Comprehensive Annual Financial Report

Year Ended December 31, 2006

Denver Public Schools
Retirement System
Denver, Colorado

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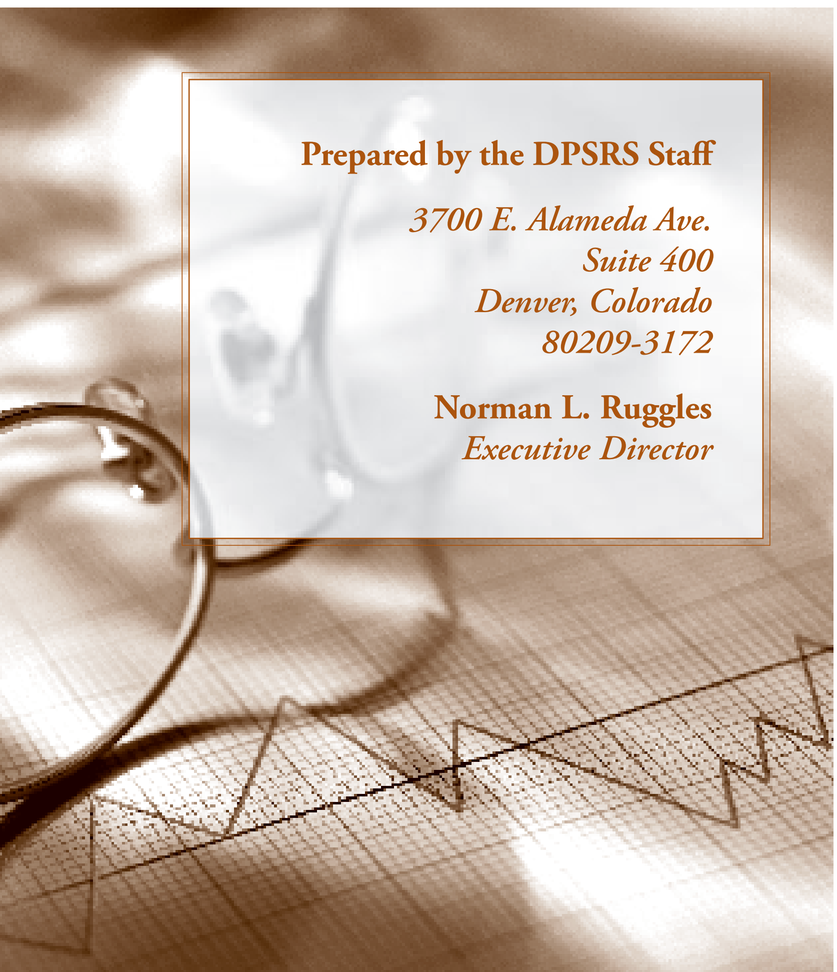
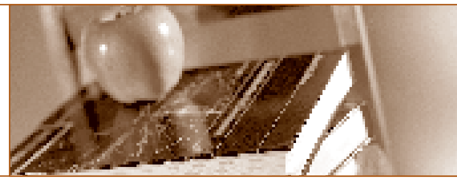


Prepared by the DPSRS Staff

3700 E. Alameda Ave.
Suite 400
Denver, Colorado
80209-3172

Norman L. Ruggles
Executive Director

::Table of Contents

INTRODUCTORY SECTION

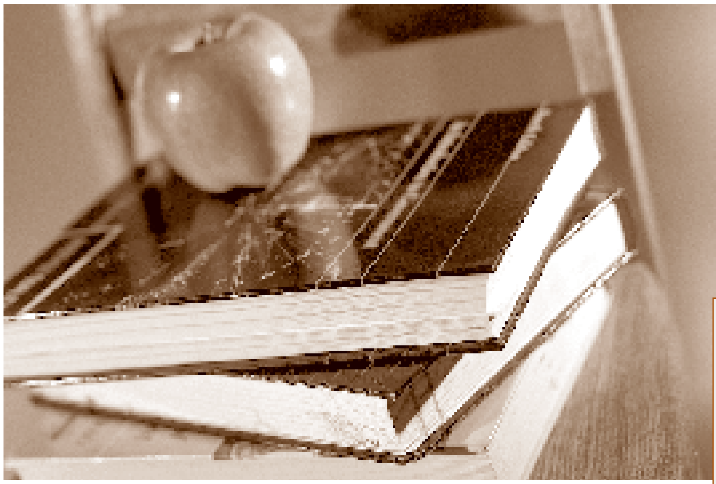
FINANCIAL SECTION

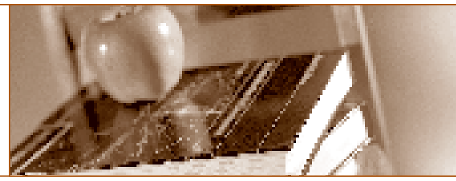
INVESTMENT SECTION

ACTUARIAL SECTION

STATISTICAL SECTION

Introductory *Section*





::Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Denver Public Schools Retirement System, Colorado

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2005

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

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

President

Executive Director

DPSRS

DENVER PUBLIC SCHOOLS
RETIREMENT SYSTEM

::Letter of Transmittal

June 1, 2007

TO THE MEMBERS OF THE BOARD OF TRUSTEES AND THE BOARD OF EDUCATION:

I am pleased to present the *Comprehensive Annual Financial Report* (CAFR) of the Denver Public Schools Retirement System (System or DPSRS) for the year ended December 31, 2006.

The System is the successor of the Denver Public School Employees' Pension and Benefit Association, which was created by the Board of Education of School District No. 1 in the City and County of Denver, Colorado, on December 1, 1945, pursuant to state statute, that permitted first class school districts to establish an employees' retirement fund. Effective January 1, 2000, the state statute was rewritten, and the Association was renamed the Denver Public Schools Retirement System. The Retirement Board was replaced by an 11-member Board of Trustees having all fiduciary responsibilities for management of the System. The Board of Education retains responsibilities for funding and plan design.

School District No. 1 (DPS or School District), the System, and Charter Schools within the School District comprise the District. Membership in the System is required for full-time employees of the District.

The 2006 CAFR is presented in five major sections:

- **The Introductory Section** contains the Letter of Transmittal, Message from the Chairperson, listing of the Board of Trustee members, an administrative organization chart, and a listing of major consultants.
- **The Financial Section** presents the opinion of the System's independent auditors, Clifton Gunderson LLP, Management's Discussion and Analysis of financial activities, the financial statements, and the supporting schedules for the System.
- **The Investment Section** includes information pertaining to the System's investment policies, objectives, performance and detailed investment listings, and a summary schedule of fees and commissions paid to investment professionals who provide services to the System.
- **The Actuarial Section** contains the certification of the System's independent consulting actuary, Gabriel, Roeder, Smith & Company, and a review of the actuarial assumptions, valuation methods, funding progress and other statistics used in the actuarial valuation. Also included is a summary of the *Denver Public Schools Retirement System Retirement and Benefit Plan* (Plan) provisions. The Plan is the detailed statement of rights that one has as a member of the System and the statement of the procedures of operation and organization of the System.
- **The Statistical Section** contains general statistical information regarding the System participants and finances.

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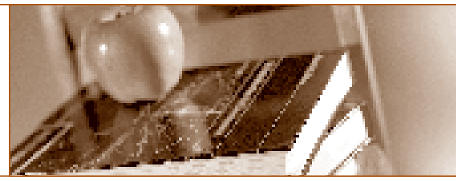


BENEFIT PLAN CHANGES AND OTHER INITIATIVES

The following changes to the Plan or administration of the System were made effective in 2006:

- Clarification was made as to the members who are covered by the new tier of benefits which became effective on July 1, 2005.
- The method of calculating earned service was refined.
- The employer contribution rate was changed in accordance with the funding policy of the Plan and the scheduled four year phase-in to achieve the full annual required contribution rate by July 1, 2008.
- To comply with new Internal Revenue Code regulations on joint and survivor annuities, revisions were made which reduce the continuing benefit that a co-annuitant will receive if the co-annuitant is a non-spouse and has more than a 10-year age difference from the member.

The Board of Trustees, DPSRS and DPS staff, and a consultant developed a comprehensive Strategic Plan for DPSRS, which was approved by the Board of Trustees on November 6, 2006. The plan will help focus the future priorities and activities of the System and encompasses the areas of communications, benefits, investments and funding, organizational structure, and fiduciary responsibility.

An asset and liability study of the System was performed by our investment consulting firm, Callan Associates, Inc., to help us make sure our Retirement Fund investments are appropriately positioned to pay benefits to our current and future retirees. The study resulted in some changes to our asset allocation which are designed to strengthen the System and the Retirement Fund.

The DPSRS offices were moved to our current, customer-friendly location in the Westerra Credit Union Building at 3700 East Alameda Avenue, Suite 400, in Denver. The new space is much more suitable for our needs and will serve us well now and in the future.

FINANCIAL INFORMATION

The financial statements and reporting are the responsibility of the System's management. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and the System's auditor has so stated in its opinion. This CAFR was prepared to conform with the requirements of Governmental Accounting Standards Board (GASB) Statements applicable to governmental accounting for fiduciary funds.

In the opinion of the System's management, the financial information presented is accurate in all material respects, and presents fairly, the financial status at December 31, 2006. The management of the System is responsible for maintaining an internal control structure to provide reasonable assurance of asset accountability and the authorized and proper recording of transactions.

Additional financial information can be found in Management's Discussion and Analysis, which is included as required supplementary information and precedes the financial statements in the Financial Section of this report.

An audit of the System's financial statements is conducted on an annual basis. Clifton Gunderson LLP was hired in 2006 as the System's external audit firm to replace KPMG LLP. The change in auditing firms is the result of a normal, competitive bid process. It is noted that there were no disagreements between management and KPMG LLP on any accounting or auditing related issues.

FUNDING

There are several ways to appraise the funding condition of the System and progress toward the objective of preserving financial solvency. The employment of a qualified, independent actuary is essential to perform an actuarial review and valuation and to provide technical advice and assistance.

The System's actuary performs an annual actuarial review. In addition, the Plan requires an investigation of mortality and service experience at least once during each five-year period. In recent years, the experience analysis has been performed every three years. An experience investigation was performed for the period January 1, 2001, through December 31, 2003. An experience analysis also will be completed in 2007 for the three-year period ending December 31, 2006.

An adequate funding level provides assurance and security for payment of future benefits. One measure of funding status is the Solvency Test shown on page 57. This test compares actuarial valuation assets to actuarial accrued liabilities categorized by active member contributions, liabilities for future benefits for present retirees and beneficiaries, and liabilities for service already performed by active members.

Another measure of funding progress is shown in the funding progress schedule on page 30. This historical schedule indicates the actuarial value of assets as a percentage of actuarial accrued liabilities. The current actuarial funded ratio of the System is 87.6%. This is consistent with 87.9% in the previous year. The System remains in a funded position sufficient to pay promised future benefits.

INVESTMENTS AND ECONOMIC OVERVIEW

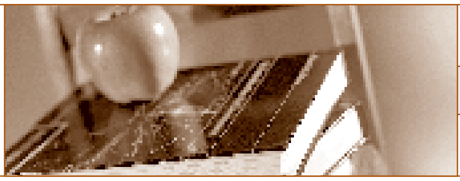
Investment policies and objectives for the System have been designed to enable the investment program of the retirement system to facilitate the long-term accomplishment of the System's mission. The program emphasizes long-term total returns and performance, recognizing the impact of inflation on benefit levels. Risk exposure is controlled by broad diversification related to asset mix and careful selection and evaluation of specialized investment managers.

The U.S. economy and financial markets finished with excellent gains in 2006. Total return for the U.S. equity markets, as measured by the Russell 3000 Index, was 15.72% for 2006. Bonds, as measured by the Lehman Brothers Aggregate Index, returned a modest 4.33% in 2006.

The System's diversified portfolio produced a total return of 12.61% for 2006. Detailed investment performance results, policies, and strategies are presented by the Chief Investment Officer in the Investment Management section of this report.

Mission Statement

The System exists in partnership with the District and its employees to provide career employees and their families with a primary source of lifetime income relative to service at retirement, disability or death, in a prudent, responsible and cost-effective manner.



AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended December 31, 2005. This was the fourteenth consecutive year that the System has received this prestigious award. In order to be awarded a Certificate of Achievement, a public employee retirement system must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

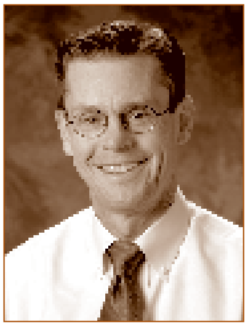
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting the report to the GFOA to determine its eligibility for another certificate.

In addition, the System received the Public Pension Standards Award in 2006. This award was given to the System by the Public Pension Coordinating Council in recognition of our meeting professional standards for plan design and administration.

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined efforts of the staff of the accounting, investment, benefits and executive sections of the DPSRS Office. It is intended to provide comprehensive and reliable information as a basis for making management decisions, determining compliance with legal provisions and determining responsible stewardship for the assets contributed by the System's members and the District.

I would like to express my appreciation to the Board of Education, Board of Trustees, staff, consultants and all others who work to assure the successful administration, operation and financial soundness of the retirement plan. If you have questions about this report or need additional information, contact the DPSRS office.



Norman L. Ruggles
Executive Director

::Message From the Chairperson

In keeping with past practices and generally accepted reporting standards, as Chairperson of the Board of Trustees for the DPSRS, I am pleased to present the *Comprehensive Annual Financial Report* for our 61st year of operation, which ended on December 31, 2006. The report provides the reader with a review of the financial, actuarial, and investment status of the DPSRS.

The actuarial report for 2006 indicates that the plan continues to be financially sound as a result of continuing solid investment returns. In 2006, DPSRS had a very strong year with absolute investment returns of 12.6%. An increase in employer contributions has improved further the soundness of the plan.

Much of the activity of the Board of Trustees and the staff of DPSRS during 2006 involved changes that were needed after the discontinuance of the active pursuit of a merger with Colorado PERA. A major change was the relocation of our offices from 13th and Pennsylvania to the fourth floor of the Westerra Credit Union at 3700 E. Alameda. The new offices have provided the extra working space that was needed for our expanding services. There have been some Plan language changes in order to comply with changes in Internal Revenue Service regulations. The main focus of the Board of Trustees in 2006 was to continue to ensure that member interests be safeguarded properly.

There have been some major retirements on the staff. John McPherson, our Interim Executive Director, retired in December of 2006. We are pleased to announce that Norm Ruggles, former Executive Director for Seattle City Employees, has been appointed as Executive Director for DPSRS. Mr. Ruggles is a product of the Denver Public Schools, having attended DPS schools from kindergarten until he graduated from South High School. Mr. Ruggles is an attorney and has 17 years of experience in pension plan administration. He states that he is very pleased to return to his home town.

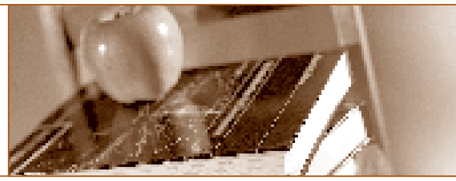
Other retirements include Al Thomas, Chief Investment Officer, who was replaced by Gary Ratliff; Jim Barley, Information Technology Manager, who was replaced by Craig Carpenter; Pam Kopp, Programmer Analyst, who was replaced by Tony Holt; Carole Maschka, Supervising Benefit Analyst, who was replaced by Lucy Garrett; and Colleen Meier, Executive Secretary, who was replaced by Sheila Stratton. We wish to thank the individuals who retired for their many years of devoted service with DPSRS. They will be missed. We wish to welcome the new individuals. These transitions have been smooth. As always, our staff did a wonderful job of keeping DPSRS running at a top notch level. Thank you, staff, for your dedication and hard work.

In November of 2006, Board of Trustee member Gregg Torres retired and was replaced by Steven Wells. We wish Mr. Torres well in his retirement, and we welcome Mr. Wells to the board.

The Board of Trustees elected Andrew Raicevich as Secretary, Don Giseburt as Vice-Chairperson, and Kay Speer as Chairperson to serve as the Executive Committee of the Board of Trustees for 2007.

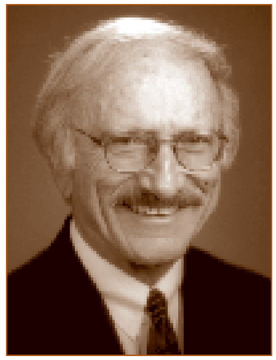
I hope you find the *Comprehensive Annual Financial Report* informative and of value. The DPSRS Board of Trustees looks forward to our 62nd year of service to retirees and employees of the District.

Kay Speer, PhD
Board of Trustees Chairperson

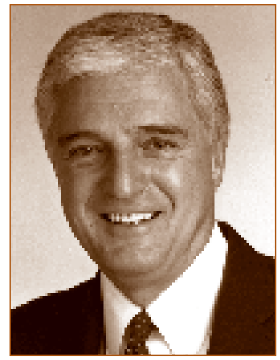
 

::2007 Board of Trustees

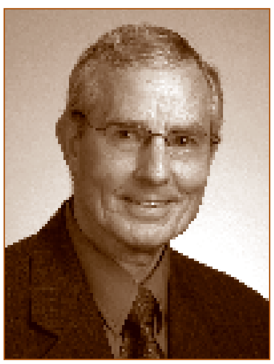
KAY SPEER
Chairperson
Pupil Contact
2003-2007



DONALD GISEBURT
Vice-Chairperson
Retirees
2003-2007



ANDREW RAICEVICH
Secretary
Retirees
2004-2008



DARRELL ALLEN
Recognized Expert
Appointed

AMY GRANT
Support Services
2005-2009

DAWN PALUCH
Pupil Contact
2005-2009

THERESA PEÑA
Board of Education
Appointed

ANDREW RAICEVICH II
Administrators/Pro-Tech
2006-2010

VELMA ROSE
Board of Education
Appointed

PATRICK SMALDONE
Pupil Contact
2005-2009

STEVEN WELLS
Support Services
2006-2010

BOARD OF TRUSTEES 2007

Standing, pictured left to right are: Velma Rose, Darrell Allen, Theresa Peña, Andrew Raicevich II, Amy Grant, Patrick Smaldone, Steven Wells. Seated, pictured left to right are: Andrew Raicevich (Secretary), Kay Speer (Chairperson), Norman Ruggles (Executive Director). Not pictured are: Donald Giseburt (Vice-Chairperson) and Dawn Paluch.

::2007 DPS Board of Education

DPS BOARD OF EDUCATION

Theresa Peña
Bruce Hoyt
Kevin Patterson
Jeannie Kaplan
Jill Conrad
Lucia Guzman
Michelle Moss

DPS SUPERINTENDENT

Michael Bennet

::Administrative Organization at January 1, 2007

Board of Trustees

Norman L. Ruggles
Executive Director

Sheila Stratton
Jessica Jansen

INFORMATION SYSTEMS

Craig Carpenter, *Manager*

Gary Alfred, *Programmer/ Web Master*

Anthony Holt, *Senior Programmer/ Analyst*

RETIREMENT ADMINISTRATION

Judith K. Shimono, *Assistant Executive Director*

Lucy Garrett, *Supervising Benefit Analyst*

Louise Crow
Karen Hoisington
Mary Lee Lance
Cheryl Lankenau
Polly Mize

ACCOUNTING

Kipp Steinauer, *Manager*

Kristine Drewes, *Senior Accountant*

Gary Meier, *Senior Accountant*

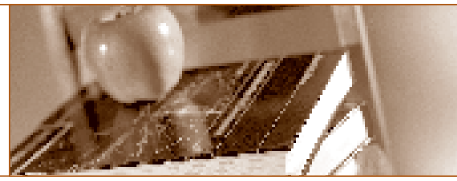
Judith Bailey
Mary Lou Longoria

INVESTMENT OFFICE

Gary L. Ratliff, *Chief Investment Officer*

Amy McGarrity, *Investment Officer*

Danniela Miller



::2007 Board of Trustees Committee Assignments

EXECUTIVE COMMITTEE

Kay Speer, *Chairperson*
Don Giseburt, *Vice-Chairperson*
Andrew Raicevich, *Secretary*

DISABILITY APPEAL COMMITTEE

Don Giseburt, *Chairperson*
Amy Grant
Kay Speer
Steven Wells

AUDIT COMMITTEE

Andrew Raicevich II, *Chairperson*
Darrell Allen
Dawn Paluch
Andrew Raicevich
Velma Rose

AD-HOC ELECTION COMMITTEE

Patrick Smaldone, *Chairperson*
Amy Grant
Andrew Raicevich II
Steven Wells

INVESTMENT COMMITTEE

Velma Rose, *Chairperson*
Darrell Allen
Donald Giseburt
Amy Grant
Andrew Raicevich

::2006 Primary Consultants

ACTUARIAL SERVICES

Gabriel, Roeder, Smith & Company
One Towne Square
Suite 800
Southfield, MI 48076

COMPUTER SERVICES

Alfred Munksgard & Associates
3617 Thousand Oaks Boulevard
Suite 120
Thousand Oaks, CA 91320

Hewlett Packard
PO Box 101149
Atlanta, GA 30392-1149

INDEPENDENT AUDITORS

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

INVESTMENT SERVICES

Callan Associates, Inc.
1660 Wynkoop Street
Suite 950
Denver, CO 80202

MASTER CUSTODIAN

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

LEGAL SERVICES

Cockrell, Quinn & Creighton
1700 Broadway #1516
Denver, CO 80290-1501

Otten, Johnson, Robinson,
Neff & Ragonetti, PC
1600 Colorado National Bank Building
950 17th Street
Denver, CO 80202

A schedule of investment expenses and payments to consultants can be found on page 34 in the Financial Section.
A summary schedule of investment fees and commissions can be found on page 42 in the Investment Section.

Financial *Section*

::Independent Auditors' Report

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

The Board of Education of School District No. 1
in the City and County of Denver and State of Colorado
and the Board of Trustees of the Denver Public Schools Retirement System:

We have audited the accompanying statement of fiduciary net assets of the Denver Public Schools Retirement System (the "System") as of December 31, 2006 and the related statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan as of December 31, 2005 were audited by other auditors whose report dated April 7, 2006, expressed an unqualified opinion on those financial statements.

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

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

The Management's Discussion and Analysis ("MD&A") and Required Supplementary Information 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 MD&A and 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 basic financial statements taken as a whole. The Additional Supporting Schedules 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
May 3, 2007

Offices in 15 states and Washington, DC

Member of HLB International

::Management's Discussion and Analysis

December 31, 2006 and 2005

Management is pleased to present this discussion and analysis of the financial activities of the System as of and for the years ended December 31, 2006 and 2005.

The System administers the retirement plan for eligible, covered employees and retirees of the District. All assets of the plan are invested in a single trust fund. The sole purpose of the fund is to pay for benefit promises made to retired and active members of the System.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the financial statements. The financial section consists of the basic financial statements and other supplementary information and schedules.

Two financial statements are presented for the System. The Statements of Fiduciary Net Assets present the net assets held in trust for pension benefits at a given point in time. The Statements of Changes in Fiduciary Net Assets indicate the additions and deductions to the plan assets during the specified periods.

The Notes to Financial Statements provide essential information for understanding the data provided in the financial statements by providing a description of the plan, significant accounting policies, investment assets and liabilities, contributions, and benefit enhancements.

The Required Supplementary Information includes two schedules and related notes. The Schedule of Funding Progress provides historical trend information about the actuarially determined funded status of the plan. The Schedule of Employer Contributions provides historical trend information about the annual required contributions (ARC) of the District and the contributions made by the District in relation to the ARC.

Additional Supporting Schedules include the Schedules of Administrative Expenses, the Schedules of Investment Expenses, and the Schedules of Payments to Consultants. These schedules provide additional analysis of the information provided in the financial statements.

CONDENSED FINANCIAL INFORMATION

Fiduciary Net Assets at December 31:

	2006	2005	2004	2006 % Change	2005 % Change
Assets					
Cash and short-term investments	$ 127,838,247	$ 127,194,472	$ 107,612,418	.5 %	18.2 %
Investments, at fair value	2,862,738,520	2,666,513,557	2,524,945,926	7.4 %	5.6 %
Receivables	8,113,232	9,130,477	10,860,808	(11.1)%	(15.9)%
Prepaid expenses	38,406	337,654	674,110	(88.6)%	(49.9)%
Capital assets, net	322,013	59,365	109,988	442.4 %	(46.0)%
Investment and other assets	**2,999,050,418**	**2,803,235,525**	**2,644,203,250**	**7.0 %**	**6.0 %**
Securities lending collateral	224,220,362	177,662,816	298,017,707	26.2 %	(40.4)%
Total assets	**3,223,270,780**	**2,980,898,341**	**2,942,220,957**	**8.1 %**	**1.3 %**
Liabilities					
Investment settlements and other liabilities	144,746,079	135,384,862	88,271,882	6.9 %	53.4 %
Securities lending obligations	224,220,362	177,662,816	298,017,707	26.2 %	(40.4)%
Total liabilities	**368,966,441**	**313,047,678**	**386,289,589**	**17.9 %**	**(19.0)%**
Net assets	**$ 2,854,304,339**	**$ 2,667,850,663**	**$ 2,555,931,368**	**7.0 %**	**4.4 %**

Changes in Fiduciary Net Assets at December 31:

	2006	2005	2004	2006 % Change	2005 % Change
Additions					
Employer contributions	$ 33,684,185	$ 28,448,702	$ 21,142,815	18.4 %	34.6 %
Member contributions	28,098,414	27,269,492	25,992,388	3.0 %	4.9 %
Net investment income	321,287,132	242,824,815	277,933,754	32.3 %	(12.6)%
Security lending net income	405,049	445,979	513,362	(9.2)%	(13.1)%
Total additions	**383,474,780**	**298,988,988**	**325,582,319**	**28.3 %**	**(8.2)%**
Deductions					
Benefit payments	(186,215,600)	(176,445,323)	(163,473,489)	5.5 %	7.9 %
Refunds	(7,460,137)	(7,194,798)	(6,154,132)	3.7 %	16.9 %
Administrative expenses	(3,345,367)	(3,429,572)	(3,568,221)	(2.5)%	(3.9)%
Total deductions	**(197,021,104)**	**(187,069,693)**	**(173,195,842)**	**5.3 %**	**8.0 %**
Net increase in net assets	**$ 186,453,676**	**$ 111,919,295**	**$ 152,386,477**	**66.6 %**	**(26.6)%**

FINANCIAL HIGHLIGHTS AND ANALYSES

The System is governed by the Retirement and Benefit Plan (Plan). Plan net assets are used to pay current and future benefits to retired plan members. In 2006, plan net assets increased 7.0% from 2005 primarily due to strong investment returns and increased employer contributions. The actuarial accrued liability (AAL) represents the present value of benefits payable to current members as of the end of a plan year. The AAL increased 4.2% from 2005 which is less than the increase in plan net assets. A comparison of the plan net assets and the AAL is shown in the schedule below. The schedule includes changes from five and ten years ago to 2006.

($000)	2006	2005	2004	5 Years	10 Years
Plan net assets	$2,854,304	$2,667,850	$2,555,931	$2,069,079	$2,042,102
% change	7.0%	4.4%	6.3%	37.9%	39.8%
Actuarial accrued liability	$3,193,981	$3,065,855	$2,960,990	$2,712,293	$1,727,251
% change	4.2%	3.5%	6.0%	17.8%	84.9%

Net investment income of $321.3 million represents an increase 32.3% from 2005. The total investment return for 2006 is 12.6% primarily due to strong performance from the domestic and international equity markets. As of December 31, 2006, the total investment returns for the one, three, five, and ten-year periods exceed the actuarial assumed rate of investment return for each of the periods with the exception of the five-year returns for 2004 and 2005.

Total Returns	1 Year	3 Year	5 Year	10 Year
2006	12.6 %	12.0 %	10.4 %	10.3 %
2005	10.6 %	15.4 %	7.8 %	10.5 %
2004	12.7 %	9.6 %	6.3 %	11.5 %
Actuarial return	8.50 %	8.75%	8.75 %	8.75 %

The System pays more in benefits than the System receives in member and employer contributions by a ratio approximately 3 to 1. Investment earnings above the actuarial assumption rate are required over the long term in order for the System to remain in a sound financial condition. This is achieved through asset allocation. The purpose of asset allocation is to reduce investment risk by diversifying the investment assets among several asset classes.

The Board of Trustees, through the Investment Committee, has responsibility for the investment of plan assets. Plan assets are invested according to the *Statement of Investment Objectives and Policies* (SIOP) approved by the Board of Trustees. The SIOP sets forth the strategic asset allocation target guidelines. Each strategic asset class has an optimal target with high and low ranges. Net cash and debt in managed accounts are included in measuring the progress in reaching the targets. Investment allocations in all asset classes, except for mortgage investments, are within acceptable ranges for 2006.

In 2006, the Board of Trustees conducted an asset/liability modeling study to determine if the current allocation of investment assets were appropriate for the System to maintain the financial condition of the plan. The study resulted in an increase of 4 percentage points in the allocation to equity-type investments and a reduction in the allocation to fixed income-type investments. The Board of Trustees approved the changes in the asset allocation effective January 1, 2007.

Shown below is an analysis of the components of the total investment return for 2006 versus a measurement benchmark return and the actual asset allocations and target ranges as of December 31, 2006.

Asset Class	Return	Benchmark	Portfolio %	Target Ranges
Domestic stocks	11.6%	15.9%	36%	27% - 37%
International stocks	22.6%	26.3%	19%	12% - 22%
Fixed income	5.8%	4.3%	24%	20% - 26%
Mortgages	6.6%	4.4%	7%	8% - 18%
Equity real estate	16.4%	16.6%	9%	7% - 13%
Alternative assets	19.5%	16.2%	4%	2% - 10%
Cash and short-term investments	5.2%	4.9%	1%	0%

The progress in accumulating sufficient assets to meet the long-term benefit obligations is measured in terms of the funded status or the funded ratio of the plan. The funded ratio is the actuarial value of assets expressed as a percentage of the actuarial accrued liability. The funding policy is the method to provide benefits specified by the Plan through the amounts and timing of contributions from the employers and the members. The excess of the actuarial accrued liability over the actuarial value of assets is the unfunded actuarial accrued liability or UAAL.

The actuarial value of assets differs from the year-end fair value of plan net assets by smoothing the effects of market fluctuations. In the calculation of the actuarial value of assets, 20% of the difference between the fair value of plan assets and the expected actuarial value of assets is included in the actuarial value of assets. The smoothing method lessens the need to adjust the contribution rates based on the volatility in market conditions. During extended periods of market declines the plan net assets usually will be less than the actuarial value of assets.

As of December 31, 2006, the actuarial value of assets increased $105.3 million or 3.9% from 2005. The actuarial accrued liability increased $128.1 million or 4.2% from 2005. The funded ratio decreased to 87.6% from 87.9%. According to the System's actuary, the System remains in sound financial condition based on actuarial principles of level percent-of-payroll financing. Below is a schedule of the actuarial asset values and the actuarial accrued liabilities along with the respective funded ratios.

	2006	2005	2004
Funded ratio	87.6%	87.9%	88.2%

($000)	2006	2005	2004
Actuarial accrued liability	$ 3,193,881	$ 3,065,855	$ 2,960,990
Actuarial asset value	2,798,981	2,693,686	2,611,524
UAAL	394,900	372,169	349,466

In addition to investment earnings and member contributions at 8%, contributions at the ARC rate from employers of the plan are required to maintain the sound financial condition of the plan. The current funding policy rate for employer contributions has lagged behind the actuarially recommended contribution rate for the past five years. Until the funding policy rate is equal to the ARC, it is likely the funded status of the plan will continue to decline in future years.

Effective July 1, 2005, the funding policy for employer contributions was changed to achieve funding at the full ARC rate over a 4-year period. The employer contribution rate will increase from 11.14% to 12.83% of covered payroll beginning July 1, 2007, as part of the funding policy change. The ARC for employer contributions beginning July 1, 2008, is 14.55% with an expected funding policy rate increase to 14.55%. Shown below is a schedule of adopted employer contribution rates, as of July 1 for each year.

Beginning July 1,	2006	2005	2004
Recommended	14.47%	13.55%	12.64%
Funding policy	11.14%	9.48%	8.12%

A required disclosure in the financial statements is a schedule of employer contributions. The purpose of this schedule is to provide information about the ARC compared to the employer contributions or funding policy. The ARC is the amount required to cover the normal pension cost and includes a provision for amortizing the UAAL. The UAAL is amortized over a 30-year period. Changes in the employer contribution rate are effective July 1 each year. Therefore, in the table shown below, the ARC and employer funding policy rates are expressed as blended rates or the average of the employer contribution rates for the year.

Blended Rates	**2006**	**2005**	**2004**
ARC	14.01%	13.10%	10.74%
Funding policy	10.31%	8.80%	6.55%

Annual employer contributions increased 255.6% from 2002 to 2006, reflecting an increase in the employer contribution rate from 2.90% to 11.14%. Employer contributions in 2006 were approximately 73% of the ARC compared with 71% in 2005 and 61% in 2004.

	2006	**2005**	**2004**
Employer contributions	$ 33,684,185	$ 28,448,702	$ 21,142,815
% change	18.4%	34.6%	62.4%

Member contributions consist of normal 8% contributions, payments to qualify prior District service, and purchase of non-covered employment. Total contributions from members increased 3.0% from 2005. Normal contributions increased 2.2% from 2005 primarily due to salary increases. The number of contributing members has decreased 2.2% since 2002. Purchase of non-covered employment increased 32.4% from 2005 primarily due to the effect of normal salary increases and increased utilization. The increase of 195.6% from 2004 to 2005 primarily is due to the effect of an increase in the service purchase cost effective January 1, 2004.

	2006	**2005**	**2004**
Members contributing	7,130	7,212	7,223
% change	(1.1)%	(.2)%	(1.6)%

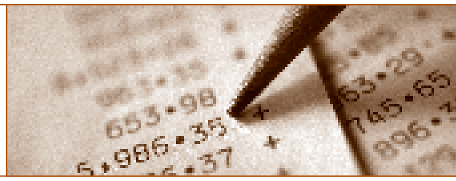
Member Contributions	**2006**	**2005**	**2004**
Normal	$ 25,543,514	$ 24,997,276	$ 24,921,523
Prior service	456,566	687,857	533,800
Non-covered employment	2,098,334	1,584,359	537,065

Benefit payments increased 5.5% in 2006 compared to 7.9% in 2005. The increase is a result of a 1.8% increase in the number of benefit recipients and a 3.8% increase in the average monthly benefit that includes an annual benefit increase of 3.25%. A significant change in the option factors used in the calculation of benefits became effective December 31, 2004. The effect of the change in the option factors was a reduction in the amount of the annual benefit for certain retirement options for retirements on or after December 31, 2004, and resulted in an increase in retirements in 2004.

	2006	**2005**	**2004**
Benefit recipients	6,069	5,961	5,869
% change	1.8%	1.6%	3.0%
New retirees	319	283	367
Average benefit	$ 2,694	$ 2,596	$ 2,474
% change	3.8%	4.9%	4.6%

The ratio of active members to retired members of the System is 1.17 compared to 1.38 in 2002. Over the past five years, the number of members contributing into the System has declined steadily to 7,130 members from 7,722 members in 2002 or a decrease of 7.7%. During the same period, the number of retired members increased by 8.2% to 6,069 from 5,610.

The administrative costs of the System were .12% of net assets in 2006 compared to .13% of net assets in 2005. Administrative expenses decreased 2.5% in 2006 compared to a decrease of 3.9% in 2005. The decrease in 2006 primarily is due to a 13.9% reduction in personnel services costs. Personnel services in 2005 included costs associated with the staff retention pay plan for 2005. Professional services and miscellaneous expenses increased 33.2% from 2005 primarily due to the re-location of the administrative offices and the costs associated with an executive search for the Executive Director of the System.



::Basic Financial Statements

STATEMENTS OF FIDUCIARY NET ASSETS

As of December 31, 2006 and 2005

	2006	2005
Assets		
Cash and short-term investments	**$ 127,838,247**	**$ 127,194,472**
Receivables		
Accrued interest and dividends	3,014,815	2,803,343
Contributions	1,228,783	1,254,031
Investment settlements	2,247,374	858,475
Other	1,622,260	4,214,628
Total receivables	**8,113,232**	**9,130,477**
Investments, at fair value		
Domestic stocks	1,005,912,235	933,902,765
International stocks	541,252,424	552,364,706
Alternative assets	116,816,616	101,999,795
Corporate securities	467,728,649	407,676,779
Government securities	272,758,521	228,466,960
Mortgage investments	197,100,997	180,429,645
Equity real estate	261,169,078	261,672,907
Total investments	**2,862,738,520**	**2,666,513,557**
Securities lending collateral	224,220,362	177,662,816
Prepaid expenses	38,406	337,654
Capital assets, at cost, net of accumulated depreciation of $732,671 ($873,332 in 2005)	322,013	59,365
Total assets	**3,223,270,780**	**2,980,898,341**
Liabilities		
Accounts payable and accrued expenses	10,363,788	10,157,072
Mortgages payable	-	14,168,773
Investment settlements	134,382,291	111,059,017
Securities lending obligations	224,220,362	177,662,816
Total liabilities	**368,966,441**	**313,047,678**
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page 30.)	**$ 2,854,304,339**	**$ 2,667,850,663**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

For the Years Ended December 31, 2006 and 2005

	2006	2005
Additions		
Contributions		
Employer	$ 33,684,185	$ 28,448,702
Member	28,098,414	27,269,492
Total contributions	**61,782,599**	**55,718,194**
Investment income		
Interest	33,141,892	37,876,023
Net appreciation in fair value of investments	251,699,003	154,914,048
Dividends	27,803,031	22,648,028
Equity real estate	12,819,374	22,329,712
Alternative assets	5,686,579	13,977,905
Other	238,400	326,923
Total investment income	**331,388,279**	**252,072,639**
Investment expense	(10,101,147)	(9,247,824)
Net investment income	**321,287,132**	**242,824,815**
Securities lending income	10,799,180	7,385,998
Securities lending expense	(10,394,131)	(6,940,019)
Net income from securities lending	**405,049**	**445,979**
Total additions	**383,474,780**	**298,988,988**
Deductions		
Benefits paid to regular retirees	(178,558,976)	(169,182,659)
Benefits paid to disability retirees	(6,223,321)	(5,882,604)
Benefits paid to survivors	(1,433,303)	(1,380,060)
Refunds of contributions	(7,460,137)	(7,194,798)
Administrative expenses	(3,345,367)	(3,429,572)
Total deductions	**(197,021,104)**	**(187,069,693)**
Net increase in net assets	**186,453,676**	**111,919,295**
Net assets held in trust for pension benefits		
Beginning of year	2,667,850,663	2,555,931,368
End of year	**$ 2,854,304,339**	**$ 2,667,850,663**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

(1) Description of the Plan

The Board of Education of School District No. 1 in the City and County of Denver and State of Colorado established the System on December 1, 1945, which is a cost-sharing multiple-employer defined benefit pension plan under Colorado law. The Board of Education adopted the Retirement and Benefit Plan (Plan), as amended, to provide defined retirement, death, and disability benefits to participating members. Participation in the retirement plan is mandatory for all full-time employees of the School District hired after December 1, 1945, and of the System, and of Charter Schools within the School District, established under the Colorado Charter Schools Act of 1993.

The Board of Trustees (Board) is an 11-member body with the exclusive authority to invest and manage the assets of the System, pay benefits, and otherwise administer the System. The Board is composed of 6 elected active and 2 elected retired members of the System, 2 members appointed by the Board of Education of the School District, and 1 member, appointed by the other Board members, with demonstrated expertise in pension administration or in investment matters.

At December 31, 2006 and 2005, the System's membership consisted of the following:

	2006	2005
Retirees and beneficiaries currently receiving benefits	6,069	5,961
Terminated members entitled to benefits but not yet receiving them	408	344
Current employees		
Vested	4,624	4,508
Nonvested	2,506	2,704
Total membership	**13,607**	**13,517**

The Plan provides an Annual Retirement Allowance Adjustment (ARAA) increase in retired members' benefits. The annual percentage increase for each member is 3.25% of the member's retirement allowance. For individuals who, on or after July 1, 2005, become members or rejoin the retirement system after having withdrawn their contribution balances, the increase in their retired member benefits is equal to the lesser of 3% or the increase in the Consumer Price Index for urban wage earners and clerical workers for the preceding year compounded.

If a member resigns prior to retirement, the member is entitled to a refund of accumulated member contributions, which includes interest. Member accounts are credited with interest on the last day of each month based upon the member's balance as of the beginning of that month. The following is a table of the interest rates applied to member accounts:

December 31,	Rate
1986 and prior years	3%
1987 through 1990	9%
1991 through present	5%

Terminating members, electing to leave their accumulated contributions in the System, are eligible for deferred retirement provided they have a minimum of 5 years of service.

Employees who have attained either age 55 with a minimum of 25 years of civilian service in a tax-supported institution, of which 15 years must have been service qualified with the District, or age 65 with at least 5 years of earned service, or age 50 with at least 30 years of earned service, are entitled to regular retirement benefits. Employees who meet the above criteria at retirement are entitled to regular retirement benefits, payable monthly for life, in an amount equal to 2.50% of their monthly highest average salaries (HAS) for each year of earned service to the date of retirement. The monthly HAS is defined as the average of the highest 36 months of compensation earned by the employee throughout employment with the District or career average salary, whichever is greater.

Beyond each full year of service, any full month(s) of service are credited proportionally. Optional early retirement with a reduction of benefits may be elected by a member at an age younger than 55 with 25 years of District service or at age 55 or beyond with 15 years of District service. The benefit reduces by 4% for each year of age or service the member lacks in fulfilling the minimum requirements for a regular retirement. A 6% reduction is applied for an individual who, on or after July 1, 2005, becomes a member or rejoins the System after having taken a refund of contributions.

The Plan also provides for a disability retirement. Members with 5 or more years of earned service, who become permanently incapacitated from performing their duties, are eligible for disability retirement. The amount of the disability benefit is calculated in the same manner as for a regular retirement under the provisions of a single life annuity. Members with at least 25 years of earned and outside service at the date of retirement can elect at age 55 (age 50 with 30 years of earned service) to recalculate their benefits as a regular retirement. Otherwise, recalculation of a disability retirement occurs at age 65. Beginning with 1999 and under prescribed circumstances, disability retirees with fewer than 25 years of service can apply to qualify full years after retirement to be used when their disability benefits are recalculated to regular retirement benefits. The maximum number of earned and additional qualified years cannot exceed 25 at the date of recalculation, unless the total number of years of earned service at the effective date of disability retirement exceeds 25, in which case such number of years is used to compute the recalculated benefit.

Liquidation of the System can be initiated by either the Board of Education or by vote of the members. In the event of liquidation, the assets would be distributed as specified in the Plan.

Reporting Entity

The Board is responsible for the general operations and fiscal matters of the System. These responsibilities include the ability to designate management, select the System's independent actuary and auditor, and determine investment policies.

The System is a body corporate and an instrumentality of the School District; it is not an agency of the School District. In addition, the System is not subject to administrative direction by the School District, and the assets of the System are not available to the School District. Accordingly, the financial statements of the System are not included in the financial statements of the School District or any other organization.

Pension Plan Disclosure for System Employees

The employees of the System are members of the plan and earn and accrue benefits as would any other member as described above. The System's employer contributions were $148,074 and $130,578 for the years ending December 31, 2006 and 2005, respectively. In addition, the System contributed $180,313 and $177,626, for the same periods, for the cost of the pension certificates of participation issued by the School District on July 17, 1997.

(2) Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the System are prepared using the economic resources measurement focus and the accrual basis of accounting. Investment income is recorded when it is earned. Expenses are recorded when liabilities are incurred. Member and employer contributions are recorded in the period in which the contributions are due. Benefit and refund payments are recorded in the period in which the liabilities are due and payable.

The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 25, 28, 34, 37, and 40, and generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

Investments

System investments are presented at fair value or estimated fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Securities traded over-the-counter are valued at the last bid price. The values of corporate and government securities are based on comparable securities with similar yield and risk factors. The System's equity in real estate investments are stated at estimated fair value at the date of the financial statements. Generally, this value is determined periodically (usually annually) by the advisor or independent appraisers or more frequently if management of the applicable funds has determined that there has been a significant change in the economic circumstances related to the investment. The fair values of commercial mortgage investments are based upon current interest rates and prepayment assumptions. The value of alternative assets is determined by the manager based upon economic and market conditions of the underlying investments.

For the purpose of determining realized gains and losses, the costs of corporate stocks are calculated on the average cost basis. The costs of all other investments are determined based on specific identification.

Federal Income Tax Status

The System is qualified under Internal Revenue Code (IRC) Section 401(a). The System is a governmental plan as described in IRC Section 414(d). It therefore, is exempt from federal income taxation under IRC Section 501(c)(25)(C)(ii).

Capital Assets

Capital assets are recorded at cost, less accumulated depreciation. Costs of major additions and improvements in excess of $500 are capitalized. Expenses for maintenance and repairs are charged as deductions as incurred. Depreciation is calculated using the straight-line method based on estimated useful lives of four and five years.

Compensated Absences of System Staff

Sick and personal leave and vacation allowances are combined into paid leave. Accumulated paid leave is payable upon termination or retirement and is based on the employees' salary at termination or retirement. At December 31, 2006, the liability for accumulated paid leave was $433,670 ($628,090 in 2005).

Risk Management

The System is exposed to various risks related to theft, damage, and destruction of assets, errors and omissions, injuries to employees and court challenges to fiduciary decisions. To insure against such risks of losses, the System carries policies of fiduciary liability insurance, general liability insurance, property insurance, and a crime/fidelity bond. Employees of the System receive health, life, dental, and vision insurance coverage under the policies of the School District. There have been no insurance claims against the System for the past three years.

Use of Estimates

Preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires that management make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ significantly from these estimates.

(3) Deposits and Investments Risk Disclosures

Investment Authority

The System is authorized to invest in a broad array of investments as described in the *Statement of Investment Objectives and Policies*, dated December 6, 2004. These include, but are not limited to the following:

- Equity securities, both domestic and international, of publicly traded companies and related derivative securities
- Fixed income securities and related derivative securities
- Equity and debt investments in income-producing real estate
- Alternative assets including private (not publicly traded) equity or debt investments
- Short-term investment funds with the custodian bank

Concentrations of Credit Risk

The System's primary investment policy objective of the fixed income portfolio is to generate a rate of return from its investments in fixed income instruments that is greater than the U.S. fixed income market net of costs and fees over a complete market cycle.

Mortgage investments represent investments in real estate loans collateralized by the related properties, mortgage participation certificates, mortgage participation funds, and commercial mortgage-backed securities. Investments in corporate stocks and bonds are diversified by: (1) geographic area primarily within the United States for bonds and worldwide for corporate stocks, (2) industry group, and (3) sensitivity to general economic cycles. Generally, these investments represent non-collateralized ownership in, or lending to, publicly held corporations traded on domestic and international markets. U.S. government securities are composed of securities with varying maturities and interest rates and are backed by the full faith and credit of the U.S. government. The above limitations and the System's diversification over several asset classes are intended to reduce the overall investment risk exposure.

Concentrations in the securities of a single entity are limited to not more than 5% of the fixed income securities at market value. Corporate securities of a single industry are limited to not more than 25% of the fixed income securities at market value. These limitations do not apply to U.S. Government and agency guaranteed securities.

Individual manager contracts include specific guidelines regarding assets under management by the manager. In addition, margin and net short-sale positions are prohibited. The use of derivative securities is permitted, but the use of derivatives should not increase the risk profile or leverage the manager's account.

Cash and Short-Term Investments

Custodial Credit Risk

The custodial credit risk for cash and short-term deposits is the risk that, in the event of the failure of the System's depositary financial institution, the System will not be able to recover the deposits or will not be able to recover collateral securities that are in the possession of an outside third party. The System does not have a policy on custodial credit risk. The System's cash and short-term investments are not exposed to custodial credit risk.

Short-term government securities are registered in the System's name and are held by the System's custodial bank, the Northern Trust Company (NTC). Variable short-term accounts with the custodial bank are collateralized by underlying securities held by the custodial bank in an institutional trust.

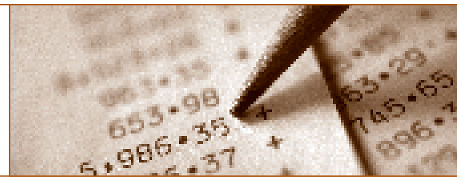
The carrying amount of the System's cash deposits at December 31, 2006, was $2,148,604 and the bank balance was $2,776,423 ($285,852 and $810,912 in 2005, respectively). Of the bank balances at December 31, 2006, and 2005, $100,000 is covered by federal depository insurance and $2,676,423 ($710,912 in 2005) is covered by the provisions of the Colorado Public Deposit Protection Act and is collateralized in single institution pools with securities held by the pledging institution's trust department or agent, but not in the System's name. The following table summarizes the fair value of cash and short-term investments held by the System as of December 31.

	2006	2005
General operating bank accounts	$ 2,148,604	$ 285,852
Short-term government securities	673,164	3,081,180
Variable short-term account with custodial bank	125,016,479	123,827,440
Total cash and short-term investments	**$ 127,838,247**	**$ 127,194,472**

Investments

An objective for fixed income investments is to provide for potential above average long-term investment returns utilizing debt securities and derivative securities of various credit quality, sectors, currencies, and structures. There is no policy restricting these characteristics relative to debt-related securities unless otherwise restricted by the System in the investment manager's advisory agreement. The following table presents the fair value of the System's investments at December 31, 2006, by investment type.

Investment Type	Fair Value
Domestic equity securities	$ 497,337,887
Domestic corporate securities	173,599,712
U.S. Government and agency securities	156,250,771
Mortgage investments	110,449,114
Investment funds	
Domestic equity securities	347,018,035
International equity securities	541,252,424
Domestic corporate securities	282,112,438
U.S. Government and agency securities	71,797,564
Mortgage investments	86,651,883
Real estate	261,169,078
Alternative assets	116,816,616
Investments held under securities lending agreements	
Domestic corporate securities	12,016,499
Domestic equity securities	161,556,313
U.S. Government and agency securities	44,710,186
Total investments	**$ 2,862,738,520**
Securities lending collateral pool	$ 224,220,362



Credit Risk Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment in debt securities will not fulfill its obligation. The following table lists the credit quality of investments according to Standard & Poor's credit ratings. The System does not have a policy on credit risk.

Quality Rating	Fair Value
AAA	$ 448,761,085
AA+	68,264
AA	25,086,361
AA-	4,374,317
A+	6,976,894
A	37,473,985
A-	9,528,524
BBB+	21,508,368
BBB	71,473,163
BBB-	17,307,537
BB+	5,585,976
BB	14,094,657
BB-	5,207,941
B+	3,340,390
B	16,713,083
B-	1,046,576
CCC+	1,845,590
CCC	1,438,480
CCC-	164,631
D	229,539
Not rated	48,261,809
Total debt securities	**$ 740,487,170**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt securities. One measurement of interest rate risk is the investment's duration. Duration is a measure of an investment's exposure to fair value changes from changing market interest rates using the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The System does not have a policy on interest rate risk. The following table lists the effective weighted duration in years of investments by investment type.

Investment Type	Fair Value	Effective Wgt. Duration
Asset backed securities	$ 18,852,178	.58
Commercial mortgage backed securities	6,320,991	5.52
Corporate bonds	96,621,256	3.84
Non-government backed C.M.O.s	50,737,404	.11
Government agencies	14,036,754	3.04
Government bonds	24,469,225	6.56
Government mortgage backed securities	141,692,787	3.32
Index linked government bonds	20,763,019	3.27
	373,493,614	**3.12**
Pooled investments	365,926,501	4.34
Other – not rated	1,067,055	NA
Total debt securities	**$ 740,487,170**	

Foreign Currency Rate Risk

Foreign currency risk is the risk that changes in monetary exchange rates will adversely affect the fair value of an investment or a deposit in terms of U.S. dollars. The System does not have a policy on foreign currency risk. The following table lists the foreign currency risk of international equity investments denominated by foreign currency.

Currency	Equities	Alternatives	Total
Australian dollar	$ 18,619,039	$	$ 18,619,039
Brazilian real	2,883,343		2,883,343
British pound	123,285,038		123,285,038
Canadian dollar	5,463,328		5,463,328
Chinese yuan	4,778,112		4,778,112
Danish krone	1,557,679		1,557,679
Euro	161,923,990	7,708,970	169,632,960
Hong Kong dollar	9,848,237		9,848,237
Indian rupee	6,535,579		6,535,579
Indonesian rupiah	1,922,229		1,922,229
Japanese yen	103,005,439		103,005,439
Mexican peso	4,654,540		4,654,540
New Zealand dollar	1,448,831		1,448,831
Norwegian krone	12,734,596		12,734,596
Russian rouble	2,279,214		2,279,214
Singapore dollar	7,804,314		7,804,314
South Korean won	2,508,395		2,508,395
Swedish krona	15,936,642		15,936,642
Swiss franc	46,794,846		46,794,846
Total foreign currency risk	**533,983,391**	**7,708,970**	**541,692,361**
United States dollar	7,269,033		7,269,033
Total	**$ 541,252,424**	**$ 7,708,970**	**$ 548,961,394**

Derivative Financial Instruments

The System invests in derivative financial instruments as authorized in the SIOP of the System. As of December 31, 2006 and 2005, the System had derivative financial instruments with off-balance sheet risk including options, futures, interest rate swaps, and credit default swaps. The System invests in derivative financial instruments principally for yield curve and interest rate risk management.

Option contracts convey rights between contracting parties to buy or sell the underlying securities. The owner of a call option has the right to purchase the security, and the owner of a put option has the right to sell the security. The System buys and sells option contracts actively traded on major exchanges. The value of option contracts generally is based on the Black-Scholes model. As of December 31, the fair value of the option contracts was $(35,406) in 2006 and $(20,706) in 2005.

Futures contracts represent commitments to purchase or sell securities at a future date and at a specified price. Futures are exchange traded, and the exchange assumes the risk of nonperformance by a counterparty.

Interest rate swaps represent contractual agreements between counterparties to exchange interest rate cash flows for a specified period and based upon notional amounts. One of the counterparties is obligated to make a net cash settlement at the maturity of the contract. The System is exposed to credit risk in the event of nonperformance of the counterparty to the contract. The value of swaps is determined by use of a swap calculator provided by Bloomberg. As of December 31, the fair value of these contracts was $(336,664) in 2006 and $(1,366,809) in 2005.

Credit default swaps (CDS) are over-the-counter contracts that transfer credit risk of a specified obligor between two counterparties. Participants in the CDS market are buying and selling default insurance at a negotiated price.

As of December 31, 2006 and 2005, the System had investments in the following derivative financial instruments. The contract or notional amounts do not represent the exposure to market loss.

	2006		2005	
Description	Contracts	Contract or Notional Value	Contracts	Contract or Notional Value
Long fixed income futures	787	$ 560,513,063	534	$ 491,998,156
Short fixed income futures	44	(20,897,375)	126	(13,919,062)
Interest rate swaps	6	49,496,000	4	22,410,000
Interest rate swaps	2	(6,688,000)	-	-
Credit default swaps-buyer	19	(5,320,000)	6	(6,390,000)
Credit default swaps-seller	15	12,850,000	14	14,540,000
Short put options	34	(3,716,141)	-	-
Short call options	19	(2,044,578)	54	(27,282,188)
Long call options	-	-	24	24,000,000

Securities Lending Collateral and Obligations

The System participates in a securities lending program in accordance with the provisions of a contract between the System (lender) and its custodial agent, NTC. NTC, acting as the lending agent, loans equity, fixed income, and short-term securities to independent brokers and dealers (borrower). The borrower exchanges collateral, in the form of cash, government securities, or irrevocable letters of credit, for the loaned securities equal to 102% and 105% of the market value, plus accrued income, of domestic and global securities, respectively. Collateral is marked to market daily with additional collateral required when the value of the collateral falls below the minimum requirements. The System retains all beneficial rights to the loaned securities except for the ability to vote proxies. NTC invests cash collateral in a short-term investment pool or in separate term loans with maturities equal to the terms of the security loans. These loans can be terminated on demand by either lender or borrower. Non-cash collateral cannot be pledged or sold unless the borrower defaults on the loan agreement. A portion of the earnings on the invested collateral is rebated to the borrower in accordance with the agreement between NTC and the borrower. The System receives revenue from the loaned securities, less the borrower rebate and loan fees or premiums and NTC lending fees. The lending fees are 35% of the loan premium for government securities and for U.S. corporate and global securities.

There were no significant violations of legal or contractual provisions, no borrower, or lending agent default losses known to the securities lending agent and no dividend or coupon payments owing on the loaned securities as of December 31, 2006 and 2005.

NTC provides loss indemnification to the extent NTC performs appropriate borrower and collateral investment credit analyses, by demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. The System had no credit risk exposure at December 31, 2006 and 2005, because the amount the System owed the borrowers exceeded the amount the borrowers owed the System.

As of December 31, 2006, the fair value of loaned securities was $218,282,998 ($173,086,322 in 2005). The fair value of the associated collateral was $224,220,362 ($177,662,816 in 2005). Income from securities lending, net of borrower rebates and lending fees, was $405,049 for the year ended December 31, 2006 ($445,979 in 2005).

(4) Contributions

Employer contributions are based on the funding policy required by Plan provisions. The employer contribution rate was fixed at 2.90% of covered salary for the period from July 1, 2000, through June 30, 2010. Should unfunded actuarial accrued liabilities (UAAL) accumulate during this period, the employer contribution rate each year would increase by the amount required to amortize the UAAL over 30 years. In 2005, this Plan provision was amended changing the contribution rate period to July 1, 2000, through June 30, 2005, and adding a provision for the phase in of the employer contribution rate to be equal to the full annual required contribution rate by the beginning of the fourth year. The phase-in rate adjustment dates are July 1, 2005, July 1, 2006, July 1, 2007, and July 1, 2008.

The actuary of the System issues an annual report as of January 1 of each year. The School District adopts changes in the employer contribution rates for its fiscal year beginning 18 months after the date of the annual actuarial valuation report.

Members are required to contribute 8% of gross covered salary to the System. These contributions are recorded in separate member accounts. Member contributions are tax-deferred for federal and state income tax purposes.

In accordance with funding policy, the District made contributions to the System totaling $33,684,185 at 10.31% of current covered payroll ($28,448,702 at 8.80% in 2005). The ARC was 13.55% for the period January 1, 2006 through June 30, 2006 (12.64% for 2005), and 14.47% for the period July 1, 2006 through December 31, 2006 (13.55% for 2005). Member contributions totaled $28,098,414 and $27,269,492 for 2006 and 2005, respectively.

(5) Future Benefit Enhancements

Created in 1991, the Reserve for Future Benefit Enhancements (FBE) serves as an account within the System Retirement Trust Fund (SRTF) designated to provide for the payment of future improvements in Plan benefits. This account is funded annually in accordance with prescribed guidelines set forth in the Plan. The balance in the FBE is a component of net assets held in trust for pension benefits but is excluded from the computation of the actuarial accrued liability of the System. The balance in the FBE at December 31, 2006 and 2005, was $0.

(6) Mortgages Payable

The System sold the two commercial office buildings owned by the System in Denver, Colorado and Stamford, Connecticut in 2006.

(7) Employee Defined Contribution Plan

The Board approved the establishment of a discretionary defined contribution plan (DC Plan) for employees of the System in 2003. The System maintained the DC Plan in compliance with the requirements of IRC Section 401(a). Contributions to the DC Plan were at the sole discretion of the System. The System contributed amounts equal to the amounts payable under the Staff Retention Pay Plans. For the year ended December 31, 2006, the System did not contribute to the DC Plan. The System contributed $356,347 in 2005. The DC Plan was terminated, and the account balances distributed to the plan members, in 2006.

(8) Staff Retention Pay Plans

On June 2, 2003, the Board approved a Staff Retention Pay Plan, effective July 1, 2003, for employees of the System. The Board determined a need to encourage staff members to remain with the System as a result of merger legislation passed into law in 2003. The legislation related to a merger agreement between the System and Colorado Public Employees' Retirement System (Colorado PERA). The merger agreement subsequently was terminated by Colorado PERA. The retention payments were made to permanent full-time employees provided the employees remained employed by the System on the specified payment dates.

On January 10, 2005, the Board approved a Staff Retention/Succession Plan for 2005 for employees of the System. This plan was related to new merger agreement legislation passed in 2005. Eligible employees received cash payments and a contribution to the DC Plan according to the terms of the agreement.

Several key staff members of the System had indicated they would retire at the end of 2005. In order to retain these staff members to assist in the transition period for replacement of their positions, the Board authorized the payment of an additional $225,000 to retain seven key staff members beyond 2005. A total of $121,640 was paid to five staff members who retired in 2006.

(9) Commitments

The System leases office space under an operating lease that expires June 30, 2011. Future minimum lease payments are listed in the table below and are as of December 31 of each year.

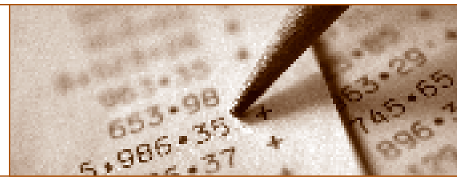
Year	Amount
2007	$ 159,169
2008	164,066
2009	168,964
2010	173,862
2011	88,155
Total	**$ 754,216**

Rent expense for the years ended December 31, 2006 and 2005, was $137,991 and $103,972, respectively.

As of December 31, 2006, the System had commitments for the future purchase of investments in alternate assets of $106,231,932 ($88,240,323 in 2005).

(10) Administrative Expenses

Expenses for the administration of the plan, including the System, are budgeted and approved by the Board. Plan expenses are paid from plan assets, including investment income.



::Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

(Dollars in Thousands)

Actuarial Valuation Date January 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL as a % of Covered Payroll (3)/(5)
	(1)	(2)	(3)	(4)	(5)	(6)
2002	$ 2,462,548	$ 2,550,556	$ 88,008	97%	$ 307,834	29%
2003	2,465,049	2,712,293	247,244	91	331,607	75
2004	2,531,746	2,793,788	262,042	91	318,122	82
2005	2,611,524	2,960,990	349,466	88	315,157	111
2006	2,693,686	3,065,855	372,169	88	318,405	117
2007	2,798,981	3,193,881	394,900	88	328,609	120

SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

Year Ended December 31,	Annual Required Contribution	Employer Contributions	Percentage of ARC Contributed	Annual Required Contribution Percentage*
2001	$ 8,735,015	$ 8,735,015	100.00%	2.90%
2002	18,949,591	9,473,361	49.99	5.71
2003	28,709,754	13,023,157	45.36	8.67
2004	34,637,301	21,142,815	61.04	10.74
2005	42,308,047	28,448,702	67.24	13.10
2006	45,974,858	33,684,185	73.27	14.01

** The ARC percentage is expressed as a blended rate. Employer contribution rates are adjusted effective July 1 of each year.*

Unaudited - see accompanying notes to the required supplementary information.

Unaudited - see accompanying independent auditors' report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

December 31, 2006

(1) Actuarial Assumptions and Methods

The required supplementary schedules provide information to help users assess the ability of the System to accumulate sufficient assets to pay benefits when due. The information includes funding status, funding progress and contribution rates and requirements. The Schedule of Funding Progress reports the unfunded actuarial accrued liability of the System and its significance relative to the capacity to pay for the liability. The Schedule of Employer Contributions provides information about the required contributions and the extent to which the employer makes those contributions.

The following schedule provides information regarding significant actuarial assumptions and methods as of the latest actuarial valuation date.

Valuation date	January 1, 2007
Actuarial cost method	Entry age
Amortization method	Level percentage of increasing payroll
Amortization approach	Open
Remaining amortization period	30 years at each valuation date
Asset valuation method	20% of difference between market value and expected funding value
Actuarial assumptions:	
Investment rate of return -	8.50%
Including inflation at	4.50%
Projected salary increases -	Varies based upon service and age from 4.5% to 9.5%
Including inflation at	4.50%
Cost-of-living adjustments	3.25% compounded

(2) Significant Factors Affecting Trends in Actuarial Information

2006 Changes in Plan Provisions

- There were no material Plan changes in 2006.

2005 Changes in Plan Provisions

- Effective July 1, 2005, the provisions governing the employer contribution requirements were amended to allow for a phase in of the employer contribution rate to achieve the full annual required contribution rate by July 1, 2008.
- Effective January 1, 2005, the economic assumptions for investment return and wage inflation were changed to 8.50% and 4.50% from 8.75% and 4.00%, respectively.
- The actuarial reduction on optional early retirements increased to 6% from 4% for individuals who, on or after July 1, 2005, become members or rejoin the System after having withdrawn their contribution balances.
- For individuals who, on or after July 1, 2005, become members or rejoin the System after having withdrawn their contribution balances, the ARAA was changed from 3.25% compounded to the lesser of 3.00% or the increase in the Consumer Price Index for urban wage earners and clerical workers for the preceding year compounded. The calculation of the first ARAA, effective in the year immediately following the year of retirement, is calculated in a pro-rated manner based on the number of months retired.

2004 Changes in Plan Provisions

- The Option A benefit is enhanced by adding a death benefit that provides the payment to the designated beneficiary(ies) of the remaining amount of an annuitant's account balance at the time of death, effective December 31, 2004.
- Effective December 31, 2004, joint and survivor annuity "pop-up" options P3 and P2 are added. In the event the joint survivor annuitant predeceases or divorces from the annuitant, the benefit amount generally will pop up to the Option A amount.
- The reference to the use of female mortality tables in establishing the option factors for the joint and survivor annuity options is deleted from the Plan, effective December 31, 2004.

2003 Changes in Plan Provisions

- As of January 1, 2004, earned service is used both to determine the eligibility for retirement and the amount of the retirement benefit. Prior to this change, active service was used to determine retirement eligibility, and accredited service was used to determine the retirement benefit.
- Effective January 1, 2004, the calculation to determine credit for casual service changed from one based on hours of employment to a calculation based on the compensation of the member. One month of service credit is credited for each month the member's earnings equal or exceed 80 times the hourly federal minimum wage in effect at the time of service.
- Effective January 1, 2004, the cost to purchase non-covered employment increased from 25% to 34% of highest average salary at the time of the purchase.

2002 Changes in Plan Provisions

- Effective July 1, 2002, any changes in the employer contribution rate become effective on July 1 of the year that is 18 months after the end of the calendar year on which the actuarial valuation is based.

2001 Changes in Plan Provisions

- For retirements on or after January 1, 2001, the Unit Benefit Percentage Factor increased from 2.25% to 2.50% of highest average salary for all years of accredited service.
- Members age 50 with 30 years of active service are eligible for regular retirement beginning with retirements on or after January 1, 2001.
- The actuarial reduction on optional early retirements was reduced to 4% from 5% for retirements on or after January 1, 2001.
- Effective January 1, 2001, the annual basic benefit was increased by a one-time adjustment. The adjustment is equal to $25 for each full year of accredited service at retirement.
- Additional options are available to members who elect deferred retirement and become eligible for benefit payments on or after January 1, 2001. A member can elect either to receive a refund of 200% of accumulated contributions, a money purchase retirement benefit based on 200% of accumulated contributions and the minimum employer-provided benefit, or the existing defined benefit provided in the Plan.
- Beginning January 1, 2001, the ARAA is compounded at 3.25%.
- Beginning January 1, 2001, beneficiaries of members who die while eligible for regular retirements can select either a refund of the members' contributions, applicable retirement benefits under Options B (installment refund annuity) or C (joint survivorship annuity), or applicable survivor benefits.

::Additional Supporting Schedules

SCHEDULES OF ADMINISTRATIVE EXPENSES

For the Years Ended December 31, 2006 and 2005

	2006	2005
Personnel services		
Salaries	$ 1,723,692	$ 1,764,303
Employee benefits	512,841	832,721
Total personnel services	**2,236,533**	**2,597,024**
Professional services		
Legal fees	82,856	74,363
Actuarial fees	60,801	126,800
Audit fees	49,000	45,000
Consultants and outside services	179,451	95,576
Maintenance agreements	68,715	30,066
Total professional services	**440,823**	**371,805**
Miscellaneous expenses		
Insurance	160,082	86,122
Subscriptions and research materials	8,716	7,833
Investment services	36,000	36,000
Computer system software	3,364	855
Computer supplies	29,388	14,755
Registrations, conferences and memberships	18,869	18,031
Planning and meeting	6,235	3,366
Telephone	18,219	-
Travel	28,964	24,874
Office rent	137,991	103,972
Office supplies	33,351	9,749
Advertising	19,656	-
Postage and printing	85,014	81,380
Equipment repair	867	490
Depreciation	79,432	71,271
Other	1,863	2,045
Total miscellaneous expenses	**668,011**	**460,743**
Total administrative expenses	**$ 3,345,367**	**$ 3,429,572**

See accompanying independent auditors' report.

SCHEDULES OF INVESTMENT EXPENSES

For the Years Ended December 31, 2006 and 2005

	Fees	
Description	**2006**	**2005**
Domestic equity	$ 4,068,223	$ 3,684,645
International equity	3,390,860	3,282,861
Domestic fixed income	1,201,476	1,133,766
Other investments	1,398,200	1,089,010
Total external manager fees	10,058,759	9,190,282
Custody fees	42,388	57,542
Total investment expense	**$ 10,101,147**	**$ 9,247,824**

SCHEDULES OF PAYMENTS TO CONSULTANTS

For the Years Ended December 31, 2006 and 2005

	Fees	
Description	**2006**	**2005**
Legal	$ 82,856	$ 90,454
Actuarial	60,801	126,800
Management consulting	215,451	128,270
Audit	49,000	45,000
Information systems	68,715	12,000
Total payments to consultants	**$ 476,823**	**$ 402,524**

See accompanying independent auditors' report.

Investment *Section*

::Investment Management

By Gary L. Ratliff, CFA

ECONOMIC OVERVIEW

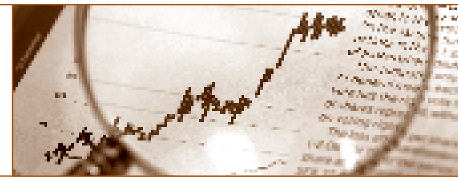
Entering 2006 many analysts suggested that the economy likely would enter a period of below trend growth. A slowdown in residential housing markets, volatile energy prices, a struggling American auto industry and a declining dollar were all thought to be signs of decelerating economic growth. Well, once again the consensus view was wrong. With real growth in U.S. Gross Domestic Product (GDP) of 3.3% for the year, the economy remained on solid footing, growing slightly more than the 3.2% growth rate in 2005. In fact, "Goldilocks" was the adjective most often applied to the U.S. economy – not too hot, not too cold. The so called Goldilocks Economy is one where growth is not too fast (so inflation stays in check) but not too slow (where growth erodes and a recession occurs) but rather, just right. For many businesses, 2006 must have seemed like a fairy tale because corporate profitability continued to be fantastic. By the end of 2006, the 500 companies that collectively comprise the Standard & Poor's Index (S&P 500) had experienced their 13th consecutive quarter of double-digit earnings growth. That is a post-war record for corporate earnings! It has been a phenomenal profit decade in the U.S. and most of the world. After adjusting for inflation, total corporate profits have increased at a much higher rate than the overall growth in the underlying economy. With record amounts of cash at their disposal, companies had the flexibility to pursue mergers and acquisitions, dividend payments, debt reduction, stock buybacks, and investment in plant and equipment.

Despite many positive events during the year, 2006 started with anything but unbridled enthusiasm. Some of the concerns included rising energy prices, higher residential real estate foreclosures, ongoing geopolitical turmoil in the Middle East, and the anticipation of more Federal Reserve interest rate increases, which could slowdown the economy. Perhaps no economic factor was more scrutinized than the price of oil. The year began with the price of oil at $62/barrel, but by summer the price had spiked to an all-time high of $77/barrel (not adjusted for inflation), which represented a 24% jump over the previous year. This run-up had many investors concerned about energy markets and their effect on the economy, but gas pumps kept flowing, financial markets remained resilient, and by the fourth quarter, oil prices were back in the low $60s.

Given the surge in energy and other commodity prices, investors kept a close eye on the bond market, expecting interest rates to rise on fears of inflation. Moreover, the Federal Reserve continued to raise its target short-term interest rate. Since May 2004 the Fed had raised interest rates 17 consecutive times, but this streak came to an end in August 2006. The overnight lending rate was 5.25% at year-end, up from 4.25% at the beginning of 2006. However, the 10-year Treasury yield finished the year at 4.71%, near where it started (4.64%); therefore, the yield curve remained inverted, a relatively unusual situation where long-term rates are lower than short-term rates. Historically, inversions of the yield curve have preceded many of the U.S. recessions, but that did not happen in 2006. Although the Fed left interest rates unchanged for the rest of the year, it continued to pay close attention to its number one enemy – inflation. The core CPI index (ex-food and energy) increased 2.6% for the year, which is above the Fed's stated comfort range of 1%-2%. Stabilized energy prices and a warmer than average winter for much of the country kept prices reasonably in check but labor and production resources remain pretty tight. The unemployment rate was only 4.6%, and the factory utilization rate stood at about 82%. Also, the inventory to sales ratio was near previous cyclical lows.

After rebounding in 2005, the U.S. dollar renewed its descent in 2006. It fell 11% against the Euro and 14% against the British Pound. The dollar rose slightly against the Japanese Yen in 2006, but fell against other major Asian currencies. This was positive for U.S. investors with investments denominated in foreign currencies. Much of the concern over the dollar's weakness was related to the growing U.S. trade deficit with other countries. The U.S. current account deficit worsened in 2006, reaching 6.8% of total GDP.

Maybe the most interesting aspect of the Goldilocks Economy has been its impact on investors' attitudes toward risk. The sustained decline in long-term interest rates has encouraged investors to take on more risk to maintain returns. This compression of risk premiums along with an abundance of global liquidity has increased demand for riskier assets such as high yield debt, emerging markets equity, derivatives, private equity and hedge funds. The risk premiums across these assets were far lower in 2006 then they have been at any point in this decade. Although many investors have been rewarded for taking advantage of cheap and plentiful credit, even the most astute analysts cannot predict how long it will last. However, history has taught us that the most difficult periods for markets often occur following periods of excessive optimism.



MARKETS AND FUND PERFORMANCE

Market Overview

2006 was an excellent year for equities worldwide. A combination of strong earnings growth, lower than expected interest rates and ample liquidity enabled most of the global equity markets to overcome some mixed economic news. In the U.S., the S&P 500 Index rose 15.81%, driven by a broad-based rally in the fourth quarter that lifted the large-cap index to its strongest return in two years. However, small-cap stocks, as measured by the Russell 2000 Index, gained 18.35% for the year, so small stocks have now out-performed large stocks in six of the last seven years. As summarized in the table below, "value" out-performed "growth" styles across the small, mid and large-cap segments. Growth-style benchmarks partially closed the performance gap in the fourth quarter, but for the year, growth investing remained out of favor despite impressive earnings growth and attractive relative valuations.

Internationally, the MSCI-EAFE Index gained 26.35% (in dollar terms), and the MSCI-Emerging Markets Index surged 32.16% (in dollar terms). Although the U.S. equity markets performed well in 2006, after adjusting for currency exchange rates, the U.S. stock market could not match most of the international equity indexes. Much of the performance premium from international equity was due to the weak U.S. dollar. For example, in local currency terms, the MSCI-EAFE Index returned 16.50%, which was only slightly better than the 15.81% appreciation of the S&P 500 Index.

Global Equity Performance Scorecard

Equity Index Returns (12/31/06)	1-Year	3-Year
U.S. Equity:		
S&P 500 Index	15.81%	10.43%
NASDAQ Composite	9.62%	6.46%
Russell 1000 Index	15.46%	10.98%
Russell 1000 Growth Index	9.08%	6.87%
Russell 1000 Value Index	22.21%	15.07%
Russell 2000 Index	18.35%	13.55%
Russell 2000 Growth Index	13.35%	10.50%
Russell 2000 Value Index	23.48%	16.48%
International Equity:		
MSCI-EAFE Index ($U.S.)	26.35%	19.93%
MSCI-Emerging Markets Index ($U.S.)	32.16%	30.53%
MSCI-Europe Index ($U.S.)	33.72%	20.94%
MSCI-UK Index ($U.S.)	30.60%	18.80%
MSCI-Japan Index ($U.S.)	6.24%	15.61%

Source: Wilshire, Russell Indexes, MSCI Index
Note: Periods longer than one year are annualized; data is in $ terms.

Although expectations for fixed income returns were low coming into the year, performance was relatively good across most sectors. With only a slight rise in long-term interest rates during the year, the Lehman Aggregate Bond Index achieved a 4.33% return for the year. Also, investors were not penalized for holding cash, as short-term U.S. T-Bills returned a respectable 4.81%.

Other asset classes also generated strong performance in 2006. Real estate turned in another banner year. Publicly-traded real estate investments trusts ("REITs"), as measured by the NAREIT Index, appreciated 35.03% for the year, while private real estate investments produced a 16.59% return based on the NCREIF Index. Furthermore, alternative investments such as private equity buyouts and venture capital continued their strong performance trend, which was driven by an accommodating credit environment and significant mergers and acquisitions activity.

DPSRS Fund Performance

As the chapter is closed on another year, the performance results of DPSRS are reflective of a well-diversified portfolio that is designed to perform well over the long-term and in a variety of market environments. The overall return for the System's total portfolio in 2006 was 12.61%. This was the fourth consecutive year of double-digit returns for the fund. Similar to last year, the investment portfolio benefited from the excellent performance of its international equity, alternative asset, and real estate portfolios. The longer-term performance trend also is favorable. The System's annualized performance for the most recent three and five years is 11.99% and 10.40%, respectively.

The 2006 return for the aggregate domestic equity portfolio was 11.63%. According to data compiled by Callan Associates, the System's investment consultant, this return trailed the domestic equity portfolio's custom benchmark, which was up 15.91% for the year. However, in 2006 a majority of active investment managers had difficulty exceeding the performance of their benchmarks. For example, in the large-cap segment of the market, the S&P 500 Index beat approximately 69% of actively managed funds (Source: Standard & Poor's, Inc). Similar trends were observed in other segments of the market.

With a return of 22.62%, the System's international equity portfolio was the best performing asset class for the year. Although this lagged the 26.34% return on the MSCI-EAFE Index, the absolute return was excellent. Moreover, most of the System's external investment managers employed defensive portfolios for much of the year.

The System's fixed income portfolio generated a 5.91% return in 2006, easily exceeding the 4.33% return on the Lehman Aggregate Bond Index. In addition, the System's high-quality mortgage portfolio earned 6.60% for the year.

Real estate equity continues to be a strong performer for DPSRS. The System's real estate portfolio produced a 16.42% return for the year. 2006 was the third consecutive year that the real estate portfolio experienced double-digit gains. Since this is a commercial real estate portfolio, the System avoided the problems in the national residential housing markets.

Finally, alternative assets contributed significant value in 2006. This portfolio, which consists of private equity, venture capital, mezzanine debt and distressed assets, earned 19.48% for the year after a 35.33% return in 2005.

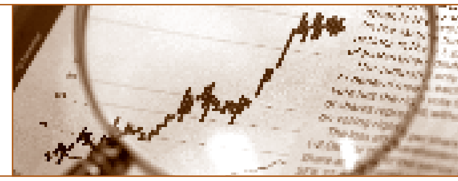
GOAL

The *Statement of Investment Objectives and Policies* is designed to enable the investment program of the retirement system to be a major contributor to the long-term accomplishment of the System's mission to provide career employees and their families with a primary source of lifetime income relative to service at retirement, disability or death. Summarized below are some of the major features of the *Statement of Investment Objectives and Policies* as well as recent investment results.

INVESTMENT RESPONSIBILITIES

Colorado State Statutes designate the Board of Trustees as the ultimate fiduciary of the assets of the System. The Board must approve all decisions relating to the *Statement of Investment Objectives and Policies*. The Board has delegated the implementation of the Statement to the Investment Committee. Responsibilities of the Investment Committee include, but are not limited to, recommending investment policy changes to the Board and appointing, monitoring and terminating investment managers.

The Chief Investment Officer supervises and reviews activities and performance of investment managers, recommends changes in the investment program, and monitors the day-to-day investment activities. The investment managers manage the assets and exercise complete investment discretion in accordance with policy statements and guidelines and specific restrictions stated in their Investment Management Agreements. The managers are responsible for communicating with the Chief Investment Officer regarding all significant matters pertaining to investments of the fund assets.



ASSET ALLOCATION

The System's asset allocation is approved by the Board of Trustees as part of the *Statement of Investment Objectives and Policies*. Although the Statement was revised December 6, 2004, the target asset allocations and related ranges as of December 31, 2006, had not changed since September 9, 2002. An asset/liability modeling study was conducted late in 2006, and a revised asset allocation was adopted in 2007 that will be reflected in next year's activity and report.

The overall target asset allocation as of December 31, 2006, can be divided into 64% equity-type investments (domestic, international, real estate equity, and alternative assets) and 36% fixed income-type investments (fixed income and mortgages). The target allocation ranges for specific asset classes are noted below; however, within the equity-type investment category, there are further constraints so that the total of the equity-type investments does not fall outside of the range of 56% to 72% of total investments.

ASSET ALLOCATION AS OF DECEMBER 31, 2006

Asset Class	Low	Target	High
Total Domestic Equities	27%	32%	37%
Large Capitalization Equities	11	16	21
Small/Mid Capitalization Equities	11	16	21
International Equities	12	17	22
Alternative Assets	2	5	10
Equity Real Estate	7	10	13
Fixed Income	28	36	44
Fixed Income Securities	20	23	26
Real Estate Mortgages	8	13	18

INVESTMENT GUIDELINES

Equity Investments

The portion of assets invested in publicly traded equity securities is diversified between domestic and international, by company capitalization, and by manager style. A portion of the domestic equity portfolio is managed passively (indexed), and a portion is actively managed.

The asset allocation provides for approximately 16% in large capitalization domestic issues, 16% in small/mid capitalization domestic issues, and 17% in international issues. As a general practice, equity holdings in a single company should not exceed 5% of a manager's portfolio at cost or 8% at market value. Also, as a general practice, holdings in any single industry sector should not exceed 40% of the total related portfolio, i.e., large capitalization domestic, small/mid capitalization domestic, and international portfolio. In certain instances, these guidelines can be altered depending on a particular manager's style and expertise, if stated in the Investment Management Agreement.

Fixed Income Investments

The fixed income asset class includes a broad array of debt securities, including U.S. Government and agency securities, corporate notes and bonds, short-term money market securities, such as certificates of deposit and commercial paper, mortgage and other asset-backed securities and securities issued by non-U.S. governments and corporations. The Board of Trustees recognized that there are periods during economic and capital market cycles where utilization of debt securities and derivative securities of various sectors, currencies, and structures is appropriate in a well-diversified portfolio in order to manage risk and to provide the potential for above average long-term investment returns.

Except for U.S. Government and agency guaranteed securities, concentrations in the securities of a single entity are limited to not more than 5% of the fixed income securities at market value. Concentrations in the corporate securities of a single industry are limited to not more than 25% of fixed income securities at market value.

Deviations from the standard guidelines must be stated and approved in the Investment Management Agreement.

Mortgage Investments

This asset class can include all mortgage investments (except residential mortgage-backed securities) such as mortgages on income-producing properties, mortgage pools, interests in commingled funds or co-investment vehicles which invest in mortgages, investment management separate accounts, Commercial Mortgage-Backed Securities, and interest in participating and convertible mortgages where it is intended to be primarily a debt rather than an equity investment.

In order to protect the overall performance and preservation of fund assets, mortgages that are secured by a single property are limited in size to not more than 5% of the total mortgage portfolio. Due to the broad diversification characteristics represented by mortgage pools and commingled mortgage funds, the 5% limitation does not apply to the System's participation in such investment vehicles.

Equity Real Estate Investments

Investments in this asset class can include any of the following: direct ownership of real estate properties, ownership in commingled funds that invest primarily in equity real estate, interests in hybrid debt instruments where the investment is deemed to be more of an equity rather than a fixed income investment, investment management separate account, investments in real estate joint ventures, partnerships or similar vehicles or investments in Real Estate Investment Trusts.

Real estate assets are diversified geographically by property type and by property size. The System will, as a general practice, not own more than a 20% interest in any one commingled fund, nor will an initial investment in any one individual property be more than 10% of the total equity real estate portfolio.

Alternative Assets

Alternative Assets is considered a distinct asset class in the DPSRS *Statement of Investment Objectives and Policies* and generally is defined as assets that are not publicly traded, lack liquidity, and are not subject to financial market regulations. Allocations to alternative assets typically serve one of two purposes: help enhance portfolio returns through higher-risk investment strategies or help diversify portfolios through investments that generate returns with very low correlation to traditional asset classes. For the purposes of DPSRS investment policy, the alternative assets asset class is divided into two separate categories: private equity and other alternative investments. Currently, all DPSRS investments in this asset class are in the private equity category. The investment activities of private equity firms encompass every aspect of the lifecycle of a business enterprise, ranging from start-ups to mature companies. The two largest sub-segments within private equity are venture capital and buyouts, which are distinguished from each other primarily by the size of the investment, risk associated with the company's cash flows, and the role of debt in the transaction.

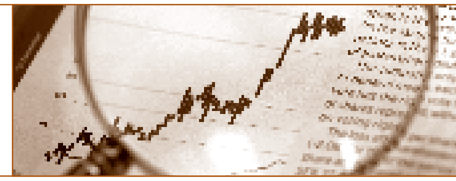
Unlike traditional asset classes, the difference between top and bottom quartile performance in many alternative investments is vast. Hence, a premium is placed on manager selection and diversification. Emphasis is placed on broad exposure to various economic sectors, geographical locations, development stages, transaction types, and managers. The System, as a general practice, will not own more than a 10% interest in any single alternative asset investment.

INVESTMENT MANAGEMENT OBJECTIVES

The *Statement of Investment Objectives and Policies* provides for performance objectives for the total fund as well as for individual managers. As presented in the table below, the performance of the total fund is evaluated relative to inflation, an appropriate universe of other pension funds, and a Custom Index. Individual external investment managers are evaluated relative to an appropriate universe and a relevant index. The Investment Committee meets quarterly to review the actual performance of the total fund, each asset class, and each investment manager. Performance evaluations are performed quarterly by Callan Associates, Inc., the System's investment consulting firm, and are distributed to the Board of Trustees.

	Total Fund		Equity Specialist Managers	Fixed Income Specialist Managers
Relative to inflation	CPI + 5% annually		N/A	N/A
Relative to an institutional universe	Top 60%		Top 40%	Top 40%
Relative to an index	Exceed a Custom Index weighted as follows:		Large Cap: Exceed appropriate Russell 1000 Index	Exceed Lehman Aggregate Index
	Russell 1000	-- 16%	Small/Mid Cap: Exceed appropriate Russell 2500 Index	
	Russell 2500	-- 21% [1]	International: Exceed EAFE Index	
	Lehman Aggregate	-- 23%	Real Estate Equity: Match NCREIF Property Index	
	Lehman A Intermediate Credit	-- 13%		
	NCREIF Property	-- 10%		
	MSCI EAFE	-- 17%		

[1] *Includes 5% allocation to Alternative Assets*



The objective of investment in mortgages is to maintain a portfolio of high quality mortgage investments that provide an alternative to other fixed income investments. With the mix of mortgage investments being so varied, there is no nationally recognized published index that would approximate the mix of investments in the mortgage portfolio. However, it is expected that the mortgage investment portfolio should produce returns that exceed the CPI by at least 4% annually over a three-to-five-year period.

Investments in equity real estate are structured to create a diversified real estate portfolio of high quality property assets to provide a hedge against inflation, diversify the fund's asset base and stabilize overall fund investment performance. Total return shall include income as well as appreciation or depreciation. It also is expected that the total return of the total equity real estate portfolio will at least match the total return of the NCREIF Property Index over a seven-to-ten-year time horizon.

Currently, all investments in the alternative assets asset class consist of private equity investments. The goal of private equity investing is to generate substantially greater returns than the long-term returns from the public equity markets, thereby enhancing overall portfolio returns. However, achieving such performance comes at a price: greater levels of risk and very little liquidity. Moreover, measuring and evaluating the performance of private equity investments is more complicated than for traditional asset classes for a variety of reasons. First, the illiquid nature of private equity investments makes it difficult to ascertain value on an ongoing basis. Not until all of a partnership's assets are liquidated at termination can the real return be calculated. Second, there is a wide variety of styles and strategies utilized by private equity managers, which makes it difficult to construct a reasonable benchmark. Third, private equity deals require a long holding period from investment through liquidation.

SAFEGUARDING OF ASSETS

Marketable securities owned by the System are held under a custodial arrangement with The Northern Trust Company in Chicago, Illinois. In addition to safekeeping the assets, the custodian also is responsible for the timely and accurate settlement of securities transactions as well as the collection and accounting for all income receivable from the investments. Investments that are managed by outside managers using a commingled vehicle are held under similar custodial arrangements. The Northern Trust Company's securities lending operations generated additional income of approximately $405,000 for the System during 2006.

The System's own internal accounting department verifies and reconciles the activity of the custodian and the investment managers while maintaining financial records according to governmental accounting standards. Annual audit and actuarial examinations also are performed by independent professional firms to provide assurance of the integrity of the System's financial statements and long-term actuarial funding.

HISTORICAL PERFORMANCE

Presented in the table on the following page are the annual total returns from each asset class for the 2002-2006 period as well as the compounded three-year and five-year total returns. These results have been prepared by the System's outside investment performance consultant, Callan Associates, Inc., and are time-weighted returns computed in conformance with the CFA Institute's Global Investment Performance Standards (GIPS). Comparable indexes also are presented below each asset class.

::Total Returns

	2002	2003	2004	2005	2006	3-Year	5-Year
Total DPSRS Fund *	**-5.15%**	**23.08%**	**12.71%**	**10.64%**	**12.61%**	**11.99%**	**10.40%**
DPSRS Domestic Stock	**-24.56**	**44.01**	**14.80**	**7.63**	**11.63**	**11.31**	**8.40**
Custom Benchmark **	-19.63	37.56	14.85	7.22	15.91	12.58	9.53
DPSRS International Stock	**- 9.50**	**40.48**	**19.96**	**15.34**	**22.62**	**19.27**	**16.62**
MSCI EAFE Index	-15.94	38.59	20.24	13.54	26.34	19.93	14.98
DPSRS Fixed Income	**9.61**	**8.05**	**6.16**	**3.33**	**5.79**	**5.13**	**6.59**
Lehman Brothers Aggregate Index	10.27	4.11	4.34	2.43	4.33	3.70	5.06
DPSRS Mortgages	**9.15**	**7.96**	**8.09**	**8.08**	**6.60**	**7.60**	**7.98**
Lehman A Intermediate Credit Index	10.58	7.14	4.01	1.88	4.44	3.43	5.39
DPSRS Real Estate	**7.15**	**7.76**	**11.92**	**26.98**	**16.42**	**18.27**	**13.82**
NCREIF Property Index	6.76	8.99	14.52	20.06	16.59	17.02	13.27
DPSRS Short-Term Investments	**2.07**	**1.27**	**1.43**	**3.29**	**5.15**	**3.28**	**2.63**
3-Month Treasury Bills	1.80	1.15	1.33	3.07	4.85	3.07	2.43

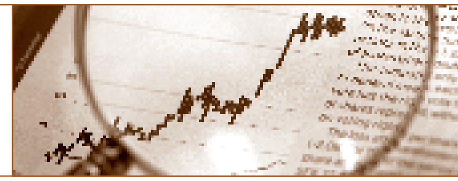
** The 2003 through 2006 Total DPSRS Fund returns include the Alternative Asset Investments asset class (referred to as Private Equity prior to 2004). Prior years' returns do not include this asset class. 3-year and 5-year Total DPSRS Fund returns include Alternative Assets for 2003 through 2006 only.*

*** The benchmark returns presented for domestic stock represent a blend of 50% Russell 1000 and 50% Russell 2500.*

::Schedule of Fees and Commissions

For the Year Ended December 31, 2006

	Assets under management	Fees	Shares	Commissions Amount	Per Share
Investment manager fees					
Fixed income managers	$ 868,325,417	$ 1,201,476	-	$ -	$ -
Equity managers	1,547,164,659	7,459,083	45,544,193	1,475,023	0.03
Other investments	575,086,691	1,398,200	-	-	-
Total investment manager fees	**$ 2,990,576,767**	**10,058,759**	**45,544,193**	**1,475,023**	**0.03**
Other investment service fees					
Custodian fees		42,388	-	-	-
Securities lending fees		10,394,131	-	-	-
Commission recapture income		-	-	(183,058)	-
Total investment service fees		**$ 20,495,278**	**45,544,193**	**$ 1,291,965**	**$ 0.03**



::List of Largest Assets Held

December 31, 2006

LARGEST STOCK HOLDINGS

	Shares	Stock	Fair Value
1	779,300	Time Warner	$ 16,973,154
2	272,719	Amphenol	16,930,396
3	484,305	Hilton Hotels	16,902,245
4	686,694	Nalco Holding	14,049,759
5	151,354	Lockheed Martin	13,935,163
6	3,559	Berkshire Hathaway Class B	13,047,294
7	262,117	Walgreen	12,028,549
8	324,100	AT&T	11,586,575
9	183,181	NRG Energy	10,259,968
10	266,305	Qualcomm	10,063,666

LARGEST BOND HOLDINGS

	Par	Description	Coupon	Maturity	Rating	Fair Value
1	$49,670,000	FNMA Single Family Mortgage	5.000%	01/01/2037	AAA	$ 47,947,047
2	26,595,000	FNMA 30 Year Pass-Through	6.000	01/01/2037	AAA	26,769,516
3	18,000,000	FNMA 30 Year Pass-Through	5.500	01/01/2037	AAA	17,786,250
4	14,040,000	GNMA 30 Year Pass-Through	6.000	01/01/2037	AAA	14,233,050
5	11,640,000	GNMA 30 Year Pass-Through	6.500	01/01/2037	AAA	11,858,250
6	7,800,000	FNMA 15 Year Pass-Through	5.500	01/01/2022	AAA	7,797,566
7	5,950,000	U.S. Treasury Note	3.000	12/31/2006	AAA	5,950,000
8	3,440,000	U.S. Treasury Inflation Indexed	3.625	04/15/2028	AAA	5,184,852
9	4,868,000	U.S. Treasury Bond	4.500	02/15/2036	AAA	4,629,166
10	4,177,321	CMO Thornburg Mortgage	5.520	01/25/2009	AAA	4,171,548

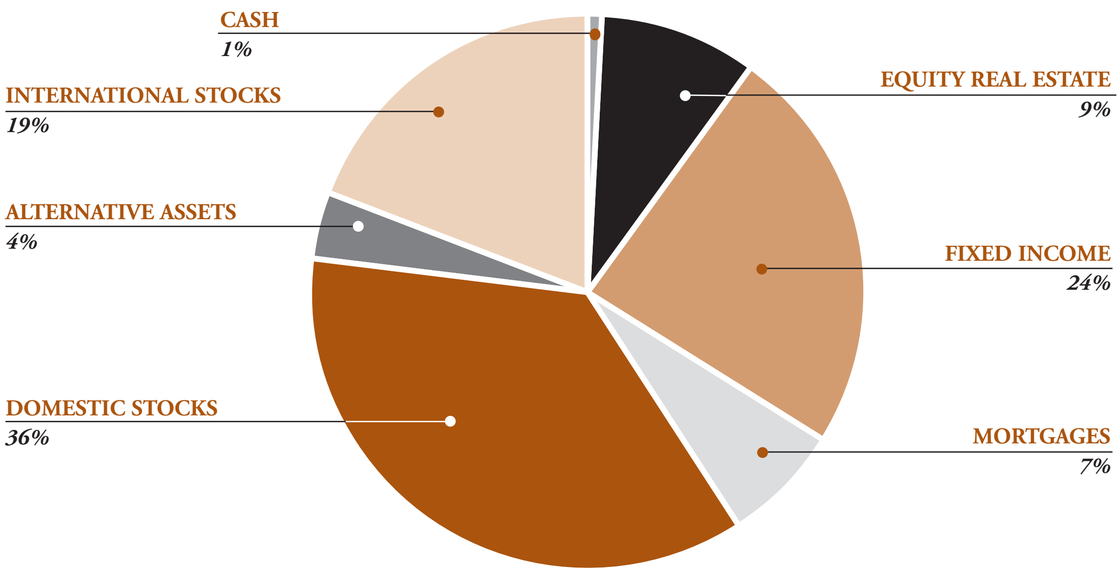
A complete list of portfolio holdings is available upon request.

::Investment Summary

Type of investment	December 31, 2006 Financial Assets	Adjustment	Allocation Assets	% Total Actual	% Total Target
Cash	$ 127,838,247	$ (88,565,419)	$ 39,272,828	1%	0%
Fixed income:					
Corporate securities	467,728,649	(62,032,491)	405,696,158		
Government securities	272,758,521		272,758,521		
Total fixed income	740,487,170	(62,032,491)	678,454,679	24	23
Mortgage investments	197,100,997		197,100,997	7	13
Domestic stocks	1,005,912,235	18,462,993	1,024,375,228	36	32
International stocks	541,252,424		541,252,424	19	17
Equity real estate	261,169,078		261,169,078	9	10
Alternative assets	116,816,616		116,816,616	4	5
Investments and cash	**2,990,576,767**	**$ (132,134,917)**	**2,858,441,850**	**100%**	**100%**
Net unsettled trades			132,134,917		
Total investments and cash	**$ 2,990,576,767**		**$ 2,990,576,767**		

In measuring the progress in reaching target asset allocation goals, investment assets are classified differently from the classification for financial reporting purposes. Investment manager performance is measured on the total account value, including cash retained by the manager and excluding debt placed on investment assets. In addition, the cash due or payable on unsettled transactions is reflected as an asset or liability for financial reporting purposes, but it is considered settled in determining the value of the managed account.

DIVERSIFICATION OF ASSETS AT DECEMBER 31, 2006



Actuarial *Section*

::Actuarial Certification Letter

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries

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Southfield, MI 48076-3723

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May 8, 2007

Board of Trustees
Denver Public Schools Retirement System
3700 East Alameda Ave., Suite 400
Denver, CO 80209-3172

Dear Board Members:

The basic funding objective of the Denver Public Schools Retirement System (DPSRS) is to establish and receive contributions which, when expressed in terms of a percentage of active member payroll, will remain approximately level from generation to generation, and when combined with present assets and future investment return will be sufficient to meet the financial obligations of DPSRS to present and future retirees and beneficiaries.

The annual actuarial valuation process develops contribution rates that are sufficient to fund the current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll. The most recent annual valuation was completed based upon census data, asset data, and plan provisions as of December 31, 2006. The valuation is performed in accordance with standards of practice prescribed by the Actuarial Standards Board. Each of the actuaries involved is a member of the American Academy of Actuaries and works exclusively in the public sector arena.

The System's administrative staff provides the actuary with data for the actuarial valuations. The actuary relies on the census data after reviewing it for internal and year-to-year consistency. Asset information was accepted without further audit. Assets are valued on a market-related basis that recognizes the difference between actual and assumed investment return over an open five-year period.

Schedules in the Financial Section prepared by the actuary were:

- Schedule of funding progress
- Schedule of employer contributions

Schedules in the Actuarial Section prepared by the actuary were:

- Percent of members separating before retirement
- Percent of eligible members retiring next year
- Individual pay increase assumptions
- Schedule of contributing, affiliate and deferred member valuation data
- Schedule of retirees and beneficiaries added to and removed from benefit payroll
- Solvency test
- Analysis of financial experience

Schedules in the Statistical Section prepared by the actuary were:

- Schedule of average benefit payments
- Schedule of retired members by type of benefit

The assumptions and methods used are internally consistent and comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board (GASB). The valuation assumptions were based on a study of DPSRS experience covering the 2001-2003 period.

The annual required contribution (ARC) under GASB 25 is equal to 14.55% of compensation for the 2008-2009 fiscal year. The DPSRS was 87.6% funded as of December 31, 2006 based on the DPSRS market related value of assets.

Based upon the results of the December 31, 2006 valuations, the Denver Public Schools Retirement System has achieved full level percent of payroll financing based on actuarial principles. In order to maintain the current funding level, receipt of recommended contribution amounts is necessary.

Respectfully submitted,

Judith A. Kermans, E.A., M.A.A.A.

Norman L. Jones, F.S.A., M.A.A.A.

::Summary of Principal Plan Provisions and Organization

BACKGROUND

The System was established by the Board of Education of School District No. 1 on December 1, 1945, to provide defined retirement, death and disability benefits to participating employees. The organization and amendments of the Plan have been carried out in accordance with the provisions of Colorado law. The System Retirement Trust Fund is designated as a trust fund established to accomplish the objectives set forth in the Plan.

The responsibility for the general administration, investment of assets, and proper operation of the System is vested in an 11-member board of managers known as the Board of Trustees.

The daily administration of the retirement plan is the responsibility of the Executive Director of the System who is appointed by the Board of Trustees. The retirement organization consists of four major divisions. The Retirement Administration Office has the responsibility for administrative operations, including contribution, service and salary maintenance, retirement estimate preparation and finalization, and administration of the retirement payroll. The Accounting Office generally is responsible for the processing of the retirement payroll and all financial accounting and reporting for the retirement plan. The Chief Investment Officer is the custodian of the funds held on behalf of the System and directs the activities of the third division, the Investment Office. All of the offices are provided with data processing support by the Information Systems Department.

CONTRIBUTIONS AND MEMBERSHIP

Contributing members receive benefits based upon years of earned service and their highest average salaries. Prior to retirement, members are required to contribute 8% of regular compensation. Contributions currently accumulate interest monthly at the effective annual rate of 5%. Interest crediting will continue at 5% in future years unless changed by action of the Board of Education. The contributions and the interest are returned to the member's beneficiary or to the member upon his or her death or termination of employment prior to retirement, respectively. In the event of the member's death prior to retirement, his or her beneficiary may elect to have survivor benefits paid to the eligible survivors in lieu of the return of the member's contributions with interest.

Affiliate members are part-time or temporary employees of the District who have applied and been accepted for affiliate membership. Generally, continuously-employed employees contribute 6% of compensation paid prior to July 1, 1998, and 8% of compensation paid on or after July 1, 1998. Affiliate members receive a benefit determined in the same manner as provided for contributing members, except that career average salary is substituted for highest average salary in computing such benefit. Upon termination of affiliate membership or death prior to retirement, all of the member's contributions, together with interest, are returned to the member or in the event of the member's death, to his or her beneficiary.

Disability retirement may be granted to either classification of membership in case of disability prior to eligibility for normal retirement. The amount of such benefits depends upon the type of membership and earned service.

Optional forms of retirement allowance, which provide a continuance or a lump-sum death benefit to a member's beneficiary, are available to all members upon retirement.

SERVICE RETIREMENT BENEFITS

I. ELIGIBILITY

A. Regular Retirement

1. Attained age 55 with 25 or more years of earned and outside service of which 10 may be outside service
2. Attained age 65 with 5 or more years of earned service
3. Attained age 50 with 30 or more years of earned service

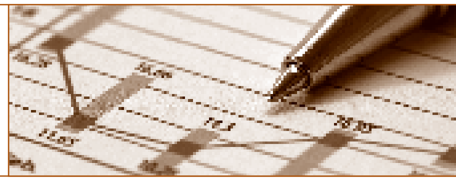
B. Optional Early Retirement

1. Attained age 55 with 15 or more years of earned service
2. Attained age younger than 55 with 25 or more years of earned service

II. BENEFITS
(Pension and Annuity)

A. Regular Retirement
Single Life Annuity

2.5% of Highest Average Salary is given for every year of earned service. Highest Average Salary is the average monthly compensation of the 36 months of earned service having the highest rates multiplied by twelve.



B. Optional Early Retirement Single Life Annuity

Generally, the same provisions exist as for regular retirement with a 4% reduction in allowance applied for each year a member lacks eligibility for regular retirement if such person became a contributing or affiliate member prior to July 1, 2005, and his or her contribution balance remains with the retirement system until retirement. Proration on a monthly basis is applied for partial years. A 6% reduction is applied for a person who, on or after July 1, 2005, becomes a member or rejoins the retirement system after having withdrawn his or her contribution balance.

C. Minimum Benefits

A minimum pension portion of the benefit equal to $15 per year for each of the first 10 years of earned service and $20 per year thereafter is guaranteed by the provisions of the Plan.

DEFERRED RETIREMENT BENEFITS

I. ELIGIBILITY – Five or more years of earned service

II. BENEFITS
(Pension and Annuity)

Determination of benefits is the same as for regular retirement. Benefits are payable at attained age 55 with 25 years of earned and outside service, at age 65 with fewer than 25 years of service, and for members who terminate on or after January 1, 2001, at attained age 50 with 30 years of earned service.

Also available at the time a member who resigns on or after January 1, 2001, becomes eligible to draw a deferred benefit is a choice of a refund of 200% of accumulated contributions, a money purchase retirement benefit based on 200% of accumulated contributions plus the minimum employer-provided benefit, or the existing defined benefit provided by the Plan.

"AUTOMATIC" RETIREMENT BENEFITS

In case of the death of any affiliate or contributing member who was eligible for retirement, the Retirement Plan provides for an automatic retirement as of the day after the date of death.

DISABILITY RETIREMENT BENEFITS

I. ELIGIBILITY – Five or more years of earned service with the District

II. BENEFITS
(Pension and Annuity)

Determination of benefits is the same as for regular retirees who retire under the provisions of a "Single Life Annuity." Recalculation occurs at age 55 if earned and outside service at the time of disability is 25 years or more or at age 50 if earned service at the time of disability is 30 years or more. Otherwise, recalculation occurs at age 65.

RETIREMENT OPTIONS AS OF DECEMBER 31, 2006

Option A

Option A is a single life annuity, which is defined as a specified sum of money payable monthly to an annuitant from the time of his or her retirement until death. At the annuitant's death, if he or she has not received in retirement benefits the total amount of accumulated contributions at the time of retirement, the balance is paid to the designated beneficiary(ies) in one lump sum.

Option B

Option B is an installment refund annuity, which is defined as a somewhat smaller sum of money than the amount which would be payable under Option A but which is the actuarial equivalent thereof, payable monthly to an annuitant from the time of his or her retirement until his or her death. Additionally, if the annuitant dies before receiving an amount equal to the total of his or her reserve, the payments continue to his or her designated beneficiaries or estate until the total amount of the payments made to the annuitant and to the beneficiaries or estate is equal to the total amount of reserve allocated to the payment of said annuitant's retirement allowance.

Option C

Option C is a joint-survivorship annuity, which is defined as a somewhat smaller sum of money than the amount which would be payable under Option A but which is the actuarial equivalent thereof, payable monthly to an annuitant from the time of retirement so long as he or she lives and thereafter to his or her designated co-annuitant, so long as the designated co-annuitant lives. If, however, the designated co-annuitant is someone other than the member's spouse and is more than 10 years younger than the member, the amount that continues to the co-annuitant at the member's death could be limited in accordance with percentages required by the Internal Revenue Code and Regulations thereunder. The designation of the co-annuitant is effective upon the effective date of the member's retirement and subsequently may not be changed.

For all retirements effective on or after January 1, 1998, in addition to designating a co-annuitant, the member designates a contingent beneficiary(ies) and has the exclusive right to change such designation of contingent beneficiary(ies) at any time prior to the member's death. If, at the date of death of the annuitant and the designated co-annuitant, whichever is the later, the total number of monthly payments made does not equal at least 120 full months, the remainder necessary to equal 120 full monthly payments is paid in equal shares monthly to the member's contingent beneficiary(ies).

In the event of the deaths of all contingent beneficiaries, prior to the deaths of the annuitant and the co-annuitant, the remaining amount due, at the death of the annuitant or co-annuitant, whichever is the later, is commuted and paid in one lump sum to the estate of the annuitant or the co-annuitant, whoever dies later. In the event any contingent beneficiary survives such later death and thereafter dies, the remainder of payments due that beneficiary is commuted and paid to his or her estate.

In case of the death of the designated co-annuitant under Option C after the date of application for retirement and before the effective date of retirement, the member may make a change of option or designate a new co-annuitant within 30 days after the death of the previously designated co-annuitant and subject to the appropriate recalculation of the retirement allowance.

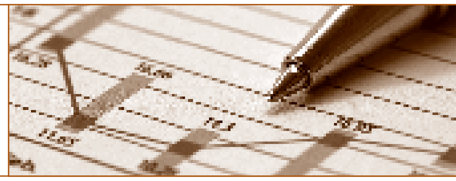
Option P3

Option P3 is a joint-survivorship option, which is defined as a somewhat smaller sum of money than the amount which would be payable under Option A but which is the actuarial equivalent thereof, payable monthly to an annuitant from the time of retirement so long as he or she lives and thereafter to his or her designated co-annuitant, so long as the designated co-annuitant lives. If, however, the designated co-annuitant is someone other than the member's spouse and is more than 10 years younger than the member, the amount that continues to the co-annuitant at the member's death could be limited in accordance with percentages required by the Internal Revenue Code and Regulations thereunder. The designation of the co-annuitant is effective upon the effective date of the member's retirement and subsequently may not be changed.

If the annuitant and co-annuitant should die prior to having received in retirement benefits the total amount of accumulated contributions at the time of retirement, the balance is paid to the designated beneficiaries in one lump sum. If the co-annuitant should pre-decease the annuitant, the benefit will recalculate to an Option A benefit amount. If the annuitant should divorce from the co-annuitant, the district courts have jurisdiction to allow the annuitant to remove his or her spouse as the named co-annuitant at which point the benefit will recalculate to an Option A benefit amount.

Option D

Option D is a reduced single life annuity, which is defined as a somewhat smaller sum of money than the amount which would be payable under Option A, the portion thereof attributable to the pension share of retirement allowance being the same as under Option A and the annuity share of the retirement allowance being the actuarial equivalent of such share under Option A. The benefit is payable monthly to an annuitant from the time of retirement so long as he or she lives, with a cash refund on his or her death to the designated beneficiary(ies) or to his or her estate, of any excess of the accumulated contributions of the member at the time of the effective date of retirement over the total amount of the annuity share of the retirement allowance paid or payable to the annuitant to and including the date of death.



Option E

Option E is a joint-survivorship annuity, which is defined as a somewhat smaller sum of money than the amount which would be payable under Option A but which is the actuarial equivalent thereof, payable monthly to an annuitant from the time of retirement so long as he or she lives. Upon the death of the annuitant, an amount equal to one-half of the monthly amount paid to the annuitant is payable monthly to his or her designated co-annuitant so long as he or she lives. The designation of the co-annuitant is effective upon the effective date of the member's retirement and subsequently may not be changed.

For all retirements effective on or after January 1, 1998, in addition to designating a co-annuitant, the member designates a contingent beneficiary(ies) and has the exclusive right to change such designation of contingent beneficiary(ies) at any time prior to the member's death. If, at the date of death of the annuitant and the designated co-annuitant, whichever is the later, the total number of monthly payments made does not equal at least 120 months, the remainder necessary to equal 120 monthly payments is paid in equal shares monthly to the member's contingent beneficiary(ies), using the same amount payable to the designated co-annuitant.

In the event of the deaths of all contingent beneficiaries, prior to the deaths of the annuitant or the co-annuitant, the remaining amount due, at the death of the annuitant or co-annuitant, whichever is the later, is commuted and paid in one lump sum to the estate of the annuitant or the co-annuitant, whoever dies later. In the event any contingent beneficiary survives such later death and thereafter dies, the remainder of payments due that beneficiary is commuted and paid to his or her estate.

In case of the death of the designated co-annuitant under Option E after the date of application for retirement and before the effective date of retirement, the member may make a change of option or designate a new co-annuitant within 30 days after the death of the previously designated co-annuitant and subject to the appropriate recalculation of the retirement allowance.

Option P2

Option P2 is a joint-survivorship option, which is defined as a somewhat smaller sum of money than the amount which would be payable under Option A but which is the actuarial equivalent thereof, payable monthly to an annuitant from the time of retirement so long as he or she lives and thereafter to his or her designated co-annuitant, so long as the designated co-annuitant lives, in a monthly amount equal to one-half of what the annuitant was receiving. The designation of the co-annuitant is effective upon the effective date of the member's retirement and subsequently may not be changed.

If the annuitant and co-annuitant should die prior to having received in retirement benefits the total amount of accumulated contributions at the time of retirement, the balance is paid to the designated beneficiaries in one lump sum. If the co-annuitant should pre-decease the annuitant, the benefit will recalculate to an Option A benefit amount. If the annuitant should divorce from the co-annuitant, the district courts have jurisdiction to allow the annuitant to remove his or her spouse as the named co-annuitant at which point the benefit will recalculate to an Option A benefit amount.

- Retirement benefits are subject to the limits set forth in the United States Internal Revenue Code.
- This summary generally describes the basic benefits available under the Plan as it existed December 31, 2006, and shall in no way be taken as the basis of, or creating, any contractual rights between the District or the System and any person or employee.

SURVIVOR BENEFITS

(The deceased member was an active, contributing member or a contributing member retired for disability who died prior to eligibility for benefit recalculation.)

I. ELIGIBILITY - Five or more years of continuous earned service with the District

II. BENEFITS

SURVIVOR	MONTHLY BENEFIT
1. Child/Children	10% of Highest Average Salary for each child up to a limit of 30% or $160 for each child up to a limit of $480, whichever is greater.
2. Spouse with eligible child/children (fewer than 15 years of member earned service)	The difference between (1) above and 30% of Highest Average Salary or $480, whichever is greater
3. Spouse with eligible child/children (at least 15 years of member earned service but fewer than 25 years of service)	The difference between (1) above and 40% of Highest Average Salary, or $480, whichever is greater
4. Spouse with eligible child/children (25 years of member earned service or more)	The difference between (1) above and 40% of Highest Average Salary plus an additional 2% for each year of service beyond 25 years, or $480, whichever is greater
5. Dependent Parent	10% of Highest Average Salary for each parent or $240 for each parent, whichever is greater
6. Spouse (fewer than 15 years of member earned service, payable at age 60)	30% of Highest Average Salary or $480, whichever is less
7. Spouse (at least 15 years, but fewer than 25 years of member earned service, payable at age 50)	30% of Highest Average Salary plus an additional 1% for each year of service beyond 15 years, or $480, whichever is greater
8. Spouse (at least 25 years of member earned service, payable at age 50)	40% of Highest Average Salary plus an additional 1% for each year of service beyond 25 years, or $480, whichever is greater

Unmarried children are eligible for survivor benefits to age 18. Unmarried children enrolled in an accredited school full time are eligible until age 23. Disabled children of any age who are unmarried and were financially dependent upon the member are eligible. Spouse/children's benefits are payable as long as there is an eligible child.

ANNUAL RETIREMENT ALLOWANCE ADJUSTMENT (ARAA)

Effective on January 1 of each year, for persons who became contributing or affiliate members prior to July 1, 2005, and whose contribution balances remain with the retirement system until retirement, an increase in retirement or survivor benefits becomes payable based on 3.25% of the previous year's retirement or survivor benefit.

For persons who, on or after July 1, 2005, become contributing or affiliate members or rejoin the retirement system after having withdrawn their contribution balances, the increase in retirement or survivor benefits is equal to the lesser of 3.00% or the increase in the Consumer Price Index for urban wage earners and clerical workers for the preceding year, compounded. The effective date for the ARAA is March 1 of each year following the year of retirement. The first ARAA effective in the year immediately following the year of retirement is calculated in a pro-rated manner based on the number of months retired.

::Summary of Actuarial Assumptions and Methods

ASSUMPTIONS AS OF JANUARY 1, 2007

a. The investment return used in the valuation is 8.50% per annum, compounded annually (net after expenses), and was adopted in 2004.

b. The post-retirement mortality tables used in evaluating the liabilities of service retirement and disability benefits to be paid under the Plan are based on the 2001-2003 DPSRS Experience Study. These assumptions were adopted in 2004.

c. The probabilities of pre-retirement death, disability, superannuation, and nonvested withdrawal are based on the plan's experience. Probabilities for sample ages are shown below and were adopted in 2004.

d. Individual salaries are assumed to increase by merit and longevity plus 4.50% for inflation per year. These increases are shown for sample ages below. Active membership is assumed to remain constant. These assumptions were adopted in 2004.

e. The actuarial value of assets is the expected value of assets plus 20% of the difference between the expected and the adjusted market value of assets as of the valuation date.

f. The retirement plan's liabilities are funded on the Entry Age Normal Actuarial Cost method. Beginning July 17, 1997, the employer contribution rate was decreased to 4.26% from 15.75% as a result of the issuance of Pension Certificates of Participation and full funding of the unfunded actuarial accrued liability. Actuarial liabilities or surpluses are amortized over 30 years as a level percentage of increasing payroll subsequent to each annual valuation.

g. Annual benefit increases are equal to 3.25% of the previous year's retirement benefit, 3.00% if the individual became a member on or after July 1, 2005.

h. The assumptions and methods are specified by the System upon recommendation of the actuary, a qualified member of the American Academy of Actuaries. The information for the schedules in this section is provided by the actuary.

i. Assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by GASB Statement No. 25.

j. A study of the plan's experience took place in 2004. An experience study for the period January 1, 2004 through December 31, 2006, currently is in process. Assumption changes generally are effective in the year subsequent to adoption.

PERCENT OF MEMBERS SEPARATING BEFORE RETIREMENT

For Reasons Other Than Death or Disability

Sample Ages	Years of Service	% of Active Members Separating Within Next Year: Male	Female
All	0	20.00%	20.00%
	1	18.00	16.00
	2	15.00	14.00
	3	12.00	12.00
	4	10.00	10.00
25	5 & over	6.40	8.60
30		5.30	7.70
35		4.45	6.40
40		3.85	5.06
45		3.40	3.42
50		2.95	2.40
55		2.70	2.20
60		2.50	2.20
65		2.00	2.20

Due to Death or Disability

Sample	Death		Disability	
Ages	Male	Female	Male	Female
20	0.01%	0.01%	0.00%	0.00%
25	0.02	0.01	0.06	0.06
30	0.02	0.01	0.06	0.06
35	0.03	0.02	0.07	0.07
40	0.05	0.03	0.10	0.10
45	0.10	0.05	0.17	0.17
50	0.21	0.09	0.31	0.31
55	0.30	0.13	0.56	0.56
60	0.38	0.19	1.19	1.19
65	0.59	0.34	0.00	0.00

PERCENT OF ELIGIBLE MEMBERS RETIRING NEXT YEAR

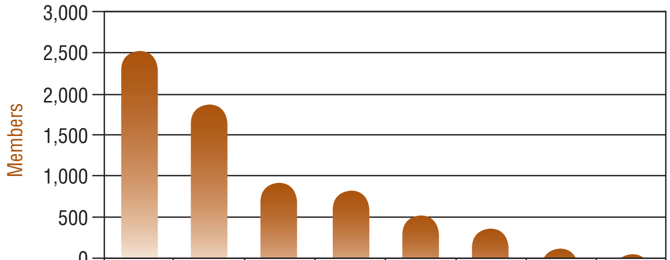
Retirement Age	Eligible for Reduced Benefits Male	Eligible for Reduced Benefits Female	Eligible for Unreduced Benefits Male	Eligible for Unreduced Benefits Female
50	10.00%	5.00%	25.00%	25.00%
51	10.00	5.00	25.00	25.00
52	10.00	6.00	25.00	25.00
53	10.00	7.00	30.00	25.00
54	10.00	8.00	30.00	30.00
55	10.00	9.00	35.00	35.00
56	10.00	10.00	30.00	15.00
57	10.00	12.00	30.00	20.00
58	11.00	12.00	30.00	20.00
59	12.00	13.00	30.00	20.00
60	13.00	14.00	30.00	20.00
61	14.00	14.00	35.00	20.00
62	15.00	15.00	40.00	25.00
63	15.00	17.00	35.00	20.00
64	15.00	20.00	35.00	25.00
65	0.00	0.00	40.00	30.00
66	0.00	0.00	25.00	25.00
67	0.00	0.00	25.00	25.00
68	0.00	0.00	25.00	25.00
69	0.00	0.00	25.00	25.00
70	0.00	0.00	100.00	100.00

INDIVIDUAL PAY INCREASE ASSUMPTIONS

Sample Age	Merit and Longevity	Base (Wage Inflation)	Increase Next Year
20	5.00%	4.50%	9.50%
25	4.50	4.50	9.00
30	3.60	4.50	8.10
35	2.80	4.50	7.30
40	2.10	4.50	6.60
45	1.40	4.50	5.90
50	0.80	4.50	5.30
55	0.40	4.50	4.90
60	0.00	4.50	4.50
65	0.00	4.50	4.50

::Summary of Member Data

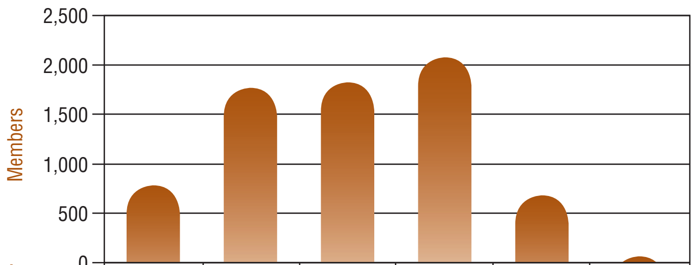
ACTIVE MEMBERS



Service	<5	5-9	10-14	15-19	20-24	25-29	30-34	35+
# Members	2,506	1,848	919	815	501	382	99	32

Active Member Years of Service

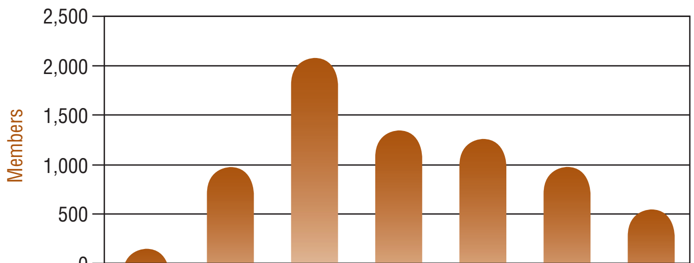
Total Number of Contributing Members: 7,102
Average Years of Service: 9.76



Age	<30	30s	40s	50s	60s	70s
# Members	769	1,755	1,805	2,068	664	41

Active Member Ages

Average Contributing Member Age: 44.8 Years



$000	<$20	$20-$29	$30-$39	$40-$49	$50-$59	$60-$69	$70+
# Members	115	949	2,040	1,312	1,227	944	515

Active Member Salaries

Average Contributing Member Salary: $46,270

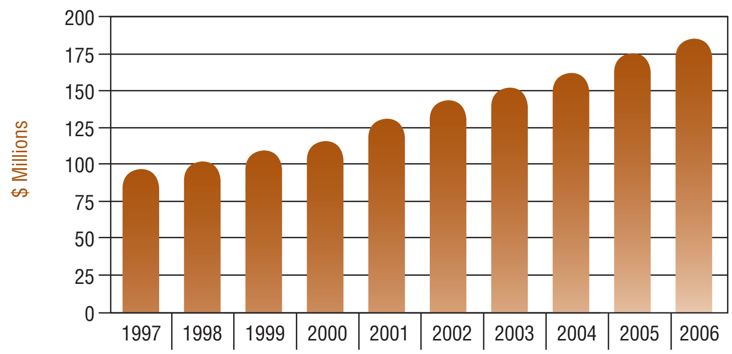
SCHEDULE OF CONTRIBUTING, AFFILIATE AND DEFERRED MEMBER VALUATION DATA

Calendar Year Ending	Number of Contributing Members	Payroll at Valuation Date	Average Annual Salary	% Increase in Average Salary	Number of Affiliate Members	Number of Deferred Members
2001	7,466	$ 307,834,000	$ 41,231	1.27%	31	141
2002	7,691	331,607,000	43,116	4.57	31	187
2003	7,311	318,122,000	43,513	0.92	28	219
2004	7,192	315,157,000	43,820	0.71	31	276
2005	7,179	318,405,000	44,352	1.21	33	344
2006	7,102	328,608,500	46,270	4.32	28	408

SCHEDULE OF RETIREES AND BENEFICIARIES

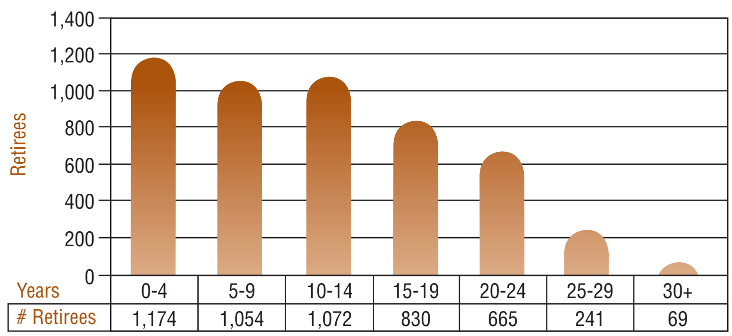
Calendar Year Ending	Added to Payroll: Number	Added to Payroll: Annualized Monthly Benefit	Removed from Payroll: Number	Removed from Payroll: Annualized Monthly Benefit	Payroll at End of Year: Number	Payroll at End of Year: Annualized Monthly Benefit	Average Annualized Monthly Benefit	% Increase in Annualized Benefit
2001	476	$ 1,281,629	184	$ 300,047	5,514	$ 11,781,954	$ 2,137	6.64%
2002	303	781,834	207	333,511	5,610	12,606,923	2,247	5.15
2003	260	665,284	171	283,937	5,699	13,397,013	2,351	4.63
2004	367	1,161,788	197	355,372	5,869	14,555,722	2,480	5.49
2005	283	765,968	191	366,657	5,961	15,418,044	2,586	4.27
2006	319	1,136,456	211	330,221	6,069	16,224,279	2,673	3.36

RETIRED MEMBERS



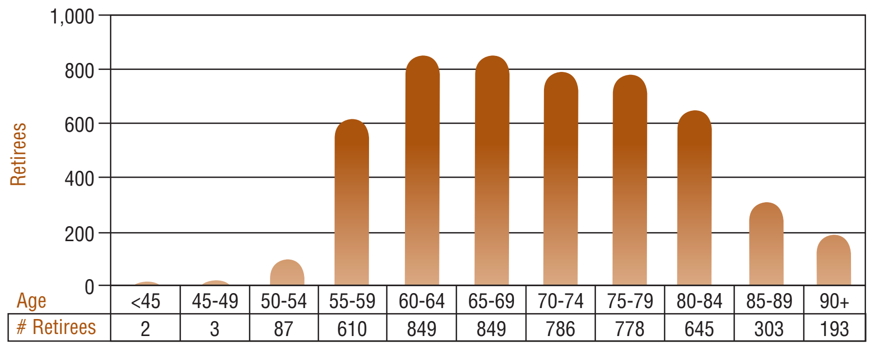
Retirement Benefits Paid

YEAR	BENEFITS PAID
1997	$ 98,006,595
1998	103,011,282
1999	110,488,088
2000	117,179,246
2001	131,749,235
2002	143,604,377
2003	152,838,651
2004	163,473,489
2005	176,445,323
2006	186,215,600



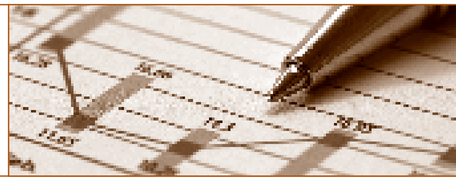
Average Years Since Retirement: 13.1*

** Includes regular and optional early retirements only. Total recipients: 5,105*



Average Retiree Age: 72.4*

** Includes regular and optional early retirements only. Total recipients: 5,105*



MEMBER AND EMPLOYER CONTRIBUTION RATES

Year	Member Rate	Funding Policy Employer Rate	Actual Employer Rate
1997	6.0/7.0% [1]	10.01% [2]	10.01%
1998	6.0/7.0/8.0 [3]	3.47 [4]	3.47
1999	8.0	2.79 [5]	2.79
2000	8.0	2.90	2.90
2001	8.0	2.90	2.90
2002	8.0	2.90 [6]	2.90
2003	8.0	3.94 [7]	3.94
2004	8.0	6.55 [8]	6.55
2005	8.0	8.80 [9]	8.80
2006	8.0	10.31 [10]	10.31

(1) Contribution rate was 7% for employees hired or rehired on or after 1/1/95.

(2) The rate from 1/1/97 - 7/16/97 was 15.75% and was 4.26% from 7/17/97 - 12/31/97 as a result of the issuance of Pension Certificates of Participation.

(3) The employee contribution rate increased to 8% on 7/1/98 for all active members.

(4) The rate was 4.26% from 1/1/98 - 6/30/98 and 2.68% from 7/1/98 - 12/31/98.

(5) The rate was 2.68% from 1/1/99 - 6/30/99 and 2.90% from 7/1/99 - 12/31/99.

(6) The funding policy was amended so that changes in the required employer rate become effective on the July 1 that is 18 months after the end of the calendar year on which the actuarial valuation is based.

(7) The rate was 2.90% from 1/1/03 - 6/30/03 and 4.98% from 7/1/03 - 12/31/03.

(8) The rate was 4.98% from 1/1/04 - 6/30/04 and 8.12% from 7/1/04 - 12/31/04.

(9) The funding policy was amended to allow for a phase in of the employer contribution rate to achieve the full annual required contribution rate by July 1, 2008. The rate was 8.12% from 1/1/05 - 6/30/05 and 9.48% from 7/1/05 - 12/31/05.

(10) The rate was 9.48% from 1/1/06 – 6/30/06 and 11.14% from 7/1/06 – 12/31/06.

::Funding

SOLVENCY TEST

The solvency test is used to test a system's funding progress. In this test, the actuarial valuation assets are compared to the total actuarial accrued liabilities relative to:

1. active member contributions on deposit
2. liabilities for future benefits to present retirees and beneficiaries
3. liabilities for service already rendered by active members

If the contributions to the System are level in concept and soundly contributed, and if the System continues in its present operational pattern for the indefinite future, the System will pay all promised benefits when due. The employer-financed portion of the aggregate accrued liabilities being fully funded is rare, but the issuance by the School District of Pension Certificates of Participation in July 1997, paid off the unfunded actuarial accrued liabilities of the System.

Dollars are expressed in thousands.

	Aggregate Accrued Liabilities for				Accrued Liabilities Covered by Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Employer-Financed Portion	Valuation Assets	(1)	(2)	(3)
1/1/02	$ 200,222	$ 1,631,424	$ 718,910	$ 2,462,548	100%	100%	88%
1/1/03	212,403	1,742,486	757,404	2,465,049	100	100	67
1/1/04	229,828	1,841,065	722,895	2,531,746	100	100	64
1/1/05	226,554	2,029,799	704,637	2,611,524	100	100	50
1/1/06	233,032	2,132,638	700,185	2,693,686	100	100	47
1/1/07	240,040	2,234,752	719,089	2,798,981	100	100	45

::Analysis of Financial Experience

Gains and Losses In Accrued Liabilities
During the Years Ended December 31, 2006 and 2005
Resulting From Differences Between
Assumed Experience and Actual Experience

	Gain (or Loss) for the Year	
Type of Activity	**2006**	**2005**
Age & Service Retirements. Members retired at younger ages or with higher final average pay than assumed, causing a loss.	$ (2,773,646)	$ (2,712,685)
Disability Retirements. Disability claims were more or less than assumed, causing a loss or a gain.	(176,692)	452,728
Death-in-Service Benefits. Survivor claims were more or less than assumed, causing a loss or a gain.	18,863	(95,498)
Withdrawal from Employment. More liabilities were released by withdrawals than assumed, causing a gain.	9,143,829	8,888,066
New Entrants. New members entered the plan with some past service, causing a loss.	(8,833,637)	(4,882,636)
Pay Increases. There were larger or smaller pay increases than assumed, causing a loss or a gain.	(6,456,897)	21,165,724
Investment Income. Recognized investment income was more or less than assumed, causing a gain or a loss.	13,830,758	(6,458,796)
Death After Retirement. Retirees lived for a shorter period than assumed, causing a gain.	6,056,846	1,550,423
Other. Miscellaneous gains and losses resulting from data adjustments, recognizing additional outside and non-qualified service for eligibility, timing of financial transactions, subsidized service purchases, etc.	(12,980,232)	(2,526,800)
Gain (or Loss) During the Year From Financial Experience	**$ (2,170,808)**	**$ 15,380,526**

Statistical *Section*

::Schedules

AVERAGE BENEFIT PAYMENTS

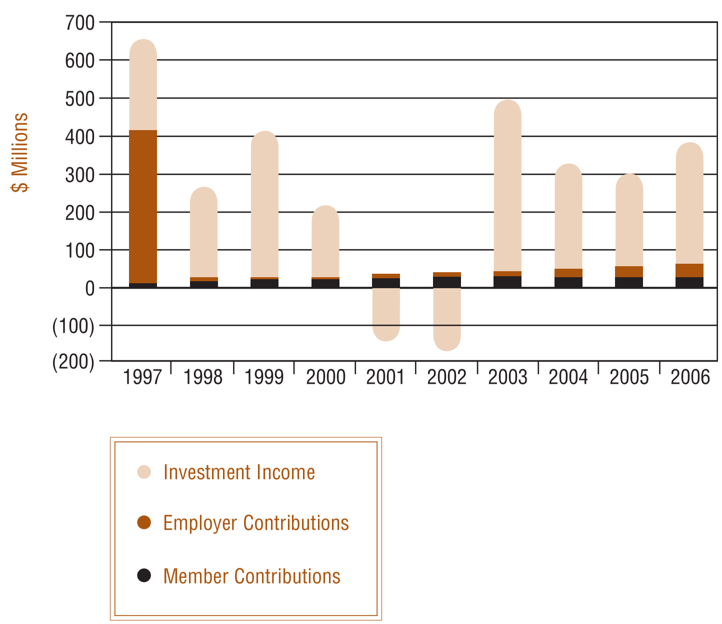
Retirement Effective Dates 1/1/97 to 12/31/06	Years of Earned Service 5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +
1997						
Average Monthly Benefit	$ 397.05	$ 628.08	$ 971.11	$ 1,243.97	$ 1,945.51	$ 2,687.04
Average Highest Average Salary	$ 2,453.80	$ 2,319.79	$ 2,469.99	$ 2,488.66	$ 3,319.51	$ 3,872.73
Number of Active Retirees	11	17	19	27	56	35
1998						
Average Monthly Benefit	251.82	886.28	898.33	1,654.16	2,125.99	2,940.24
Average Highest Average Salary	1,766.66	3,335.07	2,273.19	3,424.96	3,641.50	4,258.35
Number of Active Retirees	10	16	26	34	59	62
1999						
Average Monthly Benefit	357.56	754.60	1,286.11	1,671.21	2,350.92	3,202.92
Average Highest Average Salary	2,275.74	2,549.87	3,191.19	3,178.43	3,668.41	4,199.02
Number of Active Retirees	4	14	22	30	60	79
2000						
Average Monthly Benefit	462.05	860.44	1,013.11	1,496.16	2,459.44	3,295.19
Average Highest Average Salary	2,677.47	2,955.91	2,486.83	2,712.81	3,725.52	4,254.75
Number of Active Retirees	6	7	20	16	46	64
2001						
Average Monthly Benefit	467.71	899.42	1,262.10	1,905.44	2,813.95	3,628.69
Average Highest Average Salary	2,697.14	2,877.47	2,987.44	3,345.98	4,032.72	4,381.01
Number of Active Retirees	5	20	29	40	117	187
2002						
Average Monthly Benefit	521.62	751.59	1,637.54	2,225.31	3,057.29	3,832.07
Average Highest Average Salary	3,128.32	2,329.31	3,901.55	3,900.38	4,335.07	4,550.10
Number of Active Retirees	9	10	30	31	53	95
2003						
Average Monthly Benefit	466.79	1,118.94	1,775.46	2,577.55	2,854.19	4,118.90
Average Highest Average Salary	2,692.13	3,492.59	3,964.47	4,466.57	4,060.62	4,821.75
Number of Active Retirees	9	19	30	28	62	59
2004						
Average Monthly Benefit	470.83	1,365.12	1,884.94	2,349.34	3,176.39	4,376.09
Average Highest Average Salary	2,370.10	4,276.25	4,295.87	4,146.06	4,515.08	5,203.43
Number of Active Retirees	6	16	44	28	90	112
2005						
Average Monthly Benefit	742.38	1,099.06	1,994.59	2,584.64	3,043.00	4,179.45
Average Highest Average Salary	4,306.11	3,488.67	4,538.31	4,641.57	4,427.18	5,026.23
Number of Active Retirees	5	20	44	31	58	60
2006						
Average Monthly Benefit	622.55	1,307.77	1,736.78	2,776.00	3,110.05	3,822.49
Average Highest Average Salary	3,619.14	4,122.32	4,024.88	4,944.41	4,498.28	4,568.51
Number of Active Retirees	20	18	50	29	48	64

CHANGES IN PLAN NET ASSETS

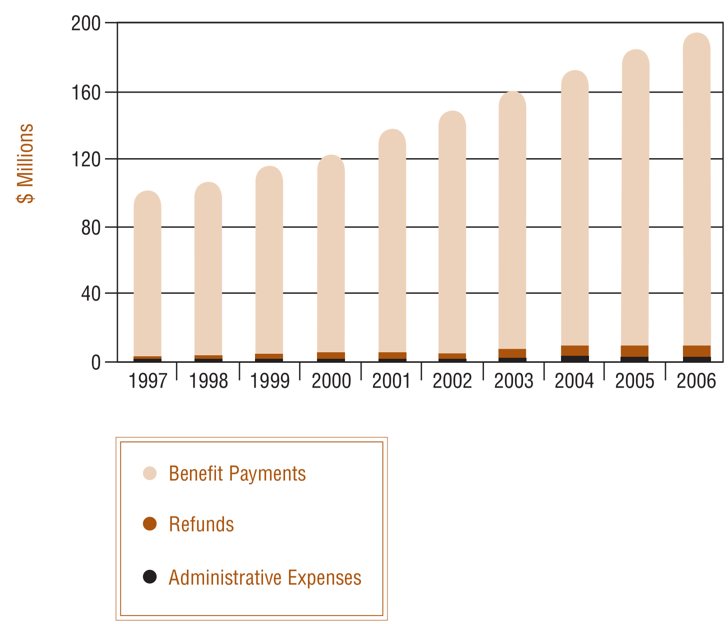
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Additions										
Member contributions	$ 15,314,085	$ 18,564,487	$ 20,650,486	$ 22,869,611	$ 25,848,785	$ 28,275,170	$ 32,665,945	$ 25,992,388	$ 27,269,492	$ 28,098,414
Employer contributions	400,307,299	8,494,670	7,140,565	8,007,508	8,735,015	9,473,361	13,023,157	21,142,815	28,448,702	33,684,185
Investment income (net of expense)	237,447,278	238,307,934	384,749,549	185,639,527	(140,078,546)	(166,488,447)	449,742,992	278,447,116	243,270,794	321,692,181
Total additions to plan net assets	**653,068,662**	**265,367,091**	**412,540,600**	**216,516,646**	**(105,494,746)**	**(128,739,916)**	**495,432,094**	**325,582,319**	**298,988,988**	**383,474,780**
Deductions										
Benefit payments	98,006,595	103,011,282	110,488,088	117,179,246	131,749,235	143,604,377	152,838,651	163,473,489	176,445,323	186,215,600
Refunds	2,099,899	2,882,464	3,369,172	4,355,309	3,974,835	3,346,228	4,893,891	6,154,132	7,194,798	7,460,137
Administrative expenses	1,522,055	1,585,249	1,641,347	1,648,464	2,075,416	2,301,329	3,233,847	3,568,221	3,429,572	3,345,367
Total deductions from plan net assets	**101,628,549**	**107,478,995**	**115,498,607**	**123,183,019**	**137,799,486**	**149,251,934**	**160,966,389**	**173,195,842**	**187,069,693**	**197,021,104**
Change in plan net asserts	**$ 551,440,113**	**$ 157,888,096**	**$ 297,041,993**	**$ 93,333,627**	**$ (243,294,232)**	**$ (277,991,850)**	**$ 334,465,705**	**$ 152,386,477**	**$ 111,919,295**	**$ 186,453,676**

ADDITIONS



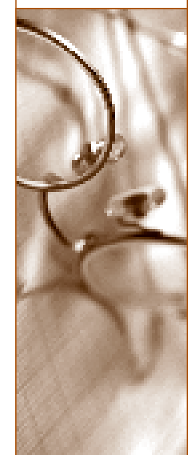
DEDUCTIONS



BENEFIT AND REFUND DEDUCTIONS FROM NET ASSETS BY TYPE

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Type of benefit										
Age and service benefits:										
Retirees	$ 88,469,195	$ 92,412,657	$ 98,833,347	$ 104,508,402	$ 117,451,007	$ 127,835,046	$ 136,082,760	$ 145,425,714	$ 156,855,526	$ 165,224,179
Beneficiaries	5,253,939	5,920,607	6,559,845	7,216,526	8,268,715	9,291,564	10,114,247	11,125,383	12,327,133	13,334,797
Death in service benefits	952,786	1,039,401	1,129,879	1,161,674	1,273,183	1,298,875	1,338,715	1,339,824	1,380,060	1,433,303
Disability benefits:										
Retirees	3,151,943	3,411,171	3,744,061	4,041,610	4,455,273	4,740,119	4,887,851	5,157,222	5,377,745	5,568,278
Beneficiaries	178,732	227,446	220,956	251,034	301,057	438,773	415,078	425,346	504,859	655,043
Total benefits	**98,006,595**	**103,011,282**	**110,488,088**	**117,179,246**	**131,749,235**	**143,604,377**	**152,838,651**	**163,473,489**	**176,445,323**	**186,215,600**
Type of refund										
Separation	1,905,106	2,799,435	3,257,281	4,274,833	3,959,655	3,270,872	4,845,097	5,921,406	7,007,955	7,402,934
Death	194,793	83,029	111,891	80,476	15,180	75,356	48,794	232,726	186,843	57,203
Total refunds	**$ 2,099,899**	**$ 2,882,464**	**$ 3,369,172**	**$ 4,355,309**	**$ 3,974,835**	**$ 3,346,228**	**$ 4,893,891**	**$ 6,154,132**	**$ 7,194,798**	**$ 7,460,137**



RETIRED MEMBERS BY TYPE OF BENEFIT

As of December 31, 2006

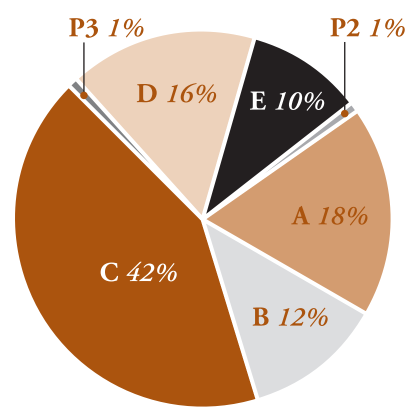
Amount of Monthly Benefit	Number of Retired Members	Type of Retirement 1	2	3	4	5	6	Option Selected A	SB	B	C	D	E	P2	P3
$ 1 - 250	26	18	0	3	3	1	1	5	3	6	8	2	3	0	0
251 - 500	230	130	12	20	22	39	7	60	22	39	64	28	15	1	2
501 - 750	302	142	51	30	26	45	8	57	26	56	88	44	29	1	1
751 - 1,000	283	136	60	23	15	47	2	67	15	43	71	48	31	3	3
1,001 - 1,250	344	171	90	33	11	35	4	72	11	45	102	52	57	1	4
1,251 - 1,500	318	165	77	31	8	34	3	61	8	57	96	58	35	2	1
1,501 - 1,750	301	167	57	37	10	26	4	57	10	33	110	48	33	4	6
1,751 - 2,000	298	171	66	31	9	19	2	50	9	33	122	43	37	2	2
Over 2,000	3,967	3,192	400	270	11	90	4	648	11	390	1,875	646	337	28	32
	6,069	**4,292**	**813**	**478**	**115**	**336**	**35**	**1,077**	**115**	**702**	**2,536**	**969**	**577**	**42**	**51**
Deferred	408														
Total	**6,477**														

Type of Retirement:
- **1** Normal retirement
- **2** Early retirement
- **3** Beneficiary payment, normal and early retirement
- **4** Beneficiary payment, death in service and unrecalculated disabilities
- **5** Disability retirement
- **6** Beneficiary payment, disability

Option Selected:
- **A** Single life annuity (SLA)
- **SB** SLA - survivors of active members and unrecalculated disabilities
- **B** Installment refund annuity
- **C** 100% joint and survivor annuity with 10 years certain
- **D** Cash refund annuity
- **E** 50% joint and survivor annuity with 10 years certain
- **P2** 50% joint and survivor with pop-up
- **P3** 100% joint and survivor with pop-up

RETIREES AND BENEFICIARIES BY OPTION

at December 31, 2006



PRINCIPAL PARTICIPATING EMPLOYERS

Current Year and Nine Years Ago

Participating Employer	2006 Covered Employees	2006 Rank	2006 Percentage of Total System	1997 Covered Employees	1997 Rank	1997 Percentage of Total System
School District No. 1	6,691	1	93.8%	6,310	1	99.45%
Wyatt-Edison Charter	49	2	0.7			
Omar D. Blair Edison Charter	48	3	0.7			
Challenges, Choices, & Images	35	4	0.5			
Urban Learning Communities, Inc.	34	5	0.5	16	3	0.25
Highline Academy	34	6	0.5			
KIPP Sunshine Peak Academy	26	7	0.4			
Pioneer Charter	24	8	0.3	19	2	0.30
Northeast Academy	24	9	0.3			
Odyssey Charter	23	10	0.3			
Denver Arts and Technology Academy	22	11	0.3			
Denver Public Schools Retirement System	21	12	0.3			
Life Skills Center of Denver	19	13	0.3			
Southwest Early College	19	14	0.3			
Community Challenge School	16	15	0.2			
Colorado High School Charter	13	16	0.2			
Big Picture High School #1	11	17	0.2			
West Denver Preparatory	10	18	0.1			
Academy of Urban Learning Charter	7	19	0.1			
Cole College Prep Charter	4	20	0.1			
	7,130		**100.0%**	**6,345**		**100.00%**

::System-Covered Employers

As of December 31, 2006

Academy of Urban Learning Charter
835 East 18th Avenue
Denver, CO 80218-1024

Big Picture High School #1
Skyland Community High School
3240 Humboldt Street
Second Floor
Denver, CO 80205-3934

Challenges, Choices, & Images
1537 Alton Street
Aurora, CO 80010-1712

Cole College Prep Charter
3240 Humboldt Street
Third Floor
Denver, CO 80205-3934

Colorado High School Charter
1175 Osage Street #100
Denver, CO 80204-3443

Community Challenge School
948 Santa Fe Drive
Denver, CO 80204-3937

Denver Arts and Technology Academy
3752 Tennyson Street
Denver, CO 80212-1914

Denver Public Schools Retirement System
3700 East Alameda Avenue
Suite 400
Denver, CO 80209-3172

Highline Academy
7808 Cherry Creek Drive South
Suite 304
Denver, CO 80231-3222

KIPP Sunshine Peak Academy
375 South Tejon Street
Denver, CO 80223-1961

Life Skills Center of Denver
1000 Cherokee Street
Denver, CO 80204-4039

Northeast Academy
4895 Peoria Street
Denver, CO 80239-2847

Odyssey Charter
8750 East 28th Avenue
Suite C
Denver, CO 80238-2412

Omar D. Blair Edison Charter
4905 Cathay Street
Denver, CO 80249-8376

Pioneer Charter
3230 East 38th Avenue
Denver, CO 80205-3726

School District No. 1
900 Grant Street
Denver, CO 80203-2907

Southwest Early College
3001 South Federal Boulevard
Box 114
Denver, CO 80236-2711

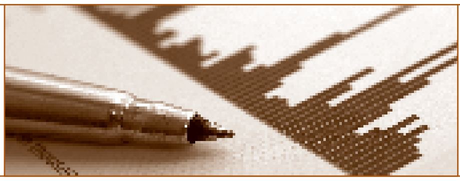
Urban Learning Communities, Inc.
P.S. 1 Charter
1062 Delaware Street
Denver, CO 80204-4033

West Denver Preparatory
1825 South Federal Boulevard
Denver, CO 80219-4905

Wyatt-Edison Charter
3620 Franklin Street
Denver, CO 80205-3325


::History of Contributions 1945-2006

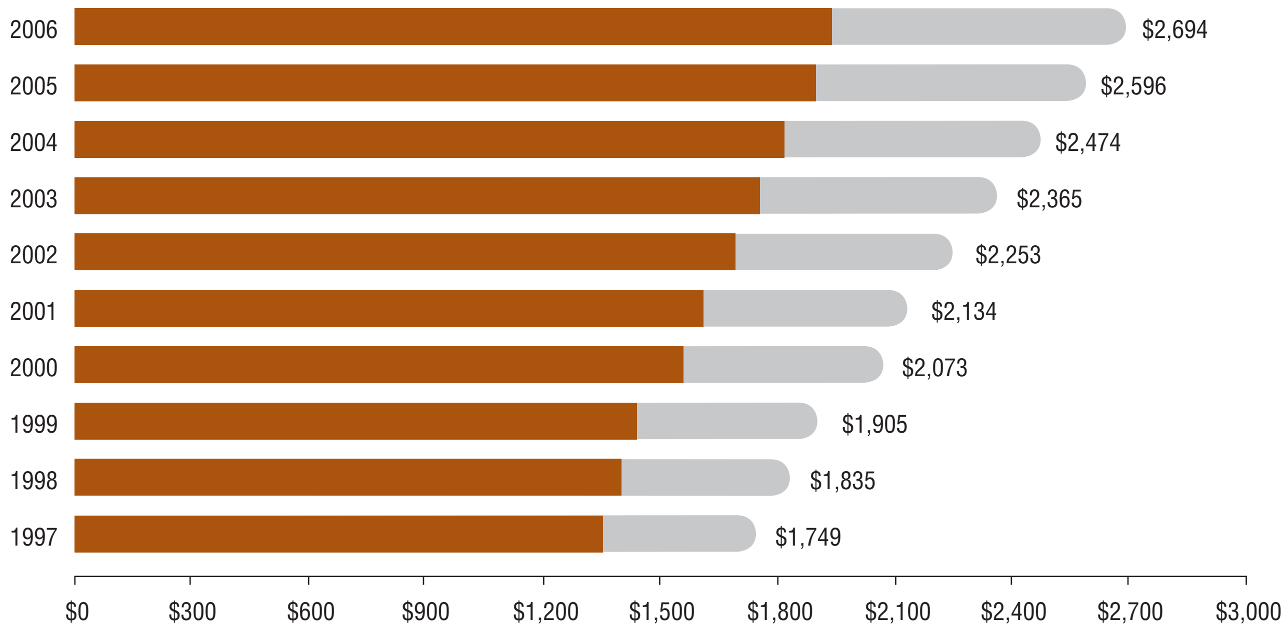
Year	Employee Contribution	% of Salary	Employer Contribution	% of Salary
1945	$ 20,970	6.00%	$ -	0.00%
1946	252,306	6.00	357,572	8.50
1947	293,841	6.00	524,000	10.70
1948	419,941	6.00	738,101	10.55
1949	506,202	6.00	1,168,423	13.85
1950	569,934	6.00	1,257,920	13.24
1951	635,309	6.00	1,436,528	13.57
1952	723,415	6.00	1,582,645	13.13
1953	793,869	6.00	1,709,244	12.92
1954	950,743	6.00	2,290,531	14.46
1955	1,068,710	6.00	2,335,859	13.11
1956	1,192,281	6.00	2,517,771	12.67
1957	1,297,257	6.00	2,638,519	12.20
1958	1,405,086	6.00	2,700,863	11.53
1959	1,512,280	6.00	2,884,664	11.44
1960	1,657,213	6.00	3,140,426	11.37
1961	1,794,234	6.00	3,389,182	11.33
1962	1,942,689	6.00	3,666,565	11.32
1963	2,170,253	6.00	4,129,051	11.42
1964	2,296,928	6.00	4,565,531	11.93
1965	2,405,285	6.00	3,623,247	9.04
1966	2,542,358	6.00	3,778,176	8.92
1967	2,794,250	6.00	4,101,055	8.81
1968	3,037,008	6.00	4,413,826	8.72
1969	3,344,069	6.00	4,790,185	8.59
1970	3,683,017	6.00	5,184,773	8.45
1971	4,249,617	6.00	6,116,256	8.64
1972	4,498,354	6.00	6,627,970	8.84
1973	4,657,945	6.00	6,992,933	9.01
1974	5,051,951	6.00	7,565,764	8.99
1975	5,787,021	6.00	8,699,367	9.02
1976	$ 6,540,784	6.00%	$ 9,806,004	9.00%
1977	6,761,325	6.00	10,597,741	9.40
1978	7,051,761	6.00	11,318,077	9.63
1979	7,322,772	6.00	12,168,251	9.97
1980	7,749,670	6.00	13,600,671	10.53
1981	8,251,053	6.00	17,120,274	12.45
1982	8,603,848	6.00	20,774,584	14.49
1983	9,060,315	6.00	22,989,125	15.22
1984	9,382,871	6.00	23,451,590	14.99
1985	10,015,452	6.00	24,775,279	14.85
1986	10,502,019	6.00	26,565,337	15.19
1987	10,722,718	6.00	27,089,048	15.17
1988	11,279,373	6.00	22,412,768	11.93
1989	11,523,630	6.00	22,386,804	11.68
1990	11,484,060	6.00	22,589,146	11.80
1991	12,155,118	6.00	23,855,023	11.77
1992	12,857,937	6.00	26,787,862	12.50
1993	12,149,351	6.00	32,690,548	16.39
1994	11,943,024	6.00	32,358,200	16.27
1995	12,604,734	6.00/7.00	33,672,809	16.27
1996	13,170,061	6.00/7.00	34,395,941	16.01
1997	15,305,167	6.00/7.00	22,540,381	10.01
1998	18,555,336	6.00/7.00/8.00	8,494,670	3.47
1999	20,649,845	8.00	7,140,565	2.79
2000	22,869,611	8.00	8,007,508	2.90
2001	25,848,785	8.00	8,735,015	2.90
2002	28,275,170	8.00	9,473,361	2.90
2003	32,665,945	8.00	13,023,157	3.94
2004	25,992,388	8.00	21,142,815	6.55
2005	27,269,492	8.00	28,448,702	8.80
2006	28,098,414	8.00	33,684,185	10.31



::Statistical Charts

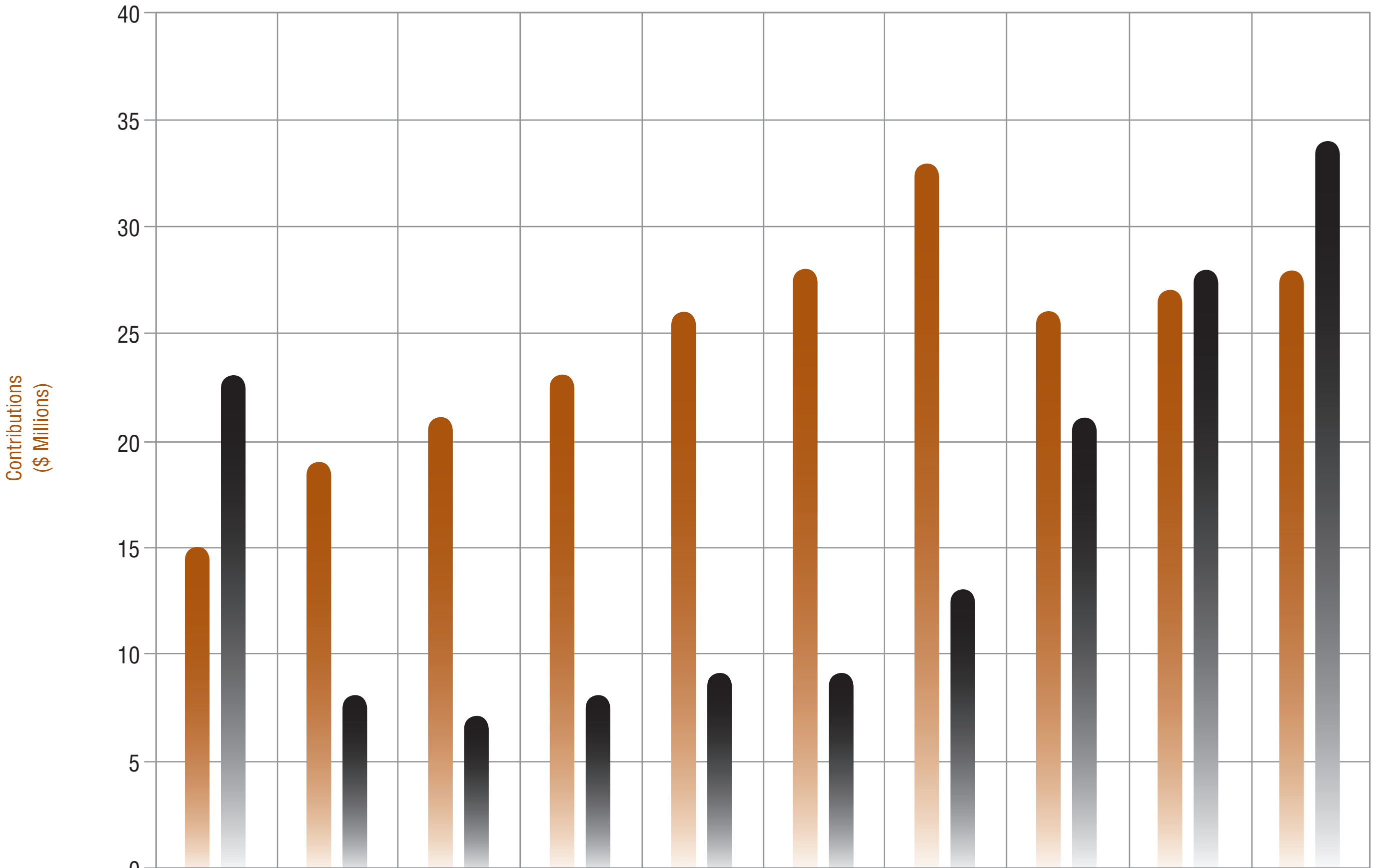
AVERAGE MONTHLY BENEFIT

Service Retirements
1997-2006



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
● Benefit Increases	$386	$428	$456	$506	$513	$551	$601	$647	$692	$744
● Basic	$1,363	$1,407	$1,449	$1,567	$1,621	$1,702	$1,764	$1,827	$1,904	$1,950

Contributions 1997-2006



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
● Employee	15	19	21	23	26	28	33	26	27	28
● Employer	23	8	7	8	9	9	13	21	28	34

Denver Public Schools
Retirement System

3700 E. Alameda Ave.
Suite 400
Denver, Colorado
80209-3172

303.398.7699
www.dpsrs.org