



**COLORADO
PERA®**

Shareholders
Meeting

Welcome!

August-September 2007

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Welcome Shareholders! Whether you are an active or inactive member, retiree or benefit recipient, you are one of over 400,000 PERA “Shareholders,” which means you have a stake in the future of Colorado PERA. Elected officials and PERA’s employers are also considered Shareholders.

Since Colorado PERA was created 76 years ago on August 1, 1931, we have worked with the Colorado General Assembly and the Governor with our members’ best interest in mind and we are proud of the excellent track record we have of providing benefits and programs that are of value to you at various stages in your life.

As fiduciaries of your pension plan, we are required by law to work in your interest, ensuring that the fund is well managed, and that the dollars are there when you need them. We recognize that PERA is one of your largest financial holdings.

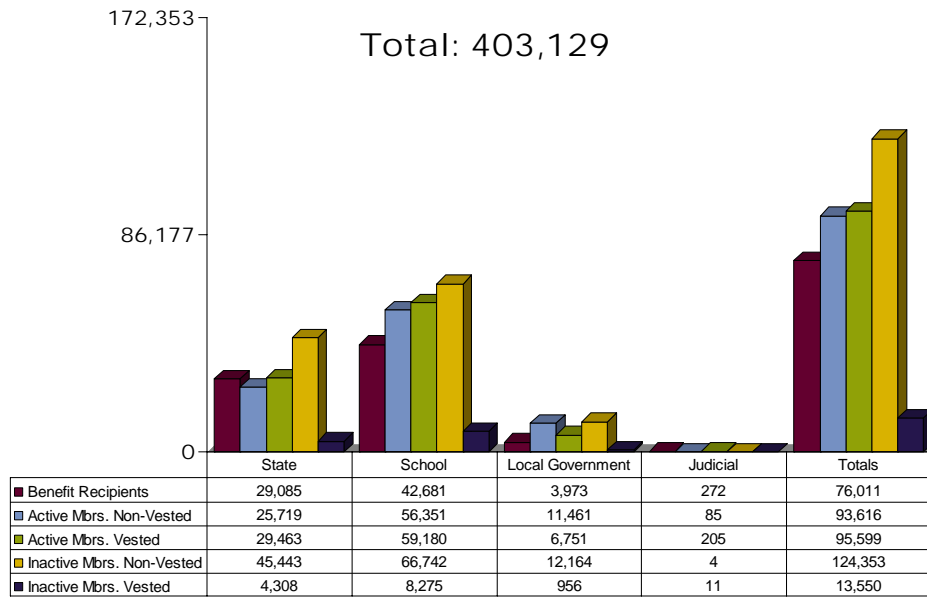
We have designed the Shareholder Meetings that are being held around the state in August and September to give you the latest news about your retirement plan and to get out and meet with you and hear your concerns. These meetings are a supplement to the financial reports we send to you each June and to PERA’s *Member and Retiree Reports* and information on our Web site.

This presentation reviews PERA’s financial condition, legislation enacted in 2007, and challenges PERA faces in the future.

We began the Shareholder Meetings a few years ago to better communicate with you about information you may be getting from the media about PERA. This fall marks our fourth year of touring the state and meeting with members to make sure they get accurate information about their retirement system. We want to reassure that as a result of legislation that was enacted in 2006 that your retirement system is back on track to being fully funded.

Members and Benefit Recipients

As of June 30, 2007



At the end of June 2007, Colorado PERA had over 403,000 members and benefit recipients. Active members are those who are currently contributing to PERA. Inactive members are those who have left PERA-covered employment, but have chosen to leave their accounts at PERA. Vested members (active and inactive) are those who have earned at least five years of service credit and are currently eligible for a future benefit. Benefit recipients (retirees and survivors) numbered just over 76,000 at the end of June 2007.

The State Division includes employees at state agencies and at colleges and universities, as well as those who work for other employers such as PERA. The School Division includes all school district employees in Colorado, except Denver Public Schools. (Denver Public Schools has its own retirement system.) The Local Government Division includes over 130 cities, town, and special districts that have chosen to affiliate with PERA. The Judicial Division is for judges in Colorado.

Serving PERA Membership in 2006

- 218,290 phone calls answered by PERA's Customer Service Center
- 28,535 members attended a PERA meeting
- 4,788 new retirement applications processed
- 78.3 million hits to the PERA Web site
- 131,768 members and benefit recipients have a Personal Identification Number (PIN)
- 69,250 benefit recipients use EFT to receive benefit payments



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There are just over 20 employees in PERA's Customer Service Center, and they answered more than 218,000 phone calls in 2006.

PERA conducts a variety of meetings around the state. These include meetings on PERA benefits, the retirement process, the PERA 410(k) Plan, purchasing service credit, and PERACare.

Many PERA members and retirees use the PERA Web site. With Personal Identification Numbers or PINs, members and benefit recipients can review their accounts, complete forms electronically, and sign up to receive PERA information electronically.

Over 90 percent of PERA's benefit recipients receive their monthly benefits through electronic funds transfer, rather than having a check mailed to them.

Statistics on Members and Retirees

- The average age of retirees is 68 years
- The oldest benefit recipient is over 107 years old
- PERA has paid a benefit to one retiree for 48 years
- PERA has 53 benefit recipients who are 100 years and older
- The most service credit earned by an active member is over 51 years
- The average monthly retirement benefit paid as of December 31, 2006, was \$2,538

PERA Financial Recap

(in thousands of dollars; does not include 401(k) Plan)

\$38,893,323 net assets as of December 31, 2006

June 2007	Contributions \$715,217		Investments \$2,443,772		Benefits Paid (\$1,323,518)	
	Employer – Pension	\$338,777	Net Change in Fair Value	\$2,005,443	Pension Benefits	(\$1,162,145)
Employer – Health Care	\$34,316	Interest	\$217,302	Health Care Benefits	(\$70,637)	
Member	\$263,141	Dividends	\$210,637	Disability/Life Insurance	(\$5,148)	
Purchased Service	\$16,358	Real Estate/Timber/ Alternative Investments	\$39,571	Refunds	(\$65,952)	
Retiree Health Care Premiums	\$52,447	Securities Lending	\$6,070	Other	(\$3,613)	
Medicare Retiree Drug Subsidy	\$6,022	Investment Expense	(\$35,251)	Admin Exp	(\$16,023)	
Other Additions	\$4,156					

\$40,728,794 net assets as of June 30, 2007

(unaudited, for internal use only)



This chart is essentially PERA's balance sheet for the first six months of 2007. The left-hand column shows the contributions to PERA's account. The right-hand column shows the benefits paid. While the number in the left column is larger than the amount in the right column, PERA receives cash from investments (the middle column) that help fund benefit payments.

Over two-thirds of PERA's assets came from earnings on investments. The other one-third came equally from members and their employers.

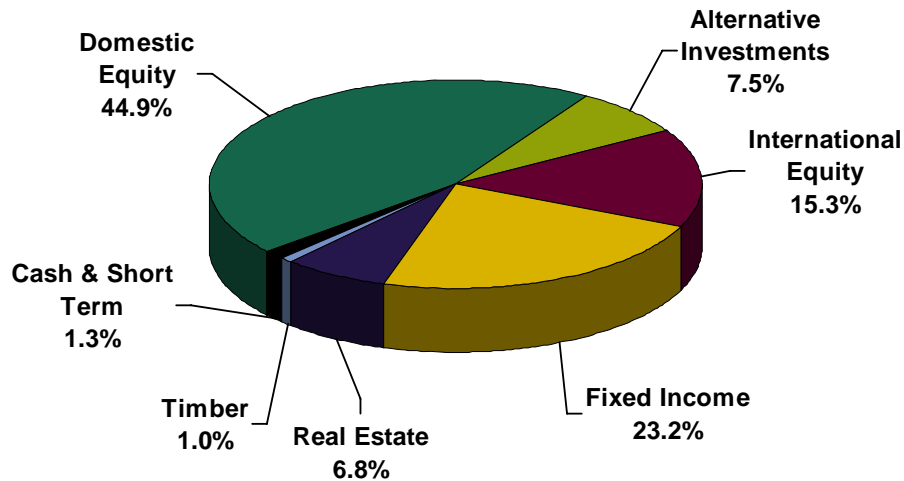
PERA is not selling assets to pay benefits and net assets increased by over \$1.8 billion during the first six months of 2007.

Nearly 90 percent of PERA's benefit recipients live in Colorado. PERA pays \$2 billion a year to these PERA retirees who live in every county in Colorado. These payments have a large impact on Colorado's economy.

Investment Asset Allocation

As of June 30, 2007

\$40.5 Billion Market Value



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This is how the PERA investment portfolio was invested at the end of June 2007.

Domestic and international stocks represented 60 percent of the portfolio.

PERA has nearly one-quarter of assets invested in bonds or fixed income.

Alternative Investments are venture capital investments, leveraged buyouts, private equity, and other non-publicly traded assets.

Real Estate investments are made in large, diversified real estate funds that hold many different types of real estate, domestically and worldwide.

In timber, our investments are both domestic and international.

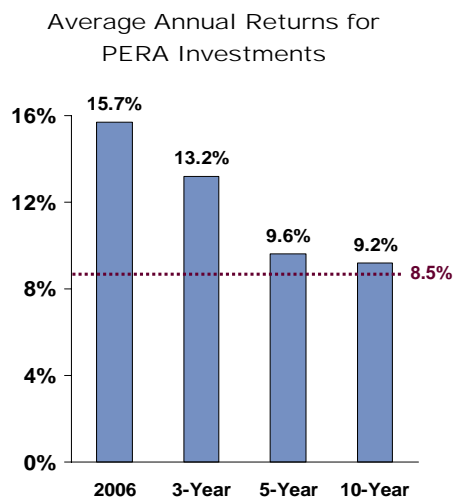
PERA holds a small amount of cash and short term instruments for use in day-to-day investment activities and for paying benefits.

PERA does not currently hold investments in hedge funds or collateralized debt obligations (CDOs).

The Board of Trustees sets the ranges and targets for each asset class in PERA's investment portfolio.

PERA Protects the Promise

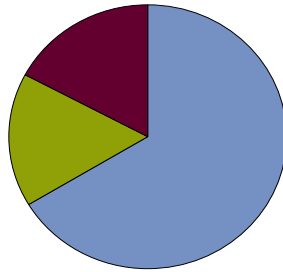
- With PERA's support, the Colorado Legislature in 2006 passed responsible pension reform
- 2006 law is working – PERA is on track to become fully funded
- Components of the 2006 law assume PERA's investments will make 8.5 percent per year; PERA has consistently exceeded that benchmark



PERA's responsibility under the law is to provide a comprehensive package of retirement benefits for public employees. PERA is fulfilling the promise to pay lifetime benefits to its members. The investment program is a key ingredient in PERA's funding program. Based on PERA's asset allocation, and long-term projections of inflation and investment gains above inflation, PERA's Board, investment staff, and independent consultants believe that PERA's investment return will average 8.5 percent per year in the future. In 2006, PERA earned a much higher return of 15.7 percent. Over the past 3-, 5-, and 10-year periods, the returns have averaged greater than 8.5 percent. In 2006, the Colorado Legislature approved legislation, SB 06-235, which changed benefit provisions for new hires, and provided for increases in employer contribution rates. The projections you will see in a few minutes incorporate these changes, as well as the actuarial assumption that PERA's investment return will average 8.5 percent per year.

Members Reap Rewards of PERA Investments

Source of Benefits
Paid Over Last Decade



■ Investment Income
■ Employer Contributions
■ Employee Contributions

- PERA investments allow pension benefits to greatly exceed the amount employees and employers contribute
- Investment returns provided the source for 69 percent of benefits paid over past decade
- Investment returns provided the source of nearly four out of every five dollars of income received in 2006

This slide shows just how important investment returns are to PERA's benefits program. Over the last decade, over 69 percent of the dollars paid to benefit recipients have come from investment returns. PERA retirees receive benefits that are far greater than the amount of employee and employer contributions because of the value of years of compounded investment returns.

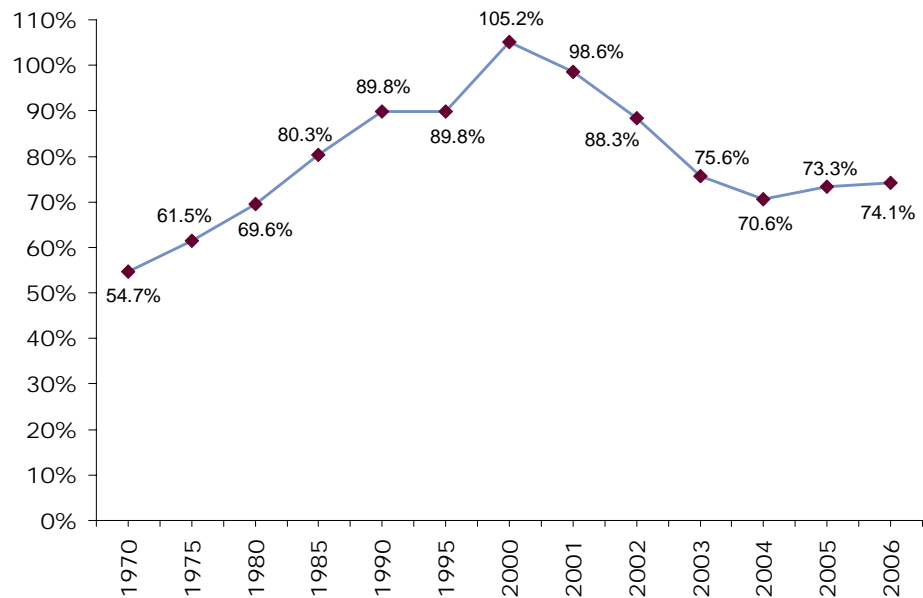
Investments Efficiently and Effectively Managed

- PERA's investment returns have consistently exceeded earnings of other public pension funds; PERA has been in the top quarter for the past three years
- PERA manages most of its investments internally, saving participants and taxpayers tens of millions a year
- PERA spends just 38 cents of every \$100 managed annually on investment and administrative expenses for the defined benefit plan—far less than many mutual funds



The PERA investment program is managed very carefully, with a lot of concern for diversification, risk management, and efficiency. The returns have compared well against other plans. For the 3-year period ending December 31, 2006, PERA earned an average annual return of 13.2 percent compared to 11.6 percent for the median public plan. The total expense of managing the PERA defined benefit plan, including both investment and administrative expenses, was less than 39 one-hundredths of one percent of assets in 2006.

Funding Ratio



This graph illustrates PERA's funded status (assets compared to what PERA owes now and into the future) over time. Note that PERA was over 100 percent funded in only two years of our 76-year history – at the end of 1999 and 2000.

You will also notice the impact of the poor investment markets in the early part of 2000 that impacted PERA's investments, just like other investors. PERA has begun a gradual improvement in funded status as the upturn in 2005 and 2006 in the above graph shows.

PERA Employer Contribution Rates

As a Percentage of Salary for State Division

Start Date	PERA Employer Contribution	AED	SAED	Total Contribution % for Year
Jan 2006	10.15%	0.50%	n/a	10.65%
Jan 2007	10.15%	1.00%	n/a	11.15%
Jan 2008	10.15%	1.40%	0.50%	12.05%
Jan 2009	10.15%	1.80%	1.00%	12.95%
Jan 2010	10.15%	2.20%	1.50%	13.85%
Jan 2011	10.15%	2.60%	2.00%	14.75%
Jan 2012	10.15%	3.00%	2.50%	15.65%
Jan 2013	10.15%	3.00%	3.00%	16.15%



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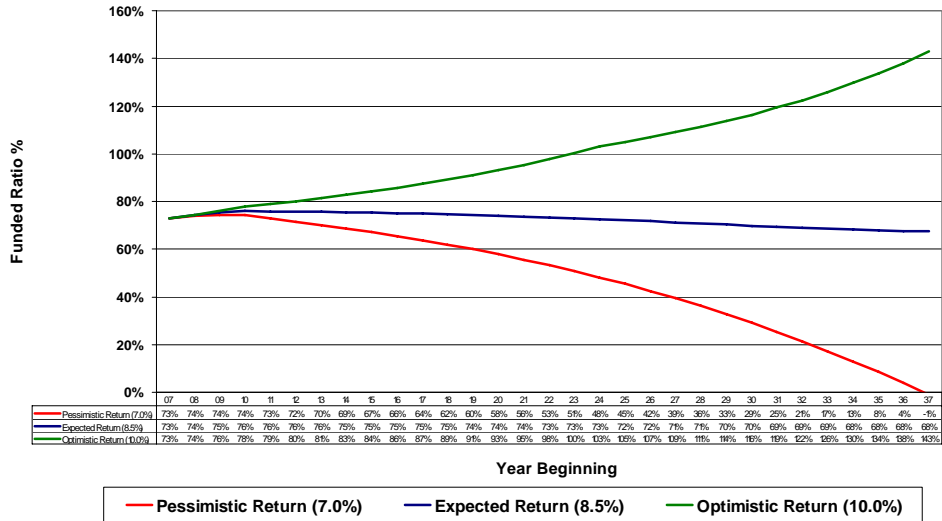
Legislation passed in 2004 and 2006 made several changes to PERA to improve PERA's funding ratio.

One of these changes was the AED (or Amortization Equalization Disbursement). This is a gradual increase in employer contribution rates that will help amortize the unfunded liability. An important part of the 2006 legislation that puts PERA back on track to 100 percent funding is the increase in contribution rates that will start in January 2008. This is called the SAED (or Supplemental Amortization Equalization Disbursement). The SAED will be paid by PERA employers, but is designed to be paid out of the pool of money that is used for compensation increases to employees.

In addition, the 2006 legislation reduced benefit provisions for members hired on and after January 1, 2007. In particular, early retirement and COLA provisions were changed for these "new hires."

State Division

30-year Projection of Funded Ratio on Actuarial Asset Value
As of December 31, 2006

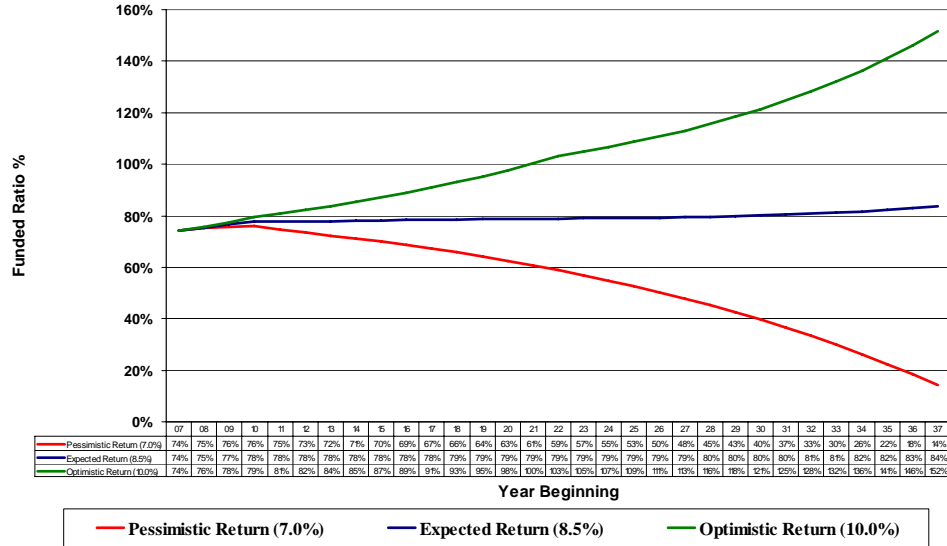


This graph shows the impact of a one and a half percent point variance in the investment return over time. The blue line depicts what PERA's funded status will be if the investment portfolio returns the assumed 8.5 percent per year. The red line represents a pessimistic return of 7.0 percent, and the green line shows the funded status if PERA's investments return 10 percent over time.

Over the 25 year period ending in 2006, PERA's investment return has averaged 11.6 percent. However, if PERA's investments return an average of 8.5 percent in the future, then the State Division Fund is projected to have a funded ratio of 68 percent in 2037. This includes the fact that new employees hired in 2007 and later will have slightly different benefits, and that contribution rates will increase as scheduled. The State Division is projected to have a 23-year amortization schedule by 2037, which means that all of PERA's liabilities would be paid off in 23 years (in 2060), if all assumptions are met. Before the 2006 legislation, the combined State and School Division was projected to be only 49 percent funded at the end of 30 years.

School Division

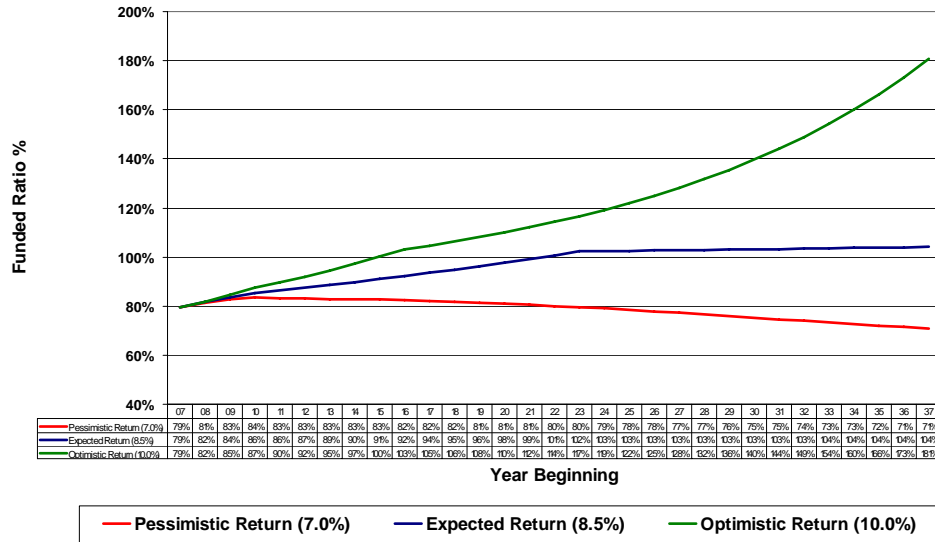
30-year Projection of Funded Ratio on Actuarial Asset Value
As of December 31, 2006



The projection for the School Division is that it will have a funded ratio of 84 percent by 2037. Also at the end of 2037, the School Division Fund would have a 9-year amortization schedule, meaning that all of the unfunded liabilities would be paid off in 9 more years (in 2046), if all assumptions are met. Before the 2006 legislation, the combined State and School Division was projected to be only 49 percent funded at the end of 30 years.

Local Government Division

30-year Projection of Funded Ratio on Actuarial Asset Value
As of December 31, 2006



The Local Government Division has a funded ratio of 79 percent currently, and the Judicial Division has a funded ratio of 85 percent. Both divisions are currently projected to reach the 100 percent funded level in 2022.

Pension Divestment

Sudan Should Be a "One-of-a-Kind" Situation

- PERA Trustees ultimately endorsed 2007 Sudan divestment law but worked with Colorado legislators to limit negative impacts on the investments needed to support PERA pensions
- House Speaker Andrew Romanoff's quote: "The genocide that originated in Darfur is, in my view, the central moral crisis of our time."
- Senator Peter Groff quote: "We set a very high standard (with the Sudan legislation), so we wouldn't have to come back each year and try to figure out what we do with the next renegade nation. We've got to be careful how we do this. Otherwise, we're going to start picking and choosing whatever country we may be having issues with at any given time."
- But now there are efforts to divest public pensions from companies doing business in Iran, Cuba, North Korea, Syria, etc.
- Who decides what's next? When will it end? (PERA members could bear brunt of any negative consequences)

PERA worked with the sponsors of Sudan divestment legislation in 2007 to develop a workable bill that will result in PERA selling the shares of certain companies if those companies do not terminate their activities in Sudan. PERA has already taken a number of steps and you can see an outline of the legislation, HB 07-1184, in the June 2007 *Legislative Update*. Language in that bill, as well as statements by the sponsors, made it very clear that divestment should be used in very limited circumstances. The bill specifies that an ongoing state of genocide, like the situation in Sudan, that has been declared as genocide by the U.S. Government, meets that burden. There are now proposals being made for divestment from Iran-related investments. PERA is very concerned about any proposal to expand divestment to other issues.

Read the Board's statement on divestment at www.copera.org/PERA/about/latestnews.stm.

Trustees have a “Fiduciary Duty” to PERA Members

- Providing retirement security to 400,000 public employees is a big responsibility
- “Fiduciary duty” means PERA must work only in the best interests of its members—no other factors can be considered
- Other political or foreign policy goals may be noble but they cannot be a consideration in how PERA invests
- Risks of any foreign investments *are* considered
- Later this year, PERA will launch a “socially responsible investment” option for members in PERA’s 401(k) Plan or PERA’s Defined Contribution (DC) Plan

PERA’s primary responsibility is to provide retirement security to 400,000 public employees. By law, PERA’s Board of Trustees must “carry out their functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred.” There are any number of other social, political, or foreign policy goals that lawmakers may have, but the PERA defined benefit plan’s investments should not be used to try to accomplish them. There are costs involved.

Later in 2007, PERA will launch a “socially responsible investment” option in the defined contribution plans for its members. Those individuals who are members of the 401(k) Plan or the PERA DC Plan will be able to elect to allocate part of their personal accounts into a fund which does not invest in companies involved in certain countries or industries. No matter what the effect is from an individual’s choice to invest in the “socially responsible” fund, it will apply to his 401(k) or DC plan account only, and the defined benefit plan will not be affected.



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- Phone numbers
 - 303-832-9550
 - Toll free: 1-800-759- PERA (7372)
- Sign up for alerts in the Legislative Information Center at www.copera.org



Thank you for viewing the 2007 Shareholder Meeting Presentation online. We hope this has been informative and helped answer any questions you may have. PERA has been protecting the promise we made to our members, employers, elected officials, and Colorado's taxpayers for 76 years – and we'll be doing the same for decades to come.

If you would like to talk with us, please use the contact information above.

Don't forget to sign up for Legislative Alerts in the Legislative Information Center so you'll have up-to-date access to important information about Colorado PERA.