



Colorado

COLORADO ONCE HAD A STELLAR RECORD of responsibly supporting its pension plans—but that fell apart in recent years. The state experienced one of the most severe drops in pension funding levels of any state in the early years of the decade, and between 2003 and 2006, the amount of money the state contributed to its pension systems fell far short of annual required contributions. Colorado was particularly vulnerable to the weakening economy because it had a very high percentage of pension funds invested in stocks and real estate investment trusts in the late 1990s. The state subsequently changed its asset allocation practices and now they track more closely with other states. The pension system also suffered from pressures stemming from the state’s Taxpayers Bill of Rights (TABOR). Colorado has passed a number of significant pension reforms in recent years. To its credit, it was one of just 13 states at the end of 2006 that had set aside some money to cover the cost of health care benefits for future retirees.

PENSIONS

TOTAL BILL COMING DUE: **\$50 billion**¹


FUNDS SET ASIDE: **\$37 billion**

PORTION UNFUNDED: **\$13 billion**

PERCENT FUNDED: **74 as of 2006**²

TEN YEAR FUNDING HIGH: **105% in 2000**

TEN YEAR FUNDING LOW: **71% in 2004**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Colorado assumes one of the highest rates of interest for its pension investments—8.5%—compared to a 50-state median of 8%. It uses a four-year smoothing period to calculate the actuarial value of assets—one reason that its pension funding levels have improved in the last several years sooner than states that use a longer smoothing period and are still factoring in poor investment returns from the early part of the decade. The amortization period conforms to accounting standards.

1 Pension funds include state, municipal, school and judicial employees.
2 50-state mean was 82%.


OTHER BENEFITS

TOTAL BILL COMING DUE: **\$1.2 billion**

FUNDS SET ASIDE: **\$215 million**

PORTION UNFUNDED: **\$1.03 billion**¹

PERCENT FUNDED: **17 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

1 49% of covered payroll, compared to a national median of 135%.

REFORMS: Colorado has made significant changes to its retiree benefits system in recent years, including increasing employee contributions, allowing new employees to choose one of several defined contribution plans rather than the traditional defined benefit plan, increasing age and service requirements for new employees, and tightening up practices for purchasing service credits. Colorado also has taken a number of actions to increase its employer contributions.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



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