

Colorado Public Employees' Retirement Association

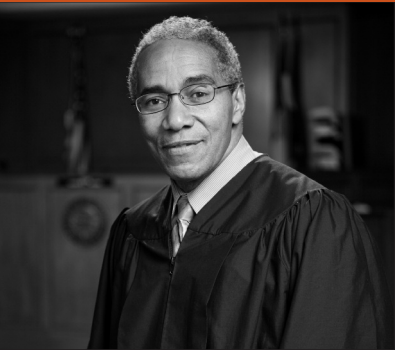


Summary Annual Financial Report  
*For the Fiscal Year Ended December 31, 2010*



**INSIGHTS** into a  
**SUSTAINABLE FUTURE**

2010



## MESSAGE FROM THE BOARD CHAIR AND EXECUTIVE DIRECTOR

We are pleased to present Colorado PERA's *Summary Annual Financial Report* for the fiscal year ended December 31, 2010. This report provides an overview of Colorado PERA's financial condition and investment performance.

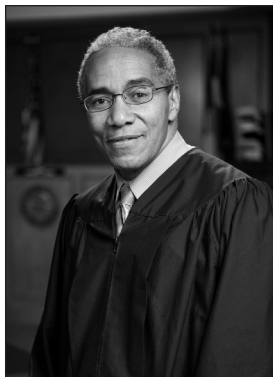
2010 marked a new beginning for Colorado PERA with the passage of Senate Bill 10-001 (SB 10-001). This landmark legislation allowed us to constructively focus on the issues and challenges brought on by the financial crisis of 2008, and provided an opportunity to return Colorado PERA to long-term sustainability.

Prior to the start of the 2010 legislative session, the Colorado PERA Board of Trustees (Board) formulated a recommendation for the General Assembly's consideration that would return PERA to long-term sustainability. The Colorado PERA Board's recommendation largely became SB 10-001. Trustees acted to ensure the viability of the Colorado PERA trust fund by cutting their own benefits, which demonstrated that the Colorado PERA Board was willing to make the tough calls needed to fulfill our fiduciary duty to keep Colorado PERA sustainable.

SB 10-001 represented the first comprehensive response to the economic upheaval by any public retirement fund nationally. This legislation made sweeping changes to the Colorado PERA benefit structure and required shared sacrifice by all Colorado PERA members, retirees, and public employers as well as courage by a bipartisan coalition of members of the Colorado General Assembly and former Governor Bill Ritter.

We remain confident that SB 10-001 was the right thing to do for Colorado PERA and the entire state. Actuarial analysis shows that SB 10-001 has already reduced Colorado PERA's liabilities by over \$8.8 billion and if the plan laid out in the legislation is followed, the unfunded liabilities will be retired within 30 years. Instead of running out of money, Colorado PERA is on track to accumulate funds to pay for the benefits of current and future retirees.

Another significant event in 2010 was the successful implementation and integration of the Denver Public Schools (DPS) Division Trust Fund and Denver Public Schools Health Care Trust Fund. On January 1, 2010, the Denver Public Schools Retirement System (DPSRS) merged into Colorado PERA and transferred the net assets of DPSRS into the new DPS Division Trust Fund as mandated by Senate Bill 09-282. The assets, liabilities, and obligations of DPSRS became the assets, liabilities, and obligations of the DPS Division.

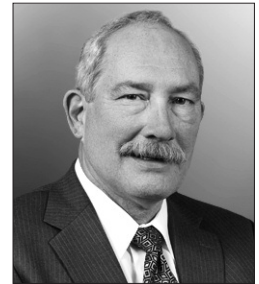


*“The bipartisan effort to pass SB 1 speaks to the importance of acting quickly to make the tough decisions to restore PERA’s sustainability.”*

—Honorable Addison L. Adams  
Arapahoe County Court



**Carole Wright**  
**Colorado PERA**  
**Board Chair**



**Meredith Williams**  
**Colorado PERA**  
**Executive Director**

This *Summary Annual Financial Report* is derived from information contained in Colorado PERA's *Comprehensive Annual Financial Report (CAFR)*, but does not include certain financial information nor is it presented in a manner to conform with Generally Accepted Accounting Principles (GAAP). PERA's *CAFR* is produced to conform with GAAP and is available on our Web site at [www.copera.org](http://www.copera.org) or by requesting a copy from PERA's Customer Service Center.

State Trooper photo courtesy of Colorado State Patrol Media Center. All other photos by Colorado PERA.

After many months of preparations between the staffs of both DPSRS and Colorado PERA, the transition was seamless and Colorado PERA welcomed the members and retirees of DPSRS, as well as several thousand new Colorado PERA members from DPS who previously did not participate in a retirement plan. The merger of DPSRS into Colorado PERA has been many years in the making and we look forward to being an integral part of the retirement plans for both the active members and retirees of DPS.

In addition to the merger and implementation of SB 10-001, the Colorado PERA Board appointed an ad-hoc committee on defined contribution plans to work with staff to identify for recommendation to the Colorado PERA Board, a recordkeeper and third-party administrator for the Colorado PERA 401(k), 457, and 401(a) plans. The Colorado PERA Board believes there is significant potential for gaining economies of scale through retaining a single firm to offer plan administration, recordkeeping, communications, education, and fulfillment services for the combined plans, which together, comprise \$2.4 billion of assets under management. Additional information about upcoming changes will be distributed to members later this summer.

Colorado PERA recognizes the importance of our duties and responsibilities to our membership—all those who provide public service in Colorado. It is our privilege to work for them and our duty to ensure that they have a sustainable retirement.

We appreciate the entire Colorado PERA membership and other constituencies for their continued support of Colorado PERA.

*Carole Wright*  
*Colorado PERA Board Chair*

*Meredith Williams*  
*Colorado PERA Executive Director*

**Funded Status of Colorado PERA**  
 (Based on current funding as of December 31, 2010)

TRUST FUND	FUNDED RATIO	AMORTIZATION PERIOD WITH CURRENT FUNDING	AMORTIZATION PERIOD WITH FUTURE CONTRIBUTION RATE INCREASES
State Division	62.8%	47 Years	28 Years
School Division	64.8%	50 Years	28 Years
Local Government Division	73.0%	19 Years	19 Years
Judicial Division	75.0%	83 Years	83 Years
Denver Public Schools Division	88.9%	Infinite <sup>1</sup>	Infinite <sup>1</sup>
Health Care Trust Fund	17.5%	42 Years	42 Years
Denver Public Schools Health Care Trust Fund	17.9%	24 Years	24 Years

<sup>1</sup> Considering anticipated reductions in the future Pension Certificates of Participation (PCOP) offset contribution requirements to the DPS Division for the cost of certain PCOPs as currently structured, the amortization period is expected to be below 30 years.

The primary measure of a pension fund's health is its funded status that compares the assets available to the benefits that must be paid. It is a long-term process and it is important to remember that all benefits are not due and payable at once.

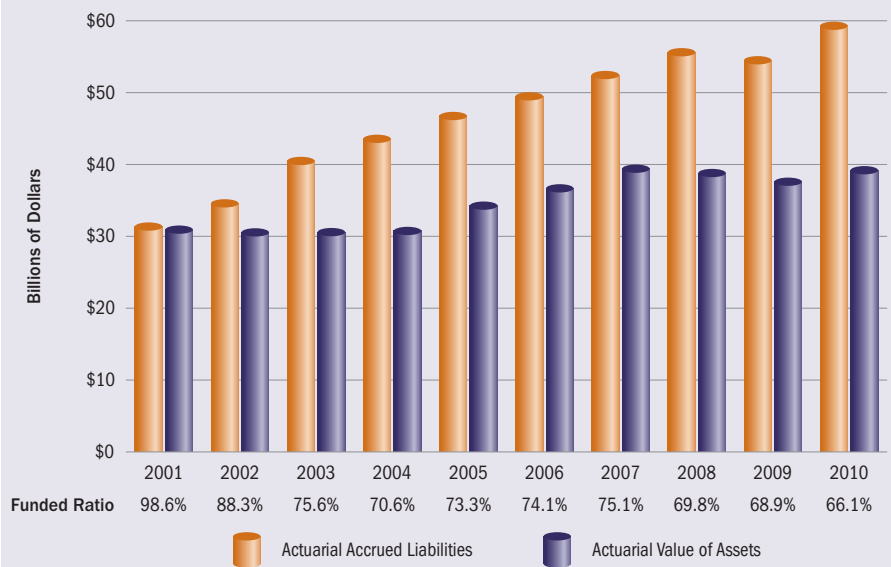
Colorado PERA's funding objective is to be able to pay long-term benefit promises through contributions that remain relatively level from year to year as a percent of salaries earned by members. This means members and employers in each year pay their fair share for retirement service accrued in that year by Colorado PERA members.

Each year, an actuary performs a study, or valuation, to estimate the long-term costs and liabilities of Colorado PERA. The actuary estimates our liabilities based on a variety of assumptions that include the following:

- Life span of retirees
- Salary increases working members will receive
- Inflation
- Rates of return for Colorado PERA's investments

Based on these assumptions, the actuary is able to project what Colorado PERA's funded status will be. The funded status is a comparison of the actuarial value of assets Colorado PERA has against what Colorado PERA owes now and in the future to beneficiaries.

**Actuarial Value of Assets as a Percent of Accrued Liabilities<sup>1</sup>**  
(Funded Ratio of Colorado PERA Pension Trust Funds)



<sup>1</sup> This data has been aggregated for informational purposes; the assets of each trust fund are for the sole purpose of its members and cannot be used by another fund.

### Aggregate Funded Status

(At December 31, 2010, for all Division Trust Funds and the Health Care Trust Funds<sup>1</sup>)

	BASED ON 12/31/2010 MARKET VALUE OF ASSETS	BASED ON 12/31/2010 ACTUARIAL VALUE OF ASSETS
Actuarial accrued liability	\$61.1 billion	\$61.1 billion
Assets held to pay those liabilities <sup>2</sup>	38.7 billion	39.5 billion
Unfunded actuarial accrued liability <sup>3</sup>	22.4 billion	21.5 billion
Funded Ratio	63.3%	64.7%

<sup>1</sup> This data has been aggregated for informational purposes; the assets of each trust fund are for the sole purpose of its members and cannot be used by another fund.

<sup>2</sup> The market value of assets is the fair value of the investments. The actuarial value of assets calculates the value of the assets by spreading any market gains or losses over four years. The market value of the assets is \$38.7 billion or \$0.9 billion less than the value of assets calculated by the actuaries, as they are recognizing the gains and losses in value over four years, rather than in the year they occurred.

<sup>3</sup> The above funded status is based upon an assumed rate of return on investments of 8.0 percent and an assumed rate of 8.0 percent to discount the liabilities to be paid in the future to a value as of December 31, 2010.

**Summary Comparative Statement of Fiduciary Net Assets**

*(Includes all funds—Division Trust Funds, Voluntary Investment Program, Defined Contribution Retirement Plan, Deferred Compensation Plan, Health Care Trust Fund, Denver Public Schools Health Care Trust Fund, and Life Insurance Reserve)*

The Comparative Statement of Fiduciary Net Assets is a summary of the net assets available to pay future benefit payments and gives a snapshot at a particular point in time.

	AS OF DECEMBER 31, 2010	AS OF DECEMBER 31, 2009
Total assets, at fair value	\$44,156,387,000	\$37,474,319,000
Total liabilities	3,020,602,000	2,437,379,000
<b>Net assets available for benefits</b>	<b>\$41,135,785,000</b>	<b>\$35,036,940,000</b>

**Summary Comparative Statement of Changes in Fiduciary Net Assets**

*(Includes all funds—Division Trust Funds, Voluntary Investment Program, Defined Contribution Retirement Plan, Deferred Compensation Plan, Health Care Trust Fund, Denver Public Schools Health Care Trust Fund, and Life Insurance Reserve)*

The Comparative Statement of Changes in Fiduciary Net Assets shows the inflows and outflows during the year.

	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Total additions	\$9,830,529,000	\$7,489,248,000
Total deductions	3,731,684,000	3,284,415,000
Net change	6,098,845,000	4,204,833,000
Net assets beginning of year	35,036,940,000	30,832,107,000
<b>Net assets end of year</b>	<b>\$41,135,785,000</b>	<b>\$35,036,940,000</b>

**\$31 billion net assets as of December 31, 2008**

2009	Contributions \$2.2 billion		Investments \$5.3 billion		Benefits Paid -\$3.3 billion	
	Employer	\$951M	Net Change in Fair Value	\$4,501M	Benefit Recipients	-\$2,993M
Member	\$733M	Dividends	\$358M	Refunds	-\$234M	
Plan Transfer	\$373M	Interest	\$343M	Administrative Expenses	-\$42M	
Retiree Health Care and Life Premiums	\$107M	Real Estate/Opportunity Fund/ Alternative Investments	\$158M	Other	-\$9M	
Purchased Service	\$23M	Securities Lending	\$29M	Disability/Life Insurance	-\$6M	
Other	\$18M	Investment Expense	-\$118M			
Medicare Retiree Drug Subsidy	\$14M					

**\$35 billion net assets as of December 31, 2009**

2010	Contributions \$4.8 billion		Investments \$5.0 billion		Benefits Paid -\$3.7 billion	
	Plan Transfer	\$2,764M	Net Change in Fair Value	\$4,225M	Benefit Recipients	-\$3,365M
Employer	\$997M	Dividends	\$379M	Refunds	-\$300M	
Member	\$820M	Interest	\$363M	Administrative Expenses	-\$50M	
Retiree Health Care and Life Premiums	\$115M	Real Estate/Opportunity Fund/ Alternative Investments	\$226M	Other	-\$12M	
Purchased Service	\$31M	Securities Lending	\$14M	Disability/Life Insurance	-\$6M	
Medicare Retiree Drug Subsidy	\$27M	Investment Expense	-\$154M			
Other	\$21M					

**\$41 billion net assets as of December 31, 2010**

## INVESTMENT PERFORMANCE

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

In 2010, there was net investment income of \$5,054,367,000 compared with total contributions by members and employers of \$820,476,000 and \$997,406,000, respectively.

For the year ended December 31, 2010, the total fund had a rate of return of 14.0 percent on a market value basis (does not include the Defined Contribution Plans), which exceeded the actuarial assumed rate of 8.0 percent.

Colorado PERA's investment strategies reflect our mission, which is to promote long-term financial security for our membership while maintaining the stability of the fund. Specifically, the fund is to be broadly diversified across and within asset classes to limit the volatility of the total fund investment returns and limit the impact of large losses on individual investments.

The Colorado PERA Board sets the ranges and targets for each asset class in the Colorado PERA investment portfolio.

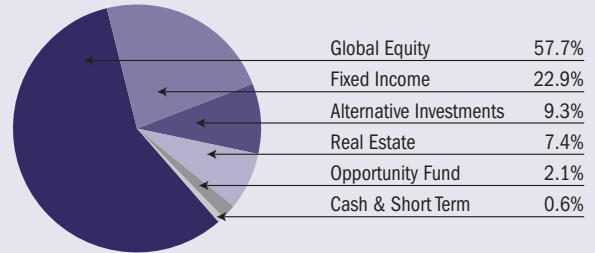
The charts to the right detail the asset allocation for the Colorado PERA investment portfolio as well as Colorado PERA's investment returns compared to its policy benchmark and the Median Public Pension Plan.

### Facts About Colorado PERA Investments

- Over \$25 million saved annually by using in-house investment professionals
- Over \$1.0 billion in outperformance above total fund policy benchmark since adoption in April 2004 through December 2010
- 59.0 percent of assets managed internally
- More than \$525 million invested in Colorado companies in 2010
- 9 percent annualized 25-year return
- 33 investment professionals

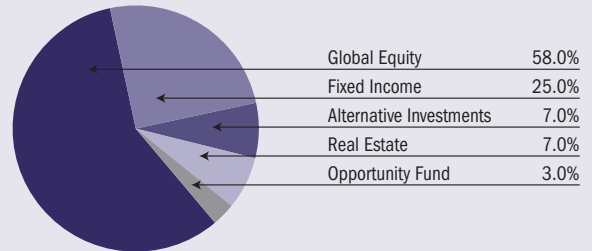
### Asset Allocation at Fair Value

For the period ended December 31, 2010  
(Does not include the Defined Contribution Plans)



### Target Allocations

For the period ended December 31, 2010  
(Does not include the Defined Contribution Plans)

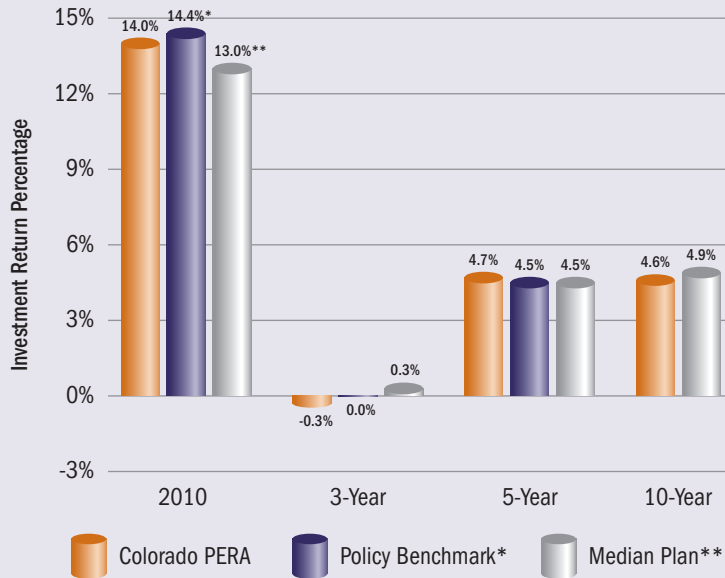


*“SB 1 serves as a model for other pension systems across the country.”*

—Gaylene Wilson  
Payroll Officer  
Colorado Housing and  
Finance Authority

**Colorado PERA Fund Investment Return (Annualized)  
Compared to Benchmark**

For the periods ending December 31, 2010  
(Does not include the Defined Contribution Plans)



\*The Colorado PERA Board of Trustees adopted a policy benchmark on April 1, 2004.

\*\*BNY Mellon Median Public Fund Universe is comprised of 73 public pension funds with assets of approximately \$0.7 trillion.

**Largest Stock Holdings by Fair Value**

As of December 31, 2010  
(Does not include the Defined Contribution Plans)

	SHARES	FAIR VALUE
Exxon Mobil Corp.	5,381,272	\$393,479,000
Apple Inc.	1,076,332	347,182,000
Microsoft Corp.	9,084,868	253,650,000
International Business Machines Corp.	1,691,070	248,181,000
Chevron Corp.	2,564,529	234,013,000
JP Morgan Chase & Co.	4,753,097	201,626,000
General Electric Co.	10,751,540	196,646,000
AT&T Inc.	6,520,353	191,568,000
Procter & Gamble Co.	2,931,069	188,556,000
Johnson & Johnson	2,979,843	184,303,000

The top ten holdings do not include commingled funds.

A complete list of holdings is available upon request.

A complete list of PERA's holdings may be viewed at the Securities and Exchange Commission Web site at [www.sec.gov](http://www.sec.gov). A link to the Web site may be accessed from the PERA Web site at [www.copera.org](http://www.copera.org) by clicking on the Media Room icon, then clicking on the SEC Filings link under Financial Information. Reports to the SEC are filed quarterly.

## CONTRIBUTING TO COLORADO'S ECONOMY—INVESTMENTS

Colorado PERA is a large contributor to the Colorado economy beyond benefit payments with investments that provide jobs and services that boost the State's economy. Recognizing the opportunities present in Colorado, Colorado PERA has more than \$525 million in investments with companies and partnerships that have chosen Colorado as their corporate headquarters.

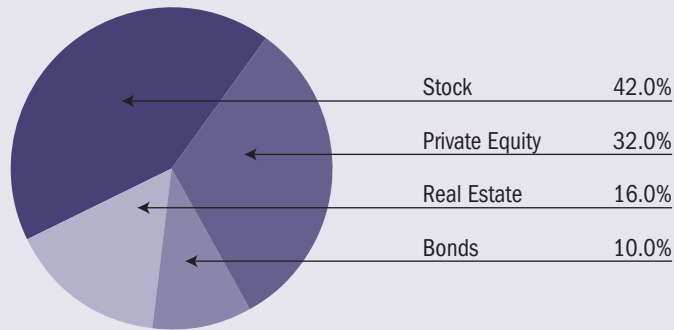
These investments create jobs and housing, which ultimately improves the infrastructure that strengthens the State's economy.

Colorado PERA has Colorado investments in all major asset classes within its investment portfolio. These investments include stock in established, publicly traded corporations, as well as investments in entrepreneurial businesses that rely on private equity capital for growth and expansion. Fixed income investments include corporate bonds issued by the Colorado Housing and Finance Authority (CHFA). Real estate investments are by direct ownership and pooled investment capital. Colorado PERA also employs investment managers who invest in companies with plant operations and employees in the State.

### Investments in Colorado

(Companies Headquartered in Colorado)

As of December 31, 2010



AS OF  
DECEMBER 31, 2010

<b>Stock</b>	
Internally Managed	\$217,822,000
<b>Bonds</b>	
Bonds	24,179,000
Colorado Housing Finance Authority	27,362,000
	<u>51,541,000</u>
<b>Real Estate</b>	
Equity Investments	69,661,000
Commercial Mortgages	16,956,000
	<u>86,617,000</u>
<b>Private Equity</b>	
Colorado Managers	161,588,000
Committed to Future Funding	7,977,000
	<u>169,565,000</u>
<b>Total</b>	<b><u>\$525,545,000</u></b>



During the 2010 legislative session, there were several bills that impacted Colorado PERA, which were passed by the Legislature and signed into law. However, legislation with the greatest impact on PERA was Senate Bill 10-001 and Senate Bill 10-046.

### **Senate Bill 10-001 (SB 10-001): Eliminate PERA's Unfunded Liability**

SB 10-001 was signed by former Governor Ritter on February 23, 2010. The major provisions of the bill include the following:

- Increases over time the Amortization Equalization Disbursement (AED) paid by PERA employers and the Supplemental Amortization Equalization Disbursement (SAED) funded by monies otherwise available for employee wage increases.
- Sets the early retirement reduction factors for a reduced service retirement benefit at an actuarially determined percentage for members not eligible to retire as of January 1, 2011.
- Changes the annual salary increase limit used in the Highest Average Salary (HAS) calculation from 15 percent to 8 percent for members in the PERA benefit structure, not eligible to retire on January 1, 2011, and who began membership before January 1, 2007.
- Changes the HAS for members in the DPS benefit structure, not eligible to retire as of January 1, 2011, from the 36 months of earned service credit with the highest salaries to the highest annual salaries associated with four periods of 12 consecutive months of service credit. An 8 percent cap on annual salary increases is associated with the lowest of the four 12-month periods.
- Modifies the conditions for receiving a match on employer contributions when a member withdraws a Colorado PERA account. Members who withdraw their accounts on or after January 1, 2011, must have five years of service credit to receive the 50 percent match.
- Changes the age and service requirements for full service retirement eligibility for members with less than five years of service credit on January 1, 2011, and members who began membership on or after January 1, 2011.
- Changes the amount of the cost of living adjustment, or annual increase, how the annual increase amount will be determined, how it will be paid to retirees, and who is eligible to receive it.
- Prevents the recalculation of a service retirement for retirees who suspend their benefits on or after January 1, 2011, and establishes how a second benefit would be earned and paid out.
- Requires retirees who return to work for a Colorado PERA-covered employer to make nonrefundable contributions at the same rate as all members working for that employer.

- Adds days to the 110-day limit on working after retirement for a limited number of retirees in school districts and higher education institutions.

### **Senate Bill 10-146 (SB 10-146): PERA Contribution Rates**

SB 10-146 was signed by former Governor Ritter on March 31, 2010. This bill increases the Colorado PERA member/employee contributions beginning in July 2010. The bill was sponsored by the Joint Budget Committee as a budget balancing bill and was part of the Governor's budget proposed in November 2009. SB 10-146 makes the following changes to contributions:

- In the State Division, (excluding State Troopers) the member contribution is increased from 8.00 percent to 10.50 percent. The employer contribution rate is decreased from 10.15 percent to 7.65 percent.
- For State Troopers, the member contribution rate is increased from 10.00 percent to 12.50 percent. The employer contribution rate is decreased from 12.85 percent to 10.35 percent.
- In the Judicial Division, the member contribution rate is increased from 8.00 percent to 10.50 percent. The employer contribution rate is decreased from 13.66 percent to 11.16 percent.
- The contribution changes are temporary, one-year modifications that will end on June 30, 2011.
- Employer or member contribution rates in the School, DPS, and Local Government Divisions are not impacted.

(Senate Bill 11-076, which was signed by Governor Hickenlooper on May 23, 2011, will continue the 2.5 percent reduction for fiscal year 2011-2012 in the employer contribution by State Division [including State Troopers and members of the Colorado PERA DC Plan] and Judicial Division employers with a corresponding 2.5 percent increase in the employee contribution.)

### **Other Legislation Impacting PERA**

#### **Senate Bill 10-003: Higher Education Flexibility**

Signed by former Governor Ritter on June 9, 2010.

#### **House Bill 10-1425: DPS Postretirement Employment Limit**

Signed by former Governor Ritter on May 27, 2010

#### **House Bill 10-1181: DPA Administrative Clean-up**

Signed by former Governor Ritter on June 7, 2010.

For detailed information about these bills and a recap of 2011 legislation, please go to Colorado PERA's Web site at [www.copera.org](http://www.copera.org).

**Award for Outstanding Achievement in Popular Annual Financial Reporting**

PRESENTED TO

**Colorado Public Employees' Retirement Association**

for the Fiscal Year Ended  
**December 31, 2009**



*[Signature]*  
President  
*[Signature]*  
Executive Director

**Outstanding Achievement in Popular Annual Financial Reporting**

The Government Finance Officers Association of United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to Colorado PERA for its summary annual financial report for the fiscal year ended December 31, 2009.

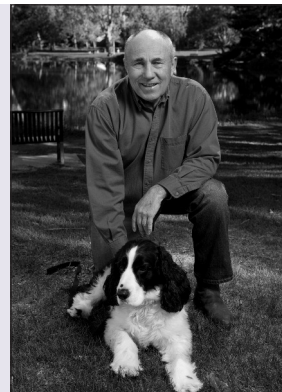
This prestigious national award recognizes conformance with the highest standards for preparation of state and local government reports and is valid for a period of one year. We believe the current summary annual financial report continues to meet these program standards and we are submitting it to GFOA for consideration.

**Colorado PERA Membership  
As of December 31, 2010**

DIVISION	ACTIVE MEMBERS	AVERAGE AGE	AVERAGE YEARS OF SERVICE	AVERAGE ANNUAL SALARY
State (Non-Troopers)	54,179	45.9	8.9	\$43,110
State Troopers	798	40.4	11.1	\$70,689
School	116,486	44.5	8.3	\$33,486
Local Government	16,144	44.0	7.6	\$43,686
Judicial	317	56.0	14.1	\$118,019
Denver Public Schools	13,171	43.5	5.7	\$35,743

*“The shared sacrifice contained in SB 1 is forward-looking and allows the PERA membership to carry the solution on its own shoulders so that current and future retirees can count on receiving a monthly benefit that still has a degree of protection from inflation.”*

—John MacPherson  
Retired Principal  
Denver Public School District No. 1





**COLORADO  
PERA®**

**Colorado Public Employees' Retirement Association**  
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## COLORADO PERA CONTACT INFORMATION

**Mailing Address**

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PO Box 5800  
Denver, CO 80217-5800

**Phone**

303-832-9550  
1-800-759-7372 (PERA)  
303-863-3727 (FAX)



**Office Locations**

**Denver Main Office**  
1301 Pennsylvania Street  
Denver, CO 80203-5011

**Web site/e-mail**

[www.copera.org](http://www.copera.org) (e-mail via "Contact Us" link  
on the PERA home page)

**Denver Main Office Hours (Mountain time)**

7:30 a.m.–4:30 p.m. Monday–Friday

**Westminster Office**

1120 W. 122nd Avenue  
Westminster, CO 80234

**Westminster Office Hours (Mountain time)**

7:30 a.m.–4:30 p.m. Monday, Tuesday,  
Thursday, and Friday  
1:00 p.m.–4:30 p.m. Wednesday

**Customer Service Center Phone Hours  
(Mountain time)**

7:00 a.m.–5:30 p.m. Monday–Thursday  
7:00 a.m.–4:30 p.m. Friday

*“The changes made in SB 1  
steer PERA back onto a stable  
financial path using an  
approach that is responsible,  
well-thought out, and fiscally  
conservative.”*

—Deborah Bristol  
Colorado State Patrol

