and the other postemployment benefit 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 compensation becomes payable 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.

Fund Accounting

The financial activities of the State Division Trust Fund, the School Division Trust Fund, the Local Government Division Trust Fund, the Judicial Division Trust Fund, the HCTF, the LIR, and the Voluntary Investment Program are recorded in separate funds. The State, School, Local Government, 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 LIR 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, 2006, the ownership percentages of each fund were as follows:

	Ownership Percentage As of December 31, 2006
State	36.07%
School	55.65
Local Government	7.07
Judicial	0.57
HCTF	0.60
LIR	0.04
Total	100.00%

Notes to the Financial Statements
(In Thousands of Dollars)

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 LIR, and the Voluntary Investment Program based on transactional volumes and resources devoted to these funds.

Fair Value of Investments
Plan investments are presented at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Fixed income securities not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of directly-owned real estate investments and open-end commingled funds and timber are based on periodic independent appraisals. Closed-end commingled real estate equity and alternative investment funds are valued based on the capital account balances at the closest available reporting period, as communicated by the general partner, adjusted for subsequent contributions, distributions, management fees, and reserves, if applicable. The fair value could differ significantly if a ready market for these assets existed. Real estate debt is valued on the basis of future principal and interest payments and is discounted at prevailing interest rates for similar instruments. 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.

Health Care Trust Fund Specific Policies
See Note 9.

Note 3—Interfund Transfers and Balances
Interfund transfers of assets take place on a regular recurring basis between the Trust Funds. The transfers take place when a benefit is initiated where the member earned or purchased service in another Trust Fund in addition to the fund that is paying the benefit. The transfers for the year ended December 31, 2006, consisted of the following amounts:

Interfund Transfers	State Division Trust Fund	School Division Trust Fund	Local Government Division Trust Fund	Judicial Division Trust Fund	Health Care Trust Fund
Transfers in from other Funds for retirements	$19,317	$14,422	$4,448	$767	$–
Transfers out to other Funds for retirements	17,413	18,577	2,310	654	–
Transfers in from other Funds for survivor benefits	11	87	0	0	–
Transfers out to other Funds for survivor benefits	87	11	0	0	–
Transfers out to Health Care Trust Fund	4,808	5,783	1,072	110	–
Transfer in for purchased service credit	$–	$–	$–	$–	$11,773

As of December 31, 2006, interfund balances existed between funds due to unprocessed employer payroll files received at year end, allocation variances in depreciated fixed assets, and unreimbursed internal operating expenses. All December 31, 2006, interfund balances will be reimbursed in 2007. The Interfund Balance at December 31, 2006, consisted of the following amounts:

	State Division Trust Fund	School Division Trust Fund	Local Government Division Trust Fund	Judicial Division Trust Fund	401(k) Voluntary Investment Plan	Health Care Trust Fund
Interfund Balances	$1,254	($863)	($416)	$30	($870)	$865

(In Thousands of Dollars)

Note 4—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 PERA-includable salary, 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 active member payroll. Also, employers that rehire a PERA retiree as an employee or under any other work arrangement, are required to report and pay employer contributions on the amounts paid for the retiree. The contribution rates for the combined retirement benefits and health care benefits from January 1, 2006, through December 31, 2006, were as follows:

Total Employer Contributions as a Percent of Members' Salaries

Division	Membership	Employer Contribution Rate	Amortization Equalization Disbursement	Total Employer Contribution Rate
State	All members (except State Troopers)	10.15%	0.50%	10.65%
State	State Troopers	12.85%	0.50%	13.35%
School	All members	10.15%	0.50%	10.65%
Local Government	All members	10.00%	0.50%	10.50%
Judicial	All members	13.66%	0.50%	14.16%

Beginning January 1, 2006, employers were required to pay an "Amortization Equalization Disbursement" (AED). This payment will be used to help amortize PERA's unfunded liability. At such time as a Division Trust Fund is determined in the annual actuarial valuation to have reached a 30-year or less amortization period of its unfunded liabilities, the Board shall commission an actuarial study to assess the AED and the Board may make appropriate recommendations to the General Assembly. The AED shall continue until the actuarial funded ratio of a particular Division Trust Fund is 100 percent as determined in the annual actuarial study of the Association. The actuary shall determine the amount by which the AED can be reduced and still maintain the actuarial funded ratio of 100 percent.

PERA-affiliated employers forward the contributions to PERA for deposit. A portion of these contributions (1.02 percent), which are for health care benefits, are transferred to the HCTF with the remainder of these contributions being transferred to a trust fund established for each Division for the purpose of creating actuarial reserves for future benefits.

Replacement Benefit Arrangements

IRC §415 limits the amount of the benefit payable to a retiree in a defined benefit plan. For some, the IRC limit is lower than the benefit that would normally be calculated under the plan provisions. IRC §415(m) allows a government plan to set up a "qualified governmental excess benefit arrangement" to pay the difference to those retirees. To accomplish this, Colorado PERA has entered into agreements with the employers who last employed the affected retirees. Under the agreement, a portion of current employer contributions are used by employers to pay the retiree to make up the benefit difference. In 2006, employers under these agreements used the following current employer contributions to pay retirees: $477 in the State Division: $82 in the School Division; $104 in the Local Government Division; and $0 in the Judicial Division.

Voluntary Investment Program

See Note 8.

Health Care Trust Fund

See Note 9.

Notes to the Financial Statements
(In Thousands of Dollars)

Note 5—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.

Cash

PERA has no formal policy regarding custodial credit risk for deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, PERA would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party. All of PERA's deposits are insured and/or collateralized by securities held by PERA's agent in PERA's name. Therefore, at December 31, 2006, PERA had no cash deposits that were exposed to custodial credit risk.

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested, thus causing a possible negative book balance. Negative book balances are reflected in the liabilities section of the Statement of Fiduciary Net Assets.

The carrying value of cash and short-term investments at December 31, 2006, on the Statement of Fiduciary Net Assets includes short-term fixed income of $334,622 and deposit and money market funds of $775,742 for a total of $1,110,364. PERA considers fixed income and real estate debt investments purchased with a maturity of 12 months or less to be short-term investments.

The table below presents the PERA combined total deposits and money market funds as of December 31, 2006.

	Carrying Value	Bank Balance
Deposits with banks (fully insured by federal depository insurance)	$1,742	$1,742
Deposits held at bank (fully collateralized by underlying securities, held by PERA's agent in PERA's name)	13,860	13,860
Money market funds held at bank (fully collateralized by underlying securities, held by PERA's agent in PERA's name)	760,140	760,140
Total deposits and money market funds	**$775,742**	**$775,742**

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.

The table on the following page represents the balances relating to the securities lending transactions at December 31, 2006. (Amounts are reported at fair value.)

Notes to the Financial Statements
(In Thousands of Dollars)

Securities Lent	Underlying Securities	Securities Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
Fixed income	$3,149,284	$–	$3,226,096
Domestic stocks	2,281,138	–	2,345,171
International stocks	460,591	–	482,081
Subtotal	5,891,013	–	6,053,348
Lent for securities collateral:			
Fixed income	113,462	116,431	
Domestic stocks	80,347	82,411	–
International stocks	452,329	479,177	–
Subtotal	646,138	678,019	–
Grand Total	**$6,537,151**	**$678,019**	**$6,053,348**

As of December 31, 2006, 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 lending agent provides that the lending agent will indemnify PERA if loaned securities are not returned and PERA suffers direct losses due to a borrower's default or the lending agent's noncompliance 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, 2006.

PERA or the borrower can terminate any security loan on demand. Though every loaned security can be sold and reclaimed at any time from the borrower, the weighted average loan life of overall loans was 180 days as of December 31, 2006. 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 (45.4 percent), The Northern Trust Company's Short-Term Advantage Fund (4.5 percent), and The Northern Trust Company's Global Core Collateral Section (50.1 percent). The weighted average maturities of these funds as of December 31, 2006, were 86, 257, and 41 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, 2006, and December 31, 2005.

	Carrying Amount (Fair Value) of Underlying Securities December 31, 2006	Carrying Amount (Fair Value) of Underlying Securities December 31, 2005
Fixed income	**$3,262,747**	$3,227,441
Domestic stocks	**2,361,484**	1,835,916
International stocks	**912,920**	943,571
Total	**$6,537,151**	**$6,006,928**

As of December 31, 2006, the fair value of lent securities was $6,537,151. The fair value of associated collateral was $6,731,367. Of this amount, $6,053,348 represents the fair value of cash collateral and $678,019 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 $23,148 for the year ended December 31, 2006. Included in net securities lending income is $827 from commingled funds. As of December 31, 2005, the fair value of lent securities was $6,006,928. The fair value of associated collateral was $6,190,135. Of this amount, $5,197,660 represents the fair value of cash collateral and $992,475 represents the fair value of the non-cash collateral. PERA's income net of expenses from securities lending was $10,901 for the year ended December 31, 2005. Included in net securities lending income is $509 from commingled funds.

In accordance with GASB 40, PERA discloses investments that are subject to custodial credit risk, concentration of credit risk, credit risk, interest rate risk and foreign currency risk.

Custodial Credit Risk

PERA has no formal policy for custodial credit risk for investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, PERA would not be able to recover the value of investment or collateral securities

Notes to the Financial Statements
(In Thousands of Dollars)

that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in PERA's name and are held by either a counter party or the counter party's trust department or agent but not in PERA's name. Northern Trust Company is the master custodian for the majority of PERA's securities. At December 31, 2006, there were no investments or collateral securities subject to custodial credit risk.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss that may be attributed to the magnitude of PERA's investment in a single issuer. C.R.S. § 24-51-206 (3) requires that no investment of the fund in common or preferred stock, or both, of any single corporation shall be of an amount which exceeds 5 percent of the then book value of the fund, nor shall the fund acquire more than 12 percent of the outstanding stock or bonds of any single corporation. The 12 percent requirement does not apply to governmental securities (U.S. Treasuries, sovereigns, etc.), GSE securities (agencies including FNMA, FHLMC, etc.), mortgage-backed securities (agency or non-agency), commercial mortgage-backed securities (CMBS), asset-backed securities, or municipal securities. There is no single issuer exposure that comprises 5 percent of the then book value of the fund and no holdings greater than 12 percent of the outstanding stock or bonds of any single corporation at December 31, 2006.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. PERA's credit risk policy is as follows: PERA has established policies and guidelines for each fixed income portfolio specifying (1) the types of securities that can be acquired and (2) the appropriate ratings for securities that are acquired. In addition, portfolios have limits on the amount of securities that can be held below certain specified ratings. The following table provides PERA's Standard & Poor's (S&P) credit quality ratings at December 31, 2006:

Credit Quality Rating Dispersion Schedule

Quality Rating S & P	Grand Total	U.S. Govt Mortgage-Backed Securities (MBS)	U.S. Corporate Bonds	Implicit U.S. Govt Agencies	Non-U.S. Corporate Bonds	Non-U.S. Govt Bonds	Non-U.S. Govt Agencies	Non-Agency MBS	U.S. Municipal Bonds	Real Estate Debt
AGENCY	$2,404,368	$2,244,212	$–	$160,156	$–	$–	$–	$–	$–	$–
AAA	593,269	–	60,821	323,067	24,615	27,114	78,196	79,456	–	–
AA+	57,408	–	27,738	–	29,670	–	–	–	–	–
AA	85,333	–	64,149	–	3,001	18,183	–	–	–	–
AA-	258,301	–	188,258	–	18,078	–	51,965	–	–	–
A+	250,765	–	228,601	–	10,286	11,878	–	–	–	–
A	277,485	–	230,168	–	23,329	27	23,961	–	–	–
A-	184,276	–	103,353	–	80,923	–	–	–	–	–
BBB+	301,591	–	182,433	–	57,940	61,218	–	–	–	–
BBB	344,222	–	245,734	–	60,477	38,011	–	–	–	–
BBB-	100,179	–	85,706	–	14,473	–	–	–	–	–
BB+	82,086	–	57,286	–	9,827	14,973	–	–	–	–
BB	107,544	–	50,591	–	2,914	54,039	–	–	–	–
BB-	169,481	–	99,175	–	7,129	63,177	–	–	–	–
B+	91,810	–	77,989	–	7,514	6,307	–	–	–	–
B	141,394	–	126,546	–	14,218	630	–	–	–	–
B-	69,126	–	59,475	–	8,621	1,030	–	–	–	–
CCC+	10,962	–	10,962	–	–	–	–	–	–	–
CCC	2,051	–	2,051	–	–	–	–	–	–	–
NR[1]	222,334	–	35,296	13,972	44,819	1,001	10,010	24,541	41,632	51,063
Subtotal	$5,753,985	$2,244,212	$1,936,332	$497,195	$417,834	$297,588	$164,132	$103,997	$41,632	$51,063
U.S. Govts	1,027,791									
Explicit U.S. Govt Agencies	227,777									
U.S. Lehman Aggregate Pooled Investment	1,832,207									
Total	**$8,841,760**									

1 Not rated by S&P.

Notes to the Financial Statements
(In Thousands of Dollars)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PERA utilizes effective duration as the primary measure of interest rate risk within its fixed income investments. Duration estimates the sensitivity of a bond's price to interest rate changes. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds, mortgage-backed securities and variable-rate debt. PERA, as specified in its investment policies, manages its exposure to fair value losses arising from changes in interest rates by requiring that the duration of individual portfolios stay within defined bands of the duration of each portfolio's benchmark.

Effective duration for PERA fixed income holdings as of December 31, 2006, is disclosed in the following table:

Interest Risk—Effective Duration

	Fair Value Total	Duration Not Available	Fair Value Net	Effective Weighted Duration
U.S. government mortgage-backed securities	$2,471,989	$–	$2,471,989	3.82
U.S. Lehman aggregate pooled investment	1,832,207	–	1,832,207	4.47
U.S. corporate bonds	1,936,332	37,583	1,898,749	4.60
U.S. governments	1,027,791	–	1,027,791	5.57
U.S. government agencies	497,195	–	497,195	2.19
Non-U.S. corporate bonds	417,834	–	417,834	5.30
Non-U.S. government bonds	297,588	27	297,561	6.75
Non-U.S. government agencies	164,132	–	164,132	8.47
Non-agency mortgage-backed securities	103,997	–	103,997	2.85
U.S. municipal bonds	41,632	38,579	3,053	3.98
Real estate debt	51,063	51,063	0	N/A
Total	**$8,841,760**	**$127,252**	**$8,714,508**	**4.50**

Reconciliation of Credit and Interest Rate Risk Disclosures to Financial Statements

	As of December 31, 2006
Fixed income	$8,667,208
Real estate debt	51,063
Fixed-income securities classified as short-term	334,622
Less 401(k) domestic corporate bonds	(211,133)
Total fixed income securities	**$8,841,760**

Note: All 401(k) domestic corporate bonds are held in commingled mutual fund investment vehicles.

Notes to the Financial Statements
(In Thousands of Dollars)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or a deposit. PERA's currency risk exposures reside primarily within the externally managed international equity holdings. PERA has no formal policy regarding foreign currency risk, but has set the following guidelines. Currency exposure is managed actively in the international equity portfolios. PERA's external managers may buy and sell futures, forwards and options contracts and enter into swap transactions and non-deliverable forwards to hedge PERA's investments against currency fluctuations. In addition, there is currency risk exposure in the alternative and real estate investments that are non-U.S. dollar denominated.

PERA's exposure to foreign currency risk in U.S. dollars as of December 31, 2006, is disclosed in the following table:

Foreign Currency Risk

Currency	Total	International Stocks	Cash and Short-Term Investments	Alternative Investments	Real Estate Equity	International Stock Pending Trades
Euro	$1,227,643	$1,063,422	$7,336	$225,366	$8,364	($76,845)
Japanese yen	596,141	545,890	2,418	–	10,614	37,219
British pound sterling	421,342	538,950	1,092	28,727	–	(147,427)
Swiss franc	298,405	285,626	1,693	–	–	11,086
Hong Kong dollar	155,450	158,516	204	–	–	(3,270)
Australian dollar	145,408	145,186	222	–	–	–
Swedish krona	113,721	38,846	13	–	–	74,862
New Taiwan dollar	67,205	32,797	2,676	–	–	31,732
South Korean won	45,403	60,599	–	–	–	(15,196)
South African rand	44,643	37,171	3	–	–	7,469
Singapore dollar	31,443	14,191	700	–	–	16,552
Mexican peso	25,222	15,935	–	–	13,914	(4,627)
Norwegian krone	22,148	22,082	66	–	–	–
Thai baht	14,690	14,689	1	–	–	–
Malaysian ringgit	14,002	13,975	27	–	–	–
New Zealand dollar	9,703	9,701	2	–	–	–
Canadian dollar	7,613	17,607	84	6,462	–	(16,540)
Turkish lira	5,097	5,097	–	–	–	–
Brazilian real	3,917	18,597	–	–	–	(14,680)
Indonesian rupiah	3,778	3,778	–	–	–	–
Danish krone	3,659	–	1	–	–	3,658
Hungarian forint	2,678	2,678	–	–	–	–
Polish zloty	2,201	2,201	–	–	–	–
Czech koruna	1,287	1,287	–	–	–	–
Egyptian pound	724	724	–	–	–	–
New Israeli shekel	(116)	4,162	–	–	–	(4,278)
Total	**$3,263,407**	**$3,053,707**	**$16,538**	**$260,555**	**$32,892**	**($100,285)**

Note 6—Financial Instruments with Off-Balance Sheet Risk

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 2006. 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, 2006, PERA had outstanding forward foreign exchange contracts to purchase foreign currencies with a fair value of $473,529 and outstanding contracts to sell foreign currencies with a fair value of ($476,286).

Total Return Swaps

Total return swaps represent an agreement between counterparties to exchange cash flows by reference to specified indexes on a notional principal amount for a specified period. PERA had three CMBS total return swap contracts with varying terms open at year-end. These contracts were held within the fixed income holdings. Pursuant to the swap agreements, PERA agreed to pay a floating rate of interest based on the United States Dollar-LIBOR-BBA which resets monthly and PERA receives the total return of the Lehman Brothers CMBS Eligible for U.S. Aggregate Index. PERA entered into these contracts because they are 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. Total return swaps carry market risk, which results from adverse market changes and changes in interest rates.

The fair value of these contracts was ($3,077) as of December 31, 2006.

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, 2006. The contract or notional amounts do not represent the exposure to market loss.

Contracts	Description	Contract or Notional Value
36	Long forward foreign exchange contracts	$468,958
36	Short forward foreign exchange contracts	($468,958)
3	Total return swaps	$265,000

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. Alternatively, an increase in interest rates results in decreased prepayments which may cause the return on a mortgage investment to 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 and/or credit risk among the various bond classes in the CMO structure.

PERA invests in mortgage-backed securities for diversification and 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, 2006, the fair value of mortgage-backed securities was $2,575,986.

Notes to the Financial Statements
(In Thousands of Dollars)

Note 7—Commitments and Contingencies
As of December 31, 2006, PERA had commitments for the future purchase of investments in alternative investments of $1,388,606, and real estate of $904,336.

As of December 31, 2006, PERA had an open letter of credit in connection with the December 2002 sale of a real estate interest in a pooled fund investment, Lazard France, which is to expire December 31, 2007. PERA executed a warranty agreement at the onset of its investment in the fund which became exercisable at the sale of this investment to the guaranteed purchaser of investors' interests in the fund. As a condition of the warranty agreement, PERA was required to provide a bank guarantee to secure fulfillment of PERA's potential obligations to the purchaser. PERA's guarantee was limited to 691 Euros ($912 in U.S. dollars), for a pending tax liability. PERA has received a final determination releasing it from any liability relating to the potential tax issue and the letter of credit will be terminated effective April 1, 2007.

Note 8—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, School, Local Government, 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. Plan provisions are established or are authorized to be established by the Board under C.R.S. § 24-51-1401 *et seq.*

Effective January 1, 2006, a defined contribution retirement plan, known as the Colorado PERA Defined Contribution Plan (PERA DC), was added as a component of PERA's 401(k) Voluntary Investment Program Plan pursuant to C.R.S. § 24-51-1501. The PERA DC Plan is a governmental profit-sharing plan that is intended to satisfy the requirements of Section 401(a) of the Code and is available to new State employees hired on or after January 1, 2006. These employees have the option to be covered by the State Division Trust Fund or the PERA DC Plan or a defined contribution plan administered by the State of Colorado. At December 31, 2006, there were 72,707 401(k) participants and 225 PERA DC Plan participants with account balances within the Voluntary Investment Program.

In 2006, participants could contribute the lesser of $15,000, or 100 percent of compensation less PERA contributions and employer 401(k) contributions. Catch-up contributions up to $5,000 in 2006 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 $44,000 per participant in 2006. The contribution requirements for the program are established under C.R.S. § 24-51-1402.

Participants of the Voluntary Investment Program and DC Plan are allowed to transfer account balances among 17 investment funds, or change the contribution percentages designated to each fund on a daily basis. The 17 investment funds are: Northern Trust Short Term Fund, PIMCO Low Duration Fund, PIMCO Total Return Fund, Dodge & Cox Balanced Fund, Vanguard Institutional Index Fund, Dodge & Cox Stock Fund, PERA Growth & Income Stock Fund, Fidelity Contrafund, GMO US Growth Fund, American Funds EuroPacific Growth Fund, Vanguard Small Cap Index 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 (401(k) only), in-service withdrawals, and distributions as allowed under the Internal Revenue Code.

Note 9—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) is a cost-sharing multiple-employer defined benefit other postemployment benefit plan that provides a health care premium subsidy to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. As of December 31, 2006, there were 182,404 PERA members in active service who were earning a potential future subsidy benefit if they retire from PERA and enroll in the plan. There were 2,472 members that have access to the HCTF at retirement, but earn no future subsidy benefit. There were 13,736 inactive members who had accumulated a potential subsidy benefit, but were not yet receiving benefits. There were 32,591 retired members who had accumulated a potential subsidy benefit, but had not elected to enroll in the plan, and there were 42,433 retirees and beneficiaries enrolled in the plan of whom 14,941 were under age 65 and 27,492 were age 65 or older.

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 (actual dollars) per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the subsidy is $115 (actual dollars) 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 less than 20 years. The benefit recipient pays the remaining portion of the premium if the subsidy does not cover the entire amount. An additional subsidy exists for retirees who have not participated in Social Security and are not otherwise eligible for Medicare Part A for hospital-related services. C.R.S. § 24-51-1206(4) states that the HCTF cannot charge premiums to retirees without Part A that are greater than premiums charged to retirees with Part A for the same plan option, coverage level, and service credit. Currently for each individual retiree, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Parts A and B. Implicit in this process an additional subsidy is paid by the HCTF on behalf of retirees who are not covered by Medicare Part A.

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

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries under Medicare Part D. One of the provisions of Medicare Part D provides sponsors of postemployment healthcare plans the opportunity to receive a payment—referred to as a retiree drug subsidy (RDS)—if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28 percent of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The provisions of Medicare Part D became effective on January 1, 2006. The HCTF receives the Medicare RDS payment for the self-insured plans administered by Mutual of Omaha and the insured plan offered by Rocky Mountain Health Plans. The HCTF uses the anticipated RDS payments to reduce the required premiums collected from the enrollees. The HCTF then pays for the full premiums or claims during the year, and recoups the additional cost when the RDS payment is received from the federal government. For the year ended December 31, 2006, the HCTF will receive $12,481 in Medicare RDS payments.

In addition, all of the fully insured pre-Medicare health plans are available to any PERA affiliated employer who voluntarily elects to provide health care coverage through the Health Care Program for its employees who are PERA members. The program 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), 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 full premiums for the coverage and no subsidy is provided by the HCTF. 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, 2006, there were 21 employers in the program with 320 active members enrolled.

Dental and vision plans are also available to participants. These plans are all fully insured and no subsidy is provided by the HCTF; 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. As of December 31, 2006, there were 21,998 participants enrolled in the dental plans and 18,716 participants 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. Only those enrollees who are also PERA Division Trust Fund retiree or survivor benefit recipients receive the subsidy.

- 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.

Notes to the Financial Statements
(In Thousands of Dollars)

- 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.

Summary of HCTF Specific Significant Accounting Policies
Following the applicable recognition requirements of Statement 33, the HCTF recognizes an asset and contribution for the RDS payment. The HCTF applies the measurement requirements of Statement 43 to determine the actuarial accrued liabilities, the annual required contribution of the employer (ARC), and the annual OPEB cost without reduction for RDS payments.

Premiums collected and payments made are handled in two ways, depending on whether or not the plan bears any level of risk with regard to the health coverage. Where the plan bears risk, all premiums collected are recorded as contributions and all claims or premiums paid are accounted for as benefit payments. Where there is no risk transfer to the plan, the premiums collected are held by the plan as a liability and the liability is relieved when the premiums are transferred to the health insurance company that provides the fully insured health plan. When there is no health coverage risk, the only benefit payment recorded is the subsidy benefit which is equal to the difference between the premiums collected from the enrollees and the full premium due to the insurance company.

The first health plan that involves risk to the HCTF is the self-insured plan which was administered by Mutual of Omaha in 2006. PERA uses an outside consultant to determine the premiums required to cover anticipated health claims less the anticipated Medicare Part D retiree drug subsidy. The cost to the enrollee is further reduced by the amount of the enrollee's calculated subsidy, if applicable. Implicit in this process is the risk that actual claims experience and the Medicare RDS could be different from the estimates resulting in either a gain or a loss to the HCTF.

The second health plan that involves risk to the HCTF is Rocky Mountain Health Plans' (RMHP) Medicare plan where the HCTF directly receives the Medicare RDS payment from the federal government. Using an outside consultant, PERA estimates in advance the amount of the Medicare RDS payment that the HCTF will receive based on an estimate of the amount of claims that will be paid by RMHP. The anticipated savings is passed on to the enrollees through a premium reduction. The HCTF pays RMHP the full premium payment, which includes the amounts collected from enrollees, the HCTF subsidy, as well as an additional amount for the anticipated Medicare RDS payment which reduced the enrollees' premiums. The inherent risk is that the actual Medicare RDS could be different from the estimate resulting in either a gain or a loss to the HCTF.

Contributions
Contribution requirements are established by statute under C.R.S. § 24-51-208. Affiliated employers must submit contributions for all PERA members equal to 1.02 percent of covered salaries.

Funding Status and Funding Progress
Funding Status of the Plan

	2006
Valuation date	December 31, 2006
Actuarial value of assets (a)	$214,816
Actuarial accrued liability (b)	$1,247,950
Total unfunded actuarial accrued liability (b-a)	$1,033,134
Actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio)	17.2%
Annual covered payroll	$6,617,218
Ratio of the unfunded actuarial liability to annual covered payroll	15.6%

Actuarial Methods and Assumptions
Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A schedule of funding progress immediately follows the notes to the financial statements. It presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the HCTF and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the HCTF and plan members in the future. Actuarial calculations reflect a long-term perspective. In addition, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Notes to the Financial Statements
(In Thousands of Dollars)

Assumptions Used to Determine the ARC for the Current Year

Actuarial Assumptions and Methods	Current Year
Valuation date	December 31, 2006
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Amortization period used in ARC calculation	30
Remaining amortization period with current funding	37
Asset valuation method[1]	4-year smoothed market
Inflation rate	3.75%
Investment return	8.5%
Projected salary increases	4.50%
Healthcare cost trend rate	4.50%, applicable to Medicare Part A costs

[1] Asset values were re-initialized at the market value effective December 31, 2004, with phase-in of four-year smoothing starting at that time.

Note 10—Subsequent Events

Legislation Impacting Future Years

During the 2007 legislative session, several bills that impact PERA were passed by the Legislature and were signed into law. The features of the bill that will be implemented in future years that could potentially impact the financial statements to the greatest extent are listed below:

House Bill 07-1184: Sudan Divestment Public Pension Funds

This bill requires divestment of certain investments related to Sudan by certain Public Funds, including Colorado PERA.

The bill has the following provisions:

- Directs Public Funds to divest of investments in companies with publicly traded securities that have active business operations in Sudan.
- Each Public Fund must create a list of scrutinized companies within 90 days of the bill's enactment for determining companies that will require engagement.
- Engagement includes encouraging companies to refrain and cease business dealings with the Khartoum-based Sudanese government through written notification.
- If a company does not stop active business operations after 90 days, then the Public Fund has nine months to divest 50 percent of the assets and 15 months to divest from 100 percent of the assets.
- Assets subject to divestiture include all publicly traded securities in direct accounts.
  - Passively managed indirect holdings may also be subject to divestiture by October 1, 2008, unless a similar Sudan-Free Fund is created by the outside manager before that date.
  - Officially sanctioned U.S. businesses by the U.S. government are excluded from divestiture.
- The Public Fund cannot acquire new direct holdings of any active scrutinized company and cannot undertake investments in new indirect passively managed funds containing active scrutinized companies after the passage of the bill.
- Each Public Fund is responsible for the costs incurred due to divestiture.
- Divestment is not required and re-investment in scrutinized companies is allowed, if it is shown that the value of the Public Fund's portfolio is reduced by 50 basis points due to divestment.
- The bill requires legislative staff to perform a post-enactment review of the implementation of the bill.

This bill was signed into law by Governor Ritter on April 19, 2007.

Notes to the Financial Statements
(In Thousands of Dollars)

House Bill 07-1377: Higher Ed and State Retirement Plans
This bill would repeal a portion of Senate Bill 06-235. Under SB 06-235, new employees of higher education institutions who are hired as of January 1, 2008, are eligible to choose their retirement plan.

HB 07-1377 removes that choice for higher education and gives employees hired after January 1, 2008, the same retirement options as current employees. The bill makes an exception for new hires at community colleges. HB 07-1377 would give certain new employees hired at a community college on or after January 1, 2008, the ability to choose between participation in the State Division Trust Fund and the PERA DC Plan within the Voluntary Investment Program.

This bill was signed into law by Governor Ritter on June 1, 2007.

During the 2006 legislative session, a bill that impacts PERA was passed by the Legislature and signed into law by Governor Owens on May 25, 2006. The features of the bill that will be implemented in future years that could potentially impact the financial statements to the greatest extent are listed below:

Senate Bill 06-235: Concerning Public Employees' Retirement Benefit Plans
Provisions of SB 06-235 include:

- The addition of a Supplemental Amortization Equalization Disbursement (SAED) that will begin January 1, 2008, at 0.5 percent of covered salary and will increase by 0.5 percent per year until an additional 3 percent is implemented. The SAED will be discontinued when each Division Trust Fund reaches 100 percent funding. The SAED is noted in the statute as foregone compensation increases from employees.
- The General Assembly must contract for an independent actuarial study before any future benefit enhancements can occur.
- The Board of Trustees will be reduced to 15 members as follows: 11 member-elected members (4 from the School Division, 3 from the State Division, 1 from the Local Government Division, 1 from the Judicial Division, and 2 retirees), the State Treasurer, and three members appointed by the Governor with Senate confirmation. These appointees would be required to have specific relevant professional experience. The State Auditor position on the Board will be eliminated.
- For members hired on or after January 1, 2007, a 3-year HAS with an 8 percent cap will be used to calculate the retirement benefit; these members will be subject to a Rule of 85, where age and service must equal 85 with a minimum retirement age of 55; and a new Annual Increase Reserve fund will be established to provide cost of living adjustments (COLAs) equal to the lower of 3 percent or the CPI for retirees with one full year in retirement and age 60, or if the years of service plus age equals 85, and limited to available funds.
- The expansion of Defined Contribution Choice to institutions of higher education effective January 1, 2008. New employees in higher education would be eligible to select the PERA DB Plan, the PERA DC Plan, or the State DC Plan, in addition to existing Optional Retirement Plans (ORPs) at institutions that have ORPs. This includes faculty and administrators who have not previously had access to the PERA DB, PERA DC, or the State DC Plan. It also includes classified staff that have not been eligible for DC Choice. Current members of ORPs could not elect to participate in PERA DB, PERA DC, or the State DC Plan. (This provision was repealed as provided in HB 07-1377.)

During the 2004 legislative session, a bill that impacts PERA was passed by the Legislature and signed into law by Governor Owens on June 4, 2004. The features of the bill that will be implemented in future years that could potentially impact the financial statements to the greatest extent are listed below:

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 that will be implemented after the year ended December 31, 2005, includes 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, 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. If PERA reaches 100 percent funded status, the AED will be repealed.
- The School employer contribution rate to PERA will increase by 0.4 percent of salary, beginning January 1, 2013.

Notes to the Financial Statements
(In Thousands of Dollars)

401(k) Voluntary Investment Program

In April 2007, Colorado PERA staff discovered that some rollover distribution requests made by 401(k) Voluntary Investment Program participants were not in compliance with plan provisions. Some documents submitted requesting rollover distributions contained inaccurate statements and allowed participants to rollover account balances to another tax-deferred plan. Distributions were made from a number of accounts before being discovered by Colorado PERA staff. The distributions only affect the accounts of the participants completing the forms and did not affect any other participant account balances. An Internal Revenue Service (IRS) closing agreement related to these distributions is in the initial stages of being formulated and was not completed before the issuance of these financial statements. This IRS agreement will determine if and how distributions would be returned to the 401(k) Voluntary Investment Program.

Required Supplementary Information—Schedule of Funding Progress

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

State Division[1]

	2006	2005
Actuarial valuation date	**12/31/2006**	12/31/2005
Actuarial value of assets (a)	**$13,327,290**	$12,536,916
Actuarial accrued liability (b)	**18,246,010**	17,541,744
Total unfunded actuarial accrued liability (UAAL) (b-a)	**4,918,720**	5,004,828
Funded ratio (a/b)	**73.0%**	71.5%
Covered payroll	**2,099,325**	2,064,764
UAAL as a percentage of covered payroll	**234.3%**	242.4%

[1] The State and School Divisions were merged on July 1, 1997, and separated on January 1, 2006.

School Division[1]

	2006	2005
Actuarial valuation date	**12/31/2006**	12/31/2005
Actuarial value of assets (a)	**$20,535,733**	$19,184,225
Actuarial accrued liability (b)	**27,708,682**	25,963,972
Total unfunded actuarial accrued liability (UAAL) (b-a)	**7,172,949**	6,779,747
Funded ratio (a/b)	**74.1%**	73.9%
Covered payroll	**3,371,186**	3,241,214
UAAL as a percentage of covered payroll	**212.8%**	209.2%

[1] The State and School Divisions were merged on July 1, 1997, and separated on January 1, 2006.

State and School Division[1]

	2004	2003	2002	2001
Actuarial valuation date	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Actuarial value of assets (a)	$28,594,699	$28,522,222	$28,551,607	$28,947,935
Actuarial accrued liability (b)	40,783,531	37,914,502	32,463,918	29,469,608
Total unfunded actuarial accrued liability (UAAL) (b-a)	12,188,832	9,392,280	3,912,311	521,673
Funded ratio (a/b)	70.1%	75.2%	87.9%	98.2%
Covered payroll	5,303,439	5,140,918	5,278,586	4,954,605
UAAL as a percentage of covered payroll	229.8%	182.7%	74.1%	10.5%

[1] The State and School Divisions were merged on July 1, 1997, and separated on January 1, 2006.

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

Required Supplementary Information—Schedule of Funding Progress

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

Local Government Division[1]

	2006	2005	2004	2003	2002	2001
Actuarial valuation date	**12/31/2006**	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Actuarial value of assets (a)	**$2,613,386**	$2,358,719	$1,990,652	$1,907,786	$1,839,632	$1,822,413
Actuarial accrued liability (b)	**3,288,421**	3,022,624	2,576,988	2,379,229	1,966,143	1,746,761
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**675,035**	663,905	586,336	471,443	126,511	(75,652)
Funded ratio (a/b)	**79.5%**	78.0%	77.2%	80.2%	93.6%	104.3%
Covered payroll	**636,300**	607,217	549,607	479,098	474,760	436,582
UAAL/OAAL as a percentage of covered payroll	**106.1%**	109.3%	106.7%	98.4%	26.6%	(17.3)%

[1] The Local Government Division Trust Fund was known as the Municipal Division Trust Fund prior to January 1, 2006.

Judicial Division

	2006	2005	2004	2003	2002	2001
Actuarial valuation date	**12/31/2006**	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Actuarial value of assets (a)	**$210,633**	$193,305	$170,111	$166,654	$162,901	$165,130
Actuarial accrued liability (b)	**247,491**	223,955	209,954	198,377	165,672	150,943
Total unfunded (overfunded) actuarial accrued liability (UAAL/OAAL) (b-a)	**36,858**	30,650	39,843	31,723	2,771	(14,187)
Funded ratio (a/b)	**85.1%**	86.3%	81.0%	84.0%	98.3%	109.4%
Covered payroll	**29,151**	26,937	26,309	25,452	26,357	24,140
UAAL/OAAL as a percentage of covered payroll	**126.4%**	113.8%	151.4%	124.6%	10.5%	(58.8)%

Health Care Trust Fund

	2006	2005	2004	2003	2002	2001
Actuarial valuation date	**12/31/2006**	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Actuarial value of assets (a)	**$214,816**	$191,264	$166,619	$160,416	$161,700	$138,198
Actuarial accrued liability (b)	**1,247,950**	1,116,627	1,102,597	897,461	813,211	782,961
Total unfunded actuarial accrued liability (UAAL) (b-a)	**1,033,134**	925,363	935,978	737,045	651,511	644,763
Funded ratio (a/b)	**17.2%**	17.1%	15.1%	17.9%	19.9%	17.7%
Covered payroll	**6,617,218**	5,940,132	5,879,355	5,645,468	5,779,703	5,415,327
UAAL as a percentage of covered payroll	**15.6%**	15.6%	15.9%	13.1%	11.3%	11.9%

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

Required Supplementary Information—Schedule of Employer Contributions

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

State Division[1]

	2006	2005
Dollar amount of annual required contribution (ARC)	**$361,714**	$398,919
ARC[2]	**17.23%**	19.33%
% ARC contributed	**58%**	48%

[1] The State and School Divisions were merged on July 1, 1997, and separated on January 1, 2006.

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

School Division[1]

	2006	2005
Dollar amount of annual required contribution (ARC)	**$541,412**	$627,082
ARC[2]	**16.06%**	19.33%
% ARC contributed	**62%**	48%

[1] The State and School Divisions were merged on July 1, 1997, and separated on January 1, 2006.

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

State and School Division[1]

	2004	2003	2002	2001
Dollar amount of annual required contribution (ARC)	$918,025	$571,156	$315,825	$314,649
ARC[2]	17.31%	11.11%	6.37%	6.84%
% ARC contributed	51%	69%	100%	100%

[1] The State and School Divisions were merged on July 1, 1997, and separated on January 1, 2006.

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

Local Government Division[1]

	2006	2005	2004	2003	2002	2001
Dollar amount of annual required contribution (ARC)	**$71,329**	$85,372	$76,835	$45,658	$21,972	$25,435
ARC[2]	**11.21%**	14.11%	13.98%	9.53%	5.02%	6.26%
% ARC contributed	**85%**	64%	62%	69%	100%	100%

[1] The Local Government Division Trust Fund was known as the Municipal Division Trust Fund prior to January 1, 2006.

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

Judicial Division

	2006	2005	2004	2003	2002	2001
Dollar amount of annual required contribution (ARC)	**$4,469**	$4,634	$4,267	$1,013	$383	$637
ARC[1]	**15.33%**	17.21%	16.22%	3.98%	1.55%	1.79%
% ARC contributed	**84%**	74%	64%	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.

Required Supplementary Information—Schedule of Contributions from Employers and Other Contributing Entities

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

Health Care Trust Fund

	2006	2005	2004	2003	2002	2001
Dollar amount of annual required contribution (ARC)	**$70,688**	$67,793	$59,969	$65,487	$92,562	$74,324
ARC[1]	**1.19%**	1.13%	1.02%	1.16%	1.71%	1.48%
% ARC contributed by Employer	**91%**	90%	100%	100%	100%	100%
% ARC contributed by Medicare	**18%**	–	–	–	–	–

[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.

Notes to the Required Supplementary Information

Note 1—Description

The historical trend information about the State Division Trust Fund, School Division Trust Fund, Local Government 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 Division Trust Fund	School Division Trust Fund	Local Government Division Trust Fund	Judicial Division Trust Fund	Health Care Trust Fund
Valuation date	12/31/06	12/31/06	12/31/06	12/31/06	12/31/06
Actuarial cost method	Entry age normal	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	Level percent, Open
Amortization period used in ARC calculation	30	30	30	30	30
Remaining amortization period with current funding	Infinite[1]	Infinite[1]	48 Years[1]	Infinite[1]	37 Years
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions					
Investment rate of return	8.50%	8.50%	8.50%	8.50%	8.50%
Projected salary increases[2]	4.5–10.17%	4.5–10.7%	4.5–11.47%	5.0–6.0%	4.50%
Post-Retirement Benefit Increases:					
Members hired prior to 7/1/05	3.50% compounded annually	3.50% compounded annually	3.50% compounded annually	3.50% compounded annually	None
Members hired on or after 7/1/05 but before 1/1/07	3.00% compounded annually	3.00% compounded annually	3.00% compounded annually	3.00% compounded annually	None
Members hired on or after 1/1/07	None[3]	None[3]	None[3]	None[3]	None
Health care inflation factor	Not applicable	Not applicable	Not applicable	Not applicable	4.50% applicable to Medicare Part A costs

[1] See Management's Discussion and Analysis on unfunded actuarial accrued liabilities on page 24.
[2] Includes inflation at 3.75 percent and productivity at 0.75 percent.
[3] Post-retirement benefit increases are provided by a separate reserve subject to monies being available.

Notes to the Required Supplementary Information

Note 3—Significant Factors Affecting Trends in Actuarial Information

Pension Plans—State, School, Local Government[1], and Judicial Division Trust Funds

2006 Changes in Plan Provisions Since Prior Year:

- No material changes.

2005 Changes in Plan Provisions Since Prior Year:

- Senate Bill 04-257 provides that the State and School Divisions will be split beginning January 1, 2006, and the 2005 actuarial information has been shown separately.
- Fully recognized the transitional amount of unrealized gains from the 1992 actuarial change from cost value to smoothed market value.
- Changed the method of calculating the actuarial value of assets such that the expected rate of investment return going forward will be based on the beginning of year market value, with annual differences between the actual and expected market value of assets smoothed over a four-year period.
- Reset the actuarial value of assets to be equal to the market value of assets as of December 31, 2004.
- Mortality, withdrawal, retirement, disability, and salary increase assumptions were changed based on the actuarial experience study performed in 2005.

2004 Changes in Plan Provisions Since Prior Year:

- Suspension of MatchMaker contributions on June 1, 2004.
- Reduction in the interest rate credited to member contribution accounts from 80 percent of the actuarial valuation interest rate to a rate determined by the PERA Board, such rate not to exceed 5 percent per annum beginning July 1, 2004.
- A reduction in the allocation of the employer contribution rate to the Health Care Trust Fund from 1.10 percent to 1.02 percent of salary on or after July 1, 2004, with the difference increasing pension funding.
- Gradual increases in payments toward PERA's unfunded liability starting January 1, 2006, at 0.5 percent of salary, increasing 0.5 percent in 2007 and by 0.4 percent of salary each subsequent year, reaching a maximum of 3 percent of salary by 2012 and thereafter known as the Amortization Equalization Disbursement (AED). If PERA reaches 100 percent of funded status, the AED will be repealed.
- School Division employer contribution rate is increased from 10.15 percent to 10.55 percent in 2013.

2003 Changes in Plan Provisions Since Prior Year:

- The actuarial investment assumption rate was changed from 8.75 percent to 8.50 percent, the rate of inflation assumption was changed from 4.50 percent to 3.75 percent, the real rate of return assumption was changed from 4.25 percent to 4.75 percent, and the payroll growth rate assumption was changed from 5.50 percent to 4.50 percent.

2002 Changes in Plan Provisions Since Prior Year:

- No material changes.

2001 Changes in Plan Provisions Since Prior Year:

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

Health Care Trust Fund

2006 Changes in Plan Provisions Since Prior Actuarial Valuation:

- The following changes have been made to certain health care assumptions since the previous valuation:
  - Based on the results of surveys conducted by PERA staff, the percentage of actives hired before April 1, 1986 and pre-Medicare retirees assumed to not have Part A Medicare coverage was changed to 20 percent.
  - Future plan election rates for retirees age 65 and older have been adjusted to reflect recent election patterns.
  - Expected Inpatient Hospital claims costs for retirees age 65 and older that do not have Part A have been updated and associated trend assumptions for future increases in medical costs were amended to better reflect anticipated changes in the various coverage categories.

[1] The Local Government Division Trust Fund was known as the Municipal Division Trust Fund prior to January 1, 2006.

Notes to the Required Supplementary Information

- The following methodology change has been implemented since the previous valuation:
  - Members electing coverage in a qualified plan option produce a Retiree Drug Subsidy (RDS) which is payable to the HCTF under Part D of the Medicare Modernization Act of 2003. The HCTF has reduced the full cost of coverage by the estimated RDS. GASB Statement 43, GASB Technical Bulletin 2006-1, and GASB Statement 45 do not allow for future assumed RDS payments to be used as a direct offset for future liabilities. Therefore, the total HCTF actuarially accrued liability has been increased for future RDS premium offsets to members.

2005 Changes in Plan Provisions Since Prior Actuarial Valuation:

- Changed the method of calculating the actuarial value of assets such that the expected rate of investment return going forward will be based on the beginning of year market value, with annual differences between the actual and expected market value of assets smoothed over a four-year period.
- Reset the actuarial value of assets to be equal to the market value of assets as of December 31, 2004.
- Mortality, withdrawal, retirement, disability, and expected rates of participation in the Health Care Trust Fund programs were changed based on the actuarial experience study performed in 2005.

2004 Changes in Plan Provisions Since Prior Actuarial Valuation:

- A reduction in the allocation of the employer contribution rate to the Health Care Trust Fund from 1.10 percent to 1.02 percent of salary on or after July 1, 2004, with the difference increasing pension funding.
- The valuation considers the implicit subsidy provided to retired members over age 65 who are not fully covered by Medicare Part A.

2003 Changes in Plan Provisions Since Prior Actuarial Valuation:

- The actuarial investment assumption rate was changed from 8.75 percent to 8.50 percent, the rate of inflation assumption was changed from 4.50 percent to 3.75 percent, the real rate of return assumption was changed from 4.25 percent to 4.75 percent, and the payroll growth rate assumption was changed from 5.50 percent to 4.50 percent.

2002 Changes in Plan Provisions Since Prior Actuarial Valuation:

- No material changes.

2001 Changes in Plan Provisions Since Prior Actuarial Valuation:

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

Supplementary Schedules—Schedule of Administrative Expenses

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

	2006	2005
Personnel services		
Salaries	$16,236	$16,865
Employee benefits	4,739	4,628
Total personnel services	20,975	21,493
Professional contracts		
Actuarial contracts	493	631
Audits	115	189
Investment counsel	1,230	997
Legal and legislative counsel	1,429	1,906
Computer services and consulting	810	767
Management consulting	957	1,195
Health care consultants	262	97
Other	285	125
Total professional contracts	5,581	5,907
Miscellaneous		
Equipment rental and services	911	570
Memberships	145	149
Publications and subscriptions	63	72
Travel and local expense	527	538
Auto expense	20	13
Telephone	260	271
Postage	1,082	879
Insurance	266	250
Printing	536	541
Office supplies	392	233
Building rent, supplies, and utilities	755	704
Total miscellaneous	4,957	4,220
Total budgeted expense	31,513	31,620
Depreciation expense	1,224	1,354
Life Insurance Reserve direct expenses	887	1,986
Health Care Trust Fund direct expenses	4,175	4,725
401(k) Voluntary Investment Program direct expenses	4,301	3,964
Total expense	42,100	43,649
Interfund–tenant and other expense	979	638
Interfund–internal investment manager expenses	(7,897)	(8,608)
Total administrative expense	$35,182	$35,679
Allocation of administrative expense		
State Division Trust Fund	$7,889	$6,740
School Division Trust Fund	11,523	12,071
Local Government Division Trust Fund	1,800	1,848
Judicial Division Trust Fund	19	20
401(k) Voluntary Investment Program	4,706	4,298
Health Care Trust Fund	8,145	8,216
Life Insurance Reserve	1,100	2,486
Total allocation	$35,182	$35,679

Supplementary Schedules—Schedule of Investment Expenses

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

	2006	2005
External manager expenses		
Fixed income	$3,190	$3,017
Domestic equity	2,804	2,515
International equity	16,364	14,030
Alternative investments	51,239	50,664
Real estate debt and equity	42,079	51,547
Timber investments	3,443	3,071
Total external manager expenses	119,119	124,844
Internal manager expenses	7,897	8,608
Other investment expenses and custody fees	1,087	1,349
Total investment expenses	$128,103	$134,801

Supplementary Schedules—Schedule of Payments to Consultants

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

	2006	2005
Professional contracts		
Actuarial contracts	$493	$631
Audits	115	189
Legal and legislative counsel	1,429	1,906
Computer services and consulting	810	767
Management consulting	957	1,195
Healthcare consulting	262	97
Other	285	125
Total payments to consultants[1]	$4,351	$4,910

[1] Excludes investment advisers.

Supplementary Schedules—Schedule of Other Additions

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

	State Division Trust Fund	School Division Trust Fund	Local Government Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Life Insurance Reserve	Total 2006	Total 2005
Administrative fee income	$0	$0	$0	$0	$0	$0	$0	$1,224	$0	**$1,224**	$1,189
Alliance fees	0	0	0	0	0	1,211	1,211	0	0	**1,211**	1,185
401(k) participant loan interest	0	0	0	0	0	2,179	2,179	0	0	**2,179**	1,752
Purchase service transfer to HCTF	0	0	0	0	0	0	0	11,773	0	**11,773**	12,420
Miscellaneous	1	23	4	0	28	6	34	0	0	**34**	20
Total other additions	**$1**	**$23**	**$4**	**$0**	**$28**	**$3,396**	**$3,424**	**$12,997**	**$0**	**$16,421**	**$16,566**

Supplementary Schedules—Schedule of Other Deductions/(Transfers)

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

	State Division Trust Fund	School Division Trust Fund	Local Government Trust Fund	Judicial Division Trust Fund	Total Defined Benefit Plans	401(k) Voluntary Investment Program	Total Pension Trust Funds	Health Care Trust Fund	Life Insurance Reserve	Total 2006	Total 2005
Interfund transfers at retirement	($1,828)	$4,079	($2,138)	($113)	$0	$0	$0	$0	$0	**$0**	$0
Purchase service transfer to HCTF	4,808	5,783	1,072	110	11,773	0	11,773	0	0	**11,773**	12,420
Miscellaneous	123	47	10	0	180	0	180	0	0	**180**	96
Total other deductions	**$3,103**	**$9,909**	**($1,056)**	**($3)**	**$11,953**	**$0**	**$11,953**	**$0**	**$0**	**$11,953**	**$12,516**

Investment Section

Originally, PERA's investments were limited to United States Government Bonds or Colorado State, school, or municipal bonds. Today, PERA's investment portfolio contains a diverse grouping of stocks, bonds, real estate, and alternative investments. Joe Natale became PERA's Executive Director in 1977 until his retirement in 1984. As Executive Director, PERA experienced significant growth as membership reached 100,000 and investments were valued at $4 billion.

PERA Report on Investment Activity

Does not include the 401(k) Voluntary Investment Program

State Law

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

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

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

PERA's investment policy outlines the investment philosophy and guidelines within which the fund's investments will be managed.

The investment philosophy of Colorado PERA includes the following:

- Strategic asset allocation is the most significant factor influencing long-term investment performance and asset volatility.
- The fund's liabilities are long-term and the investment strategy will therefore be long-term in nature.
- The asset allocation policy will be periodically reexamined to ensure its appropriateness to the then prevailing liability considerations.
- As a long-term investor, Colorado PERA will invest across a wide spectrum of investments in a prudent manner.
- Active management may be expected to add value over passive investment alternatives under appropriate conditions.

The Board of Trustees determines the strategic asset allocation policy for the fund. The Board's policy specifies the desired target allocation for each asset class as well as the ranges within which each asset class may operate. The targeted asset allocation mix and the specified ranges for each asset class are as follows:

Asset Class	Target Allocation	Permissible Range
Domestic Equity	45%	42%–48%
International Equity	15%	12%–18%
Fixed Income	25%	22%–28%
Alternative Investments	7%	4%–10%
Real Estate	7%	4%–10%
Timber	1%	0%–2%
Total	**100%**	

The asset allocation policy is determined by an intensive asset/liability analysis. Expected investment returns, risks, and correlations of returns are considered. The characteristics of the fund's liabilities are analyzed in conjunction with expected investment risks and returns. The targeted strategic asset allocation is designed to provide appropriate diversification and balance expected total rate of return with the volatility of expected returns. The asset allocation targets are adhered to through the implementation of a rebalancing policy.

Investments are managed and monitored in a manner which seeks to balance return and risk within the asset/liability framework. The Chief Investment Officer 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 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 PERA 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 proxy voting analysts to assist in the proxy voting process.

PERA Report on Investment Activity

Does not include the 401(k) Voluntary Investment Program

Proxy Voting Policy

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

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

Investment Brokers/Advisers

A.G. Edwards
Alignment Capital Group, LLC
Banc of America Securities LLC
Bank of New York
Barclays Capital Inc.
BB&T Capital Services
Bear Stearns & Co. Inc.
BNP Paribas Securities Services
B-Trade Services LLC
Cantor, Fitzgerald & Co.
CIBC World Markets
Citigroup Global
Credit Suisse First Boston Corporation
D.A. Davidson & Co.
Descap Securities Inc.
Deutsche Bank Alex Brown Inc.
Ennis Knupp & Associates
Friedman Billings & Ramsey
Goldman, Sachs & Co.
Heitman Capital Management Corp.
HSBC Securities
INVESCO Realty Advisors
J.P. Morgan Securities
Jefferies & Co.
Jones Lang LaSalle
Keefe, Bruyette & Woods
Knight Securities L.P.
La Branche & Co. Inc.
Lehman Brothers Inc.
Liquidnet, Inc.
Merrill Lynch, Pierce, Fenner & Smith Inc.
Morgan Stanley & Co. Incorporated
Piper Jaffray Companies, Inc.
Prudential Securities
Putnam Lovell NBF Securities
RBC Capital Markets
RBS Greenwich Capital Markets
Robert W. Baird & Co. Inc.
RREEF Real Estate Investment Managers
Sanford C. Bernstein & Co. LLC
SG Cowen Securities Corporation
Sidoti & Co. Inc.
Stifel Nicolaus & Company, Inc.
UBS Warburg LLC
Wachovia Securities
William Blair & Company LLC

Certain broker agreements include provisions for commission recapture.

Investment Summary

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

	Market Value Per Financial Statement December 31, 2006	Reallocation[1]	Market Value Per Investment Portfolio December 31, 2006	Target[2]	Percent of Total Market Value 2006	2005	2004
Domestic Equity	**$16,752,140**	$45,830	$16,797,970	45.0%	**43.3%**	43.1%	42.2%
Fixed Income	**8,456,075**	666,620	9,122,695	25.0%	**23.5%**	23.4%	21.7%
International Equity	**6,230,206**	52,750	6,282,956	15.0%	**16.2%**	17.1%	16.6%
Alternative Investments	**3,181,509**	41,806	3,223,315	7.0%	**8.3%**	8.6%	10.2%
Real Estate	**2,686,352**	(7,428)	2,678,924	7.0%	**6.9%**	6.1%	7.2%
Timber Investments	**414,129**	0	414,129	1.0%	**1.1%**	1.1%	1.0%
Cash and Short-Term Investments							
Operating Cash	**4**	(4)	0				
Investment Cash and Short-Term	**990,911**	(714,418)	276,493	0.0%	**0.7%**	0.6%	1.1%
Net Investment Receivables and Payables	**85,160**	(85,160)	0				
Total Investments	**$38,796,486**	**($4)**	**$38,796,482**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

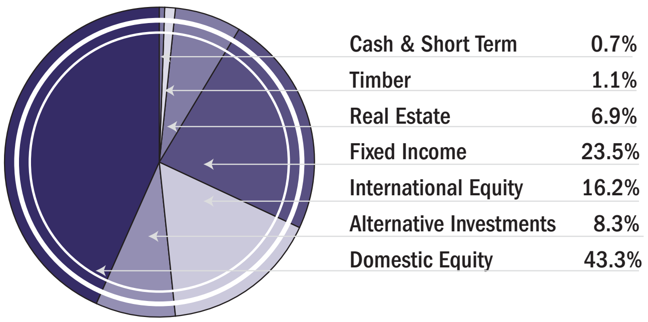
[1] Investment receivables, payables, accruals, and cash and short-term have been reallocated back to the investment portfolios that hold them.

[2] An Asset/Liability Study was undertaken in 2002 and in 2005 with the objective of determining the optimal strategic asset allocation policy. In 2002 the Board approved a multi-year implementation plan to progress to the new targets and ranges. The 2006 Study refined these targets and ranges; at December 31, 2006, all asset classes were within their specified ranges.

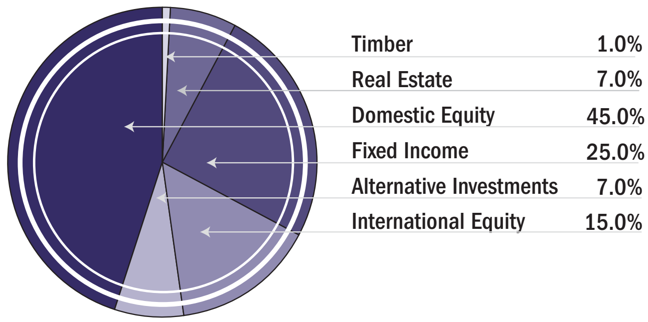
Asset Allocation at Market Value

Does not include the 401(k) Voluntary Investment Program
Year End December 31, 2006

Asset Allocation at Market Value



Target Allocations



Fund Performance Evaluation

Does not include the 401(k) Voluntary Investment Program

Evaluation

Ennis Knupp & Associates and The Northern Trust Company are retained by Colorado PERA to evaluate fund performance. Ennis Knupp & Associates is also used for the real estate portfolio performance evaluation and industry comparisons. In their analysis, Ennis Knupp 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.

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 2005, are as follows: domestic equity 45 percent, international equity 15 percent, fixed income 25 percent, alternative investments 7 percent, real estate investments 7 percent, and timber investments 1 percent.

Total Portfolio Results

For the year ended December 31, 2006, Colorado PERA's total fund returned 15.7 percent, compared to the Russell/Mellon Median Public Fund return of 13.9 percent. The Russell/Mellon Median Public Fund measure is comprised of 52 public pension funds with assets of approximately $700 billion. Colorado PERA's total fund returned 13.2 percent and 9.6 percent on a three- and five-year annualized basis, compared with Russell/Mellon Median Public Fund returns of 11.6 percent and 9.2 percent, respectively, for these periods. PERA's 10-year annualized rate of return was 9.2 percent compared to the Russell/Mellon Median Public Fund return of 8.5 percent.

Colorado PERA adopted a policy benchmark, which is a passive representation of the asset allocation policy, as of April 1, 2004. For the year ended December 31, 2006, the total fund returned 15.7 percent compared to the policy benchmark return of 14.9 percent.

Domestic Stock

The U.S. stock market ended 2006 in positive territory for the fourth straight year as most major U.S. indexes posted double digit investment returns. A strong first quarter was followed by weakness in the second quarter as geopolitical concerns, higher energy prices, and further rate increases by the Federal Reserve weighed on the equity markets. Performance strengthened in July. The U.S. stock rally was fueled in August when the Federal Reserve announced that after 17 consecutive rate hikes, it was keeping the Federal Funds rate at 5.25 percent. In the fourth quarter, the equity markets were stimulated by stabilizing oil prices, record merger and acquisition activity, strength in corporate earnings and continued economic growth.

All ten U.S. stock index sectors recorded positive returns in 2006. Telecommunication was the best-performing sector during the year as it was up more than 35 percent. Health care and technology were the worst-performing sectors across the different domestic indexes. On a size basis, small capitalization stocks modestly trailed large capitalization stocks. This ended the long streak of years that small-cap stocks had outperformed large-cap stocks. On a style basis, value stocks once again outperformed growth stocks, with 2006 being the seventh year in succession where value has outperformed growth.

In 2006, Colorado PERA's total domestic equity portfolio returned 14.8 percent, compared to its benchmark's total return of 15.8 percent. PERA's three year annualized domestic equity portfolio total return was 11.3 percent, approximating the benchmark's return of 11.3 percent. The five year annualized total return for PERA's domestic portfolio was 7.2 percent, compared to the benchmark's total return of 7.1 percent.

International Stock

Foreign stock markets rose strongly in 2006 due to solid global economic growth, robust corporate earnings and booming merger and acquisition activity. The weakness of the U.S. dollar was a key contributor to the strong performance in international equities. The U.S. dollar's decline against most world currencies helped positive local currency returns become even stronger during the year. Emerging market countries such as China and India had their fast growing economies driven by a combination of domestic demand and overseas trade. In countries as diverse as Russia, Brazil, and Venezuela, peaking commodity prices translated into solid stock market gains.

In 2006, emerging market stocks returned 32.2 percent while developed market stocks returned 26.3 percent. The benchmark for the international equity asset class is the MSCI All-Country World Ex-U.S. Index. This index is a capitalization weighted index of stocks representing 22 developed stock markets (approximately 86 percent of the index weighting) and 26 emerging stock markets (approximately 14 percent of the index weighting) around the world. Among major markets, the laggard was Japan, with the yen remaining weak and economic activity exhibiting little momentum. Value stocks beat growth stocks by a wide margin, making 2006 the seventh consecutive year of global value style leadership.

PERA's international equity return in 2006 was 27.3 percent, outperforming the 26.7 percent return for its benchmark. PERA's three year annualized international equity portfolio total return figure was 22.0 percent, ahead of the benchmark's return of 21.0 percent. The five year annualized total return for PERA's international portfolio was 17.1 percent, compared to the benchmark's total return of 15.7 percent.

Fixed Income

Despite weakness in the housing and auto sectors, the U.S. economy continued to exhibit slower but still decent growth during 2006. The unemployment rate finished the year at 4.5 percent, close to a five-year low and the December consumer confidence reading was near its four-year high. After reaching a year-over-year high of 2.9 percent in September, the core consumer price index, which excludes food and energy prices, concluded 2006 at 2.6 percent. In August, after increasing the Federal Funds

Fund Performance Evaluation

Does not include the 401(k) Voluntary Investment Program

Rate at 17 consecutive meetings, the Federal Reserve left the funds rate unchanged at 5.25 percent. In their accompanying commentary for the August meeting, the Fed highlighted the following themes: (1) that economic growth "has moderated from a quite strong pace earlier this year which is attributed to a gradual cooling of the housing market," (2) that core inflation while "elevated in recent months should moderate over time," and (3) that inflation risks remain and future Fed action would depend on the economic data. Throughout the remainder of the year, the Federal Reserve continued to support these themes. For most of calendar year 2006, investors displayed a healthy appetite for risk. The top performing fixed income asset classes were high yield corporate bonds and emerging market debt. The worst performing fixed income asset class for the year was U.S. Treasuries.

PERA's fixed income portfolio returned 4.9 percent during 2006 compared to the benchmark's return of 5.0 percent. PERA's three-year and five-year returns for fixed income were 4.1 percent and 6.1 percent compared to the benchmark's returns of 4.2 percent and 5.4 percent, respectively.

Alternative Investments

Private equity investors continued to realize strong performance in 2006. The environment for private equity remains positive. The credit markets continue to be receptive toward private equity sponsors and exit activity has been fueled by strong merger and acquisition activity and recapitalizations. Global fundraising for private equity reached $215 billion in 2006, the largest year ever. Public to private transactions, as well as the traditional management buyouts, are proving to be viable alternatives for companies looking for value creation.

Buyout managers, with ever increasing fund sizes, continue to be active in both the public and private markets. Leverage has been readily available, fueling both investment and distribution activity. With the large pool of capital available for new deals, buyout sponsors are focusing on driving value from operational initiatives rather than financial engineering or through multiple expansion in a given industry. The venture sector continues to be rather quiet in terms of liquidity, but it has an underlying tone of optimism. Portfolio companies are doing well as fundamentals are strong. During 2006, the mergers and acquisitions market was the favored path to liquidity for this part of the portfolio.

Overall, valuations remain quite strong and cash flow was again positive for the year. The portfolio funded $0.7 billion in capital calls and received cash distributions of $1.1 billion during the year. In 2006, Colorado PERA approved 10 commitments in alternative investments—three in venture capital, five in leveraged buyouts, and two in special situations—totaling $588 million.

PERA's alternative investment portfolio returned 24.3 percent in 2006 compared with the custom alternatives benchmark return of 18.8 percent. PERA's alternative investment portfolio returned 22.4 percent and 15.1 percent, respectively, for the three- and five-year annualized periods compared with the annualized custom benchmark returns of 14.5 percent and 10.6 percent, respectively, for the same periods. The alternative investment program's net, since inception internal rate of return as of December 31, 2006, is 11.6 percent compared to the custom benchmark's since inception internal rate of return of 10.8 percent.

Real Estate

The U.S. real estate market and related property fundamentals continued to improve during 2006 despite the dramatic slowdown in the U.S. housing market and a modest deceleration in economic growth. Demand for space increased as the U.S. economy continued to add jobs, and limited new supply caused vacancy rates to decline. Sustained investment capital flows again increased property values throughout 2006. The trends in the economy and real estate markets continue to support a favorable outlook for private real estate investments in 2007, albeit at a much slower pace.

The European and Asian real estate markets have similar favorable outlooks for private equity with Europe being a stable performer and Asia providing investors with more growth opportunities.

In 2006, the real estate portfolio had a total return of 24.1 percent, compared to its custom benchmark return of 16.3 percent. The real estate portfolio returned 26.0 percent and 20.2 percent for the three- and five-year annualized periods, which compared favorably to the custom benchmark returns of 15.9 percent and 14.3 percent, respectively. In 2006, the Board of Trustees adopted a new real estate benchmark which is the net of fees NCREIF Open End Fund Index plus 100 basis points premium (Net NFI + 100). At December 31, 2006, real estate was principally comprised of U.S. private equity and international private equity investments.

Timber

In 2006, no acquisitions were made by the timberland manager on behalf of PERA and small parcel land sales totaled $3.4 million. In aggregate, PERA received $27 million in cash distributions from its timber account in 2006. PERA's timber portfolio produced one-, three-, and five-year annualized returns of 15.3 percent, 16.4 percent, and 13.8 percent, respectively, compared with the NCREIF Timberland Index returns of 13.7 percent, 14.7 percent, and 10.6 percent, respectively, for these periods.

Schedule of Investment Results

Does not include 401(k) Voluntary Investment Program
As of December 31, 2006

Ennis Knupp & Associates, the Board's Investment Performance consultant, provides the investment returns for the fund based on data made available by the fund's custodian, The Northern Trust Company. Listed below are the one–, three–, five–, and ten–year time-weighted rates of return for each asset class and their respective benchmarks.

	2006	3–Year	5–Year	10–Year
PERA Total Portfolio	**15.7%**	13.2%	9.6%	9.2%
Total Fund Policy Benchmark	**14.9%**	–	–	–
Median Plan (Russell/Mellon's Median Public Fund Universe)	**13.9%**	11.6%	9.2%	8.5%
Domestic Stocks	**14.8%**	11.3%	7.2%	8.8%
DJ Wilshire 5000[1]	**15.8%**	11.3%	7.1%	9.0%
International Stocks	**27.3%**	22.0%	17.1%	9.4%
MSCI ACWI Ex-U.S.[1]	**26.7%**	21.0%	15.7%	8.7%
Fixed Income	**4.9%**	4.1%	6.1%	5.6%
Lehman Brothers Universal[1]	**5.0%**	4.2%	5.4%	6.4%
Lehman Brothers Aggregate	**4.3%**	3.7%	5.1%	6.2%
Alternative Investments	**24.3%**	22.4%	15.1%	14.7%
Custom Alternative Benchmark[2]	**18.8%**	14.5%	10.6%	11.8%
Real Estate	**24.1%**	26.0%	20.2%	15.9%
Custom Real Estate Benchmark[3]	**16.3%**	15.9%	14.3%	10.9%
PERA Timber Investments	**15.3%**	16.4%	13.8%	9.8%
NCREIF Timberland Property Index	**13.7%**	14.7%	10.6%	8.6%

Note: Performance calculations were prepared using time-weighted rates of return.

[1] The Colorado PERA Board of Trustees adopted new benchmarks for domestic stock, international stock, and fixed income as of April 1, 2004. Accordingly, the benchmark returns presented represent a blend, as follows:

- The Total Fund benchmark is a combination of 45 percent of the DJ Wilshire 5000 Stock Index; 15 percent of the Morgan Stanley Capital International All Country World Ex-U.S. Index; 25 percent of the Lehman Brothers Universal Bond Index; 7 percent of the Colorado PERA Real Estate Index; 7 percent of the Colorado PERA Alternatives Index; and 1 percent of the NCREIF Timber Index. Prior to January 1, 2006, the weight for the MSCI ACWI Ex-U.S. Index was 14 percent and the Custom Alternative Benchmark was 8 percent.
- Domestic Stocks—S&P 1500 prior to April 1, 2004; DJ Wilshire 5000 beginning April 1, 2004.
- International Stocks-EAFE Custom Index (75 percent MSCI EAFE Index and 25 percent MSCI EAFE excluding Japan) prior to April 1, 2004; MSCI ACWI excluding U.S. beginning April 1, 2004.
- Fixed Income—Lehman Aggregate prior to April 1, 2004; Lehman Universal beginning April 1, 2004.

[2] DJ Wilshire 5000 plus 300 basis points.

[3] Beginning January 1, 2006: NFI (NCREIF Open-end Core Fund Index) plus 100 basis points; prior to January 1, 2006: 15 percent NAREIT, 45 percent NCREIF Property, 20 percent CITI Mortgage, and 20 percent Global Property Research.

Profile of Investments in Colorado

Does not include 401(k) Voluntary Investment Program
As of December 31, 2006
(In Thousands of Dollars)

	Market Value
Common stock of companies headquartered in Colorado	$192,209
Funds under management of Colorado companies[1]	96,479
Real estate equity	87,371
Committed to future funding	35,099
PERA portion of general partnerships investing in Colorado companies[2]	67,584
Bonds and notes of companies headquartered in Colorado	39,309
Commercial mortgages	4,711
Total	**$522,762**

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

Largest Stock Holdings by Market Value

Does not include 401(k) Voluntary Investment Program
As of December 31, 2006
(In Thousands of Dollars)

	Shares	Market Value
Exxon Mobil Corp	4,901,700	$375,617
General Electric Co	7,925,700	294,915
Citigroup Inc	5,081,800	283,056
Microsoft Corp	8,793,900	262,586
Bank of America Corp	4,746,178	253,398
Altria Group Inc	2,358,100	202,372
Chevron Corp	2,644,060	194,418
Procter & Gamble Co	2,744,747	176,405
J P Morgan Chase & Co	3,625,042	175,090
Pfizer Inc	6,581,400	$170,458

The top ten holdings do not include commingled funds.
A complete list of holdings is available upon request.

Largest Bond Holdings by Market Value

Does not include 401(k) Voluntary Investment Program
As of December 31, 2006
(In Thousands of Dollars)

	Par Value	Income Rate	Maturity Date	Market Value
US Treasury	$125,000	3.500%	2/15/2010	$120,606
US Treasury Notes	110,000	4.875%	8/15/2016	111,315
US Treasury Notes	100,000	4.250%	11/15/2013	97,359
US Treasury Bonds	67,000	7.875%	2/15/2021	87,252
US Treasury Bonds	70,000	6.250%	8/15/2023	80,571
US Treasury Notes	80,000	3.750%	5/15/2008	78,775
FNMA Pool #735228	66,551	5.500%	2/1/2035	65,837
US Treasury Bonds	47,000	6.875%	8/15/2025	58,185
US Treasury Notes	55,800	3.000%	2/15/2009	53,795
FNMA Pool #190372	$53,136	6.000%	8/1/2036	$53,496

The top ten holdings do not include commingled funds.
A complete list of holdings is available upon request.

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

(In Thousands of Dollars)

Overview

The Colorado PERA 401(k) Voluntary Investment Program was established on July 1, 1985, under Section 401(k) of the Internal Revenue Code. 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.

The 401(k) Voluntary Investment Program has two components. The first component includes voluntary contributions made by PERA members in the State, School, Local Government, and Judicial Division Trust Funds. These contributions are entirely separate from those that members make to the defined benefit plan each month. The second component was added January 1, 2006, and is made up of contributions from participants in the Colorado PERA Defined Contribution Plan (PERA DC).

Pursuant to legislation passed in 2004 (Senate Bill 04-257), and amended in 2005 (House Bill 05-1231), effective January 1, 2006, certain new employees hired by State government became eligible to select the retirement plan in which they chose to participate. Prior to this legislation, most new State employees were automatically enrolled in the Colorado PERA Defined Benefit Plan (State Division Trust Fund). Beginning on January 1, 2006, new State employees could select to participate in the State Division Trust Fund, the newly created PERA DC, or the State's Defined Contribution Plan. New State employees eligible for retirement plan choice are employed by State Agencies and Departments. State employees who work for institutions of higher education and for Instrumentalities of the State are not eligible for retirement plan choice.

On December 31, 2006, the 401(k) Voluntary Investment Program had net assets of $1,522,839 and 72,932 accounts, a net increase of 17.4 percent in the total plan value in one year, and less than a 1 percent increase in membership.

Year-End Statistics

Year	Assets	Number of Accounts
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
2004	1,204,725	73,634
2005	1,296,998	72,867
2006	**$1,522,839**	**72,932**

Outline of Investment Policies

Objectives

The Board of Trustees is responsible for approving an appropriate range of investments that address the risk/return spectrum available to the 401(k) Voluntary Investment Program's participants. It is the objective of the plan to:

- Provide sufficient variety among the investment categories so that participants may choose from a range of investment opportunities having different expected risks and different expected returns within a reasonably limited number of choices.
- Provide investment funds that have investment returns comparable to returns for funds having similar objectives and risk within the particular investment categories.
- Control management costs within reasonable and prudent levels.

Responsibilities

The Board of Trustees is responsible for:

- The oversight of the 401(k) Voluntary Investment Program and portfolio composition.
- Approving changes to the plan document.
- Approving the investment policy and amendments thereto.
- Accepting or rejecting the Investment Advisory Committee's recommendations with regards to policy, objectives and specific investment categories and funds.

The Investment Advisory Committee (IAC), a committee of internal management staff, monitors and evaluates the plan's investment asset mix and funds, and the performance of fund managers.

Recommendations of the IAC are presented to the Chief Investment Officer and the Chief Operating Officer of Colorado PERA. Upon concurrence of the Chief Investment Officer and the Chief Operating Officer, the recommendations are presented to the Benefits Committee of the Board for its consideration.

Investment Options

401(k) Voluntary Investment Program's assets can be invested in one or more of the following investments:

- **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.

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

(In Thousands of Dollars)

- **PIMCO Total Return Fund:** Primarily invests in U.S. government and corporate securities based on an analysis of major changes in the direction of long-term interest rates. Managed by PIMCO.
- **Dodge & Cox Balanced Fund:** The fund is a combination of common stocks and fixed income securities (primarily high quality bonds), with no more than 75 percent of the assets in stocks. Managed by Dodge & Cox.
- **Vanguard Institutional 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.
- **Dodge & Cox Stock Fund:** The fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income. Managed by Dodge & Cox.
- **PERA Growth & Income Stock Fund:** Primarily invests in common stocks of high-quality companies with a broad range of capitalization. Managed by PERA investment staff.
- **Fidelity Contrafund:** Primarily invests in common stocks and securities convertible into common stocks of companies with high growth potential. Managed by Fidelity Investments.
- **GMO U.S. 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.
- **American Funds EuroPacific Growth Fund:** Primarily invests in equity securities of issuers domiciled in Europe or the Pacific Basin. This fund may also invest in securities through depository receipts, securities convertible into common stocks, straight debt securities, government securities, or non-convertible preferred stocks. Managed by The American Funds Group.
- **Vanguard Small-Cap Index Fund:** The fund seeks to track the performance of a benchmark index that measures the investment return of small capitalization stocks. It holds all 1,750 stocks that make up the MSCI U.S. Small Cap 1,750 Index in proportion to their weighting in the index. Managed by Vanguard.
- **Fidelity Freedom Funds:** Six funds with varying asset mixes 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.

2006 Changes

In July 2006, the Vanguard Small-Cap Fund was converted to a new share class with a lower expense ratio. In September 2006, the Board of Trustees changed the classification of the Fidelity Contrafund. Previously, the fund had been categorized as a core domestic equity fund. The fund is now in the opportunistic equity category.

Loans

Participants, other than those in the PERA DC, may access their funds through loans as allowed under plan policy and the Internal Revenue Service.

Administrative Fees

An administrative fee pays for recordkeeping, communications, education, consulting, staff, and other overhead expenses. In 2006, the fees (in actual dollars) were as follows:

Account Balance	Monthly Fee	Total Fee Per Year
$0–$25,000	$2.00	$24.00
$25,000.01–$50,000	$2.25	$27.00
$50,000.01–$75,000	$2.50	$30.00
$75,000.01–$100,000	$2.75	$33.00
$100,000.01–$125,000	$3.00	$36.00
$125,000.01 or greater	$3.25	$39.00

Expenses are offset by a partial return of investment fees by some funds.

401(k) Voluntary Investment Program Schedule of Investment Results

Fund/Benchmark	2006	3-Year	5-Year
Northern Trust Short Term Fund	5.0%	3.1%	2.5%
Merrill Lynch 90 Day T-Bills	4.9%	3.1%	2.4%
PIMCO Low Duration Fund	3.8%	2.6%	3.6%
Merrill Lynch Treasury 1-3 year	4.0%	2.2%	2.8%
PIMCO Total Return Fund	4.0%	4.0%	5.5%
Lehman Aggregate	4.3%	3.7%	5.1%
Dodge & Cox Balanced Fund	13.9%	11.2%	10.7%
60% S&P 500/40% Lehman Aggregate	11.1%	7.8%	6.0%
Vanguard Institutional Index Fund	15.8%	10.4%	6.2%
S&P 500	15.8%	10.4%	6.2%
Dodge & Cox Stock Fund	18.5%	15.6%	12.8%
Russell 1000 Value	22.3%	15.1%	10.9%
PERA Growth & Income Fund	17.3%	12.8%	7.9%
S&P 500	15.8%	10.4%	6.2%
Fidelity Contrafund	11.5%	14.3%	11.5%
50% S&P 500/30% Russell 2000/20% MSCI EAFE	18.8%	13.4%	9.7%
GMO U.S.Growth Fund[1]	2.0%	N/A	N/A
Russell 1000 Growth	9.1%	N/A	N/A
American Funds EuroPacific Growth Fund	22.2%	21.2%	15.5%
MSCI ACWI Ex-US	27.2%	21.8%	16.9%
Vanguard Small Cap Index Fund[2]	15.8%	N/A	N/A
MSCI US 1750	15.8%	N/A	N/A
Fidelity Freedom Income Fund	6.4%	4.7%	4.2%
FID Freedom Income Custom Index	7.0%	5.1%	4.7%
Fidelity Freedom 2000 Fund	6.8%	5.1%	4.5%
FID Freedom 2000 Custom Index	7.6%	5.6%	4.9%
Fidelity Freedom 2010 Fund	9.5%	7.5%	6.3%
FID Freedom 2010 Custom Index	10.9%	8.1%	6.8%
Fidelity Freedom 2020 Fund	11.6%	9.6%	7.3%
FID Freedom 2020 Custom Index	14.0%	10.4%	8.1%
Fidelity Freedom 2030 Fund	12.9%	10.7%	7.6%
FID Freedom 2030 Custom Index	15.8%	11.6%	8.6%
Fidelity Freedom 2040 Fund	13.5%	11.3%	7.7%
FID Freedom 2040 Custom Index	16.4%	12.2%	8.9%

R.V. Kuhns & Associates provides the returns for the 401(k) Voluntary Investment Program; performance is net of management fees.

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

[1] This fund joined PERA's 401(k) Voluntary Investment Program in March 2004.

[2] This fund joined PERA's 401(k) Voluntary Investment Program in July 2005.

401(k) Voluntary Investment Program Summary

(In Thousands of Dollars)

	Market Value December 31, 2006	Percent of Total Market Value 2006	2005	2004
Northern Trust Short Term Fund	$99,520	6.6%	6.7%	7.7%
PIMCO Low Duration Fund	33,994	2.2%	2.6%	3.0%
PIMCO Total Return Fund	86,374	5.7%	6.8%	7.7%
Dodge & Cox Balanced Fund	250,645	16.6%	16.4%	15.9%
Vanguard Institutional Index Fund	68,593	4.5%	4.5%	4.9%
Dodge & Cox Stock Fund	157,459	10.4%	9.2%	8.3%
PERA Growth & Income Fund	320,128	21.1%	21.9%	22.7%
Fidelity Contrafund	202,641	13.4%	14.0%	12.7%
GMO U.S. Growth Fund[1]	68,510	4.5%	5.3%	6.1%
American Funds EuroPacific Growth Fund	126,759	8.4%	6.8%	5.5%
Vanguard Small Cap Index Fund[2]	14,735	1.0%	0.3%	N/A
Fidelity Freedom Income Fund	2,437	0.2%	0.2%	0.2%
Fidelity Freedom 2000 Fund	5,047	0.3%	0.4%	0.4%
Fidelity Freedom 2010 Fund	10,060	0.7%	0.6%	0.6%
Fidelity Freedom 2020 Fund	11,184	0.7%	0.6%	0.6%
Fidelity Freedom 2030 Fund	7,221	0.5%	0.4%	0.5%
Fidelity Freedom 2040 Fund	4,862	0.3%	0.2%	0.2%
Member Loans	$44,193	2.9%	3.1%	3.0%

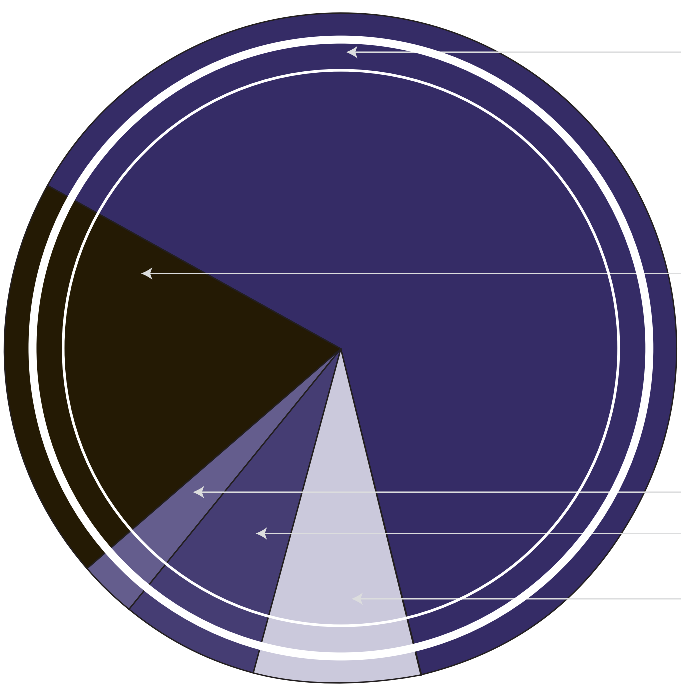
N/A—Fund not in PERA's 401(k) Voluntary Investment Program.

[1] This fund joined PERA's 401(k) Voluntary Investment Program in March 2004.

[2] This fund joined PERA's 401(k) Voluntary Investment Program in July 2005.

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

As of December 31, 2006



Stock Funds:	**63.3%**
Vanguard Institutional Index Fund	4.5%
Dodge & Cox Stock Fund	10.4%
PERA Growth & Income Stock Fund	21.1%
Fidelity Contrafund	13.4%
GMO U.S. Growth Fund	4.5%
American Funds EuroPacific Growth Fund	8.4%
Balanced and Lifestyle Funds:	**19.3%**
Dodge & Cox Balanced Fund	16.6%
Fidelity Freedom Income Fund	0.2%
Fidelity Freedom 2000 Fund	0.3%
Fidelity Freedom 2010 Fund	0.7%
Fidelity Freedom 2020 Fund	0.7%
Fidelity Freedom 2030 Fund	0.5%
Fidelity Freedom 2040 Fund	0.3%
Member Loans:	**2.9%**
Short-Term Funds:	**6.6%**
Northern Trust Short-Term Fund	6.6%
Bond Funds:	**7.9%**
PIMCO Low Duration Fund	2.2%
PIMCO Total Return Fund	5.7%

Actuarial Section

Through PERA's long history, we have always reached out and served our members. By traveling across the state, implementing a dedicated Customer Service Center, and launching an innovative Web site, PERA continues to focus on ways to help members better understand their benefits. Bob Scott was PERA's Executive Director from 1984 until 2000. Under his direction, the PERA 401(k) Voluntary Investment Program was created as well as the PERA Health Care Program for retirees and other benefit recipients.

Report of the Independent Actuary

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

May 31, 2007

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

RE: ACTUARIAL CERTIFICATION OF DEFINED BENEFIT PLANS

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, 2006. In completing the valuation of these systems, Cavanaugh Macdonald Consulting, LLC (CMC) relied on membership and financial data provided by PERA. We have reviewed this data for reasonableness, and made some general edit checks to impute certain information that may not have been provided with the original employee data. We have not audited this data, but we have reconciled the data used in the prior year's valuation with this current valuation data.

Senate Bill 06-235 was passed into law since the last valuation. The provisions of this new legislation, which will be taken into account as they become effective, include:

- The addition of a Supplemental Amortization Equalization Disbursement (SAED) that will begin in January, 2008 at 0.5% of payroll per year. It will increase by 0.5% each year until it reaches 3.0% of payroll. The SAED will be discontinued when each division's trust fund reaches 100% funding.
- The statutorily prescribed amortization period is reduced from 40 to 30 years.
- For members hired on or after January 1, 2007:
  - A 3-year Highest Average Salary (HAS) with an 8 percent cap will be used to calculate retirement benefits.
  - Retirement eligibility will be increased from the Rule of 80 to the Rule of 85 with a minimum retirement age of 55.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144
Phone (678) 388-1700 • Fax (678) 388-1730
www.CavMacConsulting.com

Report of the Independent Actuary

Board of Trustees
Public Employees' Retirement Association of Colorado
May 31, 2007
Page 2

- Cost-of-living adjustments (COLAs) will be equal to the lower of 3% or the change in the Consumer Price Index and will be paid only to retirees who have been retired at least one year and are at least age 60 or whose years of service plus age equals at least 85, and then only to the extent funds are available in the Annual Increase Reserve Fund.

- The expansion of the Defined Contribution Choice to institutions of higher learning effective January 1, 2008.

No change in the economic or demographic actuarial assumptions used in the pension valuations occurred since the prior valuation. These assumptions are based on an experience investigation performed over the four-year period ending December 31, 2004. The new assumptions were adopted by the Board in July 2005. The following changes have been made to certain health care assumptions since the previous valuation:

- Based on the results of surveys conducted by PERA staff, the percentage of actives hired before April 1, 1986 and pre-Medicare retirees assumed to not have Part A Medicare coverage was changed to 20%.
- Future plan election rates for retirees age 65 and older have been adjusted to reflect recent election patterns.
- Expected Inpatient Hospital claims costs for retirees age 65 and older that do not have Part A have been updated and associated trend assumptions for future increases in medical costs were amended to better reflect anticipated changes in the various coverage categories.

The following methodology change has been implemented since the previous valuation:

- Members electing coverage in a qualified plan option produce a Retiree Drug Subsidy (RDS), which is payable to PERA, under Part D of the Medicare Modernization Act of 2003 (MMA). PERA has reduced the full cost of coverage by the estimated RDS. GASB Statements 43 and 45 do not allow for future assumed RDS payments to be used as a direct offset for future liabilities. Therefore, the liability has been included in the total Health Care Trust Fund liability for this reduction in member premiums, based on this Federal program.

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

Report of the Independent Actuary

Board of Trustees
Public Employees' Retirement Association of Colorado
May 31, 2007
Page 3

CMC updated the following schedules for the December 31, 2006 CAFR:

FINANCIAL SECTION

- Actuarial Statistics
- Current Year Actuarial Gains / (Losses)
- Funding Ratios
- Defined Benefit Pension Trust Funds Changes in Overfunded/(Unfunded) Actuarial Accrued Liabilities
- Required Supplementary Information - Schedule of Funding Progress
- Required Supplementary Information - Schedule of Employer Contributions
- Notes to Required Supplementary Information

ACTUARIAL SECTION

- Schedule of Retirees and Beneficiaries Added to and Removed from Benefit Payroll
- Member – Retiree Comparison
- Schedule of Members in Valuation
- Total Actuarial Liabilities
- Unfunded / Overfunded Actuarial Accrued Liabilities
- Schedule of Gains and Losses in Accrued Liabilities
- Schedule of Computed Employer Contribution Rates for Fiscal Years Beginning in 2008
- Schedule of Contribution Rate History
- Schedule of Active Member Valuation Data

STATISTICAL SECTION

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

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

Report of the Independent Actuary

Board of Trustees
Public Employees' Retirement Association of Colorado
May 31, 2007
Page 4

PERA has a funded ratio of 74% based on the Actuarial Value of Assets. The funded ratio on Market Value of Assets is higher, at 78%. It is our opinion that the current funding is sufficient to pay benefit payments through the projected actuarial period of 30 years. Recent contribution changes under SB 06-235 are expected to stabilize the funding levels of the Local Government and Judicial Division trust funds by attaining a 30-year amortization period within the projected actuarial period of 30 years. The recent contribution changes combined with the benefit changes of SB 06-235 are expected to stabilize the State and School Division trust funds by attaining a 30-year amortization within the projected actuarial period based on previous actuarial projections.

Sincerely,

Thomas J. Cavanaugh

Thomas J. Cavanaugh, FSA, FCA, EA, MAAA
Chief Executive Officer

Edward A. Macdonald, ASA, FCA, MAAA
President

TJC/EAM:sh

S:\Colorado PERA\2007 Correspondence\CAFR Letter Final.doc

The Plan Summary for Calendar Year 2006

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 Board of Trustees.

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 122-125.

The Schedule of Computed Employer Contribution Rates on page 98 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 and who wishes to refund his or her account will receive his or her PERA contributions, a matching amount equal to 50 percent of the member contributions and interest, and any payments made to purchase service. A member who withdraws his or her account upon or after reaching age 65 or retirement eligibility receives a 100 percent matching amount.

State law authorizes the PERA Board to determine the interest to be credited to member accounts. The current interest rate is 5 percent compounded annually. In no event shall the Board specify a rate that exceeds 5 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

Service Retirement Benefits

Members are eligible to receive monthly retirement benefits when they reach age and service retirement requirements as noted below:

Service Retirement Eligibility for Members (Other Than State Troopers) Hired Before July 1, 2005

Age Requirement (in years)	*Service Credit Requirement (in years)*
50	30
55	Age and Service = 80 or more
60	20
65	5
65	Less than 5 but 60 payroll postings

Service Retirement Eligibility for Members (Other Than State Troopers) Hired On or After July 1, 2005, but Before January 1, 2007

Age Requirement (in years)	*Service Credit Requirement (in years)*
Any Age	35
55	30
60	20
65	5

Service Retirement Eligibility for Members (Other Than State Troopers) Hired On or After January 1, 2007

Age Requirement (in years)	*Service Credit Requirement (in years)*
Any Age	35
55	30
55	Age and Service = 85 or more
60	25
65	5
65	Less than 5 but 60 payroll postings

The Plan Summary for Calendar Year 2006

Service Retirement Eligibility for State Troopers

Age Requirement (in years)	Service Credit Requirement (in years)
Any Age	30
50	25
55	20
65	5
65	Less than 5 but 60 payroll postings

A service retirement benefit is the higher of either the defined service benefit formula 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).

For all members, except judges, who retire before January 1, 2009:

- 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. The three 12-month periods do not have to be consecutive nor do they have to be the last three years of employment.
- 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.

For all members, except judges, who retire on or after January 1, 2009:

- HAS is 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 cumulative annual limit in salary increases applies if any salary used in the HAS calculation is from the three years prior to retirement. In addition, a base year salary, the fourth highest year, is added to determine the starting point of the 15 percent limit. The four 12-month periods do not have to be consecutive nor do they have to include the last three years of employment.

For all members, except judges, who are hired on or after January 1, 2007:

- HAS is 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.
- An 8 percent cumulative limit on annual salary increases applies if any salary used in the HAS calculation is from the three years prior to retirement. In addition, a base year salary, the fourth highest year, is added to determine the starting point of the 8 percent limit. The four 12-month periods do not have to be consecutive nor do they have to include the last three years of employment.

For Judicial Division members (judges):

- HAS is the highest salary associated with one period of 12 consecutive months of service credit.

Defined retirement benefits equal 2.5 percent of HAS for each year of service credit up to a maximum of 100 percent of HAS. In all cases, a service retirement benefit is limited to 100 percent of HAS and also cannot exceed the maximum benefit amount allowed by federal law.

Reduced Service Retirement Benefits

The age and service requirements to be eligible for a reduced service retirement benefit are listed below:

Age Requirement (in years)	Service Credit Requirement (in years)
50	25
50	20 (State Troopers only)
55	20
60	5

Reduced service retirement benefits are based on the member's years of service, age, and Highest Average Salary (HAS).

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 retirement 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 a matching amount equal to 100 percent of the member's contributions and interest.

Survivor Benefits

The benefit amount that qualified survivors receive is specified in State statute and varies based upon the deceased member's HAS, years of service, the qualified survivors to whom benefits are to be paid, and the number of qualified survivors receiving benefits.

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

PERA benefits are increased annually each March. The amount and timing of the annual increase is determined by the PERA membership date of the retiree or deceased PERA member.

For service and disability retirees who were hired before June 30, 2005, and for survivor benefit recipients of deceased members who were hired before June 30, 2005, the annual increase is 3.5 percent, compounded annually. The first annual increase occurs in the March that immediately follows the calendar year in which the benefit recipient began receiving benefits. If benefits have been payable for less than a full year, but at least three months, a prorated annual increase is made.

For service and disability retirees who were hired on and after July 1, 2005, but before January 1, 2007, and for survivor benefit recipients of deceased members who were hired on or after July 1, 2005, but before January 1, 2007, the annual increase is the lower of 3 percent or the actual change in the Consumer Price Index, compounded annually. If benefits have been payable for less than a full year, but at least three months, a prorated annual increase is made.

Summary of Actuarial Methods and Assumptions

Actuarial Methods

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

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

Entry Age Actuarial Cost Method

Under the Entry Age Actuarial Cost Method, projected service retirement, termination, disability, and death benefits are determined for all active members. Cost factors, which are developed to produce level annual costs in each year from the age at hire (entry age) to the assumed retirement age, are applied to the projected benefits to determine the "normal cost." The normal cost is the portion of the total cost of the plan allocated to the current year. The normal cost for contribution refunds is assumed to end in the last year of assumed eligibility, and is spread over all years of service.

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. The actuarial value of assets was reinitialized at market value as of December 31, 2004. There will be two years of smoothing in the December 31, 2006, valuation as the method is phased in.

Actuarial Assumptions

Colorado PERA's actuarial assumptions are used to project the plan's future experience. At least every five years, the actuarial assumptions are studied and an actuarial audit 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.

In January 2005, the Board voted to have an actuarial audit performed in 2005, rather than in 2006, to confirm that PERA's funding status was being evaluated appropriately. Mercer Human Resource Consulting conducted the actuarial audit of PERA's actuarial valuation and processes; the actuarial audit completed the following:

- Conducted a valuation of liabilities for the pension trust funds and the Health Care Trust Fund based on the same year-end 2004 data, funding method, and assumptions used by the retained actuary.
- Examined and commented on the 2001–2004 experience study conducted by the retained actuary.
- Provided an opinion on specific issues, including the PERA trust funds' current and projected funded status, and what steps are needed to maintain actuarial soundness over the long term.

Based upon Mercer's review of the December 31, 2004, actuarial valuation, they believed that the results as presented in the valuation report were reasonable and performed by fully qualified actuaries in accordance with generally accepted actuarial principles and practices.

Economic Assumptions

In 2006, based on the actuary's recommendation, the Board continued to use an assumed investment rate of return of 8.5 percent per year, compounded annually, net after administrative expenses.

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

Summary of Actuarial Methods and Assumptions

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 2006. Pay increase assumptions for individual members in 2006 are shown for sample ages in Exhibits A, B, and C. Judicial Division pay increases (Exhibit D) 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 F. For disability retirement, impaired longevity is recognized by basing benefit values on an adjusted age midway between attained age and normal retirement age.

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

Separations from Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit A—State Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Ultimate Withdrawal[1]		Death[2]		Disability		Merit and	Inflation and	Increase
Sample Ages	Men	Women	Men	Women	Men	Women	Seniority	Productivity	(Next Year)
State Members (Other Than State Troopers)									
20	21.00%	18.00%	0.025%	0.015%	0.01%	0.01%	5.67%	4.50%	10.17%
25	7.20%	7.60%	0.030%	0.015%	0.04%	0.03%	3.75%	4.50%	8.25%
30	6.30%	6.90%	0.040%	0.025%	0.05%	0.05%	2.80%	4.50%	7.30%
35	5.40%	6.20%	0.055%	0.035%	0.18%	0.16%	2.05%	4.50%	6.55%
40	4.40%	5.60%	0.095%	0.058%	0.24%	0.22%	1.50%	4.50%	6.00%
45	4.30%	5.00%	0.200%	0.097%	0.39%	0.34%	0.85%	4.50%	5.35%
50	4.20%	5.00%	0.383%	0.158%	0.55%	0.50%	0.50%	4.50%	5.00%
55	4.20%	5.00%	0.538%	0.227%	0.90%	0.84%	0.10%	4.50%	4.60%
60	4.20%	5.00%	0.680%	0.345%	1.06%	0.94%	0.00%	4.50%	4.50%
65	4.20%	5.00%	1.061%	0.603%	1.08%	0.96%	0.00%	4.50%	4.50%
State Troopers									
20	5.00%	5.00%	0.025%	0.015%	0.02%	0.02%	5.50%	4.50%	10.00%
25	5.00%	5.00%	0.030%	0.015%	0.08%	0.08%	3.75%	4.50%	8.25%
30	3.80%	3.80%	0.040%	0.025%	0.12%	0.12%	2.80%	4.50%	7.30%
35	2.50%	2.50%	0.055%	0.035%	0.40%	0.40%	2.05%	4.50%	6.55%
40	1.60%	1.60%	0.095%	0.058%	0.54%	0.54%	1.50%	4.50%	6.00%
45	1.10%	1.10%	0.200%	0.097%	0.86%	0.86%	1.20%	4.50%	5.70%
50	1.00%	1.00%	0.383%	0.158%	1.28%	1.28%	0.80%	4.50%	5.30%
55	1.00%	1.00%	0.538%	0.227%	1.85%	1.85%	0.40%	4.50%	4.90%
60	1.00%	1.00%	0.680%	0.345%	2.00%	2.00%	0.00%	4.50%	4.50%
65	1.00%	1.00%	1.061%	0.603%	2.00%	2.00%	0.00%	4.50%	4.50%

[1] There are no select withdrawal assumptions for State Troopers.
[2] Rates are shown for healthy members. Separate disability mortality tables are used for disabled retirees.

Exhibit B—School Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Ultimate Withdrawal		Death[1]		Disability		Merit and	Inflation and	Increase
Sample Ages	Men	Women	Men	Women	Men	Women	Seniority	Productivity	(Next Year)
20	21.00%	18.00%	0.025%	0.015%	0.01%	0.01%	6.20%	4.50%	10.70%
25	7.63%	8.99%	0.030%	0.015%	0.01%	0.02%	4.10%	4.50%	8.60%
30	5.24%	7.79%	0.040%	0.025%	0.01%	0.03%	2.95%	4.50%	7.45%
35	4.36%	6.80%	0.055%	0.035%	0.04%	0.05%	2.50%	4.50%	7.00%
40	3.59%	5.40%	0.095%	0.058%	0.11%	0.08%	1.95%	4.50%	6.45%
45	3.27%	5.00%	0.200%	0.097%	0.18%	0.11%	1.35%	4.50%	5.85%
50	3.90%	4.60%	0.383%	0.158%	0.30%	0.20%	0.80%	4.50%	5.30%
55	3.90%	4.60%	0.538%	0.227%	0.55%	0.36%	0.35%	4.50%	4.85%
60	3.90%	4.60%	0.680%	0.345%	0.70%	0.40%	0.00%	4.50%	4.50%
65	3.90%	4.60%	1.061%	0.603%	0.70%	0.40%	0.00%	4.50%	4.50%

[1] Rates are shown for healthy members. Separate disability mortality tables are used for disabled retirees.

Separations from Employment Before Retirement and Individual Pay Increase Assumptions

Exhibit C—Local Government Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Ultimate Withdrawal		Death[1]		Disability		Merit and Seniority	Inflation and Productivity	Increase (Next Year)
Sample Ages	Men	Women	Men	Women	Men	Women			
20	12.00%	15.00%	0.025%	0.015%	0.01%	0.01%	6.97%	4.50%	11.47%
25	9.50%	12.35%	0.030%	0.015%	0.04%	0.04%	4.31%	4.50%	8.81%
30	7.20%	9.58%	0.040%	0.025%	0.07%	0.07%	2.65%	4.50%	7.15%
35	4.40%	8.00%	0.055%	0.035%	0.18%	0.18%	1.72%	4.50%	6.22%
40	3.90%	7.10%	0.095%	0.058%	0.27%	0.24%	1.23%	4.50%	5.73%
45	3.40%	6.30%	0.200%	0.097%	0.41%	0.39%	0.99%	4.50%	5.49%
50	3.40%	6.30%	0.383%	0.158%	0.61%	0.65%	0.79%	4.50%	5.29%
55	3.40%	6.30%	0.538%	0.227%	1.02%	0.90%	0.60%	4.50%	5.10%
60	3.40%	6.30%	0.680%	0.345%	1.10%	1.03%	0.25%	4.50%	4.75%
65	3.40%	6.30%	1.061%	0.603%	1.10%	1.03%	0.00%	4.50%	4.50%

[1] Rates are shown for healthy members. Separate disability mortality tables are used for disabled retirees.

Exhibit D—Judicial Division

	Percent of Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Member		
	Ultimate Withdrawal[1]		Death[2]		Disability		Merit and Seniority[3]	Inflation and Productivity	Increase (Next Year)
Sample Ages	Men	Women	Men	Women	Men	Women			
30	2.70%	2.70%	0.040%	0.025%	0.06%	0.06%	1.50%	4.50%	6.00%
35	2.70%	2.70%	0.055%	0.035%	0.07%	0.07%	1.50%	4.50%	6.00%
40	2.70%	2.70%	0.095%	0.058%	0.10%	0.10%	0.67%	4.50%	5.17%
45	2.70%	2.70%	0.200%	0.097%	0.17%	0.17%	0.50%	4.50%	5.00%
50	2.70%	2.70%	0.383%	0.158%	0.31%	0.31%	0.50%	4.50%	5.00%
55	2.70%	2.70%	0.538%	0.227%	0.63%	0.63%	0.50%	4.50%	5.00%
60	2.70%	2.70%	0.680%	0.345%	1.22%	1.22%	0.50%	4.50%	5.00%
65	2.70%	2.70%	1.061%	0.603%	1.48%	1.48%	0.50%	4.50%	5.00%

[1] There are no select withdrawal assumptions for the Judicial Division.
[2] Rates are shown for healthy members. Separate disability mortality tables are used for disabled retirees.
[3] Pay raises are subject to legislative approval. Percentages shown are based on prior experience.

Exhibit E

Percent of Members With Less Than Five Years of Service Withdrawing from Employment Next Year[1]						
	State Division (Non-State Troopers)		School Division		Local Government Division	
Completed Years of Service	Men	Women	Men	Women	Men	Women
0	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
1	18.0%	20.0%	16.0%	16.5%	16.0%	18.0%
2	12.0%	14.0%	12.0%	12.5%	12.0%	12.0%
3	9.0%	11.0%	9.0%	10.5%	9.0%	9.0%
4	8.0%	10.0%	8.0%	10.0%	7.0%	7.0%

[1] There are no select withdrawal assumptions for State Troopers.

Single Life Retirement Value Assumptions

Exhibit F—State, School, Local Government, and Judicial Divisions

Sample Attained Ages	Present Value of $1 Monthly for Life Men	Present Value of $1 Monthly for Life Women	Present Value of $1 Monthly Increasing 3.5% Annually Men	Present Value of $1 Monthly Increasing 3.5% Annually Women	Future Life Expectancy In Years Men	Future Life Expectancy In Years Women
40	$138.39	$141.51	$206.81	$214.96	41.93	45.71
45	134.80	139.02	197.32	207.10	37.19	40.86
50	130.42	135.64	186.57	197.55	32.65	36.09
55	125.29	131.12	174.65	186.07	28.35	31.41
60	118.37	124.79	160.31	171.98	24.11	26.78
65	109.07	116.45	143.22	155.38	19.98	22.32
70	98.28	105.86	125.02	136.43	16.22	18.08
75	86.47	93.08	106.56	115.73	12.91	14.19
80	74.16	79.29	88.65	95.06	10.08	10.82
85	$62.15	$63.82	$72.23	$73.84	7.76	7.84

Percent of Members Eligible for Reduced Retirement

Exhibit G

Retirement Ages	State Division Men	State Division Women	State Troopers	School Division Men	School Division Women	Local Government Division Men	Local Government Division Women	Judicial Division
50	10%	10%	20%	10%	12%	12%	15%	10%
51	10%	10%	20%	10%	12%	12%	15%	10%
52	10%	10%	20%	10%	12%	12%	15%	10%
53	10%	10%	20%	10%	12%	12%	15%	10%
54	15%	15%	20%	18%	20%	12%	15%	10%
55	15%	15%	10%	18%	20%	12%	15%	10%
56	15%	15%	10%	18%	20%	15%	15%	10%
57	15%	15%	10%	18%	20%	15%	15%	10%
58	15%	15%	10%	18%	20%	15%	15%	10%
59	15%	15%	10%	18%	20%	15%	15%	10%
60	12%	15%	25%	14%	15%	15%	10%	10%
61	12%	12%	25%	14%	15%	15%	10%	10%
62	15%	18%	25%	14%	15%	15%	12%	10%
63	25%	12%	25%	14%	15%	15%	12%	10%
64	25%	12%	25%	14%	15%	15%	12%	10%
65	0%	0%	0%	0%	0%	0%	0%	10%
66	0%	0%	0%	0%	0%	0%	0%	10%
67	0%	0%	0%	0%	0%	0%	0%	10%
68	0%	0%	0%	0%	0%	0%	0%	15%
69	0%	0%	0%	0%	0%	0%	0%	20%
70	0%	0%	0%	0%	0%	0%	0%	40%
71	0%	0%	0%	0%	0%	0%	0%	40%
72	0%	0%	0%	0%	0%	0%	0%	100%
73	0%	0%	0%	0%	0%	0%	0%	100%
74	0%	0%	0%	0%	0%	0%	0%	100%
75	0%	0%	0%	0%	0%	0%	0%	100%

Percent of Members Eligible for Unreduced Benefits Retiring Next Year

Exhibit H

Retirement Ages	State Division Men	State Division Women	State Troopers	School Division Men	School Division Women	Local Government Division Men	Local Government Division Women	Judicial Division
50	40%	40%	30%	40%	40%	15%	15%	10%
51	35%	35%	30%	40%	40%	15%	15%	10%
52	30%	30%	30%	35%	35%	15%	15%	10%
53	30%	25%	30%	35%	35%	15%	15%	10%
54	30%	25%	25%	35%	35%	15%	25%	10%
55	20%	25%	25%	25%	25%	15%	25%	10%
56	20%	20%	15%	25%	25%	25%	25%	10%
57	20%	20%	15%	25%	22%	25%	25%	10%
58	20%	20%	35%	25%	22%	25%	25%	10%
59	20%	20%	35%	25%	22%	25%	25%	10%
60	20%	20%	35%	25%	22%	20%	12%	10%
61	18%	16%	35%	22%	17%	20%	12%	10%
62	20%	20%	50%	22%	17%	20%	15%	10%
63	17%	16%	50%	22%	17%	20%	15%	10%
64	17%	16%	50%	22%	17%	20%	15%	10%
65	30%	25%	100%	30%	25%	25%	30%	10%
66	25%	22%	100%	19%	17%	30%	25%	10%
67	25%	22%	100%	19%	17%	30%	25%	10%
68	25%	22%	100%	19%	17%	30%	25%	15%
69	25%	22%	100%	19%	17%	30%	25%	20%
70	100%	100%	100%	100%	100%	100%	100%	40%

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

(In Actual Dollars)

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
12/31/97	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%
12/31/04	5,522	191,924,148	1,610	28,105,056	67,900	1,839,310,356	27,089	6.9%
12/31/05	5,320	175,538,520	1,819	25,819,464	71,401	2,045,457,000	28,647	5.8%
12/31/06	**5,251**	**$169,081,084**	**1,945**	**$27,505,200**	**74,698**	**$2,246,234,376**	**$30,071**	**5.0%**

[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).

Member-Retiree Comparison[1]

(In Actual Dollars)

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
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
2004	65,943	292,861	22.5%	1,764,716,331
2005	69,416	306,139	22.7%	1,973,240,491
2006	**72,737**	**319,137**	**22.8%**	**$2,178,014,767**

[1] Numbers derived on a cash basis.
[2] Includes inactive member accounts.

Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 2006

State Division

Members included in the State Division valuation totaled 52,866 and involved annual salaries totaling $2,099,325,147 (in actual dollars). The average age for these members (excluding State Troopers) was 45.3 years, and the average service was 9.1 years. The average age for State Troopers was 39.6 years, and the average service was 10.9 years.

	Years of Service to Valuation Date							Totals	
Attained Age	**0–4**	**5–9**	**10–14**	**15–19**	**20–24**	**25–29**	**30+**	**No.**	**Valuation Payroll**
Up to 20	489	0	0	0	0	0	0	489	$3,303,323
20–24	1,786	35	0	0	0	0	0	1,821	32,572,627
25–29	3,159	549	5	0	0	0	0	3,713	103,194,004
30–34	2,974	1,510	270	8	0	0	0	4,762	164,245,242
35–39	2,775	1,761	1,007	330	25	0	0	5,898	234,112,805
40–44	2,531	1,652	1,055	858	482	64	0	6,642	276,888,833
45–49	4,410	1,731	1,089	1,059	906	801	117	10,113	416,034,703
50–54	2,240	1,517	1,111	1,156	944	943	464	8,375	386,278,175
55–59	1,689	1,195	846	960	778	636	492	6,596	301,825,818
60	254	194	133	114	113	90	65	963	41,997,180
61	196	132	80	74	91	80	61	714	32,441,855
62	138	103	78	84	67	39	51	560	25,766,086
63	139	75	69	69	49	37	45	483	20,646,864
64	116	67	68	69	38	30	47	435	18,626,866
65	81	52	28	32	40	24	28	285	11,623,532
66	67	47	21	26	18	16	12	207	8,045,071
67	70	21	25	12	17	14	11	170	5,828,258
68	64	32	13	13	7	6	13	148	4,504,206
69	56	22	14	15	10	3	4	124	3,431,690
70+	166	82	40	28	20	21	11	368	7,958,009
Totals	**23,400**	**10,777**	**5,952**	**4,907**	**3,605**	**2,804**	**1,421**	**52,866**	**$2,099,325,147**

School Division

Members included in the School Division valuation totaled 113,288 and involved annual salaries totaling $3,371,185,745 (in actual dollars). The average age for these members was 43.8 years, and the average service was 7.9 years.

	Years of Service to Valuation Date							Totals	
Attained Age	**0–4**	**5–9**	**10–14**	**15–19**	**20–24**	**25–29**	**30+**	**No.**	**Valuation Payroll**
Up to 20	1,245	0	0	0	0	0	0	1,245	$7,095,215
20–24	4,679	115	0	0	0	0	0	4,794	78,460,089
25–29	9,287	1,553	29	0	0	0	0	10,869	286,503,145
30–34	6,649	4,080	578	11	0	0	0	11,318	336,633,756
35–39	6,934	3,614	2,403	494	14	0	0	13,459	402,621,675
40–44	8,542	3,801	2,078	1,697	572	41	0	16,731	464,811,744
45–49	6,873	4,319	2,385	1,768	1,778	1,003	94	18,220	567,313,636
50–54	4,625	3,231	2,436	2,043	1,814	1,918	660	16,727	595,158,439
55–59	3,402	2,001	1,495	1,647	1,460	1,259	719	11,983	432,988,360
60	520	289	188	209	187	147	80	1,620	52,162,409
61	375	210	146	122	119	110	47	1,129	35,713,127
62	357	154	96	101	112	80	37	937	27,380,295
63	315	139	105	94	76	60	39	828	22,329,638
64	257	153	86	48	54	43	29	670	17,251,954
65	216	101	64	49	49	27	20	526	11,602,745
66	198	57	37	40	37	20	13	402	7,862,032
67	145	80	25	27	16	13	9	315	5,677,880
68	166	52	26	24	13	18	11	310	5,420,733
69	121	43	20	14	10	9	4	221	3,241,363
70+	547	237	76	47	30	27	20	984	10,957,510
Totals	**55,453**	**24,229**	**12,273**	**8,435**	**6,341**	**4,775**	**1,782**	**113,288**	**$3,371,185,745**

Schedule of Members in Valuation

By Attained Age and Years of Service As of December 31, 2006

Local Government Division

Members included in the Local Government Division valuation totaled 15,959 and involved annual salaries totaling $636,299,525 (in actual dollars). The average age for these members was 43.2 years, and the average service was 7.4 years.

	Years of Service to Valuation Date							Totals	
Attained Age	0–4	5–9	10–14	15–19	20–24	25–29	30+	No.	Valuation Payroll
Up to 20	517	0	0	0	0	0	0	517	$2,622,779
20–24	879	27	0	0	0	0	0	906	16,151,317
25–29	1,109	190	5	0	0	0	0	1,304	38,377,364
30–34	1,085	332	80	2	0	0	0	1,499	54,732,787
35–39	1,132	451	213	66	7	0	0	1,869	75,704,867
40–44	1,245	463	284	181	123	32	0	2,328	98,261,441
45–49	967	514	323	253	250	205	43	2,555	125,278,806
50–54	772	377	256	261	214	187	125	2,192	108,696,080
55–59	538	274	181	192	159	133	103	1,580	77,112,045
60	86	41	20	24	16	15	15	217	8,955,369
61	66	29	25	15	17	9	8	169	6,956,952
62	56	37	13	11	9	13	12	151	5,731,027
63	59	28	16	16	7	9	3	138	5,523,396
64	44	13	6	5	18	5	8	99	3,514,317
65	37	4	6	9	2	2	2	62	1,532,299
66	22	13	8	6	3	2	0	54	1,500,516
67	30	8	4	3	2	3	2	52	1,081,751
68	21	6	3	2	1	0	2	35	832,036
69	18	4	1	0	0	0	1	24	414,222
70+	147	28	20	4	2	5	2	208	3,320,154
Totals	**8,830**	**2,839**	**1,464**	**1,050**	**830**	**620**	**326**	**15,959**	**$636,299,525**

Judicial Division

Members included in the Judicial Division valuation totaled 291 and involved annual salaries totaling $29,150,633 (in actual dollars). The average age for Judicial Division members was 54.7 years, and the average service was 14.8 years.

	Years of Service to Valuation Date							Totals	
Attained Age	0–4	5–9	10–14	15–19	20–24	25–29	30+	No.	Valuation Payroll
Up to 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	23,687
35–39	5	1	1	1	0	0	0	8	650,245
40–44	15	3	2	3	0	0	0	23	2,164,272
45–49	13	8	13	7	3	1	0	45	4,437,419
50–54	13	6	8	10	6	7	2	52	5,351,303
55–59	11	12	13	20	18	16	6	96	9,620,699
60	5	3	1	2	2	3	0	16	1,590,891
61	0	2	1	0	4	2	3	12	1,333,741
62	0	2	2	0	1	1	1	7	682,030
63	1	1	1	2	2	2	0	9	929,722
64	1	0	1	1	0	1	2	6	576,463
65	1	0	0	1	2	3	1	8	890,307
66	0	0	0	0	2	0	1	3	332,030
67	0	0	0	0	0	0	0	0	–
68	0	0	0	1	0	0	2	3	337,067
69	0	0	1	0	0	0	0	1	119,013
70+	0	0	0	0	0	0	1	1	111,744
Totals	**66**	**38**	**44**	**48**	**40**	**36**	**19**	**291**	**$29,150,633**

Summary of Solvency Test

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

Over the years, 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 122–125.)

Since 2000, PERA's funding ratio has declined from a high of 105.2 percent to 73.3 percent at the end of 2005. The results of PERA's annual valuation on December 31, 2006, determined that the funding ratio for the retirement trust funds had increased to 74.1 percent. Legislation enacted in 2005 and 2006 that will strengthen PERA's future funded status included the following provisions:

- Payment of employer contributions on salary paid to PERA retirees who work for PERA-affiliated employers, effective July 1, 2005.
- Phase-in of increased funding called the Amortization Equalization Disbursement (AED) from PERA employers through a contribution that will remain in effect until PERA's unfunded liabilities are actuarially amortized beginning in January 2006 and increasing through 2012.
- A gradual increase of 0.5 percent per year in contributions (Supplemental Amortization Equalization Disbursement) over six years to be paid by employers from foregone employee wage increases, effective January 1, 2008. The main provisions of the Supplemental Amortization Equalization Disbursement are similar to the Amortization Equalization Disbursement provisions.
- Implementation of new hire provisions for members hired on or after January 1, 2007, which includes changing the Rule of 80 to a Rule of 85 with a minimum retirement age of 55 and implementing a new Annual Increase Reserve fund dedicated for new hire retirement COLAs.
- In an action that did not require legislation, the Board increased the cost to purchase prior non-covered service to the full actuarial cost effective November 1, 2005. In 2006, legislation was passed to make all future purchase of service credit at the actuarially determined rate.

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.

The following solvency test is one means of checking PERA's funding progress. In this test, the retirement plan's present assets (investments and cash) are compared with: (1) member contributions (with interest) on deposit, (2) the liabilities for future benefits to persons who have retired or terminated service with the right to a future benefit, 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, 2006, shows that liability 1 and liability 2 are fully covered by PERA assets.

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

Total Actuarial Liabilities

(In Actual Dollars)

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		
					Liability (1)	Liability (2)	Liability (3)
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%
12/31/04	6,365,516,299	23,833,957,690	13,370,998,194	30,755,462,303	100%	100%	4%
12/31/05	5,755,118,042	26,382,911,449	14,614,266,949	34,273,165,233	100%	100%	15%
12/31/06	**$6,742,437,218**	**$29,674,681,921**	**$13,073,484,732**	**$36,687,041,642**	**100%**	**100%**	**2%**

[1] Includes accrued interest on member contributions.

Summary of Unfunded/(Overfunded) Actuarial Accrued Liabilities

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

The ratio of PERA's assets to accrued liabilities exceeded 100 percent for the first time on December 31, 1999, and again exceeded 100 percent in 2000. However, the ratio fell to a recent low of 71 percent in 2004. In 2006, the funded ratio increased to 74 percent.

The increase (or gains) in the 2006 funded status over 2005 can be attributed mainly to the following factors:

- Recognition of investment gains experienced from 2005–2006.
- Member pay increases were lower than expected.
- Fewer members retired with a disability retirement than assumed.
- Current retirees are not living as long as expected.
- Health care claims were less than expected.

The following factors resulted in higher liabilities (or losses) to PERA during 2006:

- Survivor claims were slightly higher in 2006 than had been assumed, resulting in higher liabilities.
- Fewer members terminated PERA-covered employment and withdrew their accounts than had been assumed during 2006, increasing future liabilities.
- New PERA members had some service resulting in accrued liabilities.
- Members retired at earlier ages during 2006 than had been assumed.

Effective November 1, 2005, the cost to purchase non-covered service was increased to the actuarial cost, further limiting the plan's liabilities going forward. Legislation passed and signed into law in 2003 limited the number of years for non-covered service to a total of 10 years. Legislation supported by the Board in 2004, 2005, and 2006 contained moderate and balanced provisions that improve PERA's financial soundness. A brief description of this legislation follows:

Senate Bill 04-132 ("Modification of Existing Benefit Plans for PERA Members") as amended was signed by Governor Owens. The bill contains the following provisions that went into effect during 2005:

- Reduced the annual post-retirement increase to the lower of 3 percent or the actual increase in the Consumer Price Index for new employees hired on or after July 1, 2005.
- Eliminated 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.

Senate Bill 04-257 ("Modifications to Retirement Plans for Public Employees") as amended was signed by Governor Owens and included 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.

Senate Bill 05-73 ("Employment After Retirement for PERA Retirees") was signed by Governor Owens and ensures that the amortization equalization disbursement will be paid by employers on the salary they pay to PERA retirees. SB 05-73 also provides for employer contributions to be paid on compensation paid to PERA retirees who are working as independent contractors or in certain other arrangements, and who are performing services for PERA employers.

Senate Bill 06-235 ("Concerning Public Employees' Retirement Benefit Plans") was signed by Governor Owens on May 25, 2006. This legislation provided the following:

- Added a supplemental amortization equalization disbursement payment that is slated to come from salary increases that would have otherwise been awarded to employees over a six–year period. The collection of 0.5 percent of salaries is scheduled to begin on January 1, 2008.
- Modified retirement provisions for new employees hired on or after January 1, 2007.
- Specified a 30–year amortization period in statute.
- Required that an actuarial study be commissioned by the General Assembly before any benefit enhancements can be made.
- Modified the structure of the PERA Board of Trustees.
- Expanded defined contribution and defined benefit choice to new employees of institutions of higher education who did not previously have access to both types of plans.

Legislation passed in 2007 (House Bill 07-1377, "Concerning the Repeal of the Authority of an Employee of an Institution of Higher Education to Participate in Specified Public Retirement Plans") repealed the expansion of retirement plan choice legislation contained in Senate Bill 06-235 to new employees in higher education. However, under this legislation, new employees at Colorado community colleges will only have the option of selecting between the PERA defined benefit or PERA defined contribution plan as of January 1, 2008.

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

Summary of Unfunded/(Overfunded) Actuarial Accrued Liabilities

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 years 2002 through 2004. This increase reflects the poor investment environment of 2001 and 2002, as well as increased liabilities. The UAAL/OAAL as a percent of member salaries was reduced in 2006, which is evidence of a moderation in PERA's liabilities and recognition of investment gains in the past few years.

Unfunded/(Overfunded) Actuarial Accrued Liabilities (UAAL/OAAL)

(In Actual Dollars)

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
12/31/97	$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%
12/31/04	43,570,472,183	30,755,462,303	70.6%	12,815,009,880	5,879,355,179	218.0%
12/31/05	46,752,296,440	34,273,165,233	73.3%	12,479,131,207	5,940,132,036	210.1%
12/31/06	**$49,490,603,871**	**$36,687,041,642**	**74.1%**	**$12,803,562,229**	**$6,135,961,050**	**208.7%**

Schedule of Gains and Losses in Accrued Liabilities

	$ Gain (or Loss) for Years Ended December 31 (In Millions of Dollars)					
Type of Activity	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Age and service retirements[1]	**($60.7)**	($32.4)	($436.3)	($435.7)	($557.4)	($178.4)
Disability retirements[2]	**24.3**	(5.8)	(0.7)	(19.7)	(3.1)	0.1
Deaths[3]	**0.3**	130.7	(50.7)	(26.0)	5.9	11.5
Withdrawal from employment[4]	**(88.9)**	104.1	13.0	18.1	(20.4)	0.6
New entrants[5]	**(136.2)**	(129.1)	(66.3)	(110.7)	(68.6)	(41.0)
Pay increases[6]	**59.6**	(332.1)	97.4	716.4	(182.7)	(495.5)
Investment income[7]	**682.7**	89.4	(1,697.7)	(2,612.1)	(2,710.8)	(780.1)
Service purchases	**0.0**	(73.2)	(215.0)	(1,241.6)	—	—
Other	**46.3**	70.3	(23.0)	(753.1)	(323.9)	5.7
Gain (or loss) during year	**527.4**	(178.1)	(2,379.3)	(4,464.4)	(3,861.0)	(1,477.1)
Non-recurring items (assumption change)[8]	**0.0**	(126.3)	275.6	(981.3)	—	(572.5)
Non-recurring items (asset method change)[8]	**0.0**	1,660.7	—	—	—	—
Composite gain (or loss) during year	**$527.4**	$1,356.3	($2,103.7)	($5,445.7)	($3,861.0)	($2,049.6)

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

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

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

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

[5] New entrants: 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 2008

	Expressed as a Percentage of Member Payroll			
	State Division	**School Division**	**Local Government Division**	**Judicial Division**
Contributions:				
Service retirement benefits	8.58	9.36	8.41	12.71
Disability retirement benefits	0.94	0.39	1.02	1.66
Survivor benefits	0.44	0.35	0.45	1.19
Termination withdrawals	3.18	3.11	3.36	2.10
Refunds	0.90	0.66	1.07	1.28
Total normal cost	14.04	13.87	14.31	18.94
Less member contributions	8.05[1]	8.00	8.00	8.00[2]
Employer normal cost	5.99	5.87	6.31	10.94
Percentage available to amortize unfunded actuarial accrued liabilities	5.10	5.16	4.57	3.60
Amortization period	Infinite	Infinite	48 Years	Infinite
Total employer contribution rate for actuarially funded benefits	10.21	10.15	10.00	13.66
Amortization Equalization Disbursement	1.40	1.40	1.40	1.40
Supplemental Amortization Equalization Disbursement	0.50	0.50	0.50	0.50
Less Health Care Trust Fund	1.02	1.02	1.02	1.02
Employer contribution rate for defined benefit plan	9.19%[1]	9.13%	8.98%	12.64%

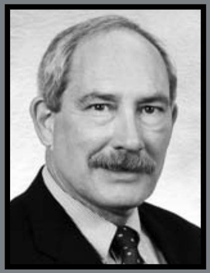
[1] Weighted average of more than one statutory rate.

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

Schedule of Active Member Valuation Data

Year	Number of Employers	Number of Members	Annual Payroll	Average Annual Salary	% Increase (Decrease) in Average Pay
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%)
2004	401	176,840	5,879,355,179	33,247	0.70%
2005	405	180,630	5,940,132,036	32,886	(1.09%)
2006	**405**	**182,404**	**$6,135,961,050**	**$33,639**	**2.29%**

Statistical Section



As our membership continues to grow, PERA remains committed to providing our members and retirees with personal and innovative solutions for a secure retirement. Throughout our 75 years of operation, our dedication to serve our membership has never wavered. Meredith Williams has been PERA's Executive Director since 2000. Under his leadership, many changes have been made to ensure PERA's financial strength in the decades to come.

Statistical Section Overview

The Statistical Section presents detailed information that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of Colorado PERA.

Contents

Financial Trends—These schedules show trend information about the changes and growth in Colorado PERA's net assets over the past 10 years.

- *Changes in Fiduciary Net Assets*
- *Benefits and Refund Deductions from Net Assets by Type*

Operating Information—These schedules contain information related to the services that Colorado PERA provides and the activities it performs.

- *Member and Benefit Recipient Statistics*[1]
- *Schedule of Average Retirement Benefits Payable*[1]
- *Schedule of Retirees and Survivors by Type of Benefit*
- *Current Average Monthly Benefit by Year of Retirement*[1]
- *Schedule of Average Benefit Payments*[1]*—Combined State, School, Local Government, and Judicial Divisions Trust Funds*
- *Schedule of Average Benefit Payments by Division*
- *Schedule of Contribution Rate History*
- *Principal Participating Employers*
- *Schedule of Affiliated Employers*
- *Health Care Program*
- *Life Insurance Program*
- *Life Insurance Program Claims*

Schedules and information are derived from Colorado PERA internal sources unless otherwise noted.

[1]Schedules and data are provided by the consulting actuary, Cavanaugh Macdonald Consulting, LLC.

Changes in Fiduciary Net Assets

Last Ten Calendar Years
(In Thousands of Dollars)

State and School Division Trust Fund[1]

	1997	1998	1999	2000
Additions				
Employer contributions[2]	$392,898	$409,749	$422,025	$420,031
Member contributions[2]	293,059	308,379	324,504	343,040
Purchased service	27,029	43,762	69,775	96,023
Investment income (loss)	3,361,986	3,231,469	4,130,854	(30,817)
Other	—	—	—	—
Total additions	4,074,972	3,993,359	4,947,158	828,277
Deductions				
Benefit payments	749,313	851,676	943,112	1,042,905
Refunds	60,686	65,811	89,684	124,096
Disability insurance premiums	—	-	8,054	4,824
Administrative expenses	14,090	14,142	15,794	15,245
Other	377	2,068	1,873	973
Total deductions	824,466	933,697	1,058,517	1,188,043
Changes in net assets available for benefits	3,250,506	3,059,662	3,888,641	(359,766)
Net assets held at beginning of year	18,429,481	21,679,987	24,739,649	28,628,290
Net assets held at end of year	**$21,679,987**	**$24,739,649**	**$28,628,290**	**$28,268,524**

[1] The State and School Division Trust Funds were merged on July 1, 1997, and separated on January 1, 2006. Additions and deductions for 1997 are for the full year.

[2] Employer and Member contribution rate history is shown on pages 122-125.

State Division Trust Fund[1]

	2006
Additions	
Employer contributions[2]	**$208,795**
Member contributions[2]	**169,965**
Purchased service	**39,480**
Investment income	**1,921,863**
Other	**1**
Total additions	**2,340,104**
Deductions	
Benefit payments	**849,229**
Refunds	**65,911**
Disability insurance premiums	**1,772**
Administrative expenses	**7,889**
Other	**3,103**
Total deductions	**927,904**
Changes in net assets available for benefits	**1,412,200**
Net assets held at beginning of year	**12,629,060**
Net assets held at end of year	**$14,041,260**

[1] The State and School Division Trust Funds were merged on July 1, 1997 and separated on January 1, 2006. Additions and deductions for 1997 are for the full year.

[2] Employer and Member contribution rate history is shown on pages 122-125.

School Division Trust Fund[1]

	2006
Additions	
Employer contributions[2]	**$336,703**
Member contributions[2]	**272,589**
Purchased service	**50,806**
Investment income	**2,954,863**
Other	**23**
Total additions	**3,614,984**
Deductions	
Benefit payments	**1,213,875**
Refunds	**68,493**
Disability insurance premiums	**2,829**
Administrative expenses	**11,523**
Other	**9,909**
Total deductions	**1,306,629**
Changes in net assets available for benefits	**2,308,355**
Net assets held at beginning of year	**19,327,602**
Net assets held at end of year	**$21,635,957**

[1] The State and School Division Trust Funds were merged on July 1, 1997 and separated on January 1, 2006. Additions and deductions for 1997 are for the full year.

[2] Employer and Member contribution rate history is shown on pages 122-125.

Changes in Fiduciary Net Assets

Last Ten Calendar Years
(In Thousands of Dollars)

2001	2002	2003	2004	2005
$314,649	$315,825	$387,920	$452,997	$491,031
368,968	397,315	405,715	411,376	425,657
119,719	329,572	695,516	192,033	212,971
(2,287,062)	(3,099,924)	5,203,073	3,663,632	2,827,871
–	5	3	30	(9)
(1,483,726)	(2,057,207)	6,692,227	4,720,068	3,957,521
1,171,996	1,307,652	1,469,343	1,677,417	1,872,565
90,898	88,793	99,039	108,136	114,968
3,228	4,070	3,592	4,186	4,038
16,363	17,752	19,750	20,949	18,811
1,409	1,649	448	13,320	10,373
1,283,894	1,419,916	1,592,172	1,824,008	2,020,755
(2,767,620)	(3,477,123)	5,100,055	2,896,060	1,936,766
28,268,524	25,500,904	22,023,781	27,123,836	30,019,896
$25,500,904	**$22,023,781**	**$27,123,836**	**$30,019,896**	**$31,956,662**

Changes in Fiduciary Net Assets

Last Ten Calendar Years
(In Thousands of Dollars)

Local Government Division Trust Fund[1]

	1997	1998	1999	2000
Additions				
Employer contributions[2]	$27,253	$30,186	$31,418	$32,639
Member contributions[2]	23,701	26,248	27,893	29,392
Purchased service	853	1,339	3,630	4,678
Investment income (loss)	195,741	191,499	249,209	(2,134)
Other	–	–	–	–
Total additions	247,548	249,272	312,150	64,575
Deductions				
Benefit payments	32,823	36,967	40,903	44,957
Refunds	8,112	8,070	10,210	14,619
Disability insurance premiums	–	–	692	418
Administrative expenses	996	1,158	1,391	1,339
Other	150	(824)	(1,118)	(131)
Total deductions	42,081	45,371	52,078	61,202
Changes in net assets available for benefits	205,467	203,901	260,072	3,373
Net assets held at beginning of year	1,067,641	1,273,108	1,477,009	1,737,081
Net assets held at end of year	**$1,273,108**	**$1,477,009**	**$1,737,081**	**$1,740,454**

[1] The Local Government Division Trust Fund was known as the Municipal Division Trust Fund prior to January 1, 2006.
[2] Employer and Member contribution rate history is shown on pages 122-125.

Judicial Division Trust Fund

	1997	1998	1999	2000
Additions				
Employer contributions[1]	$2,636	$2,693	$2,689	$2,726
Member contributions[1]	1,485	1,517	1,552	1,630
Purchased service	340	89	121	732
Investment income (loss)	19,086	18,394	23,539	(200)
Total additions	23,547	22,693	27,901	4,888
Deductions				
Benefit payments	4,992	5,168	5,521	5,917
Refunds	145	46	683	–
Disability insurance premiums	–	–	38	23
Administrative expenses	35	25	37	20
Other	(53)	(442)	1	(130)
Total deductions	5,119	4,797	6,280	5,830
Changes in net assets available for benefits	18,428	17,896	21,621	(942)
Net assets held at beginning of year	105,160	123,588	141,484	163,105
Net assets held at end of year	**$123,588**	**$141,484**	**$163,105**	**$162,163**

[1] Employer and Member contribution rate history is shown on pages 122-125.

Changes in Fiduciary Net Assets
Last Ten Calendar Years
(In Thousands of Dollars)

2001	2002	2003	2004	2005	2006
$25,435	$21,972	$31,033	$47,104	$54,357	**$60,664**
32,451	35,202	37,584	43,496	48,404	**51,047**
6,916	30,609	68,056	18,566	92,018	**14,461**
(141,466)	(196,652)	341,545	255,505	206,017	**369,181**
–	–	–	–	2	**4**
(76,664)	(108,869)	478,218	364,671	400,798	**495,357**
50,294	57,835	67,458	78,494	90,808	**104,156**
10,645	10,426	10,453	13,500	15,052	**16,328**
283	360	326	432	444	**529**
1,437	1,539	1,724	1,943	1,848	**1,800**
(721)	(125)	1,965	1,832	2,885	**(1,056)**
61,938	70,035	81,926	96,201	111,037	**121,757**
(138,602)	(178,904)	396,292	268,470	289,761	**373,600**
1,740,454	1,601,852	1,422,948	1,819,240	2,087,710	**2,377,471**
$1,601,852	**$1,422,948**	**$1,819,240**	**$2,087,710**	**$2,377,471**	**$2,751,071**

2001	2002	2003	2004	2005	2006
$637	$383	$1,011	$2,677	$3,408	**$3,767**
1,806	1,982	2,034	2,071	2,154	**2,292**
748	1,928	8,388	2,203	2,993	**1,814**
(13,089)	(17,521)	29,825	21,789	16,953	**29,920**
(9,898)	(13,228)	41,258	28,740	25,508	**37,793**
6,440	6,731	8,467	8,806	9,868	**10,755**
282	83	596	98	181	**–**
16	20	18	21	20	**24**
19	20	22	23	20	**19**
281	(460)	(849)	(103)	(742)	**(3)**
7,038	6,394	8,254	8,845	9,347	**10,795**
(16,936)	(19,622)	33,004	19,895	16,161	**26,998**
162,163	145,227	125,605	158,609	178,504	**194,665**
$145,227	**$125,605**	**$158,609**	**$178,504**	**$194,665**	**$221,663**

Changes in Fiduciary Net Assets
Last Ten Calendar Years
(In Thousands of Dollars)

401(k) Voluntary Investment Program

	1997	1998	1999	2000
Additions				
Employer contributions	$132	$386	$495	$719
Member contributions	48,435	61,805	76,469	102,130
New affiliate transfer	—	—	—	—
Investment income (loss)	45,951	45,459	102,823	(13,139)
Other	—	—	—	—
Total additions	94,518	107,650	179,787	89,710
Deductions				
Refunds	9,046	16,529	28,574	45,678
Administrative expenses	523	1,056	984	1,835
Other	(563)	(756)	(1,012)	(1,358)
Total deductions	9,006	16,829	28,546	46,155
Changes in net assets available for benefits	85,512	90,821	151,241	43,555
Net assets held at beginning of year	186,541	272,053	362,874	514,115
Net assets held at end of year	**$272,053**	**$362,874**	**$514,115**	**$557,670**

Health Care Trust Fund

	1997	1998	1999	2000
Additions				
Employer contributions[1]	$31,750	$33,522	$43,136	$51,351
Retiree health care premium	20,124	21,798	25,611	28,751
Medicare retiree drug subsidy	—	—	—	—
Investment income (loss)	15,711	14,089	17,891	(94)
Other	—	—	—	—
Total additions	67,585	69,409	86,638	80,008
Deductions				
Benefit payments	59,652	62,395	64,979	77,332
Administrative expenses	—	846	483	1,134
Other	—	(2,122)	—	—
Total deductions	59,652	61,119	65,462	78,466
Changes in net assets available for benefits	7,933	8,290	21,176	1,542
Net assets held at beginning of year	83,239	91,172	99,462	120,638
Net assets held at end of year	**$91,172**	**$99,462**	**$120,638**	**$122,180**

[1] Employer contribution rate history is shown on pages 122-125.

Life Insurance Reserve

	1997	1998	1999	2000
Additions				
Life premiums	$—	$—	$—	$—
Investment income (loss)	3,044	2,802	3,717	(6)
Total additions	3,044	2,802	3,717	(6)
Deductions				
Life insurance premiums	2,372	656	1,196	1,366
Administrative expenses	—	265	424	491
Total deductions	2,372	921	1,620	1,857
Changes in net assets available for benefits	672	1,881	2,097	(1,863)
Net assets held at beginning of year	17,538	18,210	20,091	22,188
Net assets held at end of year	**$18,210**	**$20,091**	**$22,188**	**$20,325**

Changes in Fiduciary Net Assets
Last Ten Calendar Years
(In Thousands of Dollars)

2001	2002	2003	2004	2005	2006
$58,037	$68,209	$50,144	$13,494	$2,484	**$3,053**
165,001	179,155	189,054	179,909	182,257	**165,901**
–	–	–	79,329	–	**–**
(52,070)	(83,012)	157,589	110,598	96,423	**166,682**
–	2,001	1,918	2,388	2,964	**3,396**
170,968	166,353	398,705	385,718	284,128	**339,032**
52,909	99,838	219,157	90,618	187,557	**108,485**
2,946	3,289	3,382	4,390	4,298	**4,706**
(1,835)	(5)	0	0	0	**0**
54,020	103,122	222,539	95,008	191,855	**113,191**
116,948	63,231	176,166	290,710	92,273	**225,841**
557,670	674,618	737,849	914,015	1,204,725	**1,296,998**
$674,618	**$737,849**	**$914,015**	**$1,204,725**	**$1,296,998**	**$1,522,839**

2001	2002	2003	2004	2005	2006
$74,324	$92,562	$64,443	$60,465	$61,193	**$64,547**
43,960	48,825	55,668	59,453	62,872	**85,673**
–	–	–	–	–	**12,481**
(10,818)	(17,742)	33,445	23,117	17,665	**30,920**
–	1,055	2,118	16,116	13,609	**12,997**
107,466	124,700	155,674	159,151	155,339	**206,618**
103,472	113,898	120,814	130,917	135,550	**164,755**
679	5,409	6,157	6,634	8,216	**8,145**
(368)	–	–	–	–	**–**
103,783	119,307	126,971	137,551	143,766	**172,900**
3,683	5,393	28,703	21,600	11,573	**33,718**
122,180	125,863	131,256	159,959	181,559	**193,132**
$125,863	**$131,256**	**$159,959**	**$181,559**	**$193,132**	**$226,850**

2001	2002	2003	2004	2005	2006
$–	$–	$–	$–	$7,351	**$8,950**
(1,659)	(1,676)	2,991	1,932	1,652	**2,625**
(1,659)	(1,676)	2,991	1,932	9,003	**11,575**
793	2,726	1,899	1,610	5,571	**8,653**
726	590	271	(456)	2,486	**1,100**
1,519	3,316	2,170	1,154	8,057	**9,753**
(3,178)	(4,992)	821	778	946	**1,822**
20,325	17,147	12,155	12,976	13,754	**14,700**
$17,147	**$12,155**	**$12,976**	**$13,754**	**$14,700**	**$16,522**

Benefits and Refund Deductions from Net Assets by Type

Last Ten Calendar Years
(In Thousands of Dollars)

State and School Division Trust Fund[1]

	1997	1998	1999	2000
Type of benefit				
Age and service benefits:				
Retirees	$641,970	$736,038	$819,598	$919,816
Disability	90,988	98,421	102,897	104,871
Survivors	16,355	17,217	20,617	18,218
Total benefits	**$749,313**	**$851,676**	**$943,112**	**$1,042,905**
Type of refund				
Separation	$57,379	$62,489	$84,365	$117,663
Death	3,307	3,322	5,319	6,433
Total refunds	**$60,686**	**$65,811**	**$89,684**	**$124,096**

[1] The State and School Division Trust Funds were merged on July 1, 1997, and separated on January 1, 2006. Additions and deductions for 1997 are for the full year.

State Division Trust Fund[1]

	2006
Type of benefit	
Age and service benefits:	
Retirees	**$764,672**
Disability	**72,548**
Survivors	**12,009**
Total benefits	**$849,229**
Type of refund	
Separation	**$61,073**
Death	**3,966**
Purchased service	**872**
Total refunds	**$65,911**

[1] The State and School Division Trust Funds were merged on July 1, 1997, and separated on January 1, 2006.

School Division Trust Fund[1]

	2006
Type of benefit	
Age and service benefits:	
Retirees	**$1,147,787**
Disability	**54,971**
Survivors	**11,117**
Total benefits	**$1,213,875**
Type of refund	
Separation	**$64,239**
Death	**3,198**
Purchased service	**1,056**
Total refunds	**$68,493**

[1] The State and School Division Trust Funds were merged on July 1, 1997, and separated on January 1, 2006.

Benefits and Refund Deductions from Net Assets by Type

Last Ten Calendar Years
(In Thousands of Dollars)

2001	2002	2003	2004	2005
$1,043,863	$1,175,082	$1,331,960	$1,535,496	$1,726,569
109,197	112,701	116,770	120,252	123,808
18,936	19,869	20,613	21,669	22,188
$1,171,996	**$1,307,652**	**$1,469,343**	**$1,677,417**	**$1,872,565**
$84,842	$83,457	$91,232	$100,608	$109,588
6,056	5,336	7,807	7,528	5,380
$90,898	**$88,793**	**$99,039**	**$108,136**	**$114,968**

Benefits and Refund Deductions from Net Assets by Type

Last Ten Calendar Years
(In Thousands of Dollars)

Local Government Division Trust Fund[1]

	1997	1998	1999	2000
Type of benefit				
Age and service benefits:				
Retirees	$22,999	$26,406	$29,389	$33,318
Disability	8,527	9,219	9,909	10,235
Survivors	1,297	1,342	1,605	1,404
Total benefits	**$32,823**	**$36,967**	**$40,903**	**$44,957**
Type of refund				
Separation	$8,082	$7,565	$9,318	$13,970
Death	30	505	892	649
Purchased service	—	—	—	—
Total refunds	**$8,112**	**$8,070**	**$10,210**	**$14,619**

[1] The Local Government Division Trust Fund was known as the Municipal Division Trust Fund prior to January 1, 2006.

Judicial Division Trust Fund

	1997	1998	1999	2000
Type of benefit				
Age and service benefits:				
Retirees	$4,181	$4,329	$4,598	$4,972
Disability	465	500	575	633
Survivors	346	339	348	312
Total benefits	**$4,992**	**$5,168**	**$5,521**	**$5,917**
Type of refund				
Separation	$145	$46	$683	$0
Total refunds	**$145**	**$46**	**$683**	**$0**

Benefits and Refund Deductions from Net Assets by Type

Last Ten Calendar Years
(In Thousands of Dollars)

2001	2002	2003	2004	2005	2006
$38,097	$44,916	$54,380	$65,063	$76,586	**$89,226**
10,739	11,254	11,616	11,957	12,692	**13,107**
1,458	1,665	1,462	1,474	1,530	**1,823**
$50,294	**$57,835**	**$67,458**	**$78,494**	**$90,808**	**$104,156**
$10,379	$10,145	$10,171	$12,610	$14,137	**$15,405**
266	281	282	890	915	**677**
—	—	—	—	—	**246**
$10,645	**$10,426**	**$10,453**	**$13,500**	**$15,052**	**$16,328**

2001	2002	2003	2004	2005	2006
$5,350	$5,725	$7,500	$7,795	$8,832	**$9,708**
776	681	651	682	695	**696**
314	325	316	329	341	**351**
$6,440	**$6,731**	**$8,467**	**$8,806**	**$9,868**	**$10,755**
$282	$83	$596	$98	$181	**$0**
$282	**$83**	**$596**	**$98**	**$181**	**$0**

Member and Benefit Recipient Statistics[1]

(In Actual Dollars)

	State Division	School Division	Local Government Division	Judicial Division	Total
Active members—12/31/06	52,866	113,288	15,959	291	182,404
Retirements during 2006					
Disability retirements	69	70	10	1	150
Service retirements	1,566	2,590	267	12	4,435
Total	**1,635**	**2,660**	**277**	**13**	**4,585**
Retirement benefits					
Total receiving disability and service retirement benefits on Dec. 31, 2005	26,814	38,952	3,428	237	69,431
Total retiring during 2006	1,635	2,660	277	13	4,585
Cobeneficiaries continuing after retiree's death	222	205	30	6	463
Returning to retirement rolls from suspension	10	61	0	0	71
Total	**28,681**	**41,878**	**3,735**	**256**	**74,550**
Retirees and cobeneficiaries deceased during year	850	820	69	12	1,751
Retirees suspending benefits to return to work	32	29	1	0	62
Total receiving retirement benefits	**27,799**	**41,029**	**3,665**	**244**	**72,737**
Annual retirement benefits for retirees as of 12/31/06	$857,291,460	$1,242,029,484	$105,329,208	$10,752,348	$2,215,402,500
Average monthly benefit on 12/31/06	$2,570	$2,523	$2,395	$3,672	$2,538
Average monthly benefit for all members who retired during 2006	$3,011	$2,711	$2,951	$5,195	$2,840
Survivor benefit accounts					
Total survivors being paid on 12/31/06	873	919	156	13	1,961
Annual benefits payable for survivors as of 12/31/06	$15,344,652	$12,991,080	$2,176,308	$319,836	$30,831,876
Future benefits					
Future retirements to age 60 or 65	4,349	8,584	961	13	13,907
Total annual future benefits	$41,592,497	$54,897,919	$9,754,985	$208,506	$106,453,907
Future survivor beneficiaries of inactive members	132	179	14	1	326
Total annual future benefits	$1,586,784	$1,863,192	$350,688	$22,992	$3,823,656

[1] In addition, as of 12/31/06, there was a total of 122,826 non-vested terminated members due a refund of their contributions—State Division: 44,584; School Division: 65,777; Local Government Division: 12,461; and Judicial Division: 4.

Schedule of Average Retirement Benefits Payable[1]

(In Actual Dollars)

Year Ended	Average Monthly Benefit	Average Age at Retirement	Average Current Age of Retirees	Average Years of Service at Retirement
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
12/31/04	2,288	57.9	68.7	22.4
12/31/05	2,447	58.0	68.7	23.0
12/31/06	**$2,538**	**58.1**	**68.8**	**22.9**

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

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2006

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 Division

	Type of Benefit						
Amount of Benefit	Total (Columns 1–5)	1	2	3	4	5	6
$1–$250	545	487	6	6	37	9	687
$251–$500	1,247	1,057	72	5	93	20	1,117
$501–$750	1,472	1,168	171	8	100	25	854
$751–$1,000	1,659	1,183	348	8	92	28	601
$1,001–$1,250	1,906	1,263	511	10	99	23	338
$1,251–$1,500	2,044	1,378	568	10	83	5	225
$1,501–$1,750	2,005	1,374	564	6	54	7	145
$1,751–$2,000	2,017	1,474	493	2	45	3	108
$2,000+	15,909	14,714	968	67	148	12	274
Totals	**28,804**	**24,098**	**3,701**	**122**	**751**	**132**	**4,349**

	Option Selected					
Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1–$250	322	20	62	4	71	14
$251–$500	698	54	136	5	195	41
$501–$750	736	85	174	7	286	51
$751–$1,000	803	103	235	9	330	51
$1,001–$1,250	974	194	261	11	264	70
$1,251–$1,500	1,057	218	332	13	255	71
$1,501–$1,750	1,033	210	404	9	238	44
$1,751–$2,000	1,012	272	445	13	183	42
$2,000+	7,244	3,106	4,157	68	891	216
Totals	**13,879**	**4,262**	**6,206**	**139**	**2,713**	**600**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2006

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.

School Division

	Type of Benefit						
Amount of Benefit	Total (Columns 1–5)	1	2	3	4	5	6
$1–$250	1,950	1,751	52	10	104	33	1,387
$251–$500	2,775	2,318	258	9	151	39	1,409
$501–$750	2,703	2,166	370	11	130	26	976
$751–$1,000	2,475	2,006	359	5	78	27	609
$1,001–$1,250	2,277	1,803	374	4	80	16	508
$1,251–$1,500	2,110	1,687	345	7	62	9	426
$1,501–$1,750	2,124	1,791	268	3	57	5	419
$1,751–$2,000	2,022	1,756	215	4	43	4	412
$2,000+	23,691	22,687	823	44	117	20	2,438
Totals	**42,127**	**37,965**	**3,064**	**97**	**822**	**179**	**8,584**

	Option Selected					
Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1–$250	1,244	82	271	6	162	38
$251–$500	1,731	161	331	8	277	68
$501–$750	1,720	198	293	4	272	49
$751–$1,000	1,508	245	291	12	246	63
$1,001–$1,250	1,314	255	329	12	221	46
$1,251–$1,500	1,175	281	357	15	144	60
$1,501–$1,750	1,218	296	351	3	143	48
$1,751–$2,000	1,145	301	340	6	127	52
$2,000+	13,689	4,961	4,015	76	590	179
Totals	**24,744**	**6,780**	**6,578**	**142**	**2,182**	**603**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2006

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.

Local Government Division

	Type of Benefit						
Amount of Benefit	Total (Columns 1–5)	1	2	3	4	5	6
$1–$250	130	113	2	1	13	1	97
$251–$500	194	162	12	0	16	4	270
$501–$750	212	162	30	1	18	1	232
$751–$1,000	269	181	65	2	15	6	129
$1,001–$1,250	276	169	84	2	19	2	63
$1,251–$1,500	360	189	147	3	21	0	45
$1,501–$1,750	291	189	96	0	5	1	29
$1,751–$2,000	255	160	88	1	5	1	30
$2,000+	1,848	1,656	160	11	15	6	66
Totals	**3,835**	**2,981**	**684**	**21**	**127**	**22**	**961**

	Option Selected					
Amount of Benefit	1	2	3	4	Surviving Cobeneficiary	Surviving Retiree
$1–$250	75	6	20	0	14	0
$251–$500	93	10	30	5	36	0
$501–$750	84	13	33	3	59	0
$751–$1,000	125	20	41	1	59	0
$1,001–$1,250	121	36	55	5	36	0
$1,251–$1,500	162	46	86	3	39	0
$1,501–$1,750	127	51	70	4	33	0
$1,751–$2,000	117	45	66	1	19	0
$2,000+	794	386	558	7	71	0
Totals	**1,698**	**613**	**959**	**29**	**366**	**0**

Schedule of Retirees and Survivors by Type of Benefit

As of December 31, 2006

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.

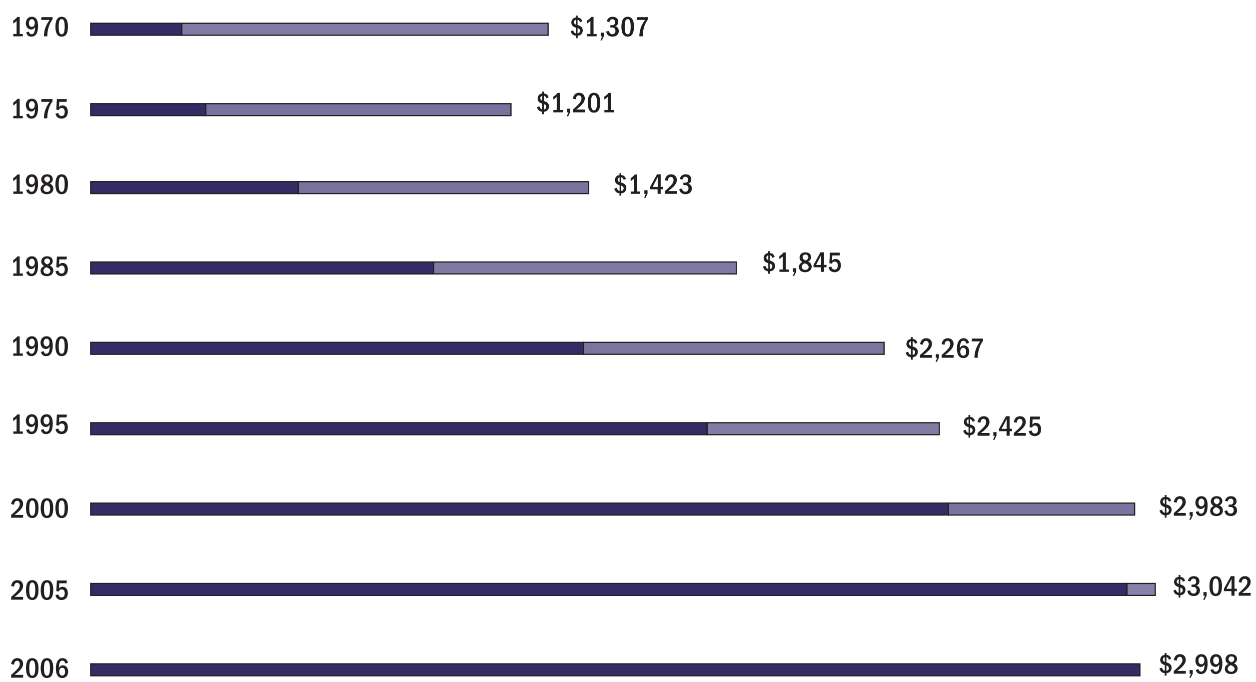
Judicial Division

	Type of Benefit						
Amount of Benefit	**Total (Columns 1–5)**	**1**	**2**	**3**	**4**	**5**	**6**
$1–$250	1	1	0	0	0	0	1
$251–$500	9	9	0	0	0	0	0
$501–$750	4	3	1	0	0	0	2
$751–$1,000	8	6	0	0	2	0	2
$1,001–$1,250	4	3	0	0	1	0	2
$1,251–$1,500	8	8	0	0	0	0	4
$1,501–$1,750	15	10	3	0	2	0	0
$1,751–$2,000	14	10	1	0	2	1	0
$2,000+	195	175	14	0	6	0	2
Totals	**258**	**225**	**19**	**0**	**13**	**1**	**13**

	Option Selected					
Amount of Benefit	**1**	**2**	**3**	**4**	**Surviving Cobeneficiary**	**Surviving Retiree**
$1–$250	0	0	1	0	0	0
$251–$500	3	0	0	0	6	0
$501–$750	1	0	0	0	3	0
$751–$1,000	1	1	1	0	2	1
$1,001–$1,250	2	0	0	0	1	0
$1,251–$1,500	3	0	2	1	2	0
$1,501–$1,750	3	0	5	0	5	0
$1,751–$2,000	0	3	4	0	4	0
$2,000+	39	35	74	4	34	3
Totals	**52**	**39**	**87**	**5**	**57**	**4**

Current Average Monthly Benefit by Year of Retirement

Service Retiree Accounts as of December 31, 2006



	1970	1975	1980	1985	1990	1995	2000	2005	2006
Original Benefit at Retirement	$260	$329	$593	$980	$1,408	$1,761	$2,451	$2,961	$2,998
Benefit Increases	$1,047	$872	$830	$865	$859	$664	$532	$81	$0

Schedule of Average Benefit Payments—
Combined State, School, Local Government, and Judicial Divisions Trust Funds
(In Actual Dollars)

	Years of Service Credit					
Year Retired	**0–10**	**10–15**	**15–20**	**20–25**	**25–30**	**30+**
Period 1/1/06 to 12/31/06						
Average monthly benefit	**$390**	**$669**	**$1,290**	**$2,024**	**$3,045**	**$4,086**
Average highest average salary	**$2,409**	**$2,326**	**$3,187**	**$3,200**	**$4,756**	**$5,410**
Number of service retirees	**354**	**249**	**237**	**782**	**862**	**1,951**
Period 1/1/05 to 12/31/05						
Average monthly benefit	$376	$661	$1,101	$1,954	$2,684	$4,063
Average highest average salary	$2,456	$2,467	$2,945	$3,893	$4,337	$5,318
Number of service retirees	296	173	244	720	859	2,331
Period 1/1/04 to 12/31/04						
Average monthly benefit	$421	$629	$919	$1,729	$2,443	$3,944
Average highest average salary	$2,178	$2,543	$2,679	$3,572	$4,110	$5,168
Number of service retirees	265	140	188	649	823	2,987
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

Schedule of Average Benefit Payments by Division

(In Actual Dollars)

State Division

Year Retired			Years of Service Credit			
	0–10	10–15	15–20	20–25	25–30	30+
Period 1/1/06 to 12/31/06[1]						
Average monthly benefit	$442	$889	$1,568	$2,235	$3,224	$4,391
Average highest average salary	$2,748	$3,097	$3,927	$4,319	$5,150	$5,694
Number of service retirees	147	82	86	266	327	658

[1] Information not available for years prior to 2006.

School Division

Year Retired			Years of Service Credit			
	0–10	10–15	15–20	20–25	25–30	30+
Period 1/1/06 to 12/31/06[1]						
Average monthly benefit	$353	$561	$1,131	$1,892	$2,924	$4,120
Average highest average salary	$2,169	$1,948	$2,765	$2,561	$4,488	$5,382
Number of service retirees	207	167	151	510	531	1,024

[1] Information not available for years prior to 2006.

Local Government Division

Year Retired			Years of Service Credit			
	0–10	10–15	15–20	20–25	25–30	30+
Period 1/1/06 to 12/31/06[1]						
Average monthly benefit	$0	$0	$0	$44	$112	$3,174
Average highest average salary	$0	$0	$0	$1,910	$3,554	$4,784
Number of service retirees	0	0	0	1	1	265

[1] Information not available for years prior to 2006.

Judicial Division

Year Retired			Years of Service Credit			
	0–10	10–15	15–20	20–25	25–30	30+
Period 1/1/06 to 12/31/06[1]						
Average monthly benefit	$0	$0	$0	$4,648	$5,977	$5,679
Average highest average salary	$0	$0	$0	$9,104	$9,667	$7,425
Number of service retirees	0	0	0	5	3	4

[1] Information not available for years prior to 2006.

Schedule of Contribution Rate History

State Division (Members Other Than State Troopers)[1]

Years			Percent of Payroll		
			Member Contribution Rate	Employer Contribution Rate[2]	Amortization Equalization Disbursement (AED)
8-1-1931	to	6-30-1938	3.50%	0.00%	–
7-1-1938	to	6-30-1949	3.50%	3.50%	–
7-1-1949	to	6-30-1958	5.00%	5.00%	–
7-1-1958	to	6-30-1969	6.00%	6.00%	–
7-1-1969	to	6-30-1970	7.00%	7.00%	–
7-1-1970	to	6-30-1971	7.00%	8.00%	–
7-1-1971	to	6-30-1973	7.00%	8.50%	–
7-1-1973	to	6-30-1974	7.75%	9.50%	–
7-1-1974	to	6-30-1975	7.75%	10.50%	–
7-1-1975	to	8-31-1980	7.75%	10.64%	–
9-1-1980	to	12-31-1981	7.75%	12.20%	–
1-1-1982	to	6-30-1987	8.00%	12.20%	–
7-1-1987	to	6-30-1988	8.00%	10.20%	–
7-1-1988	to	6-30-1991	8.00%	12.20%	–
7-1-1991	to	4-30-1992	8.00%	11.60%	–
5-1-1992	to	6-30-1992	8.00%	5.60%[2]	–
7-1-1992	to	6-30-1993	8.00%	10.60%	–
7-1-1993	to	6-30-1997	8.00%	11.60%	–
1-1-2006	**to**	**12-31-2006**	**8.00%**	**10.15%**	**0.50%**

[1] State and School Divisions were merged July 1, 1997, and separated on January 1, 2006.
[2] All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2005, include the Health Care Trust Fund allocation.

State Troopers[1]

Years			Percent of Payroll		
			Member Contribution Rate	Employer Contribution Rate[2]	Amortization Equalization Disbursement (AED)
7-1-1945	to	6-30-1969	7.00%	7.00%	–
7-1-1969	to	6-30-1970	8.00%	8.00%	–
7-1-1970	to	6-30-1971	8.00%	9.00%	–
7-1-1971	to	6-30-1973	8.00%	9.50%	–
7-1-1973	to	6-30-1974	8.75%	10.50%	–
7-1-1974	to	6-30-1975	8.75%	11.50%	–
7-1-1975	to	8-31-1980	8.75%	11.64%	–
9-1-1980	to	12-31-1981	8.75%	13.20%	–
1-1-1982	to	6-30-1987	9.00%	13.20%	–
7-1-1987	to	6-30-1988	9.00%	11.20%	–
7-1-1988	to	6-30-1989	9.00%	13.20%	–
7-1-1989	to	4-30-1992	12.30%	13.20%	–
5-1-1992	to	6-30-1992	12.30%	7.20%[3]	–
7-1-1992	to	6-30-1993	11.50%	12.20%	–
7-1-1993	to	6-30-1997	11.50%	13.20%	–
7-1-1997	to	6-30-1999	11.50%	13.10%	–
7-1-1999	to	6-30-2001	10.00%	13.10%	–
7-1-2001	to	6-30-2002	10.00%	12.60%	–
7-1-2002	to	6-30-2003	10.00%	12.74%	–
7-1-2003	to	12-31-2005	10.00%	12.85%	–
1-1-2006	**to**	**12-31-2006**	**10.00%**	**12.85%**	**0.50%**

[1] State and School Divisions were merged July 1, 1997, and separated on January 1, 2006.
[2] All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2005, include the Health Care Trust Fund allocation.
[3] Legislation created an annual reduction equal to 1 percent of salary retroactive to July 1, 1991, to be taken during May and June of 1992.

Schedule of Contribution Rate History

School Division[1]

Years			Percent of Payroll		
			Member Contribution Rate	Employer Contribution Rate[2]	Amortization Equalization Disbursement (AED)
1-1-1944	to	12-31-1949	3.50%	3.50%	–
1-1-1950	to	6-30-1958	5.00%	5.00%	–
7-1-1958	to	6-30-1969	6.00%	6.00%	–
7-1-1969	to	12-31-1969	7.00%	6.00%	–
1-1-1970	to	12-31-1970	7.00%	7.50%	–
1-1-1971	to	12-31-1971	7.00%	8.50%	–
1-1-1972	to	6-30-1973	7.00%	9.25%	–
7-1-1973	to	12-31-1973	7.75%	9.25%	–
1-1-1974	to	12-31-1974	7.75%	10.25%	–
1-1-1975	to	12-31-1975	7.75%	11.25%	–
1-1-1976	to	12-31-1980	7.75%	12.10%	–
1-1-1981	to	12-31-1981	7.75%	12.50%	–
1-1-1982	to	6-30-1987	8.00%	12.50%	–
7-1-1987	to	6-30-1988	8.00%	11.50%	–
7-1-1988	to	6-30-1991	8.00%	12.50%	–
7-1-1991	to	6-30-1992	8.00%	12.20%	–
7-1-1992	to	6-30-1997	8.00%	11.60%	–
1-1-2006	**to**	**12-31-2006**	**8.00%**	**10.15%**	**0.50%**

[1] State and School Divisions were merged July 1, 1997, and separated on January 1, 2006.
[2] All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2005, include the Health Care Trust Fund allocation.

State and School Division[1]

Years			Percent of Payroll	
			Member Contribution Rate	Employer Contribution Rate[2]
7-1-1997	to	6-30-1998	8.00%	11.50%
7-1-1998	to	6-30-2000	8.00%	11.40%
7-1-2000	to	6-30-2001	8.00%	10.40%
7-1-2001	to	6-30-2002	8.00%	9.90%
7-1-2002	to	6-30-2003	8.00%	10.04%
7-1-2003	to	12-31-2004	8.00%	10.15%
1-1-2005	to	12-31-2005	8.00%	10.15%

[1] State and School Divisions were merged July 1, 1997, and separated on January 1, 2006.
[2] All employer contribution rates shown for the Divisions between July 1, 1985, to December 31, 2005, include the Health Care Trust Fund allocation.

Schedule of Contribution Rate History

Local Government Division[1]

Years			Percent of Payroll		
			Member Contribution Rate	Employer Contribution Rate[2]	Amortization Equalization Disbursement (AED)
1-1-1944	to	12-31-1949	3.50%	3.50%	–
1-1-1950	to	6-30-1958	5.00%	5.00%	–
7-1-1958	to	6-30-1969	6.00%	6.00%	–
7-1-1969	to	12-31-1969	7.00%	6.00%	–
1-1-1970	to	12-31-1970	7.00%	7.00%	–
1-1-1971	to	6-30-1973	7.00%	7.50%	–
7-1-1973	to	12-31-1973	7.75%	7.50%	–
1-1-1974	to	12-31-1974	7.75%	8.50%	–
1-1-1975	to	12-31-1975	7.75%	9.50%	–
1-1-1976	to	12-31-1980	7.75%	9.86%	–
1-1-1981	to	12-31-1981	7.75%	10.20%	–
1-1-1982	to	6-30-1991	8.00%	10.20%	–
7-1-1991	to	12-31-2000	8.00%	10.00%	–
1-1-2001	to	12-31-2001	8.00%	9.43%	–
1-1-2002	to	12-31-2002	8.00%	9.19%	–
1-1-2003	to	12-31-2003	8.00%	9.60%	–
1-1-2004	to	12-31-2005	8.00%	10.00%	–
1-1-2006	**to**	**12-31-2006**	**8.00%**	**10.00%**	**0.50%**

[1] The Local Government Division Trust Fund was known as the Municipal Division Trust Fund prior to January 1, 2006.
[2] Employer contribution rates shown between July 1, 1985, to December 31, 2004, include the Health Care Trust Fund allocation.

Judicial Division

Years			Percent of Payroll		
			Member Contribution Rate	Employer Contribution Rate[1]	Amortization Equalization Disbursement (AED)
7-1-1949	to	6-30-1957	5.00%	5.00%	–
7-1-1957	to	6-30-1973	6.00%	12.00%	–
7-1-1973	to	6-30-1980	7.00%	12.00%	–
7-1-1980	to	8-30-1980	7.00%	13.00%	–
9-1-1980	to	12-31-1981	7.00%	15.00%	–
1-1-1982	to	6-30-1987	8.00%	15.00%	–
7-1-1987	to	6-30-1988	8.00%	13.00%	–
7-1-1988	to	6-30-2000	8.00%	15.00%	–
7-1-2000	to	6-30-2001	8.00%	14.00%	–
7-1-2001	to	6-30-2003	8.00%	11.82%	–
7-1-2003	to	6-30-2004	8.00%	12.66%	–
7-1-2004	to	12-31-2004	8.00%	13.66%	–
1-1-2005	to	12-31-2005	8.00%	13.66%	–
1-1-2006	**to**	**12-31-2006**	**8.00%**	**13.66%**	**0.50%**

[1] Employer contribution rates shown between July 1, 1985, to December 31, 2004, include the Health Care Trust Fund allocation.

Schedule of Contribution Rate History

Employer Contributions to Health Care Trust Fund

Division/Years			Percent of Payroll Allocated from Employer Contribution to Health Care Trust Fund
State and School Division[1]			
7-1-1985	to	6-30-1999	0.80%
7-1-1999	to	12-31-2000	1.10%
1-1-2001	to	12-31-2001	1.42%
1-1-2002	to	12-31-2002	1.64%
1-1-2003	to	6-30-2004	1.10%
7-1-2004	to	12-31-2005	1.02%
State Division[1]			
1-1-2006	**to**	**12-31-2006**	**1.02%**
School Division[1]			
1-1-2006	**to**	**12-31-2006**	**1.02%**
Local Government Division[2]			
7-1-1985	to	6-30-1999	0.80%
7-1-1999	to	12-31-2000	1.10%
1-1-2001	to	12-31-2001	1.96%
1-1-2002	to	12-31-2002	2.31%
1-1-2003	to	12-31-2003	1.69%
1-1-2004	to	6-30-2004	1.10%
7-1-2004	to	**12-31-2006**	**1.02%**
Judicial Division			
7-1-1985	to	6-30-1999	0.80%
7-1-1999	to	12-31-2000	1.10%
1-1-2001	to	12-31-2001	4.37%
1-1-2002	to	12-31-2002	4.37%
1-1-2003	to	12-31-2003	3.11%
1-1-2004	to	6-30-2004	1.10%
7-1-2004	to	**12-31-2006**	**1.02%**

[1] State and School Divisions merged July 1, 1997, and separated on January 1, 2006.

[2] The Local Government Division Trust Fund was known as the Municipal Division Trust Fund prior to January 1, 2006.

Employer Contributions to MatchMaker[1]

Division/Years			Percent of Payroll Available from Employer Contribution for MatchMaker (Maximum Match)
State and School Division[2]			
1-1-2001	to	12-31-2001	3%
1-1-2002	to	12-31-2002	3%
1-1-2003	to	12-31-2003	2%
1-1-2004	to	5-31-2004	1%
Local Government Division[3]			
1-1-2001	to	12-31-2001	2%
1-1-2002	to	12-31-2002	3%
1-1-2003	to	12-31-2003	2%
1-1-2004	to	5-31-2004	1%
Judicial Division			
1-1-2001	to	12-31-2001	7%
1-1-2002	to	12-31-2002	7%
1-1-2003	to	12-31-2003	6%
1-1-2004	to	5-31-2004	5%

[1] Legislation enacted in 2004 ended MatchMaker contributions by June 1, 2004.

[2] State and School Divisions merged July 1, 1997, and separated on January 1, 2006.

[3] The Local Government Division Trust Fund was known as the Municipal Division Trust Fund prior to January 1, 2006.

Principal Participating Employers

As of December 31, 2006

State Division Trust Fund[1]

Employer	Rank	Covered Active Members on December 31	Percentage of Total System
Department of Corrections	1	5,644	10.68%
University of Colorado	2	5,432	10.28%
Department of Transportation	3	3,102	5.87%
Colorado State University	4	3,065	5.80%
District Courts	5	2,936	5.55%
Department of Natural Resources	6	1,567	2.96%
Department of Human Services	7	1,367	2.59%
Front Range Community College	8	1,256	2.38%
Metropolitan State College	9	1,222	2.31%
Department of Revenue	10	1,171	2.22%

[1] Data for the number of members by employer for years prior to 2006 is not available.

Principal Participating Employers

As of December 31, 2006

School Division Trust Fund[1]

Employer	Rank	Covered Active Members on December 31	Percentage of Total System
Jefferson County School District	1	12,168	10.74%
Cherry Creek School District	2	6,869	6.06%
Douglas County Schools	3	6,663	5.88%
Adams 12 Five Star Schools	4	4,684	4.13%
Boulder Valley School District	5	4,573	4.04%
Colorado Springs Public Schools	6	4,462	3.94%
Aurora Public Schools	7	4,348	3.84%
Poudre School District RE-1	8	3,774	3.33%
St. Vrain School District	9	3,207	2.83%
Mesa Valley School District	10	3,042	2.69%

[1] Data for the number of members by employer for years prior to 2006 is not available.

Local Government Division Trust Fund[1]

Employer	Rank	Covered Active Members on December 31	Percentage of Total System
Memorial Health System	1	3,779	23.68%
Colorado Springs Public Utilities	2	1,958	12.27%
City of Colorado Springs	3	1,917	12.01%
Boulder County Government	4	1,847	11.57%

[1] Data for the number of members by employer for years prior to 2006 is not available.

Judicial Division Trust Fund[1]

Employer	Rank	Covered Active Members on December 31	Percentage of Total System
Judicial Department[2]	1	266	91.41%

[1] Data for the number of members by employer for years prior to 2006 is not available.
[2] With the exception of the Denver County Court, all of the Judicial members for all other courts are reported to PERA on a single contribution report by the State's central payroll office. Member counts for each separate court are not available.

Health Care Trust Fund[1]

Employer	Rank	Covered Active Members on December 31	Percentage of Total System
Jefferson County School District	1	12,168	6.58%
Cherry Creek School District	2	6,869	3.72%
Douglas County Schools	3	6,663	3.60%
Department of Corrections	4	5,644	3.05%
University of Colorado	5	5,432	2.94%
Adams 12 Five Star Schools	6	4,684	2.53%
Boulder Valley School District	7	4,573	2.47%
Colorado Springs Public Schools	8	4,462	2.41%
Aurora Public Schools	9	4,348	2.35%
Memorial Health System	10	3,779	2.04%

[1] Data for the number of members by employer for years prior to 2006 is not available.

Schedule of Affiliated Employers

State Division

Agencies and Instrumentalities

CollegeInvest
College Assist
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 Water Resources & 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
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
Trinidad State Junior College
University of Colorado
University of Northern Colorado
Western State College

Schedule of Affiliated Employers

School Division

Adams County
Adams 12 Five Star Schools
Adams County School District 14
Bennett School District 29J
Brighton School District 27J
Mapleton School District 1
Strasburg School District 31J
Westminster School District 50

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

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

Archuleta County
Archuleta County School District 50 Jt

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

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

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

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

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

Clear Creek County
Clear Creek School District RE-1

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

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

Crowley County
Crowley County School District RE-1

Custer County
Custer County Consolidated School District C-1

Delta County
Delta County School District 50(J)

Dolores County
Dolores County School District Re No. 2

Douglas County
Douglas County School District Re 1

Eagle County
Eagle County School District Re 50

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

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

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

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

Schedule of Affiliated Employers

Gilpin County
Gilpin County School District Re-1

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

Gunnison County
Gunnison Watershed School District Re1J

Hinsdale County
Hinsdale County School District Re-1

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

Jackson County
North Park School District R-1

Jefferson County
Jefferson County School District R-1

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

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

Lake County
Lake County School District R-1

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

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

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

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

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

Schedule of Affiliated Employers

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-2
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
Southeastern BOCES
Uncompahgre BOCES
Ute Pass 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

Schedule of Affiliated Employers

Local Government Division

Adams and Jefferson County Hazardous Response Authority
Alamosa Housing Authority
Arapahoe Park and Recreation District
Aurora Housing Authority
Baca Grande Water & Sanitation District
Beulah Water Works District
Black Hawk-Central City Sanitation District
Blanca-Fort Garland Metropolitan District
Boulder County
Boulder County Public Trustee's Office
Boxelder Sanitation District
Brush Housing Authority
Carbon Valley Park & Recreation District
Castle Pines Metropolitan District
Castle Pines North Metropolitan District
Center Housing Authority
City of Alamosa
City of Boulder
City of Colorado Springs
City of Fort Morgan
City of Las Animas
City of Lone Tree
City of Manitou Springs
City of Pueblo
City of Wray
City of Yuma
Collbran Conservancy District
Colorado District Attorneys' Council
Colorado First Conservation District
Colorado Health Facilities Authority
Colorado Housing and Finance Authority
Colorado Library Consortium
Colorado School District Self Insurance Pool
Colorado Springs Utilities
Columbine Knolls-Grove Metropolitan Recreation District
Costilla Housing Authority
County Technical Services
Crown Mountain Park & Recreation District
Cunningham Fire Protection District
Douglas County Housing Partnership
Douglas Public Library District
Durango Fire and Rescue Authority
East Cheyenne Groundwater Management District
East Larimer County Water District
Eastern Rio Blanco Metropolitan Recreation & Park District
Eaton Housing Authority
Elbert County Library District
Elizabeth Park and Recreation 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 the County of Adams
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 Health System
Montrose Fire Protection District
Montrose Recreation District
Monument Sanitation District
Morgan Conservation District
Morgan County Quality Water District
Mountain View Fire Protection District
Mountain Village Metropolitan District
Mountain Water and Sanitation District
Niwot Sanitation District
North Carter Lake Water District
North Chaffee County Regional Library
Northeast Colorado Health Department
Northeastern Colorado Association of Local Governments
Park Center Water District
Pine Drive Water District
Prowers Conservation District
Pueblo City-County Health Department
Pueblo Library District
Pueblo Transit Authority
Rampart Regional Library District
Rangely Regional Library District
Red Feather Mountain Library District
Red, White & Blue Fire Protection District
Republican River Water Conservation 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
Steamboat II Water and Sanitation District
St. Vrain Sanitation District
Tabernash Meadows Water and Sanitation District

Schedule of Affiliated Employers

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
Town of Timnath
Tri-County Health Department
Upper Colorado Environmental Plant Center
Walker Field, Colorado, Public 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
White River Conservation District
Windsor-Severance Library District
Yuma Housing Authority
Y-W Well Testing Association

Judicial Division

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

Health Care Program

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. House Bill 00-1458 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.

Senate Bill 03-98 included a provision that transfers 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 helps fund the cost of future retiree health care premium subsidies that the HCTF incurs when a member purchases service credit.

Senate Bill 04-132 decreased the HCTF's permanent allocation from 1.1 percent to 1.02 percent of payroll, by reallocating 0.08 percent of employer contributions to the retirement trust funds, rather than to the HCTF, effective July 1, 2004. This change increased the period for amortizing the HCTF's unfunded liability from 20 years to 34 years, but still left the HCTF actuarially sound.

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

- From 7/1/85 through 6/30/99: 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, Local Government 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, Local Government 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, Local Government Division 1.69 percent, and Judicial Division 3.11 percent.
- From 1/1/04 through 6/30/04: 1.1 percent.
- From 7/1/04 through 12/31/06: 1.02 percent.

Colorado PERA subsidizes the monthly health care premium for benefit recipients enrolled in its health care program. In 2006, 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 less than 20 ($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.

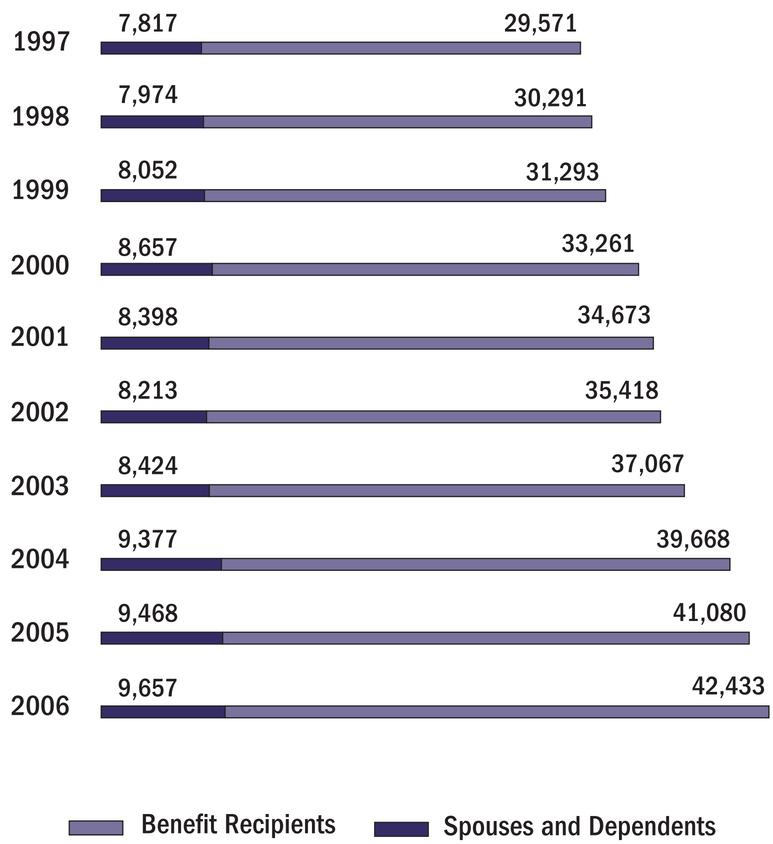
An additional subsidy exists for retirees who have not participated in Social Security and are not otherwise eligible for Medicare Part A for hospital-related services. C.R.S. § 24-51-1206(4) states that the HCTF cannot charge premiums to retirees without Part A that are greater than premiums charged to retirees with Part A for the same plan option, coverage level, and service credit. Currently for each individual retiree, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Parts A and B. Implicit in this process, an additional subsidy is paid by the HCTF on behalf of retirees who are not covered by Medicare Part A.

The PERACare program consisted of the following plans in 2006:

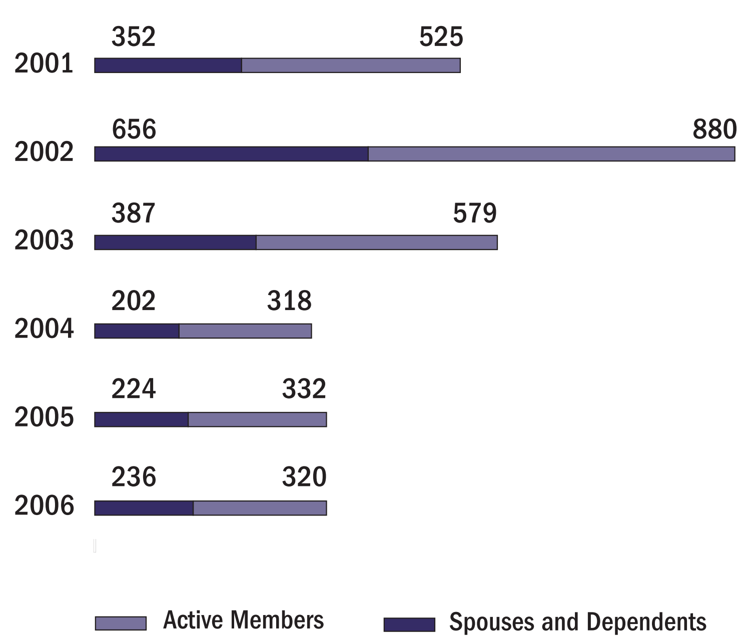
- Two self-insured plans administered by Mutual of Omaha (a preferred provider organization (PPO) plan for pre-Medicare participants, and a Medicare supplement plan). Each plan offers multiple levels of coverage and is available worldwide. Caremark serves as the prescription benefit manager for both 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 health maintenance organization (HMO) plan benefits. In addition, CIGNA HealthCare and Rocky Mountain Health Plans both offer three PPO plans.
- Additionally, all four health carriers (CIGNA, Kaiser Permanente, Mutual of Omaha, and Rocky Mountain Health Plans) offer High Deductible Health Plans (HDHPs) for active employees and pre-Medicare participants.
- 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 PPO plans from Cole Managed Vision Plan and two PPO plans from Vision Service Plan).

Health Care Program

Health Care Program Enrollments—Benefit Recipients, Spouses, and Dependents
(As of December 31)



Health Care Program Enrollments—Active Members, Spouses, and Dependents
(As of December 31)



Life Insurance Program

Colorado PERA has provided its members with access to voluntary supplemental life insurance benefits since 1956 when it contracted with New York Life Insurance Company for coverage. The PERA Board of Trustees transferred the plan underwritten by New York Life to Rocky Mountain Life Insurance Company in 1988. In December 2000, Rocky Mountain Life merged with its Anthem Life affiliate, giving the 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 had offered another decreasing-term life insurance policy since 1969. The plan was underwritten by the Prudential Insurance Company and was 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, later Anthem Life, for retired State employees. These are both closed groups with no provision for new participants.

In 2004, the PERA Board of Trustees selected UnumProvident as PERA's new life insurance program vendor, effective April 1, 2005, and approved consolidating Anthem Life and Prudential benefits into UnumProvident on that date. Active members and retirees enrolled in the Anthem Life or Prudential plans were automatically moved to UnumProvident effective April 1, 2005.

Active members may join the decreasing-term life insurance plan offered by UnumProvident. 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 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

	UnumProvident		Anthem Life	Prudential	Grandfathered Closed Groups			Total
	Enrollees	Units			Anthem Life	Prudential	New York Life	Enrollments
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
2004	–	–	38,749	19,211	544	–	12,839	71,343
2005	41,180[1]	111,915	–	–	476	467	12,432	54,555[1]
2006	**41,101**	**112,493**	**–**	**–**	**410**	**428**	**11,952**	**53,891**

[1] Total enrollments are fewer beginning in 2005 because of the consolidation of Anthem Life and Prudential coverages into Unum. Individuals could have been enrolled in both Anthem Life and Prudential in 2004; in 2005, they would be reflected as one enrollment with Unum. The number of units of Unum enrollments is more reflective of the amount of insurance in force, since enrollees may have from one to four units of coverage. Individuals who were enrolled with either Anthem Life or Prudential transitioned to two units of coverage with Unum; individuals who were enrolled with both Anthem Life and Prudential transitioned to four units with Unum.

Life Insurance Program Claims

UnumProvident

	Amount Paid	Claims Paid
1997	$–	–
1998	–	–
1999	–	–
2000	–	–
2001	–	–
2002	–	–
2003	–	–
2004	–	–
2005	4,372,075	491
2006	**$7,847,982**	**818**

Anthem Life (Grandfathered Closed Group)

	Amount Paid	Claims Paid
1997	$171,175	127
1998	246,473	149
1999	265,141	138
2000	221,072	155
2001	241,722	139
2002	207,264	152
2003	226,137	132
2004	105,759	69
2005	47,733	30
2006	**$1,000**	**1**

Anthem Life

	Amount Paid	Claims Paid
1997	$5,116,641	679
1998	4,875,713	691
1999	4,700,668	703
2000	4,953,863	741
2001	5,111,123	705
2002	5,749,934	784
2003	5,637,526	836
2004	4,983,843	755
2005	$2,214,349	383
2006	**N/A**	**N/A**

Prudential (Grandfathered Closed Group)

	Amount Paid	Claims Paid
1997	$–	–
1998	–	–
1999	–	–
2000	–	–
2001	–	–
2002	–	–
2003	–	–
2004	–	–
2005	89,069	45
2006	**$134,593**	**95**

Prudential

	Amount Paid	Claims Paid
1997	$1,469,340	226
1998	1,731,344	283
1999	1,415,914	256
2000	1,508,591	264
2001	1,579,714	227
2002	1,875,580	311
2003	2,086,882	334
2004	1,918,416	336
2005	$706,169	150
2006	**N/A**	**N/A**

New York Life (Grandfathered Closed Group)

	Amount Paid	Claims Paid
1997	$378,422	282
1998	395,834	333
1999	412,966	328
2000	417,428	335
2001	345,798	279
2002	446,384	380
2003	580,157	471
2004	466,295	373
2005	445,635	365
2006	**$444,540**	**359**

Total Life Insurance Program

	Amount Paid	Claims Paid
1997	$7,135,578	1,314
1998	7,249,364	1,456
1999	6,794,689	1,425
2000	7,100,954	1,495
2001	7,278,357	1,350
2002	8,279,162	1,627
2003	8,530,702	1,773
2004	7,474,313	1,533
2005	7,875,030	1,464
2006	**$8,428,115**	**1,273**

COLORADO PERA®

Colorado Public Employees' Retirement Association
1300 Logan Street, Denver, Colorado 80203-2386
303-832-9550 • 1-800-759-7372
www.copera.org

Personal. Innovative. Secure.

5/20 (REV 6-07) 2M