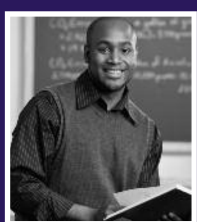
2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT


Year Ended December 31, 2009
Denver Public Schools Retirement System
1301 Pennsylvania Street
Denver, Colorado 80203

2009

Prepared by the former staff of
Denver Public Schools Retirement System
currently employed by
Colorado Public Employees' Retirement Association

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2009
Denver Public Schools Retirement System
1301 Pennsylvania Street
Denver, Colorado 80203

INTRODUCTORY SECTION

FINANCIAL SECTION

INVESTMENT SECTION

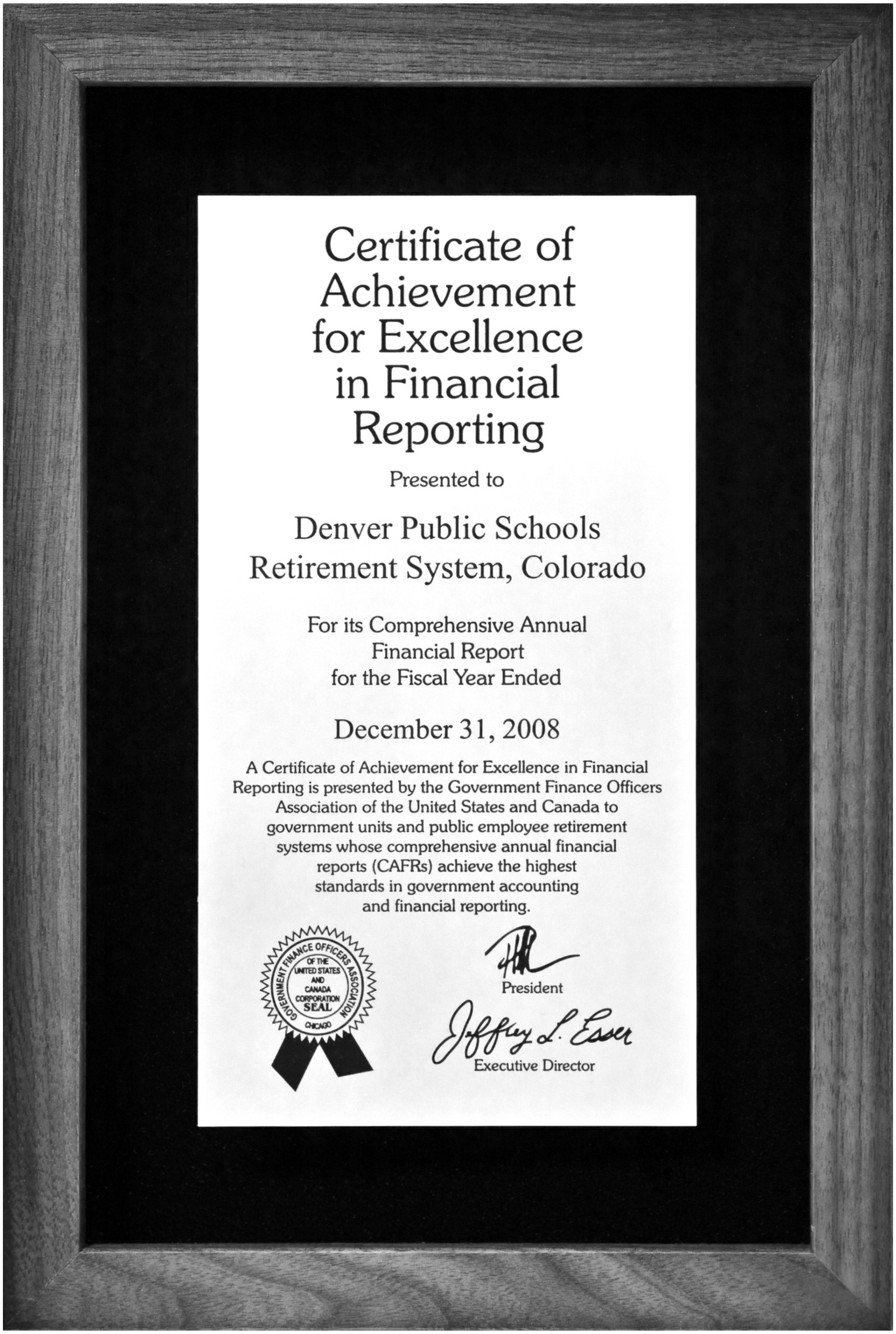
ACTUARIAL SECTION

STATISTICAL SECTION

2009

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, 2008

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

President

Jeffrey L. Esser

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2009

Presented to

Denver Public Schools Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

DPSRS
Denver Public Schools
Retirement System

1301 Pennsylvania Street • Denver, CO 80203-5011
303-832-9550 • 1-800-759-7372

September 17, 2010

TO THE FORMER DPSRS MEMBERS, BENEFIT RECIPIENTS, BOARD OF TRUSTEES AND THE DPS BOARD OF EDUCATION:

I am pleased to present the final *Comprehensive Annual Financial Report (CAFR)* of the Denver Public Schools Retirement System (the System) for the year ended December 31, 2009.

Koren L. Holden
Former Assistant Executive Director

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 (Board of Education), on December 1, 1945, pursuant to state statute, that permits any school district 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 (DPSRS Board) having all fiduciary responsibilities for management of the System, with the Board of Education retaining responsibilities for funding and plan design.

School District No. 1 (School District), the System, and charter schools within the School District comprise the District. Membership in the System was required for all full-time employees of the District.

Effective January 1, 2010, the System merged into the statewide Public Employees' Retirement Association of Colorado (Colorado PERA).

Merger into Colorado PERA

Colorado Senate Bill 09-282 (SB 09-282), signed into law by the Governor on May 21, 2009, requires a merger, effective January 1, 2010, between the System and Colorado PERA. In April 2009, the DPSRS Board unanimously passed a motion supporting SB 09-282.

The merger legislation intends to cause no harm or windfall to any individual member; and to all involved parties, no additional costs or windfall based on the existing plan provisions and those added to activate the merger. This union offers the District, its employees and retirees, the stability and security of being part of the statewide retirement system rather than continuing on a stand-alone basis. The structure of the merger results in a separate DPS Division of Colorado PERA that will include the existing membership of the System, the existing hourly and part-time employees of the District and all future (hourly and salaried) employees of the District. More specifically, the significant benefits of the merger for District employees include:

- Increased prospective portability of pension benefits by allowing employees to change employers within Colorado PERA and continue to build one retirement benefit. Of Colorado's 178 school districts, Denver Public Schools has been the only school district not affiliated with Colorado PERA prior to this merger.
- Colorado PERA membership for the District's hourly and part-time employees who, prior to January 1, 2010, were not members of the System. These District employees will discontinue participation in Social Security upon participation in Colorado PERA for service credit earned after December 31, 2009.
- Eligibility for the PERACare insurance program designed specifically to meet the health care needs of retirees.

The DPS Division will be represented on the Colorado PERA Board of Trustees (Colorado PERA Board) by a non-voting ex officio Trustee, appointed by the Board of Education. Starting in 2012, the non-voting DPS Division representative will be elected by the DPS Division membership.

Although the DPSRS Board unanimously supported the main goal of merger, their motion supporting the merger also states reservations regarding the intended decrease in funded status that will result from the funding mechanism encompassed in the merger legislation (see DPSRS Board Resolutions). While the DPS Division employer contribution rate will parallel the School Division employer rate plus an additional 3.6 percent of pay, the School District has the ability to offset scheduled contributions to Colorado PERA with debt payments toward their Pension Certificates of Participation (PCOPs), resulting in fairly small net employer contributions actually being paid into the trust during the immediate future. The DPSRS Board's concern of declining funded status is mitigated by a provision in the legislation requiring a "true-up" to take place every five years over the 30-year equalization period. The 30-year target is equalization of the DPS and the School Divisions of Colorado PERA based on the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to covered payroll for each division.

Benefit Plan and Administrative Changes

Necessary changes were implemented to align certain administrative processes with those of Colorado PERA. These processes, adopted for use with the System benefit provisions to streamline administrative burdens created by the merger, are expected to have minimal impact on member benefits. Effective January 1, 2010:

- The definition of salary, previously based on "rate of pay," now is based on "earned salary" and is to be used when determining highest average salary (HAS) for purposes of calculating retirement benefits under the DPS Division benefit structure.
- Earned service accruals, previously based on elapsed time worked, now is dependent upon amount of salary received. If at least 80 times the federal minimum wage ($7.25 as of July 24, 2009) is earned in a month, a member earns a month of service credit for that month.

- An option that allows eligible members to purchase their prior casual/part-time service at a discounted rate is no longer available. In addition, the regular rate for purchasing a year of service changes from the System's purchase rate of 34 percent of HAS per year purchased, to an actuarial rate (determined by age at purchase) based on the Colorado PERA purchase table applicable at time of purchase.
- The interest rate credited to member contribution balances decreased from 5.0 percent to 3.0 percent, per annum. The rate is established by the Colorado PERA Board and is subject to change.
- The System disability retirement program is no longer available. Post-merger, a member applying for a retirement due to a disability, is subject to Colorado PERA disability requirements and provisions.
- Payment options, available at retirement, are reduced from seven choices to four choices to better align with the options currently available to Colorado PERA members.
- Opportunity for Affiliate Membership is discontinued, since all hourly and part-time District employees automatically will be members of Colorado PERA.
- Outside Service can no longer be substantiated for purposes of accelerating service retirement eligibility.

DPSRS Board Resolutions

Due to the severe market downturn experienced in 2008, Colorado PERA spent the latter half of 2009 creating a comprehensive proposal mandated by the Colorado General Assembly and designed to return Colorado PERA to long-term sustainability. On October 16, 2009, the Colorado PERA Board voted unanimously to submit a list of comprehensive recommendations to the General Assembly for consideration in the 2010 legislative session.

The System also was significantly impacted by the market downturn and the DPSRS Board also researched methods to strengthen the sustainability of the System. As with Colorado PERA, the DPSRS Board concluded that changes in benefits and contributions are needed and must be a shared responsibility among all members, retirees, and employers.

As a result of the analysis, the DPSRS Board unanimously adopted two significant resolutions during the second half of 2009. *Resolution 16,* adopted September 14, 2009, outlines and establishes principles intended to help ensure the sustainability of a viable defined benefit pension plan for the members of the DPS Division of Colorado PERA, subject to applicable legal requirements. Those principles were then forwarded to the Colorado PERA Board for their consideration.

Resolution 17 was adopted on November 2, 2009, by the DPSRS Board. *Resolution 17* formally supports Colorado PERA's comprehensive recommendations to the Colorado General Assembly and recommends to the Colorado PERA Board that the changes proposed for legislation in 2010 with respect to the Colorado PERA School Division, also be applied to the DPS Division.

The recommendations of the Colorado PERA Board were substantially incorporated into Senate Bill 10-001 (SB 10-001), applicable to all divisions of Colorado PERA. SB 10-001 was signed by Governor Ritter on February 23, 2010.

SB 10-001 includes numerous changes to both funding and benefit provisions. Since these changes are significant, they have been included in the funding and actuarial results shown in this final *CAFR*. A few of the more substantial changes enacted by SB 10-001 include:

- Phased-in increases in the Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED) contribution schedules first adopted by Colorado PERA in 2004 and 2006, respectively;
- Reduction in the annual increase (AI), effective upon passage of SB 10-001. For 2010, the AI is the lesser of 2.0 percent or the average of the monthly Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increases for 2009, resulting in an AI of 0.0 percent. Beginning in 2011, the AI will be set at the newly adopted AI cap of 2.0 percent unless Colorado PERA experiences a negative investment year in which case, for the following three years, the AI will be the lesser of 2.0 percent or the average of the monthly CPI-W increases for the prior calendar year;
- Adoption of a three-year HAS with a base year and an 8 percent spike cap applicable to members not eligible to retire on January 1, 2011; and
- Movement from existing early retirement reduction factors to actuarially equivalent early retirement reduction factors applicable to members not eligible to retire on January 1, 2011.

Additional information about SB 10-001 changes may be found online at http://www.leg.state.co.us. A brief summary of these changes and how they impact the DPS Division of Colorado PERA can be found in the Financial Section on page 34 (Notes to Financial Statements) and within the Actuarial Section on pages 53–61.

As one of the last actions of the DPSRS Board, *Resolution 18* was adopted at the final December 2009 DPSRS Board meeting. Although the DPSRS Board officially disbanded following the merger, *Resolution 18* details the sentiments of the DPSRS Board as they relate to:

- The dispute regarding the employer contribution percentage adopted by the District Board of Education for the period July 1, 2009, through December 31, 2009 (see Notes to Financial Statements on page 32);
- The concern regarding the DPS Division funding mechanism in SB 09-282 involving an offset for PCOP debt service from the total DPS Division funding schedule, leading to deterioration of the funded status of the DPS Division;

- The desire of the DPSRS Board to have the same benefit changes made to the DPS Division as are made to the School Division to ensure that the merger not be used as a vehicle for reducing benefits of the DPS Division below those of the School Division;
- Follow-through, by Colorado PERA and the General Assembly, of the legislated "true-up" provision of the merger legislation; and
- Encouragement to the General Assembly and Colorado PERA Board and staff to implement SB 09-282 in a prudent, productive and professional fashion to safeguard the interests of the members, retirees and beneficiaries of the DPS Division.

The final resolution, *Resolution 19*, also adopted at the December 2009 DPSRS Board meeting, certifies the transfer of assets from the System to Colorado PERA in accordance with the provisions of SB 09-282.

Financial Information

The financial statements and reporting are the responsibility of the System's management. The final 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 former management, the financial information presents fairly the financial status at December 31, 2009. The management of the System is responsible for maintaining an internal control structure to provide reasonable assurance of the accountability for the System's assets and the authorization of 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 basic financial statements in the Financial Section on pages 17–23 of this *CAFR*.

An audit of the System's financial statements has been conducted on an annual basis. Clifton Gunderson LLP performed the System's final external audit as of December 31, 2009, and it is noted that there were no disagreements between management and the auditors 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 required annual actuarial valuations and to provide technical advice and assistance.

The System's actuary has performed annual actuarial reviews and, as the Plan requires, periodic investigations of mortality and service experience. These analyses help ensure that actuarial assumptions accurately match financial and membership experience. Adoption of necessary assumption adjustments recommended by the actuary provides the most accurate projections possible regarding annual actuarial valuations and other related studies. In recent years, the experience analysis has been performed every three years, the most recent of which was performed for the period January 1, 2004, through December 31, 2006.

An adequate funding level provides reasonable assurance and security for payment of future benefits. One measure of funding status is the Solvency Test shown on page 67. 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 Schedule of Funding Progress on page 35. 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 88.3 percent compared to the previous year's funded ratio of 84.3 percent. The 88.3 percent funded ratio reflects all actuarial assumption, actuarial method, and benefit provision changes due to both the merger into Colorado PERA and adoption of SB 10-001.

Considering the merger and the effects of SB 10-001, as of December 31, 2009, the System has sufficient assets to pay promised benefits in the near term. However, the System's actuary has made it clear that the current level of contributions will need to increase in the future to keep the DPS Division solvent. Based on the merger legislation, the School District employer contribution level is anticipated to increase, as debt service is paid on the existing PCOPs. The Colorado PERA Board and staff will implement and manage the periodic true-up calculations, and as necessary, make a recommendation to the General Assembly regarding adjustments to the statutory School District employer contribution rate. These actions, in concert with the adopted changes dictated by SB 10-001, should provide sustainability for the DPS Division.

Investments and Economic Overview

Throughout 2009, a turn toward economic recovery seemed apparent. In the U.S. and other global markets, a multitude of programs have been instituted which are designed to assist targeted areas of the economy. Now that 2009 performance is measurable, it is comforting that following a financial crisis felt by virtually all individual and institutional investors during 2008 (the System experienced a negative 24.3 percent total asset return), one can observe areas of economic rebound.

The System's diversified portfolio produced a total return of 19.9 percent for the fiscal year ended December 31, 2009. Our investment performance for 2009 ranked in the top half of the Callan Associates' public fund database. But even considering the strong economic recovery in 2009 and five years of strong asset performance leading up to 2008, it still will require considerable effort and time to regain the significant asset losses of 2008.

Due to the merger, the System's investment program came to an end as of December 31, 2009. The investment policies and objectives for the System historically were designed to enable the investment program of the System to facilitate the long-term accomplishment of the System's mission. As we move on to a new era within Colorado PERA, a similar approach will be utilized, with emphasis on long-term total returns and performance, recognition of the impact of inflation on benefit levels, effective control of risk exposure through broad diversification related to asset mix, diligent internal asset management and careful selection and evaluation of specialized investment managers.

Detailed investment performance results, policies, and strategy of the System are presented by the former Chief Investment Officer in the Investment Section on pages 44–47.

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, 2008. In order to be awarded a Certificate of Achievement, a public employee retirement system must publish an easily readable and efficiently organized *CAFR,* and meet both generally accepted accounting principles and applicable legal requirements. The System has received this prestigious award for the past 17 years.

In addition, the System received the Public Pension Standards Award in 2009 for the fourth consecutive year. This award was given to the System by the Public Pension Coordinating Council in recognition of our meeting professional standards for both plan design and administration.

Acknowledgments

The compilation of this report reflects the combined efforts of the former staff of the accounting, investment, benefits and executive sections of the System's Office and certain Colorado PERA staff. 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 deepest appreciation to the former DPSRS Board, former Executive Director, Norman Ruggles, and all of the System's former staff for their dedication and service to the System. It was through their continued efforts that successful administration, operation and financial soundness were realized for the more than 64 years of the System's existence.

I also would like to express my appreciation to the Board of Education for their support of the System through financial contributions and plan sponsorship over the years.

On one last note, I would like to thank the Colorado PERA Board and the Colorado PERA staff for their dedication regarding the compilation and publication of this final *Comprehensive Annual Financial Report of the Denver Public Schools Retirement System* for the year ended December 31, 2009. Based on the last few months of transition and merger, there is no doubt that Colorado PERA will serve our membership and the new division in a professional manner regarding administration of benefits and as a diligent advocate for financial stability in the years to come.

If you have questions about this report or need additional information, please contact the Colorado PERA office.

Respectfully submitted,

Koren L. Holden
Former Assistant Executive Director

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.

MESSAGE FROM THE CHAIRPERSON

September 17, 2010

To All Former DPSRS Members, Benefit Recipients, and Employers:

Amy Grant
Former DPSRS Board Chairperson

In keeping with past practices and generally accepted reporting standards, as former Chairperson of the DPSRS Board, I am pleased to present the *Comprehensive Annual Financial Report* for our 64th and final year of operation, which ended on December 31, 2009. The report provides the reader with a review of the financial, actuarial, and investment status of the System.

In the 2009 session of the General Assembly, mandatory merger legislation was introduced, moved through the Senate and House quickly, and was signed into law May 21, 2009. The merger into the Public Employees' Retirement Association of Colorado (Colorado PERA) became effective on January 1, 2010. The System's former Executive Director Norman Ruggles and his staff did an excellent job ensuring the transition went smoothly.

The 2009 Actuarial Report indicated that the funded status of the System currently is strong having increased to 88.3 percent in 2009 from 84.3 percent in 2008; however, the System's actuary also discussed that the present level of net employer contributions going into the trust is significantly low and is projected to cause deterioration of the funded status over time if not substantially increased. It is this deliberate deterioration of the funded status incorporated into the DPS Division funding schedule within the merger legislation that initially caused the DPSRS Board to have reservations about the merger. However, the DPSRS Board's concerns were addressed and mitigated by the "true-up" mechanism also incorporated into the legislation. In summary, a true-up is to occur every five years, which compares funded status of the School and DPS Divisions of Colorado PERA and requires the Colorado PERA Board to recommend to the General Assembly any changes in the statutory DPS Division contribution level necessary to achieve equalization of the funded status of the two divisions projected over a 30-year period beginning January 1, 2010. The DPSRS Board believed that the combination of the merger legislation, with focus on the five-year true-ups, and the enactment and administration of the corrective steps incorporated in Senate Bill 10-001 will ensure the sustainability of the DPS Division of Colorado PERA.

In addition, although the fiscal year ending December 31, 2009, proved to be one of financial recovery with a total investment return of 19.9 percent, the strong asset return of 2009 does not erase the damages of the negative 24.3 percent return of 2008. With the 19.9 percent return, the System's investment committee and staff outperformed approximately 50 percent of our public fund peers during 2009 and we hope for continued success in the investment arena as we entrust our assets to Colorado PERA.

Because of the merger, the DPSRS Board was disbanded; however, the DPS Division of Colorado PERA has a non-voting representative on the Colorado PERA Board of Trustees, as prescribed by SB 09-282. Former DPSRS Board member, Andrew Raicevich was appointed by the DPSRS Board to serve as a transitional member of the Colorado PERA Board as allowed by SB 09-282 for the period from July 1, 2009, through December 31, 2009. I would like to thank Andy for his service in this capacity. The DPS Board of Education appointed Wayne Eckerling, a former District administrator, to this position effective January 1, 2010. This non-voting position comes up for election in 2012.

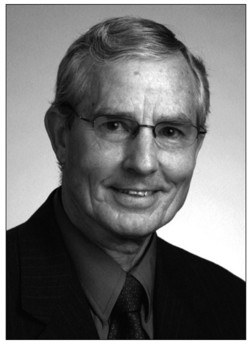
I would like to thank all of the people who served on the DPSRS Board over the years. Their service to the System and the employees of the District was invaluable.

I hope you find the final *Comprehensive Annual Financial Report* informative and of value.

Amy Grant
Former DPSRS Board of Trustees Chairperson

2009 DPSRS BOARD OF TRUSTEES

Amy Grant
Chairperson
Support Services

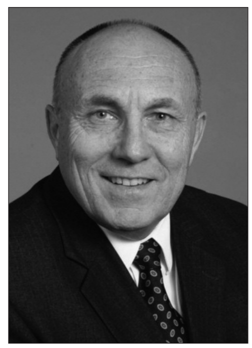


Darrell Allen
Vice-Chairperson
Recognized Expert,
Appointed by
Board of Trustees

Andrew Raicevich II
Secretary
Administrators/
Pro-Tech

John Kechriotis
Appointed by
Board of Education

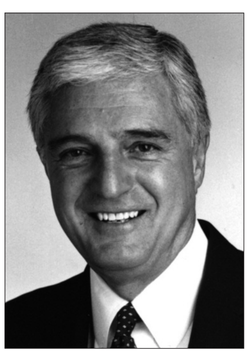
Monica Lobato-Fox
Pupil Contact



John MacPherson
Retirees

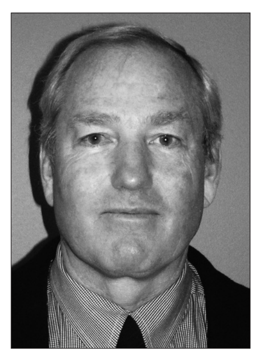
Dawn Paluch
Pupil Contact

Theresa Peña
Appointed by
Board of Education



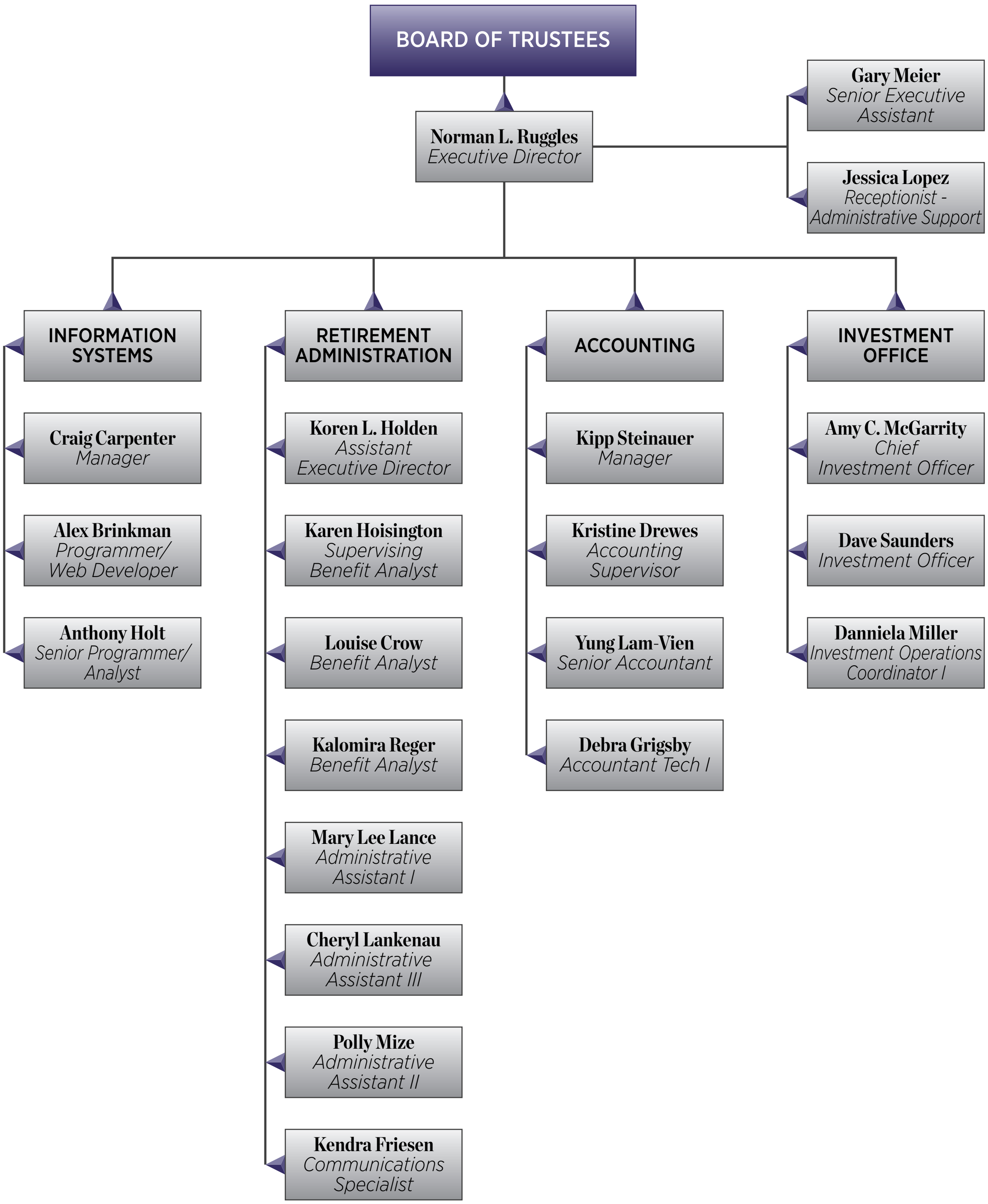
Andrew Raicevich
Retirees

Patrick Smaldone
Pupil Contact



Duane Heidrick
Support Services

ADMINISTRATIVE ORGANIZATIONAL CHART
At December 31, 2009



2009 DPSRS BOARD OF TRUSTEES COMMITTEE ASSIGNMENTS

EXECUTIVE COMMITTEE
Amy Grant, *Chairperson*
Darrell Allen, *Vice-Chairperson*
Andrew Raicevich II, *Secretary*

DISABILITY APPEAL COMMITTEE
John MacPherson, *Chairperson*
Amy Grant
Monica Lobato-Fox
Andrew Raicevich II

AUDIT COMMITTEE
Andrew Raicevich II, *Chairperson*
Darrell Allen
Dawn Paluch
Andrew Raicevich

ELECTION COMMITTEE
Patrick Smaldone, *Chairperson*
Monica Lobato-Fox
John MacPherson

INVESTMENT COMMITTEE
Darrell Allen, *Chairperson*
Amy Grant
John MacPherson
Dawn Paluch
Andrew Raicevich

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Southfield, MI 48076

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Hewlett Packard
PO Box 101149
Atlanta, GA 30392-1149

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Broomfield, CO 80021

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Denver, CO 80202

MASTER CUSTODIAN
The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60603

LEGAL SERVICES
Victor Quinn, Esq.
Waggener & Foster LLP
400 South Colorado Boulevard
Suite 900
Denver, CO 80246

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 39 in the Financial Section.

A summary schedule of investment fees and commissions can be found on page 48 in the Investment Section.

2009

FINANCIAL SECTION

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

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

We have audited the accompanying statements of fiduciary net assets of the Denver Public Schools Retirement System (the "System") as of December 31, 2009 and 2008, and the related statements of changes in fiduciary net assets for the years 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 audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of December 31, 2009 and 2008, and the changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Member of HLB International

REPORT OF THE INDEPENDENT AUDITORS

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 audits were 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 audits 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 audits of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Denver, Colorado
September 17, 2010

Former management of the Denver Public Schools Retirement System (System), currently employed by Colorado Public Employees' Retirement Association (Colorado PERA), is pleased to present this discussion and analysis of the financial activities for the concluding years of the System as of and for the years ended December 31, 2009, and 2008. Legislation passed in 2009, as described below, provided that the affairs of the System end December 31, 2009. The System subsequently merged into Colorado PERA on January 1, 2010.

In addition to historical information, the Management's Discussion and Analysis includes forward-looking statements, which involve certain risks and uncertainties. The System's actual results, performance, and achievements may differ materially from the results, performance, and achievements expressed or implied in such forward-looking statements, due to a wide range of factors, including changes in interest rates, changes in the securities markets, general economic conditions, and legislative changes, as well as other factors.

The System, through the Board of Trustees (DPSRS Board) administers the retirement plan for eligible, covered members and retirees of School District No. 1 in the City and County of Denver and the State of Colorado (School District), the System, and charter schools within the School District (collectively, District). All assets of the plan are invested in a single trust fund. The fund exists solely to pay for benefit promises made to retired and active members of the System.

During 2009 and 2010, the Colorado Legislature passed and the Governor signed two bills which impact the System in the current year and in future years. Effects of the legislation are reflected in the actuarial valuation as of December 31, 2009. See Note 9, Subsequent Events, for an explanation of these bills.

- Senate Bill 09-282 (SB 09-282) mandates that on January 1, 2010, the System will merge into Colorado PERA as a separate division within Colorado PERA. The assets, liabilities, and obligations of the System will become the assets, liabilities, and obligations of the Denver Public Schools Division (DPS Division) of Colorado PERA. Major provisions include membership for all District employees, prospective portability among Colorado PERA divisions, significant modification to the calculation of the DPS Division employer contribution rate and the creation of a health care trust fund (DPS HCTF) for the DPS Division retirees. The System's benefit structure is substantially preserved for existing members. The DPS Division will be represented on the Colorado PERA Board of Trustees (Colorado PERA Board) by a non-voting, ex officio member from the DPS Division membership. The DPSRS Board ceased to exist on January 1, 2010.
- Senate Bill 10-001 (SB 10-001) modifies provisions of the Colorado PERA defined benefit pension plans in order that each division reach 100 percent funding within 30 years, including the DPS Division. Major provisions include a reduction in the annual benefit increase, modification of the member and employer contribution rates, changes in retirement eligibility requirements, and calculation of highest average salary (HAS).

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009, and 2008

Condensed Financial Information

Fiduciary Net Assets at December 31:	2009	2008	2007	2009 % Change	2008 % Change
Assets					
Cash and short-term investments	**$118,184,081**	$104,606,089	$60,190,183	**13.0%**	73.8%
Investments, at fair value	**1,969,352,696**	2,418,631,386	3,037,811,511	**(18.6%)**	(20.4%)
Receivables	**691,781,964**	6,084,304	5,829,557	**11,269.9%**	4.4%
Prepaid expenses	**3,790**	41,341	36,836	**(90.8%)**	12.2%
Capital assets, net	**85,989**	189,509	254,528	**(54.6%)**	(25.5%)
Investment and other assets	**2,779,408,520**	**2,529,552,629**	**3,104,122,615**	**9.9%**	**(18.5%)**
Securities lending collateral	**—**	123,453,383	198,060,616	**(100.0%)**	(37.7%)
Total assets	**2,779,408,520**	**2,653,006,012**	**3,302,183,231**	**4.8%**	**(19.7%)**
Liabilities					
Investment settlements and other liabilities	**33,232,867**	75,975,949	97,151,294	**(56.3%)**	(21.8%)
Securities lending obligations	**—**	123,453,383	198,060,616	**(100.0%)**	(37.7%)
Total liabilities	**33,232,867**	**199,429,332**	**295,211,910**	**(83.3%)**	**(32.4%)**
Net assets	**$2,746,175,653**	**$2,453,576,680**	**$3,006,971,321**	**11.9%**	**(18.4%)**

Changes in Fiduciary Net Assets for the Year Ended December 31:	2009	2008	2007	2009 % Change	2008 % Change
Additions (Reductions)					
Employer contributions	**$15,841,465**	$434,811,169[1]	$40,572,810	**(96.4%)**	971.7%
Member contributions	**35,003,097**	29,904,361	28,184,570	**17.1%**	6.1%
Net investment income (loss)	**460,496,075**	(803,818,096)	290,650,600	**(157.3%)**	(376.6%)
Security lending net income	**603,249**	1,288,822	539,084	**(53.2%)**	139.1%
Total additions (reductions)	**511,943,886**	**(337,813,744)**	**359,947,064**	**(251.5%)**	**(193.9%)**
Deductions					
Benefit payments	**(211,651,127)**	(204,417,308)	(195,632,703)	**3.5%**	4.5%
Refunds	**(2,695,281)**	(7,667,059)	(8,234,446)	**(64.8%)**	(6.9%)
Administrative expenses	**(4,998,505)**	(3,496,530)	(3,412,933)	**43.0%**	2.4%
Total deductions	**(219,344,913)**	**(215,580,897)**	**(207,280,082)**	**1.7%**	**4.0%**
Net increase (decrease)	**$292,598,973**	**($553,394,641)**	**$152,666,982**	**(152.9%)**	**(462.5%)**

[1] Includes $397,800,000 additional one-time funding from the School District to fully fund the unfunded actuarial accrued liability.

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 benefits.

The Required Supplementary Information (RSI) 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.

Financial Highlights and Analyses

The System administers the Retirement and Benefit Plan (Plan) as authorized by Part 2 of Title 22, Article 64 of the Colorado Revised Statutes (C.R.S.). The main purpose of the System is to provide a primary source of lifetime retirement income relative to service at the time of retirement. It is the objective of the System to provide these benefits in a prudent, responsible, and cost-effective manner. Plan net assets are used to pay current and future benefits to retired plan members.

Plan net assets increased 11.9 percent from 2008 primarily due to investment gains in the domestic and international stock markets. The 2009 return for the Standard & Poor's (S&P) 500 Index was 26.5 percent and the Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Index return was 31.8 percent. Plan net assets increased by 10.0 percent over the last 10 years. The average annual increase of 0.96 percent includes the years with significant decreases in plan net assets of negative 9.4 percent in 2001, negative 11.8 percent in 2002, and negative 18.4 percent in 2008.

In order to accommodate the merger of the System into Colorado PERA, the System sold certain investment assets at market values on December 31, 2009. As a result, investment receivables increased to $685.6 million in 2009 from $0.5 million in 2008. For the purpose of measuring investment performance these amounts are included in investment assets.

($000)	2009	2008	2007
Plan net assets	**$2,746,176**	$2,453,577	$3,006,971
Yearly % change	**11.9%**	(18.4%)	5.4%

The total investment return for 2009 was 19.9 percent. Domestic and international stocks, which compose 55 percent of the investment portfolio asset allocation, had the greatest increases at 35.7 percent and 31.2 percent, respectively. Net investment income in 2009 was $460.5 million, compared to the investment loss of $803.8 million in 2008. The increase was primarily due to the net appreciation in the fair value of investments of $384.7 million compared to net depreciation of $890.1 million in 2008. As a result of the market declines in 2008, the total investment returns for the three-, five-, and ten-year periods are below the actuarial assumed rate of investment return for each of the periods. On November 2, 2009, the DPSRS Board approved a change in the economic actuarial assumed rate for investment return from 8.5 percent to 8.0 percent. The change is effective for the December 31, 2009, actuarial valuation.

Total Returns	1 Year	3 Year	5 Year	10 Year
2009	**19.9%**	**(0.0%)**	**4.5%**	**5.3%**
2008	(24.3%)	(2.1%)	3.2%	5.4%
2007	10.1%	11.1%	13.7%	9.7%

Note: Returns other than alternative investments and a portion of international stock and commercial mortgages are presented gross of fees and are time-weighted.

The DPSRS Board, 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 DPSRS Board. The *SIOP* sets forth the guidelines for the strategic target allocation of investment assets. Each strategic asset class has an optimal target with high and low ranges. Net cash, unsettled investment trades, and debt in managed accounts are included with investment assets in measuring the progress in reaching the targets. Investment allocations in all asset classes are within acceptable ranges for 2009. The DPSRS Board reviewed and approved the revised *SIOP* in 2009 as required by C.R.S §22-64-207(3).

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009, and 2008

The purpose of asset allocation is to reduce investment risk by diversifying the investment assets among several asset classes. Shown below is an analysis of the components of the total investment return for 2009 versus a measurement benchmark return and the actual asset allocations and target ranges as of December 31, 2009. Certain investment assets sold on December 31, 2009, are included in the schedule for performances purposes. Cash is not considered a separate asset class, but represents 1 percent of the investment assets. The return for fixed income includes cash and short-term investments.

Asset Class	Return	Benchmark	Portfolio %	Target Ranges
Domestic stocks	**35.7%**	30.4%	37%	29% – 39%
International stocks	**31.2%**	31.8%	18%	13% – 23%
Fixed income	**19.6%**	5.9%	20%	16% – 22%
Mortgage investments	**13.7%**	15.3%	12%	8% – 18%
Equity real estate	**(33.0%)**	(16.9%)	6%	6% – 12%
Alternative assets	**12.6%**	34.4%	7%	2% – 12%

The performance measurement benchmarks are as follows: a blend of 50 percent S&P 500 Index and 50 percent Russell 2500 Index for domestic stocks, MSCI EAFE Index for international stocks, Barclays Capital U.S. Aggregate Index for fixed income, Barclays Capital U.S. Credit A Intermediate Index for mortgages, National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index for real estate, and the Russell 2500 Index for alternative assets.

Benefit payments increased 3.5 percent in 2009 compared to 4.5 percent in 2008 and 5.1 percent in 2007. The increase in 2009 is a result of a 0.5 percent increase in the number of benefit recipients and a 3.2 percent increase in the average monthly benefit to $2,975 from $2,884, which includes an annual benefit increase of 3.25 percent. Benefit payments to retired members exceed contributions from contributing members and employers by $160.8 million or a ratio of 4.2 to 1 compared to 3.1 to 1 in 2008. This increase primarily is due to the substantial decrease in employer contributions for the last six months of 2009. The following table reflects ongoing employer contributions and does not include the $397.8 million additional one-time funding from the School District in 2008 to fully fund the Unfunded Actuarial Accrued Liability (UAAL).

	2009	2008	2007
Employer contributions	**$15,841,465**	$37,011,169	$40,572,810
Member contributions	**35,003,097**	29,904,361	28,184,570
Total contributions	**$50,844,562**	**$66,915,530**	**$68,757,380**
Benefit payments	**$211,651,127**	$204,417,308	$195,632,703
Ratio benefits/contributions	**4.2**	3.1	2.8

The number of benefit recipients increased 2.5 percent over the past three years from 6,069 to 6,218. Since 1999, the number of benefit recipients increased by 1,060 or 1.9 percent annually on average.

	2009	2008	2007
Benefit recipients	**6,218**	6,186	6,168
Net increase	**32**	18	99
New recipients	**246**	238	299

The following table reflects the average monthly benefit paid in 2009 for service retirements. Over the 10-year period from 1999, the average benefit increased by $1,070. The average annual increase is 4.6 percent. For the same period, the basic benefit increased $609 or a 3.6 percent average annual increase and the benefit increase portion of the benefit increased $461 or a 7.2 percent average annual increase.

	2009	2008	2007
Average benefit	**$2,975**	$2,884	$2,787
Yearly % change	**3.2%**	3.5%	3.5%

The ratio of active members to retired members of the System is 1.30 to 1 compared to 1.30 to 1 in 1999. Over the past ten years, the number of members contributing into the System increased by 20.2 percent. During the same period, the number of retired members increased by 20.6 percent.

	2009	2008	2007
Members contributing	**8,070**	7,560	7,303
Yearly % change	**6.7%**	3.5%	2.4%
Benefit recipients	**6,218**	6,186	6,168
Yearly % change	**0.5%**	0.3%	1.6%
Ratio contributing/retired	**1.30**	1.22	1.18

Member contributions of $35.0 million consist of normal 8 percent contributions, payments to qualify prior District service, and payments to purchase non-covered employment. Total contributions from members increased 17.1 percent from 2008. Normal contributions increased 12.0 percent from 2008 primarily due to increases in salary and the number of contributing members. Contributions to qualify prior service and the purchase of non-covered employment increased 171.2 percent in 2009 compared to a decrease of 38.9 percent in 2008.

Member Contributions	2009	2008	2007
Normal	**$32,416,945**	$28,950,786	$26,623,746
Prior service	**1,793,974**	398,461	520,801
Non-covered employment	**792,178**	555,114	1,040,023
Total member contributions	**$35,003,097**	**$29,904,361**	**$28,184,570**

The measure of the progress in accumulating sufficient assets to meet the long-term benefit obligations is 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 in the Plan, through the amounts and timing of contributions from the employers and the contributing members. The excess of the actuarial accrued liability over the actuarial value of assets is the 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, 25 percent of the difference between the actual and assumed investment returns is included in the actuarial value of assets. In addition, the actuarial value of assets cannot exceed 120 percent nor be less than 80 percent of the year-end fair value of plan net assets. The asset smoothing method lessens the need to adjust the contribution rates based on the volatility in market conditions. During extended periods of market declines, the market value of the plan net assets usually will be less than the actuarial value of assets.

The 2009 actuarial valuation reflects major benefit changes from the implementation of SB 09-282, SB 10-001, and the changes in actuarial assumptions and methods. These changes and the actuarial experience loss reduced the UAAL by $161.9 million or 29.5 percent from 2008. Without these changes, the UAAL would have increased by $148.7 million or 27.1 percent.

The actuarial accrued liability (AAL) represents the present value of accrued benefits payable to current members, based upon service accruals as of the end of a plan year. Future service is not included in the AAL. The AAL decreased 5.4 percent or $188.2 million from 2008. As of December 31, 2009, the actuarial value of assets decreased by 0.9 percent from 2008. The funded ratio increased to 88.3 percent from 84.3 percent. The funded ratio is 83.1 percent on a market value basis. Below is a schedule of the actuarial asset values, AAL, and UAAL, along with the respective funded ratios.

($000)	2009	2008	2007
Actuarial accrued liability	**$3,304,766**	$3,493,011	$3,383,258
Yearly % change	**(5.4%)**	3.2%	4.6%
Actuarial asset value	**$2,917,927**	$2,944,292	$2,968,794
Yearly % change	**(0.9%)**	(0.8%)	4.0%
UAAL	**$386,839**	$548,719	$414,464
Yearly % change	**(29.5%)**	32.4%	9.2%
Funded ratio	**88.3%**	84.3%	87.7%
Ratio UAAL to payroll	**78.7%**	141.2%	116.1%
Funding value adjustment	**($171,751)**	($490,715)	$38,177
Net assets at market	**$2,746,176**	$2,453,577	$3,006,971
Funded ratio at market	**83.1%**	70.2%	88.9%

The UAAL represents debt and the active member payroll represents the capacity of the System to collect contributions to pay the debt. The ratio of the member payroll to the UAAL is a measure of the strength of the System. The lower the ratio, the greater is the strength of the System. Over the past 9 years, this ratio steadily has increased from 21.9 percent in 2000 to 141.2 percent in 2008. This ratio decreased to 78.7 percent in 2009 primarily due to the effects of SB 09-282 and SB 10-001. This ratio is the basis for the five-year true-up provided in SB 09-282. The true-up is an effort to equalize the funded status of the DPS Division and the School Division of Colorado PERA over a 30-year period. Beginning

January 1, 2015, and every fifth year thereafter, Colorado PERA will calculate a true-up to confirm the equalization status of the DPS Division and the School Division. If the ratios of the UAAL over payroll, based on actual experience, are not projected to equalize over the 30-year period, the Colorado PERA Board shall recommend an adjustment to the DPS Division employer contribution rate to the Colorado General Assembly. See Note 9, Subsequent Events, Senate Bill 09-282 General Provisions.

The table below shows the effects of SB 09-282, SB 10-001, and the changes in actuarial assumptions and methods on the funded status of the System as of December 31, 2009. Without these plan changes, the funded ratio would have decreased to 80.7 percent from 84.3 percent in 2008 and the ratio of UAAL to payroll would have increased to 165.9 percent from 141.2 percent in 2008.

($000)	Before Changes	After Changes
Beginning UAAL	$548,719	$548,719
Contribution deficiency	9,590	9,590
Interest accrual	47,049	47,049
Expected UAAL before changes	605,358	605,358
Benefit changes		
SB 09-282	—	(8,735)
SB 10-001	—	(513,683)
Methods and assumptions	—	211,879
Total changes	—	(310,539)
Expected UAAL after changes	605,358	294,819
Actuarial experience loss	92,020	92,020
Ending UAAL	$697,378	$386,839

The reduction in the actuarial rate of investment return to 8.0 percent from 8.5 percent, the change in the calculation method of the normal cost, and the adoption of the mortality rates used by Colorado PERA increased the UAAL by $211.9 million. SB 09-282 and SB 10-001 reduced the UAAL by $522.4 million. For an explanation of the major changes in the actuarial assumptions and methods affecting the UAAL for 2009, see the 2009 and 2010 sections of the RSI entitled Significant Factors Affecting Trends in Actuarial Information. An actuarial experience gain or loss measures the effects of the differences between actual experience and expected experience based upon a set of actuarial assumptions during the period between two actuarial valuation dates. The largest element of the total actuarial experience loss of $92.0 million is an actuarial investment loss of $106.2 million.

In addition to investment earnings and member contributions at 8 percent, contributions at the ARC rate from employers of the plan are required to maintain the sound financial condition of the plan. The ARC is the amount required to cover the normal pension cost and includes a provision for amortizing the UAAL. The amortization period for the UAAL is 30 years. The current funding policy rate for employer contributions has lagged behind the actuarially recommended contribution rate from 2002 through 2007 and in 2009.

Effective July 1, 2005, the School District adopted a funding policy for employer contributions designed to achieve funding at the full ARC rate by July 1, 2008. Subsequently, the funding policy of the Plan was amended to reduce the employer contribution rate to 7.58 percent from 14.01 percent for the one-year period from July 1, 2008, through June 30, 2009, as a result of the one-time payment of $397.8 million by the School District in 2008 to fully fund the UAAL. The employer contribution rate of 7.58 percent only covers the actuarial normal cost or current service cost. The significant decrease in the actuarial value of assets in 2008 created an additional unfunded liability at December 31, 2008. Employer contribution rates at or below normal cost do not reduce unfunded accrued liabilities.

In accordance with Section 60 of the Plan, the DPSRS Board sent a recommendation to the Board of Education to set the employer contribution rate at 13.92 percent beginning July 1, 2009, based on the December 31, 2007, actuarial report. The Board of Education did not accept the recommendation from the DPSRS Board. On June 18, 2009, the Board of Education passed Resolution 3164. Based upon the provisions of SB 09-282, the Board of Education believed it actuarially sound to establish the net employer contribution rate at 0.49 percent for the period from July 1, 2009, through December 31, 2009, prior to the January 1, 2010, effective date of SB 09-282. SB 09-282 permits the reduction of the employer rate by the annual obligations of the Taxable Variable Rate Certificates of Participation (TVRCOP or PCOP) issued by the School District. Currently the offset is 15.04 percent. The Plan was not amended to reflect this change in funding policy. It should be noted that the actuary for the System was not asked to and did not review SB 09-282 prior to passage regarding the funding offset method used to determine the DPS employer rate. In a letter to the Executive Director, dated July 23, 2009, and presented to the DPSRS Board, the actuary for the System stated that, "the adopted rate of 0.49 percent of payroll **is not** adequate to fund the DPSRS retirement system, either before or after merger." This letter did not reflect the changes to benefits and employer contributions that resulted from the enactment of SB 10-001.

The Board of Education adopts changes in the employer contribution rates for the School District fiscal year beginning 18 months after the date of the annual actuarial valuation report. Shown below is a schedule of employer contribution rates, according to the Plan, compared to the ARC and the adopted rate, as of July 1 for each year. See Note 4, Contributions.

Beginning July 1	2009	2008	2007
Recommended	**13.92%**	14.01%	14.51%
Funding policy	**13.92%**	7.58%	12.83%
Adopted funding	**0.49%**	7.58%	12.83%

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. Changes in the employer contribution rate are effective July 1 of each year. Therefore, in the table shown below, the ARC and employer funding policy rates are blended rates or the average of the employer contribution rates for the year. The funding policy shown below for 2008 and 2009 reflects the effect of the $397.8 million contribution by the School District.

Blended Rates	2009	2008	2007
ARC	**13.97%**	14.26%	14.49%
Funding policy	**10.75%**	10.21%	11.99%
Adopted funding	**4.04%**	10.21%	11.99%

The table below compares employer contributions and the change in the employer contributions to the ARC over a three-year period.

	2009	2008	2007
Employer contributions	**$15,841,465**	$434,811,169	$40,572,810
Yearly % change	**(96.4%)**	971.7%	20.5%
ARC	**58,671,050**	52,341,226	48,967,382
% of ARC	**27.0%**	830.7%	82.9%

The 2009 employer contribution of $15.8 million was based on an employer contribution rate of 4.04 percent and was $42.8 million short of the ARC of $58.7 million. The contribution rate for 2010 of 1.39 percent is expected to result in significant under funding of the ARC for 2010.

Beginning in 2010, the member and employer contribution requirements are set by the C.R.S. §§24-51-401 *et seq.,* and incorporate changes resulting from SB 09-282 and SB 10-001. The DPS Division employer rate including the AED and the SAED is 17.45 percent before the 1.02 percent reduction for the DPS HCTF and the TVRCOP offset of 15.04 percent, resulting in a net employer contribution rate for 2010 of 1.39 percent. In comparison, the blended ARC, as determined by the actuary for the System, is 14.61 percent beginning January 1, 2010. Based on the current rates of employer contributions over the next several years, the funded status is expected to deteriorate, since the level of contributions will not cover the blended employer normal cost of 7.45 percent. SB 09-282 provides for the equalization of the funded status for the DPS Division and the School Division of Colorado PERA over a 30-year period determined by the true-up calculations every five years. See Note 9, Subsequent Events, Senate Bill 09-282 General Provisions.

Administrative expenses of the System increased 43.0 percent from 2008. This compares to a 2.4 percent increase in expenses in 2008. The administrative expenses represent 0.18 percent of plan net assets (0.14 percent in 2008).The increase in 2009 primarily is due to expenses incurred due to the merger of the System into a separate division within Colorado PERA. In the Schedule of Administrative Expenses, personnel services increased 16.5 percent from 2008. Included in personnel expenses is $167,434 for the accrual of the contractual severance payment due to the Executive Director. In addition, the DPSRS Board approved the purchase of service credit for the Executive Director in the amount of $164,676. The 14.1 percent increase in professional service expenses primarily is due to a significant increase in actuarial fees. Miscellaneous expenses increased 150.2 percent primarily due to $114,001 for office lease termination and additional rent expenses and an additional $946,272 for fiduciary liability insurance. The fiduciary liability insurance policy insures the DPSRS Board and System staff. The amount of coverage is $50 million for the 13-year period beginning January 1, 2010, through December 31, 2022.

STATEMENTS OF FIDUCIARY NET ASSETS
As of December 31, 2009, and 2008

	2009	2008
ASSETS		
Cash and short-term investments	$118,184,081	$104,606,089
Receivables		
Accrued interest and dividends	4,050,590	4,151,902
Contributions	1,361,263	990,750
Investment settlements	685,552,221	545,008
Other	817,890	396,644
Total receivables	691,781,964	6,084,304
Investments, at fair value		
Domestic stocks	670,252,155	738,170,024
International stocks	187,465,168	381,979,629
Alternative assets	192,070,939	148,571,212
Corporate securities	292,917,198	406,714,719
Government securities	130,296,836	173,853,763
Mortgage investments	337,621,672	333,999,035
Equity real estate	158,728,728	235,343,004
Total investments	1,969,352,696	2,418,631,386
Securities lending collateral	—	123,453,383
Prepaid expenses	3,790	41,341
Capital assets, at cost, net of accumulated depreciation of $1,034,578 ($942,985 in 2008)	85,989	189,509
Total assets	2,779,408,520	2,653,006,012
LIABILITIES		
Accounts payable and accrued expenses	8,057,556	11,828,460
Investment settlements	25,175,311	64,147,489
Securities lending obligations	—	123,453,383
Total liabilities	33,232,867	199,429,332
Net assets held in trust for pension benefits	$2,746,175,653	$2,453,576,680

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

For the Years Ended December 31, 2009, and 2008

	2009	2008
ADDITIONS (REDUCTIONS)		
Contributions		
Employer	$15,841,465	$434,811,169
Member	35,003,097	29,904,361
Total contributions	50,844,562	464,715,530
Investment income (loss)		
Interest	46,935,371	48,317,697
Net appreciation (depreciation) in fair value of investments	384,702,718	(890,059,163)
Dividends	26,204,069	27,617,694
Equity real estate	12,153,662	22,851,022
Alternative assets	600,992	(244,537)
Other	584,930	556,431
Total investment income (loss)	471,181,742	(790,960,856)
Investment expense	(10,685,667)	(12,857,240)
Net investment income (loss)	460,496,075	(803,818,096)
Securities lending income	798,501	5,431,432
Securities lending expense	(195,252)	(4,142,610)
Net income from securities lending	603,249	1,288,822
Total additions (reductions)	511,943,886	(337,813,744)
DEDUCTIONS		
Benefits paid to regular retirees	(203,254,025)	(196,229,960)
Benefits paid to disability retirees	(6,835,520)	(6,703,718)
Benefits paid to survivors	(1,561,582)	(1,483,630)
Refunds of contributions	(2,695,281)	(7,667,059)
Administrative expenses	(4,998,505)	(3,496,530)
Total deductions	(219,344,913)	(215,580,897)
Net increase (decrease) in net assets	292,598,973	(553,394,641)
Net assets held in trust for pension benefits		
Beginning of year	2,453,576,680	3,006,971,321
End of year	$2,746,175,653	$2,453,576,680

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009, and 2008

(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 (Board of Education) established the System on December 1, 1945, under Colorado law. The System is a cost-sharing multiple-employer defined benefit pension plan and was adopted 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, of the System and of charter schools within the School District, established under the Colorado Charter Schools Act of 1993.

The DPSRS 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 DPSRS Board is composed of six elected active members and two elected retired members of the System, two members appointed by the Board of Education, and one member, appointed by the other DPSRS Board members, with demonstrated expertise in pension administration or in investment matters.

On January 1, 2010, the System merged into Colorado PERA as a separate DPS Division pursuant to SB 09-282. Several Plan provisions and actuarial assumptions and methods are changed as a result of this legislation and by SB 10-001 passed in 2010. These changes in Plan provisions and certain changes consistent with Colorado PERA actuarial assumptions and methods are reflected in the 2009 actuarial valuation. See Note 9, Subsequent Events.

Plan Membership

At December 31, 2009, and 2008, the System's membership consisted of the following:

	2009	2008
Retirees and beneficiaries currently receiving benefits	**6,218**	6,186
Terminated members entitled to benefits but not yet receiving them	**584**	489
Current employees		
Vested	**4,683**	4,535
Nonvested	**3,387**	3,025
Total membership	**14,872**	**14,235**

The total membership does not include 690 terminated, non-vested former members and 64 former members who did not elect a deferred retirement under provisions of the Plan.

Member Accounts

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. If a member resigns prior to retirement, the member is entitled to a refund of accumulated member contributions, which includes interest. Terminating members are eligible for deferred retirement provided they have a minimum of five years of service. The following is a table of the interest rates applied to member accounts. The interest rate changes to 3 percent in 2010.

Calendar Year	Rate
1986 and prior years	3%
1987 through 1990	9%
1991 through 2009	5%

Service Retirements and Benefit Options

Members 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 five years of earned service, or age 50 with at least 30 years of earned service, are entitled to regular retirement benefits. Members who meet the above criteria at retirement are entitled to regular retirement benefits, payable monthly for life, in an amount equal to 2.5 percent of their 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 percent for each year of age or service the member lacks in fulfilling the minimum requirements for a regular retirement. A 6 percent 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. Retirement Options C, D, and E will not be available beginning in 2010.

Disability Retirement

The Plan also provides for a disability retirement. Members with five 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. Beginning in 2010, the eligibility requirements change to those of Colorado PERA.

Annual Benefit Increase

The Plan provides an Annual Retirement Allowance Adjustment (ARAA) increase in retired members' benefits. The current annual percentage increase for each member is 3.25 percent 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 percent or the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the preceding year compounded. Beginning in 2010, the ARAA is replaced with an annual increase (AI) and follows Colorado PERA rules.

Reporting Entity

The DPSRS 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 accrue benefits as would any other member as described above. The System's employer contributions for the years ending December 31, 2009, 2008, and 2007, of $63,164, $144,638, and $175,214, respectively, are equal to its required contributions for each year. The System's member contributions for the years ending December 31, 2009, 2008, and 2007, are $127,429, $112,969, and $116,592, respectively.

In addition, the System contributed $171,255, $161,476, and $179,614, for the same periods, for the cost of the PCOP issued by the School District on July 17, 1997, and TVRCOP issued April 24, 2008.

(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, 40 and 50, 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 is stated at estimated fair value at the date of the financial statements. Generally, this value is determined periodically (usually annually) by the adviser 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 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) §401(a). The System is a governmental plan as described in IRC §414(d). It therefore is exempt from federal income taxation under IRC §501(a).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009, and 2008

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, 2009, the liability for accumulated paid leave was $369,007 and $280,090 in 2008, and the annual expense was $86,812 and $70,954 in 2008.

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 and 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 *SIOP,* dated January 12, 2009. 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

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, 2009, was $94,600 and the bank balance was $1,075,124, in 2008 it was $306,498 and $1,369,118, respectively. Of the bank balances at December 31, 2009, and 2008, $250,000 are covered by federal depository insurance. In addition, $825,124 and $1,119,118 in 2008 of the bank balances are covered by the provisions of the Colorado Public Deposit Protection Act and are 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 table below summarizes the fair value of cash and short-term investments held by the System as of December 31.

	2009	2008
General operating bank accounts	**$94,600**	$306,498
Short-term government securities	**16,995,008**	—
Variable short-term account with custodial bank	**101,094,473**	104,299,591
Total cash and short-term investments	**$118,184,081**	$104,606,089

Investments

The following table presents the fair value of the System's investments at December 31, 2009, by investment type.

Investment Type	Fair Value
Domestic stocks	$614,035,364
Domestic corporate securities	113,237,654
U.S. Government and agency securities	80,353,959
Mortgage investments	250,756,446
Investments funds	
Domestic stocks	56,216,791
International stocks	187,465,168
Domestic corporate securities	179,679,544
U.S. government and agency securities	49,942,877
Mortgage investments	86,865,226
Real estate	158,728,728
Alternative assets	192,070,939
Total investments	**$1,969,352,696**

Concentrations of Credit Risk

The System's primary investment policy objective of the fixed income portfolio is to provide diversification and reduce the volatility of the overall portfolio.

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 percent of the fixed income securities at market value. Corporate securities of a single industry are limited to not more than 25 percent 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.

Credit Risk Debt Securities

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.

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	$223,846,179
AA	19,555,316
A	46,001,474
BBB	63,431,585
BB	26,842,332
B	22,635,681
CCC	12,915,444
CC	76,000
C	397,900
D	209,082
Not rated	7,303,041
Total debt securities	**$423,214,034**

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. The System does not have a policy on interest rate risk. The following table lists the effective weighted duration in years by investment type.

Investment Type	Fair Value	Effective Weighted Duration
Asset backed securities	$14,244,728	1.10
Commercial mortgage backed securities	7,079,302	5.05
Corporate bonds	72,700,228	5.68
Municipal bonds	236,270	10.75
Non-government backed C.M.O.s	17,504,032	.83
Government agencies	3,698,853	8.04
Government bonds	26,844,580	10.95
Government mortgage backed securities	42,878,891	2.72
Index linked government bonds	6,931,634	10.48
Pooled investments	229,622,421	4.06
Other	1,473,095	—
Total debt securities	**$423,214,034**	

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	Stocks	Alternatives	Total
Australian dollar	$6,768,256	$—	$6,768,256
Brazilian real	9,641,267	—	9,641,267
British pound	41,292,363	—	41,292,363
Canadian dollar	8,625,261	—	8,625,261
Chinese yuan	7,926,828	—	7,926,828
Euro	33,478,497	17,964,101	51,442,598
Hong Kong dollar	6,668,699	—	6,668,699
Indian rupee	1,744,759	—	1,744,759
Indonesian rupiah	2,008,332	—	2,008,332
Israeli shekel	1,551,043	—	1,551,043
Japanese yen	21,939,727	—	21,939,727
Malaysian ringgit	1,035,452	—	1,035,452
Norwegian krone	1,780,771	—	1,780,771
Russian rouble	1,013,307	—	1,013,307
Singapore dollar	4,560,226	—	4,560,226
South Korean won	6,722,719	—	6,722,719
Swedish krona	1,376,632	—	1,376,632
Swiss franc	14,833,247	—	14,833,247
Taiwan dollar	3,352,956	—	3,352,956
Thai baht	683,289	—	683,289
Turkish lira	546,009	—	546,009
Total foreign currency risk	**177,549,640**	**17,964,101**	**195,513,741**
United States dollar	9,915,528	—	9,915,528
Total	**$187,465,168**	**$17,964,101**	**$205,429,269**

Derivative Financial Instruments

The System invests in derivative financial instruments as authorized in the *SIOP* of the System. As of December 31, 2009, the System did not have derivative financial instruments with off-balance sheet risk. The System did have derivative financial instruments in 2008, 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 $0 in 2009 and ($926,544) in 2008.

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 the 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 $0 in 2009 and $342,174 in 2008.

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, the fair value of these contracts was $0 in 2009 and ($7,524,623) in 2008.

As of December 31, 2009, and 2008, the System had investments in the following derivative financial instruments. The contract or notional amounts do not represent the exposure to market loss.

	2009		2008	
Description	Contracts	Contract or Notional Value	Contracts	Contract or Notional Value
Long fixed income futures	—	$—	422	$211,454,070
Short fixed income futures	—	—	244	(45,502,016)
Interest rate swaps	—	—	3	5,302,000
Credit default swaps-buyer	—	—	6	(2,370,000)
Credit default swaps-seller	—	—	35	28,104,965
Short put options	—	—	291	95,266,375
Short call options	—	—	109	(53,048,000)

Securities Lending Collateral and Obligations

The System participated in a securities lending program through November 2009, in accordance with the provisions of a contract between the System (lender) and its custodial agent, NTC (agent). The 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 not less than 102 percent of the market value for domestic securities, and 105 percent for international securities, plus accrued income, of the borrowed securities. Collateral is marked to market daily with additional collateral required or (returned) when the value of the collateral falls below the minimum or (exceeds) requirements. The System retains all beneficial rights to the loaned securities except for the ability to vote proxies. The agent 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 the agent and the borrower. The System receives revenue from the loaned securities, less the borrower rebate and loan fees or premiums and the agent lending fees. The lending fees were 24 percent of the gross revenue. The agent will indemnify the System for losses the System may incur if the agent is unable to recover borrowed securities and distributions as a result of borrower defaults if the agent is in non-compliance with the lending agreement and applicable law. The System had no credit risk exposure at December 31, 2008, because the amount the System owed the borrowers exceeded the amount the borrowers owed the System.

There were no losses as a result of borrower or lending agent default as of December 31, 2009, and 2008.

As of December 31, 2009, the value of loaned securities was $0 and $121,846,259 in 2008. The value of the associated collateral was $0 and $123,453,383 in 2008. Income from securities lending, net of borrower rebates and lending fees, was $603,249 for the year ended December 31, 2009, and $1,288,822 in 2008.

On September 18, 2008, the agent declared a collateral deficiency in the cash collateral pool when the net asset value of the cash collateral pool fell below $1 per unit. The agent accrued a receivable due from the System in the amount of $3,189,175, representing the System's proportionate share of the deficiency in the cash collateral pool at the date the agent declared the deficiency. Following the accrual of the receivables from clients to reflect the deficiency, the market-to-book ratio was 1.00. Any capital distribution from the collateral pool is to be determined at the sole discretion of the agent.

On October 2, 2008, the System elected to participate in a staged withdrawal from the current securities lending program with the agent. The System received a $383,663 support payment from the agent on October 29, 2008, to offset a portion of the System's losses related to the collateral pool deficiency.

In November 2009, the System completed the staged withdrawal and paid the accrued collateral deficiency, including the purchase of sub-fund unit assets, in the amount of $3,321,737. The settlement resulted in a recognized loss of $3,189,175.

(4) Contributions

The actuary of the System issues an annual report as of January 1 of each year. The Board of Education adopts changes in the employer contribution rates for the School District fiscal year beginning 18 months after the date of the annual actuarial valuation report. Employer contributions are based on the funding policy required by Plan provisions. The provision for the funding policy was amended in 2005, to provide for the phase-in of the employer contribution rate equal to the full ARC over a four-year period. The phase-in dates for the rate adjustments are July 1, 2005, 2006, 2007, and 2008, respectively. On April 24, 2008, the System received $397,800,000 from the proceeds of the issuance of the TVRCOP by the School District. The proceeds effectively fully funded the UAAL of the System. Subsequent to the receipt of the proceeds from the TVRCOP, the employer contribution rate was reduced from 14.01 percent to the employer normal cost of 7.58 percent, as reflected in the December 31, 2006, actuarial valuation. The effective period for the change is July 1, 2008, through June 30, 2009.

In 2009, the DPSRS Board sent a recommendation to the Board of Education to approve an employer contribution rate of 13.92 percent, effective July 1, 2009. The recommendation was based upon the December 31, 2007, actuarial valuation. The Board of Education did not accept the recommendation from the DPSRS Board.

The Board of Education changed the policy for funding the System in 2009 to reflect the funding policy specified in SB 09-282 effective January 1, 2010, as if the System was in the DPS Division of Colorado PERA as of July 1, 2009. On June 18, 2009, the Board of Education passed Resolution 3164 and established the employer contribution rate at 15.53 percent for the period beginning July 1, 2009, through December 31, 2009. The employer contribution rate was based upon the employer rate for the DPS Division of Colorado PERA contained in SB 09-282 and current additional employer rates for School Division employers of Colorado PERA. Additionally, the employer rate was offset by the District's assumed payments on the outstanding TVRCOP and PCOP, at an assumed interest rate of 8.5 percent, as provided in SB 09-282. The offset is expressed as a percentage of covered payroll and is 15.04 percent, as provided by the staff of the School District. The resulting net contribution to the plan is 0.49 percent. The Board of Education believes, as stated in Resolution 3164, based on information reasonably available, it is actuarially sound to establish the employer contribution rate at 0.49 percent. See Note 9, Subsequent Events.

Prior to the enactment of SB 10-001, the DPSRS Board and the management of the System expressed strong disagreement with the assertion that the net contribution rate of 0.49 percent is actuarially sound. In a letter delivered to the members of the Board of Education, dated August 24, 2009, regarding the 0.49 percent conribution rate, the DPSRS Board stated, "Therefore it is not actuarially sound, either determined by generally accepted actuarial principles or by the applicable statute." For a system with unfunded liabilities, a contribution rate less than the actuarial normal cost and including no provision for amortization of the UAAL does not meet the generally accepted standards of maintaining an actuarially sound system. The DPSRS Board and the management of the System believe this schedule of employer contributions will lead to a substantial decline in the funded status and soundness of the DPS Division in the future in the absence of significant changes in benefits and employer contributions.

Members are required to contribute 8 percent 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. The District contributions to the System totaled $15,841,465 in 2009 and $434,811,169 in 2008, including the TVRCOP proceeds. Member contributions totaled $35,003,097 and $29,904,361 for 2009 and 2008, respectively.

(5) Funded Status and Funding Progress
(Dollars in Thousands)

The funded status of the System as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (1)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (3)	Funded Ratio (1)/(2) (4)	Annual Covered Payroll (5)	UAAL As a Percent of Covered Payroll (3)/(5) (6)
$2,917,927	$3,304,766	$386,839	88.3%	$491,750	78.7%

Actuarial Assumptions and Methods

The funded status of the System is based upon actuarial assumptions applied to the benefit provisions of the substantive plan, member data, and the value of reported amounts and the probability of occurrence of events in the future. Actual experience of the System will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

A Schedule of Funding Progress immediately follows the Notes to the Financial Statements in Required Supplementary Information and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Valuation date	January 1, 2010
Actuarial cost method	Entry age normal
Amortization method	Level percentage of increasing payroll
Amortization approach	Open
Remaining amortization period	30 years at each valuation date
Asset valuation method	Smoothing 25 percent of difference between actual and assumed investment returns
Actuarial assumptions:	
Investment rate of return	8.00%
Including inflation at	4.50%
Projected salary increases	Varies based upon service and age from 4.5% to 10.7%
Including inflation at	3.75%
Cost-of-living adjustments	0% for 2010; 2.0% after 2010 compounded annually

(6) 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 excluded from the computation of the actuarial accrued liability of the System. The balance in the FBE at December 31, 2009, and 2008 was $0.

(7) Commitments and Contingencies

As of December 31, 2009, the System had commitments for future investments in alternative assets and real estate of $133,291,823 and $154,997,996 in 2008.

SB 09-282 provides that System staff become at-will employees of Colorado PERA on January 1, 2010. In May 2009, the DPSRS Board approved a retention payment plan for certain System staff. All full-time System staff employed as of July 14, 2008, and who remain employed by Colorado PERA for a period of 90 days subsequent to the date of the merger were eligible for the retention payment. The payment is equal to 10 percent of annual salary earned as of December 31, 2009. The total amount of the retention payment of $123,577 was not accrued as an expense as of December 31, 2009. Colorado PERA made the payment distribution on April 1, 2010, and it was charged to the DPS Division.

(8) Administrative Expenses

Expenses for the administration of the plan, including the System, are budgeted and approved by the DPSRS Board. Plan assets, including investment income, are used to pay plan expenses.

The System leased office space under an operating lease that expires June 30, 2011. The System terminated the lease, effective December 31, 2009, due to the merger of the System into Colorado PERA. The System paid a lease a termination fee of $98,973 according to the terms of the lease and rent for January 2010. Rent expense for the years ended December 31, 2009, and 2008, was $311,451 and $188,169, respectively.

(9) Subsequent Events

Senate Bill 09-282 General Provisions

SB 09-282 mandates the merger and transfer of the assets of the System into Colorado PERA as a separate DPS Division within Colorado PERA, effective January 1, 2010. Governor Ritter signed the bill on May 21, 2009. The bill incorporates certain provisions of the Plan into statute and requires the Colorado PERA Board to administer the provisions of the Plan for System members. It allows for the portability of benefits between the DPS Division and other divisions within Colorado PERA. A non-voting ex officio member is appointed by the Board of Education to the Colorado PERA Board from the DPS Division. Beginning July 1, 2012, this member will be elected by the membership of the DPS Division. The bill provides for the equalization of the funded status of the DPS and School Divisions of Colorado PERA over a 30-year period. In addition, a separate health care trust fund is created for the DPS Division and allows System retirees to participate in PERACare, which is the Colorado PERA health care program for retirees and benefit recipients. Beginning in 2010, hourly and part-time employees become members in the DPS Division and cease participation in Social Security.

The statutory employer contribution rate for the DPS Division is set at 13.75 percent from 2010 through 2012 and 14.15 percent thereafter. These rates include 1.02 percent to fund the DPS HCTF. The member contribution rate currently is set at 8 percent. In addition, DPS Division employers are subject to the Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED), as outlined in statute. Beginning January 1, 2010, the employer contribution rate, including the AED and SAED, is 16.43 percent for the DPS Division employers, exclusive of the 1.02 percent contribution to the DPS HCTF. The DPS Division required contributions are to be reduced by an amount equal to the School District obligations related to the PCOP issued in 1997 and the TVRCOP issued in 2008, at an assumed interest rate of 8.5 percent and expressed as a percentage of payroll. This rate is 15.04 percent as represented by School District staff. The resulting employer contribution rate for DPS Division employers in 2010 is 1.39 percent.

Language in the bill recognizes the effort to equalize the funded status of the DPS Division and the School Division of Colorado PERA. Beginning January 1, 2015, and every fifth year thereafter, the bill requires a true-up calculation to confirm the equalization of the funded status of these two divisions. The true-up calculation is an actuarial projection to assure the funded status of these divisions will be equal in 30 years. The true-up calculation compares the ratio of the UAAL to the valuation payroll between the DPS Division and the School Division of Colorado PERA. In the event a true-up calculation does not project equalization between these divisions over a 30-year period, the Colorado PERA Board shall recommend an adjustment of the DPS Division employer contribution rate to the Colorado General Assembly.

Senate Bill 10-001 General Provisions

On February 23, 2010, Governor Ritter signed into law SB 10-001. The bill modifies Colorado PERA state statutes in an effort to achieve 100 percent funded status within the next 30 years. Provisions of the bill affecting the DPS Division include changes to the employer contributions rates, the AI, retirement eligibility, and the calculation of HAS. The employer rate increase of 0.4 percent scheduled for 2013 is eliminated. The AED and SAED are extended from 2012 and 2013, respectively. The scheduled AED is extended for 2013 through 2015 at 0.4 percent per year and 0.3 percent in 2016, but not to exceed 4.5 percent in total. The scheduled SAED is extended for 2014 through 2018 at 0.5 percent per year, but to exceed 5.5 percent in total.

The AI for 2010 is reduced to the lesser of the CPI-W or 2 percent resulting in a 0.0 percent AI, and the payment of the increase is moved from March to July. Beginning in 2011, the AI is capped at 2 percent.

Age and service requirements for a full or unreduced retirement benefit are changed to a modified rule of 85 for members with less than five years of service as of January 1, 2011. A modified rule of 88 applies to new hires on or after January 1, 2011, but before January 1, 2017. For new hires hired on or after January 1, 2017, the modified rule of 90 generally will apply. The reduction factors of 4 percent or 6 percent used for an early or reduced retirement benefit are changed for members not eligible to retire as of January 1, 2011. Subsequent early retirements are calculated to be actuarially equivalent to the Option A benefit.

Calculation of the HAS changes for members not eligible to retire on January 1, 2011. For those members the HAS is a 3-year HAS with a base year and an 8 percent spike cap instead of the highest 36 months of service credit.

The full text of Senate Bills 09-282 and 10-001 can be found online at the State of Colorado Web site at http://www.leg.state.co.us.

Lawsuit Regarding Senate Bill 10-001

On February 26, 2010, a civil action was commenced in the Denver District Court, *Justus, et al. v. State of Colorado et al.,* Case No. 2010 CV 1589, wherein the plaintiffs, who claim to be acting on behalf of a class of individuals, allege that a portion of SB 10-001 is unconstitutional. SB 10-001 was passed by the General Assembly on February 17, 2010, and signed into law by Governor Bill Ritter on February 23, 2010. The provision that is the subject matter of the civil action is that portion of SB 10-001 that modifies the annual increase payable to existing PERA retirees and the annual increase that will be payable in the future to PERA members who were eligible to draw retirement benefits as of the effective date of the bill. Also named in the litigation are the State of Colorado, Governor Bill Ritter, Colorado PERA Board Chair Mark Anderson, and Colorado PERA Board Vice Chair Sara Alt. The individuals are named exclusively in their official capacity. The maximum potential damages arising from this Civil Action consist of the payment of additional statutory benefits beyond those provided for by the provisions of SB 10-001. In the event the pertinent portion of SB 10-001 was held to be unconstitutional by an unappealable final court order, Colorado PERA would be required to pay the annual increase in effect prior to the passage of SB 10-001. The nature of the relief sought is a mandatory injunction requiring the payment of annual increases going forward based on the PERA statutes as they existed prior to passage and enactment of SB 10-001. The entry of such a mandatory injunction would have material actuarial impact on the funded status of the Plan which will negatively affect the long-term sustainability of the Plan.

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 funded 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.

Schedule of Funding Progress (Unaudited)

(Dollars in Thousands)

Actuarial Valuation Date January 1,	Actuarial Value of Assets (1)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (3)	Funded Ratio (1)/(2) (4)	Annual Covered Payroll (5)	UAAL As a Percent of Covered Payroll (3)/(5) (6)
2005	$2,611,524	$2,960,990	$349,466	88.2%	$315,157	110.9%
2006	2,693,686	3,065,855	372,169	87.9%	318,405	116.9%
2007[1]	2,854,304	3,233,713	379,409	88.3%	328,609	115.5%
2008	2,968,794	3,383,258	414,464	87.7%	357,049	116.1%
2009	2,944,292	3,493,011	548,719	84.3%	388,652	141.2%
2010[2]	**2,917,927**	**3,304,766**	**386,839**	**88.3%**	**491,750**	**78.7%**

Schedule of Employer Contributions (Unaudited)

Year Ended December 31,	Annual Required Contribution	Employer Contributions	Annual Percentage of ARC Contributed	Annual Required Contribution Percentage[3]
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%
2007[1]	48,967,382	40,572,810	82.86%	14.49%
2008	52,341,226	434,811,169[4]	830.72%[4]	14.26%
2009	**58,671,050**	**15,841,465**	**27.00%**	**13.97%**

[1] 2007 reflects actuarial assumptions and methodologies adopted in 2007 and applied retroactively to the beginning of the year.

[2] 2010 reflects changes in accordance with SB 09-282 and SB 10-001.

[3] The ARC percentage is shown as a blended rate. Employer contribution rates are adjusted effective July 1 of each year.

[4] Excluding the $397,800,000 one-time contribution, the percentage of ARC contributed is 70.7 percent.

Unaudited – see accompanying notes to the required supplementary information and accompanying independent auditors' report.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
December 31, 2009

Significant Factors Affecting Trends in Actuarial Information

2010 Changes in Plan Provisions and Actuarial Assumptions as a Result of SB 09-282 and SB 10-001

- The ARAA, which is paid in January, is replaced by the Colorado PERA annual increase (AI), which is paid in March of each year. To compensate for the shift in the payment date, eligible System retirees received a .05417 percent increase in January 2010 or a two-month proration of the annual 3.25 percent ARAA.
- The date for the AI is changed from March to July of each year. Effective February 23, 2010, the AI for 2010 is changed to the lesser of 2.0 percent or the CPI-W. The AI for 2010 is zero since the CPI-W was negative for 2009. System retirees will not receive an AI beyond the 0.5417 percent adjustment noted above in 2010.
- The determination of the AI was changed for 2010 and for those members eligible to retire on or after January 1, 2011.
- The annual interest rate credited to member accounts changes to 3 percent from 5 percent.
- Disability retirement is no longer available under the System program requirements, but is available under the PERA provisions.
- Hourly and part-time employees become members in the DPS Division; 4,146 hourly and part-time members are included in the 2009 actuarial valuation.
- The December 31, 2009, actuarial valuation includes changes in certain actuarial assumptions and methods consistent with Colorado PERA.
- The normal cost for each member is based on the tier of benefits for which the member was eligible instead of the benefit tier applicable to new hires.
- Early retirement reduction factors of 4 percent and 6 percent are changed to actuarial equivalence for those members not eligible to retire on or after January 1, 2011.
- Beginning January 1, 2010, the employer contribution rate is set by state statute. The DPS Division employer contribution rate is 17.45 percent before reductions. This rate is reduced by interest and principal payments on TVRCOP and the PCOP issued by the School District, expressed as a percentage of covered payroll. The offset rate, as provided by the School District is 15.04 percent in 2010, resulting in a DPS Division net employer contribution rate of 1.39 percent.
- Retirement options are reduced from seven to four with the elimination of Options C, D, and E.
- The definition of salary used in the calculation of HAS changes to earned pay from rate of pay. Earned service accruals are based on pay received instead of elapsed time worked.
- The option to purchase non-covered service prior to 2010 at a discounted rate no longer is available. The rate to purchase non-covered service changes from 34 percent of HAS for each year of service purchased to the published PERA rates.
- Age and service requirements for a full or unreduced retirement benefit are changed for members with less than five years of service as of January 1, 2011, and for new members on or after January 1, 2011.

2009 Changes in Plan Provisions and Actuarial Assumptions

- Effective January 1, 2009, all resigned and terminated members with five or more years of service are considered deferred members and are not required to sign a form of intent to apply for a deferred retirement.
- On June 18, 2009, the Board of Education for School District No. 1 adopted an employer contribution rate of 0.49 percent for the period from July 1, 2009, through December 31, 2009. The recommended employer contribution rate is 13.92 percent, effective July 1, 2009.
- Effective November 2, 2009, the economic assumptions for investment returns and wage inflation changed to 8.00 percent and 4.50 percent from 8.50 percent and 4.50 percent, respectively.

2008 Changes in Plan Provisions and Actuarial Assumptions

- On April 24, 2008, the School District contributed $397,800,000 to the System to fully fund the unfunded actuarial accrued liability of the System. This resulted in a reduction of the employer contribution rate to 7.58 percent from 14.01 percent, effective for the period from July 1, 2008 through June 30, 2009.
- The commencement date of benefits for deferred retirements was changed to 30 days after application from the first day of the month following eligibility for a deferred retirement.
- All subsidies in the calculation of the benefit payment options are removed effective January 1, 2009.

2007 Changes in Plan Provisions and Actuarial Assumptions

- The employer contribution rate 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. Effective July 1, 2007, the employer contribution rate is 12.83 percent.
- Effective January 1, 2007, the actuarial value of assets is re-set to the market value as of December 31, 2006.
- Effective January 1, 2007, the actuarial asset smoothing method changed to recognize 25 percent of the difference between actual and assumed investment returns in the funding value of assets. In prior years, the smoothing method used recognized 20 percent of the difference between the market and expected values of assets in the funding value of assets.
- Based on an actuarial experience study, salary increase, withdrawal, retirement, disability, and mortality assumptions are changed effective January 1, 2007.

2006 Changes in Plan Provisions and Actuarial Assumptions

- The employer contribution rate 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. Effective July 1, 2006, the employer contribution rate is 11.14 percent.

2005 Changes in Plan Provisions and Actuarial Assumptions

- 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 returns and wage inflation changed to 8.50 percent and 4.50 percent from 8.75 percent and 4.00 percent, respectively.
- The actuarial reduction on optional early retirements increased to 6 percent from 4 percent 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 percent compounded to the lesser of 3.00 percent or the increase in the CPI-W 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 and Actuarial Assumptions

- The Option A benefit is enhanced by adding a death benefit that provides the payment to the designated beneficiary or beneficiaries 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.

ADDITIONAL SUPPORTING SCHEDULES
For the Years Ended December 31, 2009, and 2008

Schedules of Administrative Expenses

	2009	2008
PERSONNEL SERVICES		
Salaries	$2,103,752	$1,695,928
Employee benefits	438,491	486,168
Total personnel services	2,542,243	2,182,096
PROFESSIONAL SERVICES		
Legal fees	99,933	144,387
Actuarial fees	277,364	104,550
Audit fees	78,550	70,150
Consultants and outside services	168,001	169,914
Maintenance agreements	74,627	123,007
Total professional services	698,475	612,008
MISCELLANEOUS EXPENSES		
Insurance	1,098,032	153,655
Subscriptions and research materials	7,986	9,564
Investment services	36,000	36,000
Computer system software	2,117	865
Computer supplies	10,479	10,195
Registrations, conferences and memberships	12,701	23,819
Planning and meeting	11,549	6,085
Telephone	15,733	16,384
Travel	12,301	25,883
Office rent	311,451	188,169
Office supplies	17,496	13,171
Advertising	—	4,325
Postage and printing	96,258	84,676
Equipment repair	322	2,446
Depreciation	103,318	105,458
Lobbying expense	21,500	21,500
Other	544	231
Total miscellaneous expenses	1,757,787	702,426
Total administrative expenses	$4,998,505	$3,496,530

See accompanying independent auditors' report.

Schedules of Investment Expenses

Description	2009	2008
Domestic stock	**$3,865,631**	$4,242,222
International stock	**2,726,991**	2,993,934
Domestic fixed income	**1,128,002**	1,000,341
Mortgage, real estate and other investments	**2,921,543**	4,577,243
Total external manager fees	**10,642,167**	**12,813,740**
Custody fees	**43,500**	43,500
Total investment expenses	**$10,685,667**	**$12,857,240**

Schedules of Payments to Consultants

Nature of Service	2009	2008
Legal	**$99,933**	$144,387
Actuarial	**277,364**	104,550
Management consulting	**204,001**	205,914
Audit	**78,550**	70,150
Information systems	**74,627**	123,007
Total payments to consultants	**$734,475**	**$648,008**

See accompanying independent auditors' report.

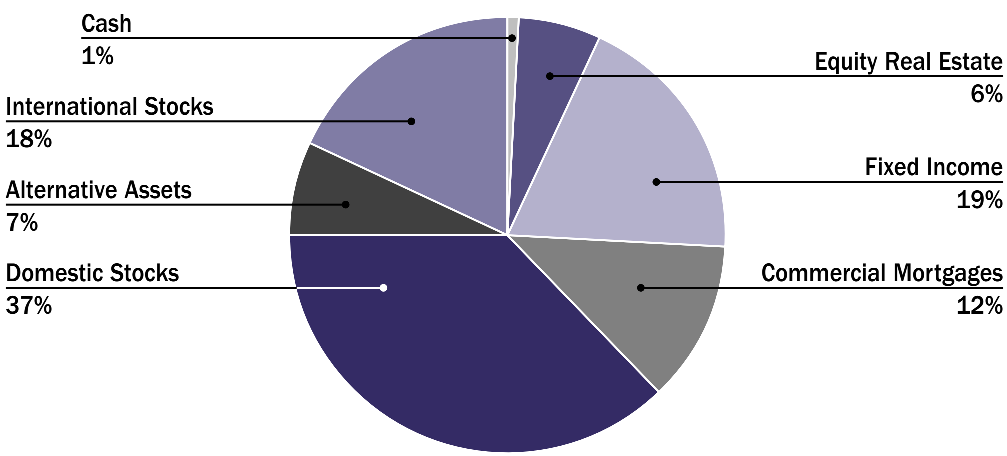
2009

INVESTMENT SECTION

INVESTMENT SUMMARY
December 31, 2009

Type of Investment	Financial Assets	Adjustment	Allocation Assets	Percent Total Actual	Percent Total Target
Cash	$118,184,081	$(98,544,361)	$19,639,720	1%	0%
Fixed income:					
Corporate securities	292,917,198	64,670,546	357,587,744		
Government securities	130,296,836	46,580,844	176,877,680		
Total fixed income	423,214,034	111,251,390	534,465,424	19%	19%
Commercial mortgages	337,621,672	—	337,621,672	12%	13%
Domestic stocks	670,252,155	337,309,016	1,007,561,171	37%	34%
International stocks	187,465,168	310,360,865	497,826,033	18%	18%
Equity real estate	158,728,728	—	158,728,728	6%	9%
Alternative assets	192,070,939	—	192,070,939	7%	7%
Allocation assets	**2,087,536,777**	**660,376,910**	**2,747,913,687**	100%	100%
Receivables and other assets	691,871,743	(685,552,221)	6,319,522		
Liabilities	(33,232,867)	25,175,311	(8,057,556)		
Net assets	**$2,746,175,653**	**$—**	**$2,746,175,653**		

Diversification of Assets
At December 31, 2009



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. In addition, the cash due or payable on unsettled transactions is reflected as an asset or liability for financial reporting purposes, but is considered settled in determining the value of the managed account.

By Amy C. McGarrity, Former Chief Investment Officer

2009 Economic Overview

When the economic overview for the 2008 *CAFR* was written, the kind of recovery we have seen in the markets during 2009 seemed like a fantasy; possible, but only in a rose-colored imagination. At the onset of 2009, economies around the world continued to suffer as economic recovery seemed distant. Worries surrounding the fate of the global economy abounded, as major economies worldwide were deep in recession. During the second quarter, "green shoots" of economic recovery began to appear, and "less bad" economic news brought cautious optimism. By the end of the year, economic recovery seemed to be taking hold and markets responded with eager anticipation.

Coordinated and independent fiscal and monetary global response efforts were made around the world, hoping to stem the economic decline. Near the end of the year, these unprecedented efforts began to have an impact, and recovery, however loosely defined, seemed imminent. Annual real GDP growth in the U.S. started out the year at negative 6.4 percent after a negative 5.4 percent (annual) in the fourth quarter of 2008. By the third quarter of 2009, real annualized GDP growth was 2.2 percent and ended the year at a considerably stronger 5.7 percent. Fiscal stimulus in the U.S. is estimated to have added 1 percent to GDP growth during the year.

Throughout the year, as various global stimulus efforts took hold, some countries began to experience varying levels of economic recovery. In the U.S., the Federal Reserve maintained a near-zero target federal funds rate in an effort to encourage lending. In addition to efforts to spur lending to corporations, loan modification programs and various other Government-sponsored initiatives attempted to spur consumer activity and stem the tide of residential housing foreclosures. The U.S. government instituted a multitude of programs designed to assist targeted areas of the economy, some of which included commercial lending, residential and commercial real estate lending and consumer lending. Government intervention sought to stabilize the financial system, thus aiding credit markets, which would be expected to flow to the rest of the economy. The U.S. government also instituted temporary tax relief to many Americans, in an effort to ignite economic activity through consumer spending. By year-end, many areas of the credit markets had loosened up, though some remained relatively inactive.

Despite improvement in earnings and economic forecasts, employers in the U.S. continued to reduce their headcount; unemployment stood at 7.4 percent at the end of 2008, peaked in October 2009 at 10.1 percent and closed the year at 10.0 percent. Since the start of the recession, it has been estimated that over seven million jobs have been lost in the U.S. through year-end.

Given the slack in employment and potential downward pressure on wage inflation, some economists are less concerned about near-term inflation despite the fiscal deficits (current and projected) in the U.S. Inflation (CPI-U, not seasonally adjusted) during 2009 was 2.7 percent. During the year, the U.S. dollar was weak against the Euro and the Pound, and strong relative to the Yen.

Market Overview

2009 saw continued market volatility, as the economic landscape changed dramatically throughout the year. Markets responded and the healing began.

In the U.S. equity market, mid cap stocks fared better than small and large, returning 40.5 percent for the year, compared to 27.2 percent and 28.4 percent, respectively, as measured by the Russell equity indices. Information technology, materials and consumer discretionary stocks led the broad Russell 3000 Index for the year, while utilities, telecommunications and financial stocks lagged on a relative basis. Large cap growth stocks outperformed large cap value stocks by a wide margin for the year, as the Russell 1000 Growth Index returned 37.2 percent versus 19.7 percent for the Russell 1000 Value Index.

International equities also had a strong 2009, returning 31.8 percent as measured by the MSCI EAFE Index–unhedged. U.S. investors benefitted from a weakening dollar, as investors earned 24.7 percent in local currency terms. Japan was relatively weak during the year, returning 6.3 percent while Europe returned 35.8 percent. Emerging markets had a very strong year, returning 79.0 percent as measured by the MSCI EMF Index–unhedged for U.S. investors and 62.8 percent in local currency terms.

Fixed income had a positive 2009, as the credit markets thawed; the Barclays Capital U.S. Aggregate Index returned 5.9 percent for the year. Broadly, credit led the way, returning 16.0 percent while treasuries lost 2.2 percent as investors sought to increase their potential return and fled from the low-yielding safety of U.S. treasuries. The high yield sector saw some recovery from 2008, gaining 56.3 percent as measured by the Merrill Lynch High Yield Master Index. Commercial mortgage backed securities also saw improvement despite continued pressure on commercial real estate. Governmental stimulus-based lending programs improved demand for these securities, helping them gain 28.5 percent for the year.

Equity real estate, as measured by the (unlevered) NCREIF Property Index, lost 16.9 percent during the year. From the peak of the index through December 31, 2009, commercial real estate (unlevered) has lost 37.8 percent. Commercial real estate continued to feel the pain of the recession, with increased vacancies and continued market deterioration. Private equity, in general, started to experience some recovery, as credit markets eased and near-term exit opportunities became more realistic. Fundraising in the private equity space remained challenging.

System Performance

(returns presented gross of fees)

The System's diversified portfolio of investments participated broadly in the general market rebound. Despite this, we still feel the sting of 2008's market losses and have certainly not recovered to that asset high water mark. For the year ended December 31, 2009, the System's investment portfolio gained 19.9 percent (gross of fees). The System's Custom Index benchmark gained 20.0 percent over the same period. Relative to the Callan Associates' Public

Fund universe, the System's portfolio was in the 50th percentile of funds, meaning that it outperformed roughly 50 percent of this peer group for the year.

For the year, the aggregate return on the domestic stock portfolio was 35.7 percent versus 30.4 percent for the custom benchmark (50 percent S&P 500/50 percent Russell 2500). Generally, the System's managers were able to add value during the year relative to their respective benchmarks. The domestic stock portfolio outperformed 95 percent of the System's public fund peers in 2009.

The System's international stock portfolio underperformed its index and peer group benchmarks. For the year, the System's international stock composite returned 31.2 percent versus 31.8 percent for the MSCI EAFE Index unhedged and 36.7 percent for Callan Associates' median public fund international stock composite.

The System's fixed income portfolio had significant relative outperformance. Just as the credit exposure in the portfolio hurt relative performance in 2008, it helped relative performance for 2009 as credit outperformed. For the year, the fixed income portfolio returned 19.6 percent versus 5.9 percent for the Barclays Capital U.S. Aggregate Index and 11.9 percent for the median public fund fixed income composite. The System's commercial mortgage portfolio gained 13.7 percent during the year. This portfolio is mainly comprised of whole-loan mortgages which are typically originated and held to maturity.

For the year, the System's equity real estate portfolio lost 33.0 percent versus negative 16.9 percent for the NCREIF Index. The real estate managers are actively managing the assets within the portfolio and expect to be well-positioned when the market starts to recover.

Finally, the System's alternative asset portfolio, comprised mainly of private equity partnerships, returned 12.6 percent during 2009, compared to the Russell 2500 Index return of 34.4 percent. The System's private equity portfolio consists of private equity, venture capital, mezzanine debt, and distressed assets and is a mixture of funds-of-funds and direct partnerships.

Goal

The *Statement of Investment Objectives and Policies (SIOP)* 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 *SIOP* as well as recent investment results.

Investment Responsibilities

Colorado state statutes designate the DPSRS Board as the ultimate fiduciary of the assets of the System. The DPSRS Board must approve all decisions relating to the *SIOP*. The DPSRS Board has delegated the implementation of the *SIOP* to the Investment Committee, a five-person sub-committee of the DPSRS Board. Responsibilities of the Investment Committee include, but are not limited to, recommending investment policy changes to the DPSRS 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 DPSRS Board as part of the *SIOP*. The Statement's asset allocation parameters were last revised March 5, 2007, reflecting the results of an asset/liability modeling study that was conducted late in 2006. The revised asset allocation adopted in 2007 is reflected in this report.

The overall target asset allocation as of December 31, 2009, can be divided into 68 percent equity-type investments (domestic, international, real estate equity, and alternative assets) and 32 percent 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 60 percent to 76 percent of total investments.

Asset Allocation Targets and Ranges
As of December 31, 2009

Asset Class	Low	Target	High
Total Domestic Stock	29%	34%	39%
Large Capitalization Stock	12%	17%	22%
Small/Mid Capitalization Stock	12%	17%	22%
International Stock	13%	18%	23%
Alternative Assets	2%	7%	12%
Equity Real Estate	6%	9%	12%
Fixed Income	24%	32%	40%
Fixed Income Securities	16%	19%	22%
Commercial 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 stock portfolio is managed passively (indexed), and a portion is actively managed.

The asset allocation provides for approximately 17 percent in large capitalization domestic issues, 17 percent in small/mid capitalization domestic issues, and 18 percent in international issues. As a general practice, stock holdings in a single company should not exceed 5 percent of a manager's portfolio at cost or 8 percent at market value. Also, as a general practice, holdings in any single industry sector should not exceed 40 percent 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 DPSRS Board recognizes 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 percent of the fixed income securities at market value. Concentrations in the corporate securities of a single industry are limited to not more than 25 percent of fixed income securities at market value.

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

Commercial Real Estate 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 generally limited in size to not more than 5 percent of the total mortgage portfolio, with a possible increase up to 7 percent, depending on the terms of the mortgage. Due to the broad diversification characteristics represented by mortgage pools and commingled mortgage funds, the 5 percent 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 percent interest in any one commingled fund, nor will an initial investment in any one individual property be more than 10 percent of the total equity real estate portfolio.

Alternative Assets
Alternative Assets is considered a distinct asset class in the System's *SIOP* and generally is defined as assets that are not publicly traded, lack liquidity, and are not subject to financial market regulations. For the purposes of the System's investment policy, the alternative assets asset class is divided into two separate categories: private equity and other alternative investments. As of December 31, 2009, all of the System's 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 percent interest in any single alternative asset investment.

Investment Management Objectives

The *SIOP* provides for performance objectives for the total fund as well as for individual managers. As presented in the table on the next page, 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 DPSRS Board.

The objective of investment in commercial mortgages is to maintain a portfolio of high quality commercial 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 Barclays Capital U.S. Credit A Intermediate Index 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.

Investment Management Performance Objectives

	Total Fund	Stock Specialist Managers	Fixed Income Specialist Managers
Relative to inflation	CPI + 5.25% annually	N/A	N/A
Relative to an institutional universe	Top 50%	Top 40%	Top 40%
Relative to an index	Exceed a Custom Index weighted as follows: • S&P 500–17% • Russell 2500–24%[1] • Barclays Capital U.S. Aggregate–19% • Barclays Capital U.S. Credit A Intermediate –13% • NCREIF Property–9% • MSCI EAFE–18%	*Large Cap:* Exceed appropriate Russell 1000 Index *Small/Mid Cap:* Exceed appropriate Russell 2500 Index *Real Estate Equity:* Match NCREIF Property Index *International:* Exceed MSCI EAFE Index	Exceed Barclays Capital U.S. Aggregate Index

[1] Includes 7% allocation to Alternative Assets

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. As of December 31, 2009, 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 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 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 2005-2009 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 industry standards. Comparable indexes also are presented below each asset class.

TOTAL RETURNS

	2005	2006	2007	2008	2009	3-Year	5-Year
Total Fund	10.65%	12.61%	10.07%	(24.31%)	**19.93%**	(0.03%)	4.48%
Total Fund Custom Index[1]	7.79%	13.54%	6.77%	(24.31%)	**19.97%**	(1.03%)	3.48%
Domestic Stock	7.62%	11.63%	7.40%	(35.26%)	**35.73%**	(1.91%)	2.54%
Custom Benchmark[2]	6.51%	16.09%	3.46%	(36.85%)	**30.41%**	(5.20%)	1.05%
International Stock	15.34%	22.62%	17.09%	(41.61%)	**31.21%**	(3.56%)	4.88%
MSCI EAFE Index	13.54%	26.34%	11.17%	(43.38%)	**31.78%**	(6.04%)	3.54%
Alternatives	35.33%	19.48%	40.59%	(11.51%)	**12.61%**	11.89%	17.77%
Russell 2500 Index	8.11%	16.17%	1.38%	(36.79%)	**34.39%**	(4.86%)	1.58%
Fixed Income	3.34%	5.91%	4.23%	(6.49%)	**19.62%**	5.25%	4.99%
Barclays Capital U.S. Aggregrate Index	2.43%	4.33%	6.97%	5.24%	**5.93%**	6.04%	4.97%
Commercial Mortgages	8.12%	6.81%	5.40%	(8.00%)	**13.71%**	3.31%	4.95%
Barclays Capital U.S. Credit A Intermediate Index	1.87%	4.44%	5.06%	(4.85%)	**15.34%**	4.86%	4.17%
Real Estate	26.98%	16.42%	16.18%	(11.83%)	**(32.98%)**	(11.78%)	0.29%
NCREIF Property Index	20.06%	16.59%	15.85%	(6.46%)	**(16.86%)**	(3.42%)	4.75%

[1]The current custom index presented for the total fund represents a blend, as follows:
19% Barclays Capital U.S. Aggregate Index
18% MSCI EAFE Index (net unhedged)
17% S&P 500 Index
24% Russell 2500 Index
13% Barclays Capital U.S. Credit A Intermediate Index
9% NCREIF Property Index

[2]The benchmark returns presented for domestic stock represent a blend, as follows:
50% S&P 500 Index
50% Russell 2500 Index

Returns other than alternative investments and a portion of international stock and commercial mortgages are presented gross of fees and are time-weighted.

SCHEDULE OF FEES AND COMMISSIONS

For the Year Ended December 31, 2009

	Assets Under Management	Fees	Commissions		
			Shares	Amount	Per Share
Investment manager fees					
Fixed income managers	$423,214,034	$1,128,002	—	$—	$—
Stock managers	857,717,323	6,592,622	46,218,536	971,108	0.02
Other investments	688,421,339	2,921,543	—	—	—
Custodian fees	—	43,500	—	—	—
Total investment manager fees	**$1,969,352,696**	**$10,685,667**	**46,218,536**	**$971,108**	**$0.02**
Securities lending fees		195,252	—		
Commission recapture		—	—	(130,844)	
Total fees and commissions		**$10,880,919**	**46,218,536**	**$840,264**	

LIST OF LARGEST ASSETS HELD
December 31, 2009

Largest Stock Holdings

Stock	Shares	Fair Value
Occidental Petroleum	123,956	$10,083,821
Wells Fargo	317,087	8,558,178
HarbourVest HVPGE	1,330,378	6,485,593
Lowes	262,661	6,143,641
Halliburton	189,970	5,716,197
Alberto-Culver	188,380	5,517,650
Amphenol	119,167	5,503,132
IBM	41,899	5,484,579
Texas Instruments	194,916	5,079,511
Freeport-McMoran	61,326	4,923,865

Largest Bond Holdings

Description	Par	Coupon	Maturity	Rating	Fair Value
FHLMC 15 Yr Pool G0-3696	$7,171,030	5.500%	01/01/38	AAA	$7,520,245
GNMA 30 Yr Pool 662397	5,033,644	6.000%	05/15/37	AAA	5,327,005
US Treasury Note	5,370,000	3.375%	11/15/19	AAA	5,165,296
US Treasury Bond	4,560,000	4.250%	05/15/39	AAA	4,277,850
FHLMC 30 Yr Pool G0-3695	3,835,198	5.500%	11/01/37	AAA	4,024,959
US Treasury Inflation Indexed	2,380,000	3.625%	04/15/28	AAA	3,931,694
US Treasury Bond	3,950,000	4.375%	11/15/39	AAA	3,780,893
US Treasury Bond	3,760,000	4.500%	08/15/39	AAA	3,674,813
US Treasury Note	3,300,000	3.625%	08/15/19	AAA	3,244,312
US Treasury Note	2,760,000	2.750%	08/15/19	AAA	2,657,146

2009

ACTUARIAL SECTION

ACTUARIAL CERTIFICATION LETTER

GRS

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June 24, 2010

Board of Trustees
Colorado Public Employees Retirement System
1301 Pennsylvania St.
Denver, Colorado 80203

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, 2009. The valuation is performed in accordance with standards of practice prescribed by the Actuarial Standards Board.

The signing actuaries are Members of the American Academy of Actuaries (M.A.A.A.), as indicated and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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 a closed four-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 2004-2006 period.

The annual required contribution (ARC) under GASB 25 is equal to 11.85% of compensation for the 2011-2012 fiscal year. The DPSRS was 88.3% funded as of December 31, 2009 based on the DPSRS actuarial value of assets.

Respectfully submitted,

Kenneth G. Alberts

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 with the Board of Education retaining responsibilities for funding and plan design.

The responsibility for the general administration, investment of assets, and operation of the System is vested in an 11-member board of managers known as the DPSRS Board. The daily administration of the retirement plan is the responsibility of the Executive Director of the System who is appointed by the DPSRS Board. The retirement organization consists of four major divisions. The Retirement Administration Department 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 Department 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 Department. All of the departments are provided with data processing support by the Information Systems Department.

Based on Colorado SB 09-282, passed into law in May of 2009 and effective January 1, 2010, a merger is required between the System and Colorado PERA. As prescribed by the legislation, the structure of the merger results in a separate DPS Division of Colorado PERA which includes the existing membership of the System, the existing hourly and part-time employees of the Distict who were not System members at December 31, 2009, and all future hourly and salaried employees of the District. The 16-member Colorado PERA Board governs the DPS Division, a fifth division within Colorado PERA. The Colorado PERA Board now includes a non-voting ex officio Trustee initially appointed by the Board of Education. Beginning in 2012, a Trustee will be elected by the DPS Division membership. As stated in the legislation, a DPS Division Trustee will be present on the Colorado PERA Board for as long as a separate DPS Division exists.

Portability of retirement benefits between the various school districts of Colorado was a main objective of SB 09-282. Although a combination of previous or parallel Colorado PERA service is not allowed, depending on specific details applicable to the member, the main objective of portable benefits generally is achieved by allowing the member retention of earned service and benefit provisions of the System's benefit structure accruing at time of movement of employment. Subsequent to the passage of SB 09-282, further changes to the benefit provisions of Colorado PERA, including the DPS Division, resulted from the passage of SB 10-001, the bill designed to ensure Colorado PERA's sustainability into the future. These changes are detailed below, where applicable.

Employer Contributions

Additional objectives of SB 09-282 were equalization of retirement benefit funding requirements and equalization of funded status for DPS versus other Colorado school districts. As detailed in the legislation, all District employers are Colorado PERA-covered employers, subject to legislatively set employer contribution rates, including funding increases defined by the AED and the SAED contribution schedules first adopted by Colorado PERA in 2004 and 2006, respectively.

While the DPS Division employer contribution rate will parallel the Colorado PERA School Division employer rate plus an additional 3.6 percent of pay, the School District has the ability to offset scheduled contributions to Colorado PERA with debt payments toward their PCOP debt. In addition, there exists a provision in the legislation requiring a "true-up" to take place every five years over the 30-year equalization period. The 30-year target is funded status equalization of the DPS and the School Divisions of Colorado PERA based on the ratio of the UAAL to covered payroll for each division.

The District, as a Colorado PERA-covered employer, is subject to the revised AED and SAED contribution schedules that resulted from the passage of SB 10-001. Following, is a table of the total contribution schedule (regarding pension obligations only) applicable to the District prior to the PCOP offset mentioned above:

Start Date	Statutory Employer Contribution (9.13% + 3.6%)	AED	SAED	Total Contribution Percentage for Year (Prior to PCOP offset)
January 2010	12.73%	2.20%	1.50%	16.43%
January 2011	12.73%	2.60%	2.00%	17.33%
January 2012	12.73%	3.00%	2.50%	18.23%
January 2013	12.73%	3.40%	3.00%	19.13%
January 2014	12.73%	3.80%	3.50%	20.03%
January 2015	12.73%	4.20%	4.00%	20.93%
January 2016	12.73%	4.50%	4.50%	21.73%
January 2017	12.73%	4.50%	5.00%	22.23%
January 2018	12.73%	4.50%	5.50%	22.73%

SUMMARY OF PRINCIPAL PLAN PROVISIONS AND ORGANIZATION

The rates shown in the table on the previous page are in effect until the DPS Division achieves a 103 percent funded ratio, based on the actuarial value of assets; at which time, the AED and SAED will be reduced by 0.5 percent for each year the DPS Division remains at or above the 103 percent threshold. Likewise, once the 103 percent funded ratio is achieved and subsequently falls below 90 percent, for each year the DPS Division's funded status remains below 90 percent, the AED and SAED will be increased by 0.5 percent, not to exceed the maximum caps as shown in the table.

Based on preliminary information from the District, anticipated employer contribution rates (as a percentage of pay) to deposit into the Colorado PERA Trust Fund and credit to the DPS Division for the 2010, 2011, 2012, and 2013 calendar years are as follows: 1.39 percent, 2.70 percent, 4.00 percent, and 5.68 percent, respectively.

Employee Contributions and Membership

Contributing members receive benefits based upon years of earned service and their HAS. Prior to retirement, members are required to contribute 8.0 percent of regular compensation. Contributions currently accumulate interest monthly at the effective annual rate of 5.0 percent, which may be changed prospectively 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.

Effective January 1, 2010, the interest rate credited to member contribution balances is decreased from 5.0 percent to 3.0 percent, per annum, continues to be subject to change and is governed by the Colorado PERA Board. All District employees who become members of the DPS Division as of January 1, 2010, and who are not under Colorado PERA will have the same Colorado PERA benefit structure as other Colorado PERA-covered members hired on an after January 1, 2007 (the most recently effective benefit structure).

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 percent of compensation paid prior to July 1, 1998, and 8 percent 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 HAS in computing such benefit. Upon termination of affiliate membership, 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.

Effective January 1, 2010, the opportunity for affiliate membership is discontinued since all hourly and part-time District employees automatically will be members of Colorado PERA. Current affiliate members will continue membership in the DPS benefit structure under which they began membership if their affiliate membership arrearage either is paid in full or the required monthly payments are kept current. As prescribed in SB 09-282, affiliate members are subject to the same HAS calculation as contributing members if not yet retired as of January 1, 2010.

System/DPS Division Member Reconciliation

Due to merger with Colorado PERA, the membership of the DPS Division differs from the prior membership of the System. Membership changes, effective January 1, 2010, which are considered in the December 31, 2009, actuarial valuation of the System are noted below:

1) *District Hourly and Part-Time Employees*
   a) *Prior to January 1, 2010:* District hourly and part-time employees are not covered by the System, but participate in Social Security.
   b) *Effective January 1, 2010:* District hourly and part-time employees (existing and future) begin participation and service accrual in the DPS Division and no longer participate in Social Security. An estimated District hourly/part-time population of 4,146 is considered in the December 31, 2009, actuarial valuation with no prior service, but is included to recognize additional payroll and affect changes in the calculated normal cost rate as appropriate.
2) *Non-Vested Terminated Covered Employees*
   a) *Prior to January 1, 2010:* Terminated System members with less than five years of earned service are not granted interest on their accumulated contribution balances which are subject to forfeiture if not refunded within three years of termination. Therefore, these individuals are not included in the membership counts for reporting purposes.
   b) *Effective January 1, 2010:* Terminated DPS Division members with less than five years of earned service are granted interest at the regular interest crediting rate (currently 3.00 percent , per annum), are not assumed to refund within three years and are included in the membership counts as inactive non-vested members. There are 690 pre-January 1, 2010, non-vested terminated members who have not yet refunded their contributions and, as of January 1, 2010, are considered DPS Division inactive non-vested members.
3) *Vested Terminated Covered Employees*
   a) *Prior to January 1, 2010:* Prior to January 1, 2009, if a System member with five or more years of earned service at point of termination did not sign an *Election and Declaration of Intent to Apply for a Deferred Retirement Allowance* within one year of termination, it was assumed that he/she would refund his/her accumulated contribution balance within the permitted three-year

time frame and therefore, was not included in membership counts for reporting purposes. Effective January 1, 2009, it no longer is necessary to file such a form of intent to receive a Deferred Retirement Allowance upon meeting retirement eligibility and therefore, these individuals are included in membership counts for reporting purposes.

b) *Effective January 1, 2010:* Terminated DPS Division members with five or more years of earned service are granted interest at the regular interest crediting rate (currently 3.00 percent, per annum), are not assumed to refund within three years and are included in the membership counts as inactive vested members. There are 64 pre-January 1, 2009, vested terminated members, who, although never filed a Deferred Retirement intent form, as of January 1, 2010, are considered DPS Division inactive vested members.

Below is a chart comparing membership of the System as of December 31, 2008, and December 31, 2009, to the DPS Division membership of Colorado PERA as of December 31, 2009, for purposes of the 2009 actuarial valuation.

Membership Category	DPS Division Membership As of December 31, 2009	System Membership As of December 31, 2009	System Membership As of December 31, 2008
Retirees and beneficiaries currently receiving benefits	6,218	6,218	6,186
Terminated members entitled to benefits but not yet receiving them	N/A	584	489
Terminated members			
Vested	648	N/A	N/A
Non-vested	690	N/A	N/A
Current covered employees			
Vested	4,683	4,683	4,535
Non-vested	3,387	3,387	3,025
New as of January 1, 2010	4,146	N/A	N/A
Total Membership	**19,772**	**14,872**	**14,235**

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

Effective January 1, 2010, outside service is no longer available to substantiate for purposes of accelerating service retirement eligibility. Outside service currently on record will remain with the member and will be applicable as before, however, certain actions taken regarding subsequent portability choices may cause loss of outside service for eligibility purposes.

Additional changes in retirement eligibilities, effective January 1, 2010, as detailed in SB 10-001 are listed below:

- For members with less than five years of the total of earned and purchased service credit as of January 1, 2011, a modified Rule of 85 with minimum age of 55 is the age and service requirement for full service retirement. For members with five or more years of service credit as of January 1, 2011, current service retirement eligibility requirements remain in effect.
- For new members hired on or after January 1, 2011, but before January 1, 2017, a modified Rule of 88 with minimum age of 58 is the age and service requirement for full service retirement.
- For new members hired on or after January 1, 2017, a modified Rule of 90 with minimum age of 60 is the age and service requirement for full service retirement, with the exception of those who have earned their most recent 10 years of earned service credit in either the School or DPS Division, in which case the modified Rule of 88 will be the service retirement eligibility requirement in effect.

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

Pursuant to SB 10-001, effective January 1, 2010, members with less than five years of the total of earned and purchased service credit as of January 1, 2011, are subject to the following optional early retirement eligibility requirements:

1. Attained age 50 with 25 or more years of service credit,
2. Attained age 55 with 20 or more years of service credit, or
3. Attained age 60 with 5 or more years of service credit.

II. BENEFITS (Pension and Annuity)

A. Regular Retirement Single Life Annuity

2.5 percent of HAS is given for every year of earned service. HAS is the average monthly compensation of the 36 months of earned service having the highest rates multiplied by twelve.

Effective January 1, 2010, the definition of salary, previously based on "contractual rate of pay," is based on actual earnings as set forth in Colorado statute and Colorado PERA rules regarding what is Colorado PERA-includable and non-includable salary. The System definition of salary remains in effect regarding pre-merger covered employment. Depending on timing of highest salaries, both definitions may be incorporated when determining HAS for purposes of calculating retirement benefits under the DPS benefit provisions. Similarly, effective January 1, 2010, earned service accruals, previously based on elapsed time worked, is dependent upon amount of pay received. If at least 80 times the federal minimum wage ($7.25 as of July 24, 2009) is earned in a month, a member earns a month of service credit for that month. It is possible to earn a portion of a month if earnings are less than 80 times minimum wage. Service credit earned for covered employment prior to January 1, 2010, is granted under the pre-merger System method.

Further changes are adopted to the HAS calculation through the passage of SB 10-001. For all DPS Division members (hired prior to January 1, 2010) not eligible to retire as of January 1, 2011, the HAS calculation is revised from the current method (monthly average of the 36-months of earned service having the highest salary) to a method which uses a three-year HAS including the establishment of a fourth, base year and an 8.0 percent increase cap applied to the salary related to each identified 12-month period. For members eligible to retire as of January 1, 2011, the current method of determining HAS is still in effect.

Also effective January 1, 2010, an option that allows eligible members to purchase their prior casual/part-time service at a discounted rate no longer is available. In addition, the regular rate for purchasing a year of service changes from the System purchase rate of 34 percent of HAS, per year purchased, to an actuarial rate (determined by age at purchase) based on the Colorado PERA purchase table in effect at time of purchase.

B. Optional Early Retirement Single Life Annuity

Generally, the same provisions exist as for regular retirement with a 4 percent reduction in the 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 percent 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.

As outlined in SB 10-001, effective January 1, 2010, the reduction factor applied to an early retirement benefit for a member not eligible to retire as of January 1, 2011, is actuarially equivalent to the normal form of payment (the Option A payment amount); otherwise, the current System early reduction factors are in effect.

C. Minimum Benefits

A minimum pension (employer) 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. This amount is added to the annuity (employee) portion of the benefit. The total minimum benefit, the sum of the employer and the employee portions, is compared with the calculated monthly benefit provided under the benefit formula of the Plan. This comparison is done for all members at the point of benefit commencement.

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 earned service, and for members who terminate on or after January 1, 2001, at attained age 50 with 30 years of earned service. For a member who resigns on or after January 1, 2001, at the time the member becomes eligible to draw a deferred benefit, he or she is given the choice of a refund of 200 percent of accumulated contributions, or the greater of (1) a money purchase retirement benefit based on 200 percent of accumulated contributions plus the minimum employer-provided benefit, and (2) the defined benefit provided by the Plan.

As prescribed by SB 10-001, for members in the DPS Division with the most recent Colorado PERA benefit structure (those becoming members on or after January 1, 2010), the following summarizes changes affecting the employer match on refunded accounts for members terminating service prior to becoming retirement eligible:

- Provide a 50 percent employer match if member has five or more years of earned service credit at date of refund; if member has less than five years of earned service credit, the contributions remitted on or after January 1, 2011, are not matched.
- Provide a 50 percent employer match on contributions remitted prior to January 1, 2011. This provision grandfathers the match on contributions received prior to the effective date of SB 10-001.

Disability 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 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.

Effective January 1, 2010, the System disability retirement program is no longer available; however, System members currently receiving a disability retirement but not yet recalculated under the System disability program will be recalculated under the administrative processes and rules of the System disability program as originally scheduled. A member applying for a retirement due to a disability, post-merger, is subject to Colorado PERA disability requirements and provisions.

"Automatic" Retirement Benefits

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

Retirement Options as of December 31, 2009

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.

Option A

Option A is a single life annuity reflecting the calculated amount of benefit based on the plan formula payable monthly to an annuitant from the time of retirement until death. If, at the annuitant's death, retirement benefits received is less than the total amount of accumulated contributions at the time of retirement, the balance is paid to the designated beneficiary(ies) in a lump sum.

Option B

Option B is an installment refund annuity reduced on an actuarially equivalent basis from the Option A amount, payable monthly to an annuitant from the time of retirement until death. The annuitant's accumulated contribution balance determines a guarantee period of payment. If the annuitant dies before the guarantee period has expired, the payments continue to the designated beneficiary(ies) or estate for the remainder of the guarantee period.

Option P3

Option P3 is a joint-survivorship option reduced on an actuarially equivalent basis from the Option A amount, payable monthly to an annuitant from the time of retirement until death and thereafter to the designated co-annuitant for his or her life. If 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 will be reduced, if appropriate, in accordance with defined percentages required by the Internal Revenue Code and Regulations. The designation of the co-annuitant is effective upon the member's date of 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 beneficiary(ies) in a lump sum. If the co-annuitant should pre-decease the annuitant, the benefit will recalculate (or "pop-up") to the Option A benefit amount. If the annuitant should divorce from the co-annuitant, the district courts have jurisdiction to allow the annuitant to remove the prior spouse as the named co-annuitant at which point the benefit will recalculate to the Option A benefit amount.

Option P2

Option P2 is a joint-survivorship annuity reduced on an actuarially equivalent basis from the Option A amount, payable monthly to an annuitant from the time of retirement until death. Thereafter, an amount equal to one-half of the monthly amount paid to the annuitant is payable monthly to the designated co-annuitant for his or her life. The designation of the co-annuitant is effective upon the member's date of 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 beneficiary(ies) in a lump sum. If the co-annuitant should pre-decease the annuitant, the benefit will recalculate (or "pop-up") to the Option A benefit amount. If the annuitant should divorce from the co-annuitant, the district courts have jurisdiction to allow the annuitant to remove the prior spouse as the named co-annuitant at which point the benefit will recalculate to the Option A benefit amount.

SUMMARY OF PRINCIPAL PLAN PROVISIONS AND ORGANIZATION

Effective January 1, 2010, payment options available at retirement, are reduced from seven choices to four choices to better align with the options currently available under all other Colorado PERA divisions. The three discontinued payment options are described below:

Option C

Option C is a joint-survivorship annuity reduced on an actuarially equivalent basis from the Option A amount, payable monthly to an annuitant from the time of retirement until death and thereafter to the designated co-annuitant for his or her life. If 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 will be reduced, if appropriate, in accordance with defined percentages required by the Internal Revenue Code and Regulations. The designation of the co-annuitant is effective upon the member's date of retirement and subsequently may not be changed.

In addition to designating a co-annuitant, the member designates a contingent beneficiary(ies) and has the right to change designation of contingent beneficiary(ies) at any time prior to the member's death. If upon the death of both the annuitant and the designated co-annuitant, the total number of monthly payments made is less than 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 or the co-annuitant, the remaining amount due upon the death of both the annuitant and co-annuitant, is commuted and paid in a single lump sum to the estate of the annuitant or the co-annuitant, whoever dies later. In the event any contingent beneficiary survives both the annuitant and co-annuitant and thereafter dies before all payments are made, the remainder of payments due that beneficiary is commuted and paid to his or her estate.

Option D

Option D is a single life annuity reduced on an actuarially equivalent basis from the Option A amount, 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 until death, with a cash refund to the designated beneficiary(ies) or estate, of any excess of the accumulated contributions of the member at date of retirement over the total amount of the annuity share of the retirement allowance paid to the annuitant up to and including the date of death.

Option E

Option E is a joint-survivorship annuity reduced on an actuarially equivalent basis from the Option A amount, payable monthly to an annuitant from the time of retirement until death. Thereafter, an amount equal to one-half of the monthly amount paid to the annuitant is payable monthly to the designated co-annuitant for his or her life. The designation of the co-annuitant is effective upon the member's date of retirement and subsequently may not be changed.

In addition to designating a co-annuitant, the member designates a contingent beneficiary(ies) and has the right to change designation of contingent beneficiary(ies) at any time prior to the member's death. If upon the death of both the annuitant and the designated co-annuitant, the total number of monthly payments made is less than 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), 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 upon the death of both the annuitant and co-annuitant, is commuted and paid in a single lump sum to the estate of the annuitant or the co-annuitant, whoever dies later. In the event any contingent beneficiary survives both the annuitant and co-annuitant and thereafter dies before all payments are made, the remainder of payments due that beneficiary is commuted and paid to his or her estate.

- 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, 2009, and as subsequently affected by SB 09-282 and SB 10-001 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 following section describes survivor benefits available for deceased contributing members who, as of death, either were actively employed or retired for disability and had not reached eligibility for benefit recalculation.)

I. ELIGIBILITY—Five or more years of earned service

II. BENEFITS

Survivor	Monthly Benefit
1. Child/Children	10% of HAS 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 HAS 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 HAS, or $480, whichever is greater
4. Spouse with eligible child/children (25 years or more of member earned service)	The difference between (1) above and 40% of HAS plus an additional 2% for each year of service beyond 25 years, or $480, whichever is greater
5. Dependent Parent	10% of HAS 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 HAS 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 HAS 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 HAS 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 percent 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 percent or the increase in the CPI-W 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.

Effective January 1, 2010, the timing of future annual increases will be paid under Colorado PERA's timing mechanism in effect at time of payment. Effective with passage of SB 10-001, the following provisional or administrative changes regarding the ARAA, prospectively known as the annual increase (AI), are implemented:

- Shift from a March 1 payment to a July 1 payment.
- Adopt an AI cap initially set at 2.00 percent.
- Allow for the AI cap to be adjusted based on Colorado PERA's overall year-end funded status, increasing by 0.25 percent each year that Colorado PERA's total funded status for all divisions is over 103 percent and decreasing (once the 103 percent funded status is achieved) by 0.25 percent each year that Colorado PERA's funded status subsequently falls below 90 percent. The AI cap cannot be lower than 2.00 percent.
- Require all members with a retirement effective date of January 1, 2011, or later to receive benefits for a 12-month period prior to being eligible to receive an increase. In addition, members not eligible to retire as of January 1, 2011, who subsequently retire with a reduced service retirement, must reach age 60 or meet the applicable age and service requirement for a full service retirement in order to be eligible for an increase.

- Effective for those who are members prior to January 1, 2010:
  - Set the AI for 2010 at 0.00 percent based on the lesser of the current 2.00 percent AI cap and the average monthly CPI-W increase for 2009.
  - Set increases for 2011 and thereafter equal to the applicable AI cap (currently 2.00 percent) unless Colorado PERA experiences a negative investment return in which case the AI for each of the three subsequent years is the lesser of the applicable AI cap or the average monthly increase in CPI-W for the prior year.
- Effective for those joining the DPS Division on or after January 1, 2010:
  - Adopt the same AI provisions as those in effect for Colorado PERA members under the Plan 2 benefit structure provisions as follows: based on a separate actuarial valuation of the annuity increase reserve, the maximum AI will be the smallest resultant of the following three calculations:
    - A 2.00 percent annual increase,
    - The average monthly CPI-W increase for the prior year, and
    - An amount that will exhaust 10 percent of the year-end market value balance of the annual increase reserve.

Working After Retirement

Due to the passage of SB 09-282, the following changes are effective January 1, 2010, regarding working after retirement rules:

- A System retiree working for a Colorado PERA-affiliated employer as of January 1, 2010, is allowed to continue to work without restriction and continue to build a benefit under the Colorado PERA benefit structure as long as the retiree remains with the same employer after merger. Any subsequent employment with another Colorado PERA-affiliated employer, including the District, will be subject to Colorado PERA's working after retirement rules.
- A Colorado PERA-covered employer, including the District, hiring a retiree who does not suspend his or her retirement benefit payment while returned to work, is to pay the employer contribution portion for that member while re-employed.

Due to the passage of SB 10-001, the following changes are effective January 1, 2010, regarding the working after retirement rules:

- A retiree who does not suspend his or her retirement benefit payment while returned to work, is to pay the employee contribution portion while re-employed. Such contributions are nonrefundable and will not accrue a benefit nor be deposited into the member account.
- Thirty days is added to the 110-day limit for working after retirement in a calendar year without penalty for up to 10 service retirees working for the District, provided full contributions are paid. Each year the 10 retirees who are subject to the 140-day limit must be identified and cannot be changed within the calendar year.

Assumptions as of December 31, 2009

a. The investment return used in the valuation is 8.00 percent per annum, compounded annually (net after expenses), and was adopted in 2009 for the December 31, 2009, actuarial valuation.

b. The System's liabilities are funded on the Entry Age Normal Actuarial Cost Method. Actuarial liabilities or surpluses are amortized over 30 years as a level percentage of increasing payroll subsequent to each annual valuation. Effective December 31, 2009, normal cost for each member is determined based on the benefit structure for which the member is eligible.

c. 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 1994 Group Annuity Mortality Table with a 3-year set-back on male rates and a 2-year set-back on female rates. These assumptions are also used for purposes of determining actuarial equivalence on early retirement allowances. The assumptions parallel Colorado PERA's mortality tables and were adopted for purposes of the December 31, 2009, actuarial valuation. Probabilities for sample ages are shown on the following page.

d. 4,146 hourly and part-time members joining as of January 1, 2010, were included in the December 31, 2009, actuarial valuation. Assumptions used for this group are as stated and shown on the following pages.

e. The probabilities of pre-retirement death, disability, retirement, and nonvested withdrawal for application to the ongoing System population are based on the System's experience and were adopted in 2007, retroactive to the beginning of the year. The probabilities for application to the hourly and part-time members joining as of January 1, 2010, are based on Colorado PERA's current assumptions and were adopted for purposes of the December 31, 2009, actuarial valuation. Probabilities for sample ages are shown on the following pages.

f. Individual salaries are assumed to increase by merit and longevity plus 4.50 percent for inflation per year. The increases for application to the ongoing System population are based on the System's experience and were adopted in 2007, retroactive to the beginning of the year. The increases for application to the hourly and part-time members joining as of January 1, 2010, are based on Colorado PERA's current assumptions and were adopted for purposes of the December 31, 2009, actuarial valuation. Increases for sample ages are shown on page 60.

g. The actuarial value of assets was set equal to the market value as of December 31, 2006, prospectively phasing into a four-year smoothing method that increases the actuarial value by the assumed investment return plus 25 percent of the difference between the expected and the actual market value investment income.

h. The ARAA is 0.0 percent for 2010 and thereafter, retirement benefits are assumed to increase 2.00 percent of the previous year's benefit. This assumption reflects the annual increase changes made pursuant to SB 10-001 and was adopted for purposes of the December 31, 2009, actuarial valuation.

i. 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.

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

k. A study of the System's experience took place in 2007 reflecting experience from January 1, 2004, through December 31, 2006. As a result of the study, the recommended changes in actuarial assumptions and methods were adopted in 2007, retroactive to the beginning of the year and, in part, are effective for the ongoing System membership valued in the December 31, 2009, actuarial valuation as described above.

l. The results of the December 31, 2008, actuarial valuation (determining the July 1, 2010, recommended contribution rate) assume an employer contribution rate for the fiscal year beginning July 1, 2009, equal to the recommended employer contribution rate of 13.92 percent of payroll as prescribed by the funding policy under Section 60 of the Plan document.

m. The results of the December 31, 2009, actuarial valuation (determining the July 1, 2011, recommended contribution rate) assume employer contribution rates for the fiscal year beginning July 1, 2010, equal to the applicable rates for 2010 (1.39 percent of payroll) and 2011 (2.70 percent of payroll) as defined by SB 09-282 and determined by the School District.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Percent of Members Separating Before Retirement

For Reasons Other Than Death or Disability

		% of Active Members Separating Within Next Year			
		Full-Time		Part-Time	
Sample Ages	Years of Service	Male	Female	Male	Female
All	0	23.00%	23.00%	39.00%	43.00%
	1	20.00%	20.00%	20.00%	22.00%
	2	16.00%	16.00%	15.00%	16.00%
	3	14.00%	14.00%	11.00%	13.00%
	4	12.00%	12.00%	10.00%	11.00%
25	5 & over	7.36%	9.89%	10.46%	11.50%
30		6.09%	8.85%	6.32%	10.35%
35		5.12%	7.36%	4.60%	9.20%
40		4.43%	5.82%	4.60%	6.90%
45		3.91%	3.93%	4.60%	5.75%
50		3.39%	2.76%	4.60%	5.75%
55		3.11%	2.53%	4.60%	5.75%
60		2.88%	2.53%	4.60%	5.75%
65		2.30%	2.53%	4.60%	5.75%

Due to Death or Disability

	Death[1]		Disability			
			Full-Time		Part-Time	
Sample Ages	Male	Female	Male	Female	Male	Female
20	0.022%	0.014%	0.00%	0.00%	0.01%	0.01%
25	0.028%	0.015%	0.06%	0.05%	0.01%	0.02%
30	0.036%	0.016%	0.06%	0.05%	0.01%	0.03%
35	0.042%	0.021%	0.07%	0.06%	0.02%	0.05%
40	0.045%	0.030%	0.10%	0.09%	0.04%	0.08%
45	0.063%	0.044%	0.17%	0.15%	0.08%	0.13%
50	0.095%	0.060%	0.31%	0.28%	0.14%	0.18%
55	0.161%	0.095%	0.56%	0.50%	0.21%	0.25%
60	0.279%	0.168%	1.19%	1.07%	0.30%	0.36%
65	0.507%	0.334%	0.00%	0.00%	0.00%	0.00%

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

Percent of Eligible Members Retiring Next Year

Retirement	Eligible for Reduced Benefits				Eligible for Unreduced Benefits			
	Full-Time		Part-Time		Full-Time		Part-Time	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	10.00%	5.00%	12.00%	18.00%	30.00%	30.00%	45.00%	45.00%
51	10.00%	5.00%	12.00%	14.00%	30.00%	30.00%	38.00%	32.00%
52	10.00%	6.00%	12.00%	13.00%	30.00%	30.00%	38.00%	32.00%
53	10.00%	7.00%	10.00%	10.00%	30.00%	30.00%	35.00%	27.00%
54	10.00%	8.00%	16.00%	18.00%	35.00%	35.00%	32.00%	27.00%
55	10.00%	8.00%	18.00%	18.00%	35.00%	35.00%	28.00%	30.00%
56	10.00%	9.00%	10.00%	13.00%	35.00%	25.00%	25.00%	20.00%
57	10.00%	10.00%	10.00%	11.00%	35.00%	25.00%	25.00%	22.00%
58	11.00%	10.00%	10.00%	11.00%	30.00%	25.00%	25.00%	22.00%
59	12.00%	10.00%	18.00%	20.00%	30.00%	25.00%	25.00%	22.00%
60	13.00%	11.00%	12.00%	14.00%	30.00%	20.00%	25.00%	22.00%
61	14.00%	12.00%	10.00%	10.00%	35.00%	20.00%	25.00%	22.00%
62	15.00%	13.00%	14.00%	12.00%	40.00%	30.00%	28.00%	25.00%
63	15.00%	14.00%	14.00%	12.00%	35.00%	20.00%	25.00%	22.00%
64	15.00%	15.00%	14.00%	12.00%	35.00%	30.00%	22.00%	18.00%
65					35.00%	35.00%	30.00%	28.00%
66					30.00%	30.00%	20.00%	28.00%
67					25.00%	25.00%	20.00%	23.00%
68					25.00%	25.00%	20.00%	22.00%
69					25.00%	25.00%	16.00%	22.00%
70					100.00%	100.00%	100.00%	100.00%

Individual Pay Increase Assumptions

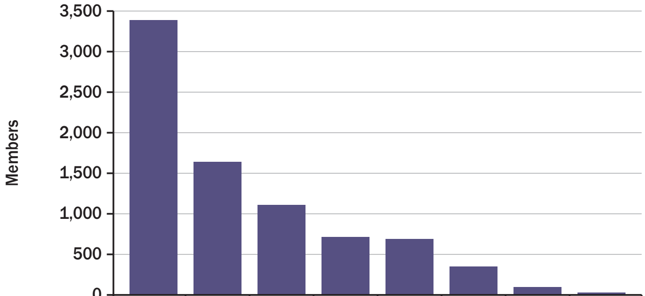
	Merit and Longevity				Increase Next Year		
		Part-Time		Base		Part-Time	
Sample Age	Full-Time	Male	Female	Wage Inflation[1]	Full-Time	Male	Female
20	3.50%	6.20%	5.67%	4.50%	8.00%	10.70%	10.17%
25	3.50%	4.10%	3.75%	4.50%	8.00%	8.60%	8.25%
30	3.20%	2.95%	2.80%	4.50%	7.70%	7.45%	7.30%
35	2.76%	2.50%	2.05%	4.50%	7.26%	7.00%	6.55%
40	2.12%	1.95%	1.50%	4.50%	6.62%	6.45%	6.00%
45	1.34%	1.35%	0.85%	4.50%	5.84%	5.85%	5.35%
50	0.80%	0.80%	0.50%	4.50%	5.30%	5.30%	5.00%
55	0.42%	0.35%	0.10%	4.50%	4.92%	4.85%	4.60%
60	0.20%	0.00%	0.00%	4.50%	4.70%	4.50%	4.50%
65	0.00%	0.00%	0.00%	4.50%	4.50%	4.50%	4.50%

[1] Comprised of price inflation of 3.75% and productivity of 0.75%.

SUMMARY OF MEMBER DATA

Active Member Years of Service[1]

Total Number of Contributing Members: 8,003
Average Years of Service: 9.2

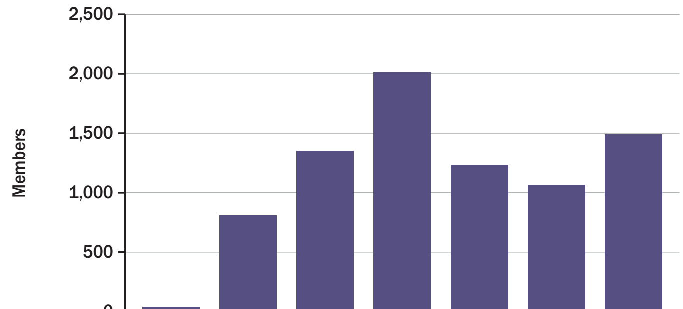


Service	<5	5-9	10-14	15-19	20-24	25-29	30-34	35+
# of Members	3,387	1,638	1,106	716	686	351	94	25

[1] Excludes affiliate and hourly/part-time members.

Active Member Salaries[1]

Average Contributing Member Salary: $52,520

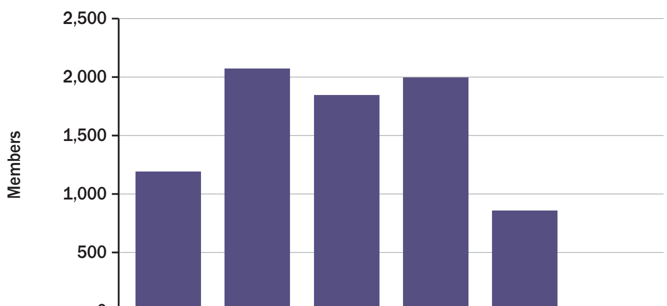


$000	<$20	$20-$29	$30-$39	$40-$49	$50-$59	$60-$69	$70+
# of Members	41	810	1,352	2,011	1,236	1,064	1,489

[1] Excludes affiliate and hourly/part-time members.

Active Member Ages[1]

Average Contributing Member Age: 43.8 years



Age	<30	30s	40s	50s	60s	70+
# of Members	1,192	2,073	1,845	1,997	857	39

[1] Excludes affiliate and hourly/part-time members.

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
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
2007	7,282	357,049,000	49,032	5.97%	21	451
2008	7,540	388,652,000	51,545	5.13%	20	489
2009	**8,003**[1]	**420,314,000**	**52,520**	**1.89%**	**67**	**648**[2]

[1] Excludes 4,146 hourly and part-time employees joining January 1, 2010, with an estimated covered payroll of $71,436,000.

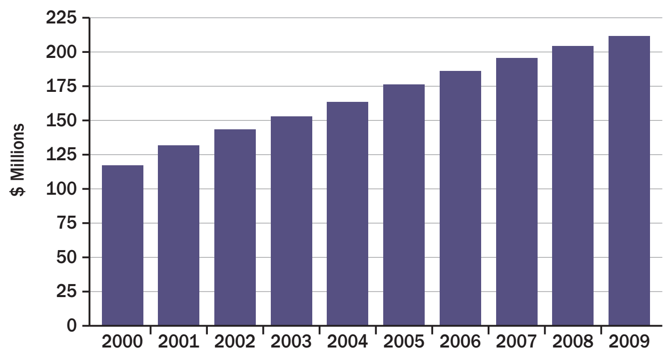
[2] Includes 64 members who terminated prior to January 1, 2009, with five or more years of earned service, who did not return an *Election and Declaration of Intent to Apply for a Deferred Retirement Allowance.* As of January 1, 2010, these members automatically become Deferred Members due to the merger of the System into Colorado PERA.

Schedule of Retirees and Beneficiaries

	Added to Payroll		*Removed from Payroll*		*Payroll at End of Year*			
Calendar Year Ending	Number	Annualized Monthly Benefit[1]	Number	Annualized Monthly Benefit	Number	Annualized Monthly Benefit	Average Annualized Monthly Benefit	Percentage Increase in Annualized Benefit
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%
2007	299	1,245,009	200	405,941	6,168	17,063,347	2,766	3.48%
2008	238	1,128,737	220	506,985	6,186	17,685,099	2,859	3.36%
2009	**246**	**710,265**	**214**	**531,438**	**6,218**	**17,863,926**	**2,873**	**0.49%**

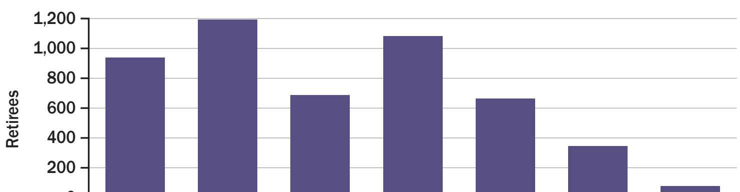
[1] Includes amounts attributable to annual increases for continuing retirees and beneficiaries and increases in disability recalculated benefits.

Retirement Benefits Paid



Year	Benefits Paid (In Thousands of Dollars)
2000	$117,179
2001	131,749
2002	143,604
2003	152,839
2004	163,473
2005	176,445
2006	186,216
2007	195,633
2008	204,417
2009	211,651

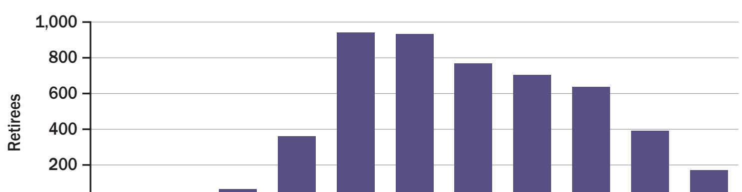
Average Years Since Retirement—13.1 Years[1]



Years	0-4	5-9	10-14	15-19	20-24	25-29	30+
# Retirees	939	1,192	688	1,082	663	347	78

[1]*Includes regular and optional early retirements only.*
Total recipients: 4,989

Average Retiree Age—72.2[1]



Age	<45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90+
# Retirees	0	12	66	362	942	934	768	704	638	392	171

[1]*Includes regular and optional early retirements only.*
Total recipients: 4,989

Member and Employer Contribution Rates

Year	Member Rate	Blended Funding Policy Employer Rate	Blended Actual Employer Rate
2000	8.0%	2.90%	2.90%
2001	8.0%	2.90%	2.90%
2002	8.0%	2.90%[1]	2.90%
2003	8.0%	3.94%[2]	3.94%
2004	8.0%	6.55%[3]	6.55%
2005	8.0%	8.80%[4]	8.80%
2006	8.0%	10.31%[5]	10.31%
2007	8.0%	11.99%[6]	11.99%
2008	8.0%	10.21%[7]	10.21%
2009	**8.0%**	**10.75%**[8]	**4.04%**[9]

[1] 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.

[2] The rate was 2.90 percent from 1/1/03 – 6/30/03 and 4.98 percent from 7/1/03 – 12/31/03.

[3] The rate was 4.98 percent from 1/1/04 – 6/30/04 and 8.12 percent from 7/1/04 – 12/31/04.

[4] 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 percent from 1/1/05 - 6/30/05 and 9.48 percent from 7/1/05 - 12/31/05.

[5] The rate was 9.48 percent from 1/1/06 – 6/30/06 and 11.14 percent from 7/1/06 – 12/31/06.

[6] The rate was 11.14 percent from 1/1/07 – 6/30/07 and 12.83 percent from 7/1/07 – 12/31/07.

[7] The funding policy was amended to consider the $397.8 million contribution by the District to pay off the unfunded accrued liability lowering the employer contribution from 14.01 percent of pay to the normal cost rate of 7.58 percent of pay for the fiscal year beginning July 1, 2008.

The rate was 12.83 percent from 1/1/08 – 6/30/08 and 7.58 percent from 7/1/08 – 12/31/08.

[8] The rate was 7.58 percent from 1/1/09 – 6/30/09 and 13.92 percent from 7/1/09 – 12/31/09.

[9] The rate was 7.58 percent from 1/1/09 – 6/30/09 and 0.49 percent from 7/1/09 – 12/31/09.

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; and

3. Liabilities for service already rendered by active members.

As of January 1, 2010, all assets and liabilities associated with the membership of the System are merged into Colorado PERA which will represent the fifth division of Colorado PERA to be known as the DPS Division. Since the former System will be a separate division prospectively, the Solvency Test shown below supplies viable and pertinent information regarding the future DPS Division.

If the scheduled increasing contributions for the DPS Division are soundly paid into the trust, if actuarial assumptions are met, if the legislative "true-ups" are implemented as detailed in SB 09-282, and if the DPS Division continues in its present operational pattern for the indefinite future, including application of the SB 10-001 changes already reflected in the December 31, 2009, actuarial results shown below, the DPS Division will be sustainable into the future.

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)
12/31/2004	$226,554	$2,029,799	$704,637	$2,611,524	100%	100%	50%
12/31/2005	233,032	2,132,638	700,185	2,693,686	100%	100%	47%
12/31/2006[1]	240,040	2,255,016	738,657	2,854,304	100%	100%	49%
12/31/2007	247,305	2,363,997	771,956	2,968,794	100%	100%	46%
12/31/2008	263,618	2,422,883	806,510	2,944,292	100%	100%	32%
12/31/2009[2]	**286,460**	**2,268,130**	**750,176**	**2,917,927**	**100%**	**100%**	**48%**

[1] Reflects actuarial assumptions and methodologies adopted during 2007, applied retroactively, effective December 31, 2006.

[2] Changes in actuarial assumptions and methodologies and benefit provisions due to the merger with Colorado PERA and passage of SB 10-001, are reflected in the December 31, 2009, actuarial valuation results.

ANALYSIS OF FINANCIAL EXPERIENCE

Changes in Actuarial Accrued Liabilities During the Years Ended December 31, 2009, and 2008
Resulting from Differences Between Assumed and Actual Experience,
Benefit Changes and Changes in Actuarial Assumptions and Methods

Type of Activity	Gain (or Loss) for the Year 2009	Gain (or Loss) for the Year 2008
Age and Service Retirements Fewer members retired than assumed, causing a gain.	$1,674,744	$3,105,814
Disability Retirements Disability claims were fewer than assumed, causing a gain.	381,345	1,596,442
Death-in-Service Benefits Survivor claims were fewer than assumed, causing a gain.	89,096	200,986
Withdrawal from Employment Less liability was released by withdrawals than assumed, causing a loss.	(7,305,935)	5,386,839
New Entrants New members entered the plan with some past service, causing a loss.	(4,267,546)	(7,685,301)
Pay Increases There were lower pay increases than assumed, causing a gain.	8,974,123	(7,471,602)
Investment Income The fund experienced investment gains during 2009, but the ongoing recognition of prior losses resulted in a total loss on the actuarial value of assets.	(106,179,505)	(540,217,500)
Death After Retirement Retirees lived for a longer period than assumed, causing a loss.	(14,115,864)	7,723,301
Other Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, subsidized service purchases, recognition of additional outside and non-qualified service for eligibility, etc.	28,729,748	(6,363,249)
Loss During the Year from Experience **[or Increase in Actuarial Accrued Liability (AAL)]**	($92,019,794)	($543,724,270)
Decrease in AAL due to Benefit Changes (SB 09-282 and SB 10-001)	$522,417,368	N/A
Increase in AAL due to Changes in Actuarial Assumptions and Methods	($211,879,212)	N/A

2009

STATISTICAL SECTION

INTRODUCTION TO STATISTICAL SECTION

The Statistical Section includes several schedules that provide financial trend analysis of the System's overall financial health as well as employer information pertaining to employer participation and contribution requirements. In addition, this section presents analytical information on membership and retirement benefit data. Unless otherwise indicated, the data exhibits and information in these schedules are derived from internal sources of the System.

Financial Schedules

The schedule on the following page titled *Changes in Fiduciary Net Assets* is presented for the last 10 years, allowing the reader an opportunity to review trends in the revenues and expenses of the System. Benefits and refunds are then broken down by type in the following schedule. A complete history (from inception of the System in 1945 through 2009) of contributions paid into the System is provided on page 74, including a breakdown of contribution amounts and the corresponding contribution rates, as a percent of salary, made by members and employers per year. In addition to this schedule, a bar chart illustrating the member and employer contributions in millions of dollars made in the last 10 years is shown on page 75. This chart allows the reader a quick assessment of the amount of contributions paid in the recent past.

Employer Schedules

Exhibits detailing the various employers associated with the System can be found on pages 76–77. The first exhibit compares 2009 employer membership statistics and rank among employers against the same statistics from 2000. The second exhibit lists the System-covered employers, providing full name and address of each employer.

Membership Schedules

The remaining exhibits illustrating member data elements are listed and summarized below:

- *Average Benefit Payments*–This schedule found on page 78 shows the Average Monthly Benefit amounts, Average Highest Average Salary and Number of Active Retirees per year broken out by years of earned service. This information is as of the point of retirement and was provided by the System's independent actuary, Gabriel, Roeder, Smith & Company.
- *Retired Members by Type of Benefit*–This schedule breaks down the number of retirees in the existing population by type of retirement as well as by payment option selected at retirement within brackets depicting level of monthly benefit amount currently in pay status.
- *Average Monthly Benefit*–This 10-year schedule breaks down the average monthly benefit for service retirements by year into the base benefit and the sum of all increments (annual cost of living increases plus any additionally granted increases) earned during retirement. This information is as of the end of the calendar year as averaged over the year.

Changes in Fiduciary Net Assets

Last Ten Fiscal Years

	2000	2001	2002	2003	2004
ADDITIONS (REDUCTIONS)					
Member contributions	$22,869,611	$25,848,785	$28,275,170	$32,665,945	$25,992,388
Employer contributions	8,007,508	8,735,015	9,473,361	13,023,157	21,142,815
Investment income (loss)	185,639,527	(140,078,546)	(166,488,447)	449,742,992	278,447,116
Total additions (reductions)	**216,516,646**	**(105,494,746)**	**(128,739,916)**	**495,432,094**	**325,582,319**
DEDUCTIONS					
Benefit payments	(117,179,246)	(131,749,235)	(143,604,377)	(152,838,651)	(163,473,489)
Refunds	(4,355,309)	(3,974,835)	(3,346,228)	(4,893,891)	(6,154,132)
Administrative expenses	(1,648,464)	(2,075,416)	(2,301,329)	(3,233,847)	(3,568,221)
Total deductions	**(123,183,019)**	**(137,799,486)**	**(149,251,934)**	**(160,966,389)**	**(173,195,842)**
Change in net assets	**$93,333,627**	**($243,294,232)**	**($277,991,850)**	**$334,465,705**	**$152,386,477**

	2005	2006	2007	2008	2009
ADDITIONS (REDUCTIONS)					
Member contributions	$27,269,492	$28,098,414	$28,184,570	$29,904,361	**$35,003,097**
Employer contributions	28,448,702	33,684,185	40,572,810	434,811,169	**15,841,465**
Investment income (loss)	243,270,794	321,692,181	291,189,684	(802,529,274)	**461,099,324**
Total additions (reductions)	**298,988,988**	**383,474,780**	**359,947,064**	**(337,813,744)**	**511,943,886**
DEDUCTIONS					
Benefit payments	(176,445,323)	(186,215,600)	(195,632,703)	(204,417,308)	**(211,651,127)**
Refunds	(7,194,798)	(7,460,137)	(8,234,446)	(7,667,059)	**(2,695,281)**
Administrative expenses	(3,429,572)	(3,345,367)	(3,412,933)	(3,496,530)	**(4,998,505)**
Total deductions	**(187,069,693)**	**(197,021,104)**	**(207,280,082)**	**(215,580,897)**	**(219,344,913)**
Change in net assets	**$111,919,295**	**$186,453,676**	**$152,666,982**	**($553,394,641)**	**$292,598,973**

Benefit and Refund Deductions From Net Assets by Type

Last Ten Fiscal Years

	2000	2001	2002	2003	2004
TYPE OF BENEFIT					
Age and service benefits:					
Retirees	$104,508,402	$117,451,007	$127,835,046	$136,082,760	$145,425,714
Beneficiaries	7,216,526	8,268,715	9,291,564	10,114,247	11,125,383
Death in service benefits	1,161,674	1,273,183	1,298,875	1,338,715	1,339,824
Disability benefits:					
Retirees	4,041,610	4,455,273	4,740,119	4,887,851	5,157,222
Beneficiaries	251,034	301,057	438,773	415,078	425,346
Total benefits	**$117,179,246**	**$131,749,235**	**$143,604,377**	**$152,838,651**	**$163,473,489**
TYPE OF REFUND					
Separation	$4,274,833	$3,959,655	$3,270,872	$4,845,097	$5,921,406
Death	80,476	15,180	75,356	48,794	232,726
Total refunds	**$4,355,309**	**$3,974,835**	**$3,346,228**	**$4,893,891**	**$6,154,132**

	2005	2006	2007	2008	2009
TYPE OF BENEFIT					
Age and service benefits:					
Retirees	$156,855,526	$165,224,179	$173,525,666	$181,049,049	**$187,127,254**
Beneficiaries	12,327,133	13,334,797	14,130,097	15,180,911	**16,126,771**
Death in service benefits	1,380,060	1,433,303	1,422,814	1,483,630	**1,561,582**
Disability benefits:					
Retirees	5,377,745	5,568,278	5,867,997	6,022,620	**6,111,742**
Beneficiaries	504,859	655,043	686,129	681,098	**723,778**
Total benefits	**$176,445,323**	**$186,215,600**	**$195,632,703**	**$204,417,308**	**$211,651,127**
TYPE OF REFUND					
Separation	$7,007,955	$7,402,934	$8,224,690	$7,629,914	**$2,615,240**
Death	186,843	57,203	9,756	37,145	**80,041**
Total refunds	**$7,194,798**	**$7,460,137**	**$8,234,446**	**$7,667,059**	**$2,695,281**

History of Contributions

1945–2009

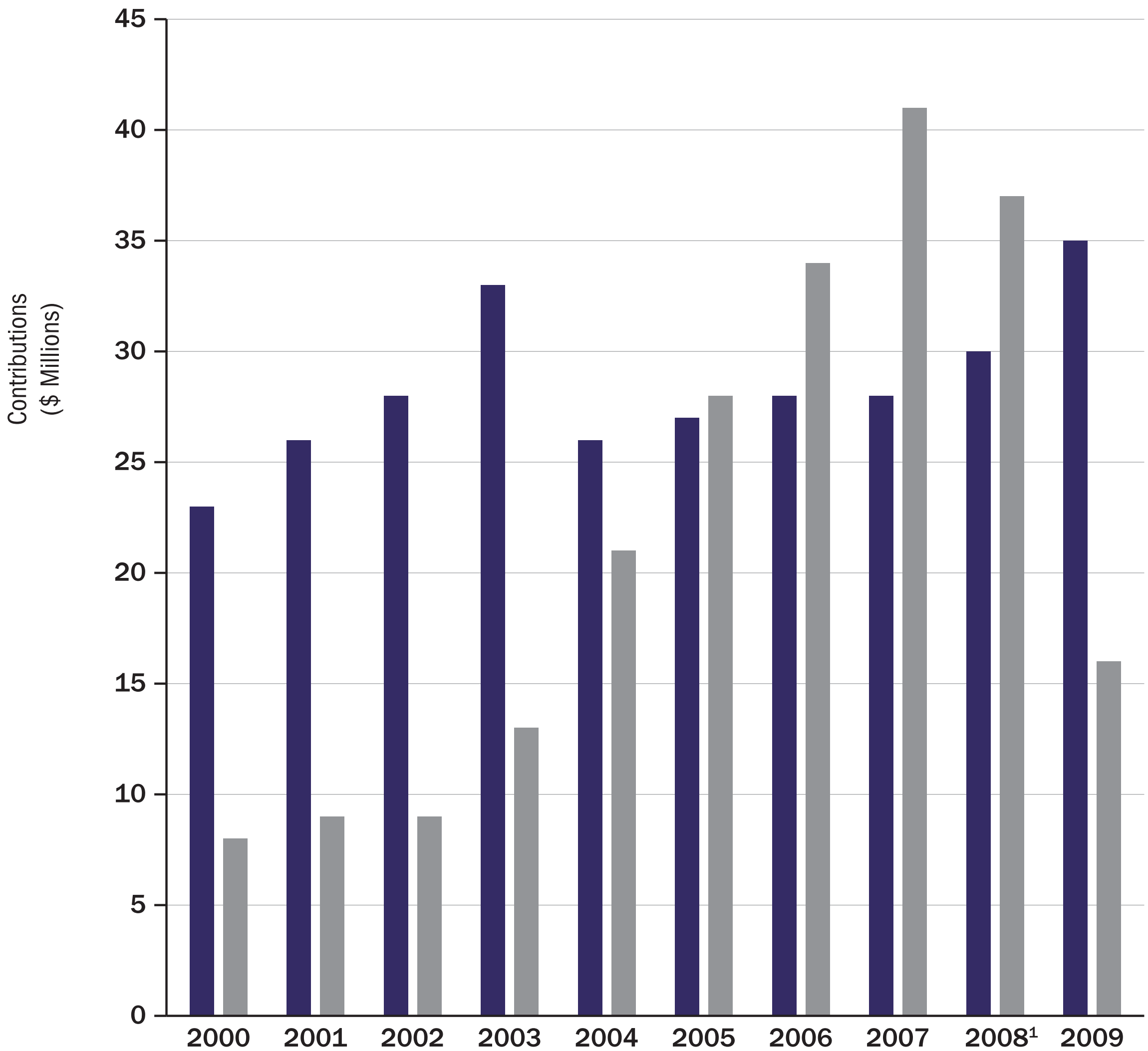
Year	Member Contribution	% of Salary	Employer Contribution	% of Salary
1945	$20,970	6.00%	$—	0.00%
1946	252,306	6.00%	357,572	8.50%
1947	293,841	6.00%	524,000	10.70%
1948	419,941	6.00%	738,101	10.55%
1949	506,202	6.00%	1,168,423	13.85%
1950	569,934	6.00%	1,257,920	13.24%
1951	635,309	6.00%	1,436,528	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%

Year	Member Contribution	% of Salary	Employer Contribution	% of Salary
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[1]	15,305,167	6.00%/7.00%	400,307,299	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%
2007	28,184,570	8.00%	40,572,810	11.99%
2008[2]	29,904,361	8.00%	434,811,169	10.21%
2009	**35,003,097**	**8.00%**	**15,841,465**	**4.04%**

[1] In addition to the $22,540,381 budgeted employer contribution, the District contributed the proceeds resulting from the issuance of PCOPs in the amount of $377,766,918.

[2] In addition to the $37,011,169 budgeted employer contribution, the District contributed the proceeds resulting from the issuance of TVRCOPs in the amount of $397,800,000.

Contributions
2000–2009



	2000	2001	2002	2003	2004	2005	2006	2007	2008[1]	2009
Member	$23	$26	$28	$33	$26	$27	$28	$28	$30	$35
Employer	$8	$9	$9	$13	$21	$28	$34	$41	$37	$16

[1]In addition to the 2008 budgeted employer contribution of $37,011,169 illustrated above, the District contributed the proceeds resulting from the issuance of TVRCOP in the amount of $397,800,000.

Principal Participating Employers

Current and Nine Years Ago

Participating Employer	2009 Covered Members[1]	2009 Rank	2009 Percentage of Total System	2000 Covered Members	2000 Rank	2000 Percentage of Total System
School District No. 1	7,516	1	93.2%	7,043	1	97.7%
Omar D. Blair Edison Charter School	53	2	0.7%	—	—	—
Wyatt-Edison Charter	49	3	0.6%	53	2	0.8%
Highline Academy	38	4	0.5%	—	—	—
KIPP Sunshine Peak Academy	37	5	0.5%	—	—	—
Cesar Chavez Academy	33	6	0.4%	—	—	—
West Denver Preparatory - Federal Campus	32	7	0.4%	—	—	—
Northeast Academy	30	8	0.4%	—	—	—
Pioneer Charter	27	9	0.3%	24	3	0.3%
Manny Martinez Middle School	24	10	0.3%	—	—	—
Odyssey Charter	23	11	0.3%	21	4	0.3%
Urban Learning Communities, Inc. P.S. 1 Charter School	23	11	0.3%	24	3	0.3%
Community Challenge School	22	12	0.3%	7	7	0.1%
Envision Leadership Preparatory	21	13	0.3%	—	—	—
Denver Public Schools Retirement System[2]	20	14	0.2%	17	6	0.2%
Life Skills Center of Denver	20	14	0.2%	—	—	—
Southwest Early College	20	14	0.2%	—	—	—
Colorado High School Charter	17	15	0.2%	—	—	—
Denver Venture School	14	16	0.2%	—	—	—
Denver Justice High School	12	17	0.1%	—	—	—
KIPP Denver Collegiate High School	11	18	0.1%	—	—	—
West Denver Preparatory - Harvey Park Campus	11	18	0.1%	—	—	—
Academy of Urban Learning Charter School	10	19	0.1%	—	—	—
Big Picture High School #1 Skyland Community High School	7	20	0.1%	—	—	—
Denver Arts and Technology Academy[3]	0	21	0.0%	18	5	0.2%
Challenges, Choices & Images[4]	0	21	0.0%	6	8	0.1%
	8,070		100.00%	7,213		100.00%

[1] Excludes 4,146 hourly/part-time employees joining DPS Division as of January 1, 2010.

[2] System merged into Colorado PERA as of January 1, 2010.

[3] School closed June 2009.

[4] School closed October 2008.

System-Covered Employers
As of December 31, 2009

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

Big Picture High School #1
Skyland Community High School
1619 East 35th Avenue
Denver, CO 80205-4083

Cesar Chavez Academy
3752 Tennyson Street
Denver, CO 80212-1914

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

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

Denver Justice High School
4760 Shoshone Street
Denver, CO 80211-1260

Denver Public Schools Retirement System
1301 Pennsylvania Street
Denver, CO 80203-5011

Denver Venture School
2409 Arapahoe Street
Denver, CO 80205-2614

Envision Leadership Prep
2540 Holly Street
Denver, CO 80207-3228

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

KIPP Denver Collegiate High School
451 South Tejon Street
Denver, CO 80223-1928

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

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

Manny Martinez Middle School
951 Elati Street
Denver, CO 80204-3939

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 – Harvey Park Campus
2250 Quitman Way
Denver, CO 80219-4139

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

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

Average Benefit Payments

Retirement Effective Dates	Years of Earned Service 5 – 10	10 – 15	15 – 20	20 – 25	25 – 30	30 +
1/1/2000–12/31/2000						
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
1/1/2001–12/31/2001						
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
1/1/2002–12/31/2002						
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
1/1/2003–12/31/2003						
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
1/1/2004–12/31/2004						
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
1/1/2005–12/31/2005						
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
1/1/2006–12/31/2006						
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
1/1/2007–12/31/2007						
Average Monthly Benefit	$623.75	$1,066.26	$1,830.60	$2,486.38	$3,293.99	$4,405.92
Average Highest Average Salary	$4,026.84	$3,329.78	$4,210.98	$4,406.89	$4,650.91	$5,218.25
Number of Active Retirees	20	20	45	45	43	50
1/1/2008–12/31/2008						
Average Monthly Benefit	$640.85	$1,339.70	$1,798.06	$2,753.67	$3,139.46	$4,449.47
Average Highest Average Salary	$4,012.13	$4,332.93	$4,192.83	$4,871.83	$4,535.24	$5,201.96
Number of Active Retirees	17	16	31	45	28	29
1/1/2009–12/31/2009						
Average Monthly Benefit	$704.64	$1,156.17	$2,044.37	$2,889.85	$3,357.07	$3,908.49
Average Highest Average Salary	$3,825.96	$4,009.06	$4,783.44	$5,310.25	$4,947.75	$4,747.45
Number of Active Retirees	16	15	30	49	21	48

Retired Members By Type of Benefit
As of December 31, 2009

Type of Retirement:

1—Normal retirement
2—Early retirement
3—Beneficiary payment, normal or early retirement
4—Beneficiary payment, death in service
5—Disability retirement
6—Beneficiary payment, disability

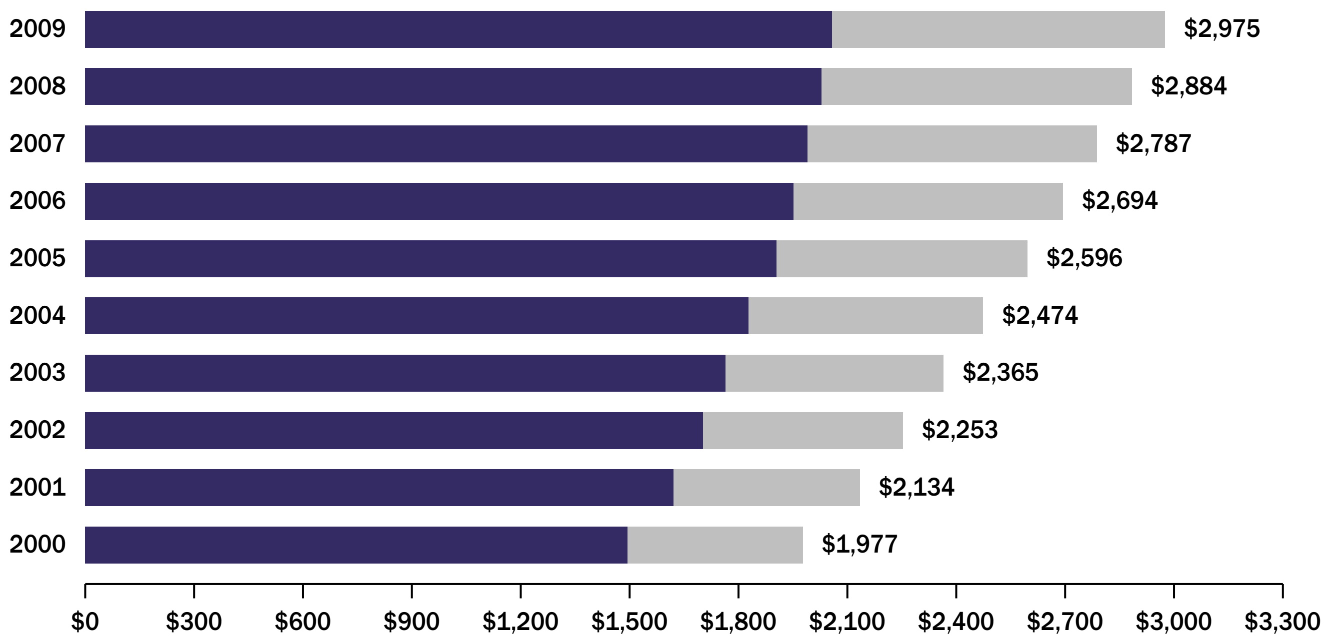
Option Selected:

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

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement 1	2	3	4	5	6
$1–$250	31	18	0	4	9	0	0
$251–$500	191	99	6	22	28	22	14
$501–$750	284	140	48	28	20	38	10
$751–$1,000	271	119	52	30	20	45	5
$1,001–$1,250	307	136	89	40	8	28	6
$1,251–$1,500	325	160	86	27	11	39	2
$1,501–$1,750	271	135	69	37	5	22	3
$1,751–$2,000	323	168	74	39	13	25	4
Over $2,000	4,215	3,293	482	322	13	96	9
	6,218	**4,268**	**906**	**549**	**127**	**315**	**53**
Deferred	648						
Total	**6,866**						

Amount of Monthly Benefit	Option Selected A	SB	B	C	P3	D	E	P2
$1–$250	7	9	4	5	1	2	3	0
$251–$500	51	28	28	52	6	14	11	1
$501–$750	73	20	42	78	9	36	26	0
$751–$1,000	76	20	37	69	5	36	24	4
$1,001–$1,250	76	8	42	81	9	44	44	3
$1,251–$1,500	81	11	38	101	3	61	27	3
$1,501–$1,750	67	5	33	81	9	38	35	3
$1,751–$2,000	78	13	32	118	10	39	27	6
Over $2,000	840	13	381	1,905	78	626	325	47
	1,349	**127**	**637**	**2,490**	**130**	**896**	**522**	**67**

Average Monthly Benefit Paid
2000–2009 Service Retirements



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Basic	$1,494	$1,621	$1,702	$1,764	$1,827	$1,904	$1,951	$1,990	$2,029	$2,058
Benefit Increases	$483	$513	$551	$601	$647	$692	$743	$797	$855	$917