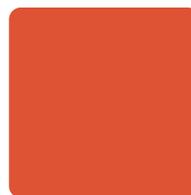
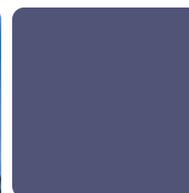


DERP

Denver Employees
Retirement Plan

*A Component Unit of the City and
County of Denver, Colorado*

Powering Your Future, Together.



Popular Annual Financial Report

Fiscal Year Ended December 31, 2020



The Government Finance Officers Association (GFOA) has been promoting the preparation of high quality popular annual financial reports since 1991. More than 140 governments participate in the program each year. The Popular Annual Financial Reporting Awards Program is specifically designed to encourage state and local governments to prepare and issue a high quality popular annual financial report. Popular annual financial reports can play an important role in making financial information accessible to ordinary citizens and other interested parties who may be challenged by more detailed traditional financial reports. Additional details can be found at the GFOA's website: [GFOA.org](https://www.gfoa.org).

About This Report

The Popular Annual Financial Report (PAFR) includes condensed and simplified information from the 2020 Denver Employees Retirement Plan Comprehensive Annual Financial Report. The financial information presented is unaudited and does not provide all of the necessary financial statement and note disclosures required by GAAP. Those interested in learning more about the Denver Employees Retirement Plan, and for electronic copies of the Comprehensive Annual Financial Report, are invited to visit DERP.org.



At a time when 64% of American households lack any form of protected, guaranteed retirement income, your DERP Pension Benefit is a valuable retirement benefit.

Source: Alliance for Lifetime Income



What's Inside

- Message to Our Members 4
- What is the Denver Employees Retirement Plan? 5
- DERP Organizational Chart 6
- Membership 8
- Benefits Provided 10
- Online Services 11
- Financial Reporting Awards 12
- Assets and Liabilities 14
- Income and Expense 15
- Managing Investments for the Long Haul 17
- Pension Funding Status 19
- DERP in Numbers 21
- Giving Back 22

Message to Our Members



It is with great pleasure that I present to you the 2020 Popular Annual Financial Report or PAFR.

This report is designed to keep you informed with the actions we have taken, and accomplishments attained. Each year we provide a significant amount of information in our Comprehensive Annual Financial Report. In our PAFR we provide a summary of information such as membership data, assets, investment performance, assets and liabilities, and revenue and expenses.

In fiscal year ended December 31, 2020, the COVID-19 pandemic continued to upend all our lives. We were forced to embrace a new world and change everything—how we work, how we shop, and how we socialize. It was a unique and challenging time and most of us won't emerge the same. It was a difficult time, but it also opened the door to create lasting and positive change and we embraced the opportunity.

Our top priority was to keep DERP staff and members safe and we made changes. We looked at how we could improve and modernize, and we adjusted so we could continue to support our members. In person

meetings quickly changed to phone and video calls. Masked membership services representatives met with members in DERP's parking lot, on our front porch, and some even drove to homes to drop off or pick up paperwork. We were able to redesign how we interacted with members to help in different and interesting ways and it was successful. Going forward we will continue to offer a hybrid model of in person, virtual, and phone meetings allowing members to meet with us in a way they are most comfortable.

In the beginning of 2020 the stock market took a dramatic COVID-19 tumble, but it quickly started to rebound. Although the U.S. stock market finished the year with strong results, other areas of investment such as international stocks, real estate, and energy had not recovered by year end. Although we ended 2020 with a positive return of 5.7%, it was below our long-term assumed rate of return of 7.25%. However, our long-term results remain robust, and we are positioned to benefit from further recovery in the changed environment. Members can be confident their DERP Pension Benefit is secure and will continue to provide a secure retirement future.

In 2020, we launched a new look, website, and member-focused experience designed to Power Your Future, Together. Our new brand was created based on feedback and insights gathered from a robust research process involving the use of focus groups, interviews, and an electronic survey of hundreds of DERP members. We learned a lot about what members need and want from us in order to effectively prepare for retirement future. Our brand language, messaging, and architecture reflect the forward-thinking ways we are prepared to help our members achieve their retirement dreams today and into the future.

The DERP team and I believe our highest priority is providing a stable and secure monthly lifetime DERP Pension Benefit to, and supporting, our members. We are pleased our activities have positioned us for the future and will help carry us forward. While much has changed around us, the need for a secure retirement future remains as important as ever and we are committed to powering retirement futures, together.

Respectfully submitted,

Heather K. Darlington, CPA
Executive Director

A handwritten signature in black ink that reads "Heather K. Darlington".

What is the Denver Employees Retirement Plan?

The Denver Employees Retirement Plan (DERP) was established January 1, 1963 to provide a defined benefit plan for eligible City and County of Denver employees in the Career Service, certain employees of the Denver Health and Hospital Authority, and DERP staff.

What DERP Does

The DERP team administers retirement, disability, and survivor benefits for eligible City and County of Denver employees in the Career Service, certain employees of the Denver Health and Hospital Authority, and DERP staff.

DERP's Organizational Structure

DERP is governed by a five-person retirement board, appointed by the Mayor, for staggered 6-year terms. The retirement board appoints the executive director, who oversees DERP's day-to-day operations and staff. There is also an advisory committee that represents the interest of active and retired members by soliciting input and providing feedback to the retirement board.

Retirement Board

The retirement board's role is to ensure the Denver Employees Retirement Plan is appropriately governed and managed. The board acts as trustees for active members, retired members, and their beneficiaries and oversees the investment of assets, approves the operating budget, and sets policy. One member must be a vested, active employee and one must be a retired member.

Advisory Committee

The advisory committee consists of voluntary and unpaid non-voting members who are elected by membership to serve staggered 3-year terms. One seat is filled by a vested, active Denver City and County (city) or Denver Health and Hospital Authority (DHHA) employee, one seat is filled by a retired member, and another seat is appointed by the Denver Career Service Board. The fourth seat can be filled by an active, vested city or DHHA employee or a retired member. An election is held every spring to elect, or re-elect, a member. An advisory committee member represents city employees, DHHA covered employees, and DERP retired members and presents suggestions and questions to the DERP Retirement Board.



As a trusted steward of the city's pension plan for over 50 years, DERP has helped thousands of eligible employees build, plan, and live a strong retirement future through prudent investment management, exceptional member service, and a commitment to deliver retirement benefits to our members.

DERP Organization Chart

The DERP staff shares one vision, is committed to working smart, and is dedicated to providing the best customer service possible. DERP's executive director and the leadership team are responsible for fulfilling the vision of the retirement board.



Our Mission

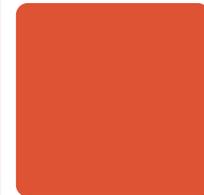
To provide promised retirement benefits and exceptional service to our members through prudent investment and administration.

Our Vision

To remain financially secure, to exceed evolving customer service expectations, and to be recognized as best in class among public retirement systems.

Our Values

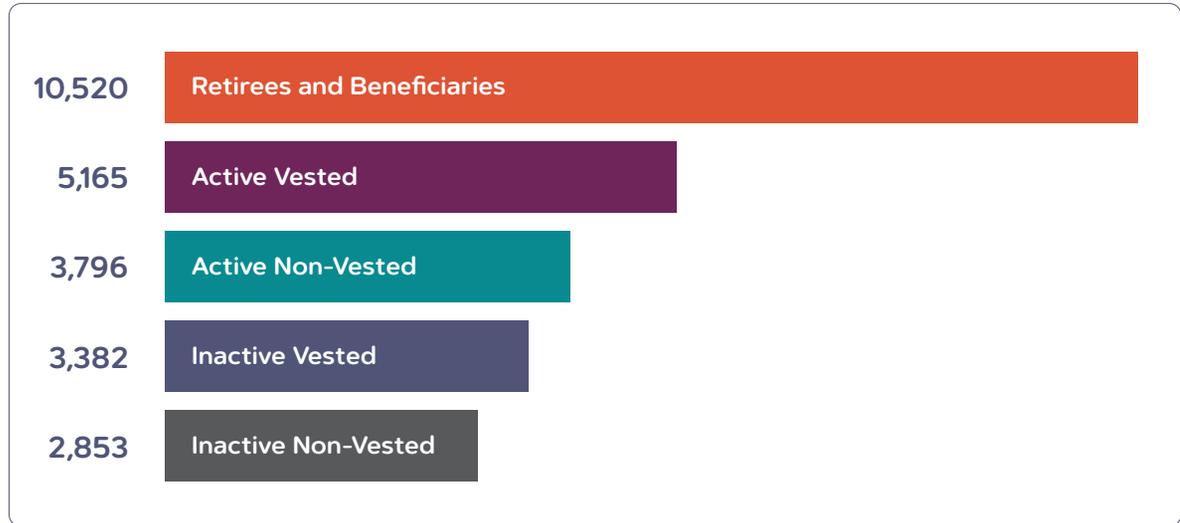
- Adhere to **diligent and prudent** processes
- Approach issues in a **proactive and strategic** manner
- **Communicate** effectively
- Cultivate **accountability** to each other and to all who rely on us
- Demonstrate **sound leadership** in governing and managing the Pension Benefit
- Ensure **compliance** with fiduciary standards of conduct
- Exhibit **professionalism**
- Foster **teamwork** and depth of knowledge through the **pursuit of continuous education**
- Proactively **engage all key audiences** within our operating community
- Maintain the **transparency** required and expected of a public retirement plan
- Operate with **integrity** in all our business practices
- **Respect diversity** and different points of view
- Safeguard the **security and confidentiality** of members' data and personal information
- Strive for **innovation and continuous improvement**
- Take **responsibility** for our decisions and actions



Membership

City and County of Denver employees in the Career Service, certain employees of the Denver Health and Hospital Authority, and DERP staff are covered by the defined benefit plan.

Eligible employees become members on their first day of employment and are automatically enrolled in DERP. Denver Police and Denver Fire Department uniformed employees are covered by a separate retirement system. After earning five years of service credit members become vested and qualify to receive a guaranteed monthly DERP Pension Benefit upon reaching retirement age. When vested, accumulated benefits are available when the member retires.



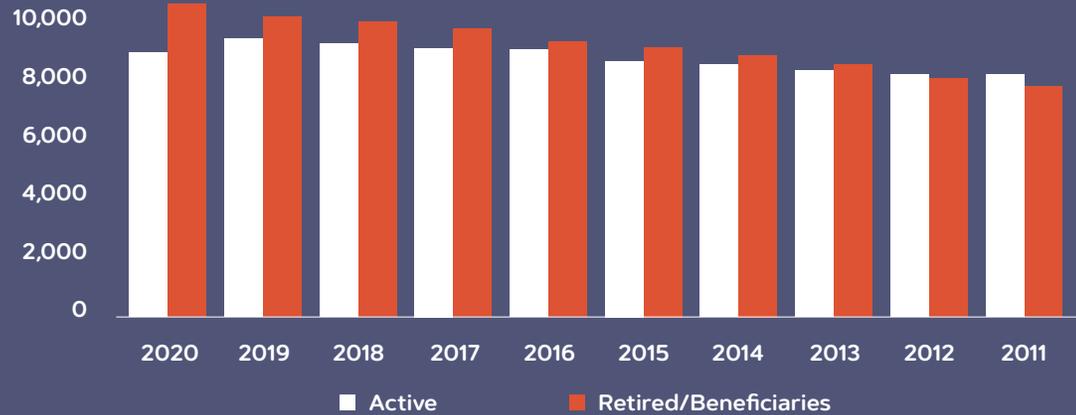
In 2020 DERP had 25,716 members in the following categories:

- **Active Vested** – Members who have five years of credited service. Upon vesting, a member is eligible for a monthly lifetime DERP Pension Benefit.
- **Active Non-Vested** – An active, non-vested member, has less than five years of credited service and is not eligible for a monthly lifetime DERP Pension Benefit.
- **Inactive Vested** – An inactive vested member is no longer an active employee and is eligible for a future, monthly lifetime DERP Pension Benefit.
- **Inactive Non-Vested** – Members who are inactive and are not vested and do not qualify to receive a monthly lifetime DERP Pension Benefit. Members in the category may request a refund of their contributions or roll them over into a qualified retirement account. Employer contributions remain with DERP.
- **Retirees and Beneficiaries** – A retiree, or their beneficiary, who are currently receiving a monthly lifetime DERP Pension Benefit.

10-Year Snapshot

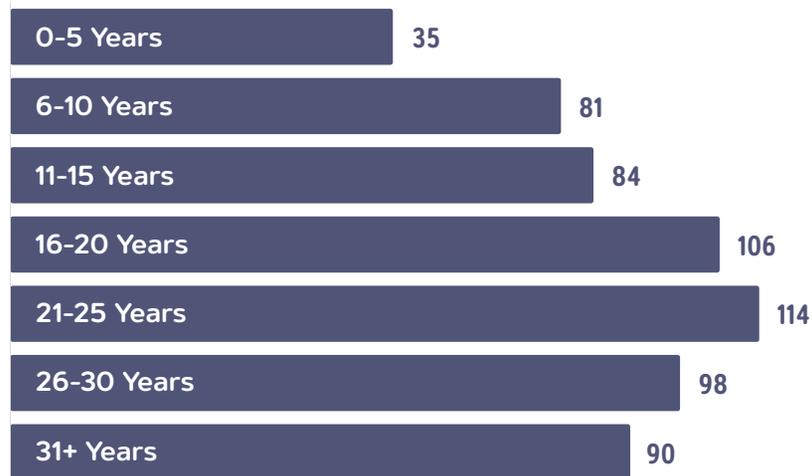
Active Members Compared to Retirees and Beneficiaries

Over the last 10 years the number of active members making contributions has increased 10%, from 8,149 to 8,961. The number of retirees and beneficiaries collecting benefits has increased 35%, from 7,776 to 10,520.



Years of Service at Retirement

In 2020, 608 members applied for and retired from DERP. Of those, almost half had more than 20 years of service.



Benefits Provided

A DERP Pension Benefit is a member’s foundation for a strong retirement future, providing them and their beneficiaries a guaranteed lifetime monthly income upon retirement, disability, or death.

Once a member is vested, their DERP Pension Benefit cannot be taken away. In most cases, the DERP Pension Benefit paid to a member greatly exceeds the contributions made while working.

What is a DERP Pension Benefit?

The DERP Pension Benefit is an employer-sponsored defined benefit pension retirement plan that pays a lifetime benefit to a vested member or their beneficiary at retirement, disability, or death. A DERP Pension Benefit is a qualified plan that meets the requirement of Section 401(a) of the Internal Revenue Code. A member’s contributions, along with their employer’s contributions, plus income from investment, fund their DERP Pension Benefit. Contributions made are on a pretax basis through payroll deduction, and income is tax deferred until received as a benefit.

Advantages of the DERP Pension Benefit

- **It’s Guaranteed** – Once a member has five years’ service credit, they are eligible to receive a lifetime, monthly DERP Pension Benefit. When they apply for their DERP Pension Benefit they can choose an option that will continue to pay their beneficiary a lifetime, monthly DERP Pension benefit upon their death.
- **It’s for Life** – Members can’t outlive their DERP Pension Benefit. No matter how long they live they will receive a lifetime, monthly DERP Pension Benefit.
- **It’s Professionally Managed** – A member’s DERP Pension Benefit is maintenance free. Members don’t have to make investment decisions. DERP’s investment team is focused on long-term results, and partner with some of the best investment professionals in the country to maximize returns and manage risk.



How It Works

- The member and the city contribute a percentage of each paycheck, pretax, to their DERP Pension Benefit.
- The members lifetime monthly DERP Pension Benefit is built on a formula based on their age, length of service, and salary, not the contributions made. The longer the member works with the city, the higher their monthly benefit will be.
- When a member leaves, if vested, they will qualify for a lifetime monthly DERP Pension Benefit. The combination of their DERP Pension Benefit, Social Security, and personal savings and investments will provide them with retirement income to live a secure retirement future.

DERP Plus Benefits

As a DERP member, in addition to receiving the security of their DERP Pension Benefit, they have a range of additional benefits to support a strong, healthy, and protected future. The DERP Plus Benefits ensure the member and their loved ones are covered while the member is employed or retired.

DERP Plus Benefits Available While Employed

- Disability Retirement
- Temporary Early Retirement
- Active Death Retirement

DERP Plus Benefits Available When Retired

- Joint and Survivor
- Lump-Sum Death
- Insurance Premium Reduction
- Social Security Make-Up



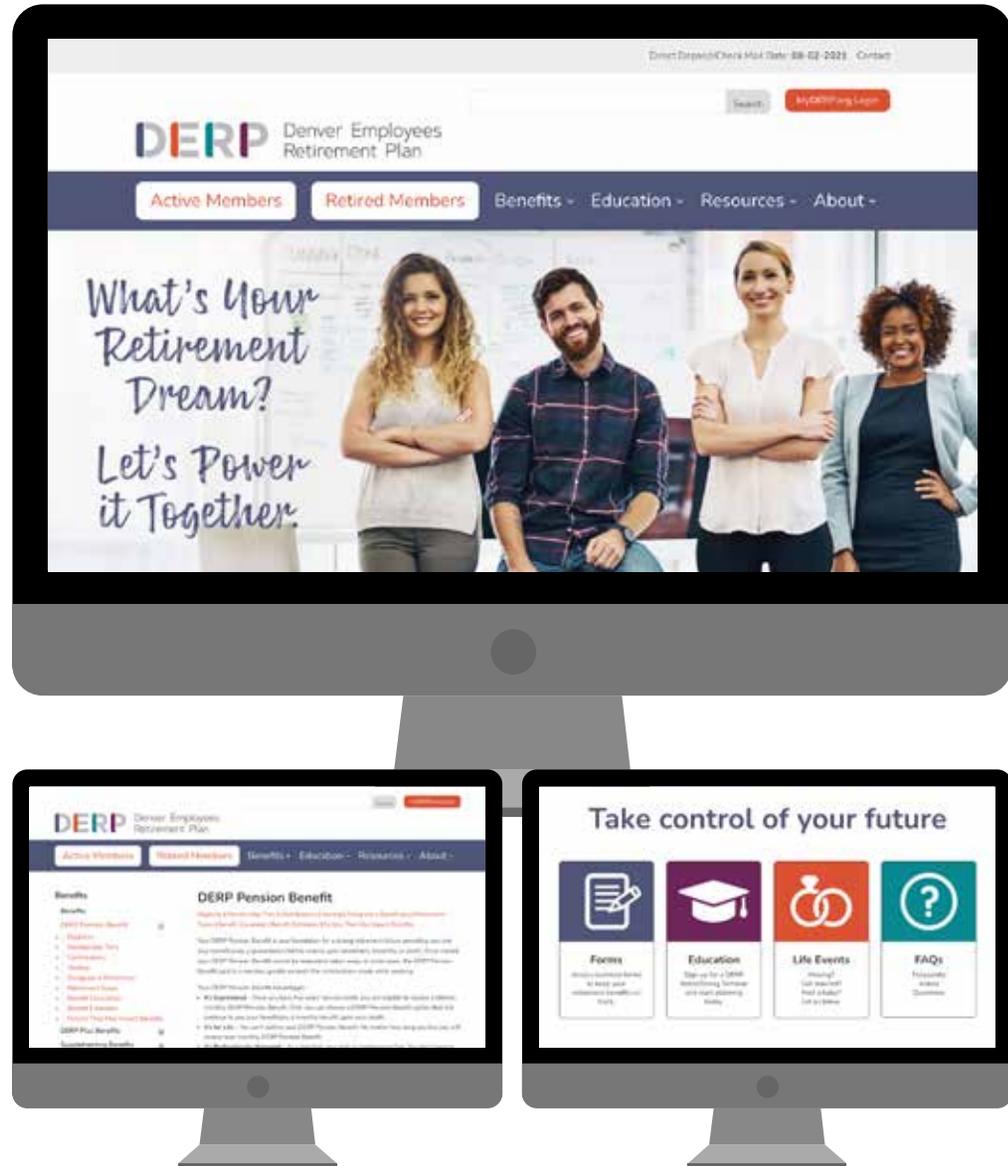
Online Services

DERP.org

In 2020, we unveiled a new look, website, and member centric experience designed to strengthen awareness, understanding, and engagement with members.

Using insights gathered through research, we learned a lot about what our members need and want from us in order to effectively prepare for their retirement future. DERP.org provides a wealth of information and is the best source to help members take control of their future and build, plan, and live a secure retirement future. Members can access and find the information they need wherever they are.

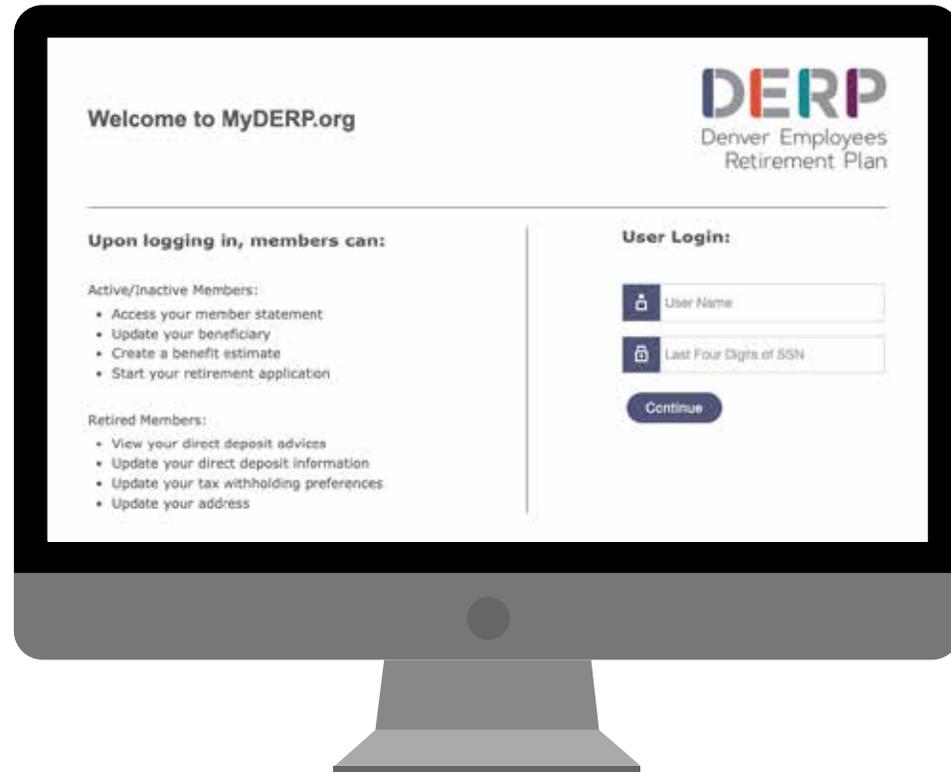
- **One-stop resource.** DERP.org provides robust information about retirement benefits, DERP member education programs, resources, and retirement planning tools.
- **Easy to navigate.** Information is targeted and relevant to members based on their life and career stage.



MyDERP.org

A MyDERP.org account is a secure online resource where members can view and update their information, enroll in meetings and seminars, calculate the cost to purchase service, and more.

- **It's safe.** Keeping a member's account safe and secure is DERP's highest priority. My.DERP.org incorporates internet security and encryption technology to ensure information is protected.
- **It's convenient.** Members can log into their MyDERP.org account at anytime from anywhere.
- **It's easy to use.** Because MyDERP.org is easy-to-navigate, members can quickly and easily access and update information.



A MyDERP.org account provides members with 24-hour access to their personal information seven days a week.

Financial Reporting Awards

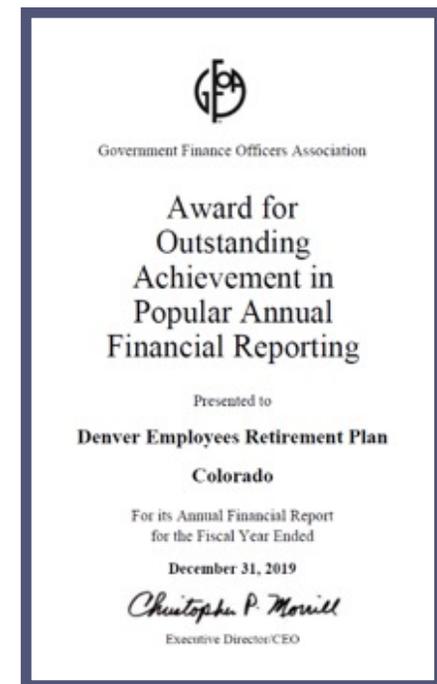
The Government Finance Officers Association (GFOA), founded in 1906, represents public finance officials throughout the United States and Canada. The GFOA's mission is to enhance and promote the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The GFOA has established several highly regarded professional recognition programs to encourage and assist state and local governments of all types and sizes to improve the quality of their financial management and to recognize their achievement.

Award for Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Denver Employees Retirement Plan (DERP) for its Popular Annual Financial Report for the fiscal year ended December 31, 2019. This was the first year DERP received this award. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

This was the first year DERP submitted a Popular Annual Financial Report and received this prestigious award. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA to determine its eligibility for another award.



Certification of Achievement for Excellence in Financial Reporting

DERP's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019, from which the information was drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

This was the 31st consecutive year DERP has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

“One of the goals of our Accounting and Marketing and Communication teams is to provide accurate and informative financial information to our members, City and County of Denver leaders, and other interested parties. We go beyond the minimum requirements of generally accepted accounting principles to prepare the Comprehensive Annual Financial Report and the Popular Annual Financial Report. Receiving these awards reflects our commitment to financial transparency and full disclosure.”

- Jake Huolihan, CPA, Finance and Technology Director

Assets and Liabilities

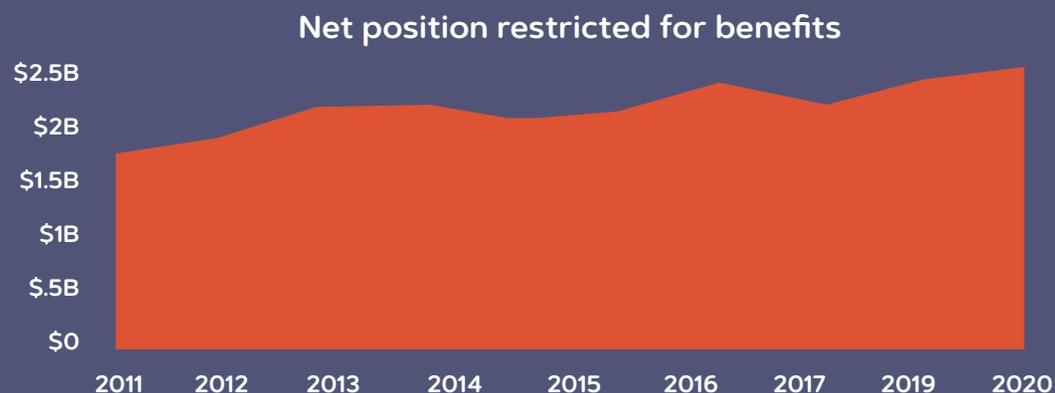
This table shows DERP's assets and liabilities for the years ended December 31, 2020, 2019, and 2018. The net position represents the funds DERP had available at end of the year to pay pension benefits to members, as well as health care insurance premium reduction payments for current and future retirees. The improvement in net position reflects the strong investment returns earned in 2020.

One strong year is great to report but does not completely eradicate the funding shortfall. DERP still has a net pension liability of \$1.56 billion and a \$97 million net other post employment benefit liability.

	2020	2019	2018
Assets			
Cash and short-term investments	\$ 56,448,623	\$ 116,410,500	\$ 36,378,568
Securities lending collateral	82,051,725	81,271,523	129,463,950
Receivables	1,690,483	2,047,375	1,559,686
Investments, at fair value	2,383,234,047	2,217,854,919	2,092,143,126
Prepaid Items	33,844	34,680	32,520
Capital assets	2,716,226	3,168,692	3,518,282
Total assets	2,526,174,948	2,420,787,689	2,263,096,132
Liabilities			
Accounts payable	2,432,150	2,538,455	3,589,374
Unearned contributions	-	6,806,109	-
Securities lending obligations	82,051,725	81,271,523	129,463,950
Total liabilities	84,483,875	90,616,087	133,053,324
Net position restricted for benefits	\$2,441,691,073	\$2,330,171,602	\$2,130,042,808

10-Year Snapshot

DERP's net position represents assets available to pay pension benefits. The fund was \$2.4 billion at the end of fiscal year 2020.



Income and Expenses

This table shows DERP's income (additions) and expenses (deductions) for the years ended December 31, 2020, 2019, and 2018. In 2020, investment earnings were the main component of income and DERP posted a gain from investing activity. Expenses for 2020 were approximately \$255 million, DERP paid over \$250 million in pension benefits (including monthly retiree benefit payments, health insurance premium reduction payments, and account refunds) to over 10,500 retirees and their beneficiaries.

It's important to keep in mind some years will have positive returns, while other years will be neutral or negative. When years are poor, DERP absorbs the loss and continues to meet its commitment to members. As long-term investors, we work to maximize the availability of investable assets by reducing costs, controlling expenses and structuring long-term solutions to address inequities.

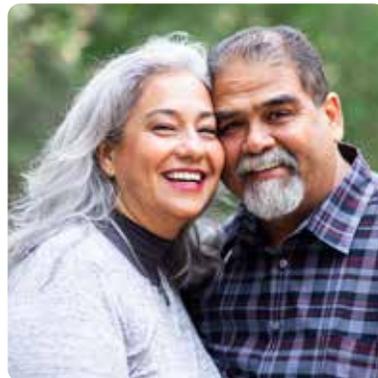
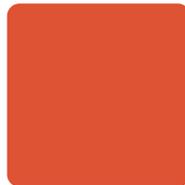
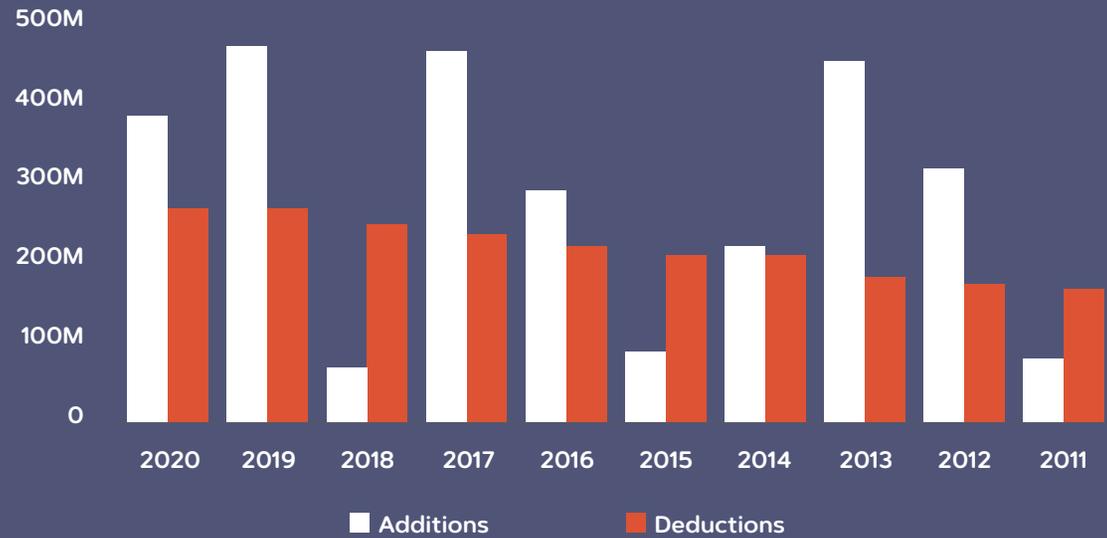
	2020	2019	2018
Additions			
Employer contributions	\$ 112,733,625	\$ 92,549,621	\$ 86,672,498
Member contributions	67,845,591	63,385,303	55,833,462
Investment earnings			
Net appreciation (depreciation) in fair value of investments	200,430,935	262,064,555	(120,309,087)
Earnings on investments	(1,226,470)	45,767,196	57,903,473
Less: investment expenses	(13,395,682)	(15,005,645)	(13,916,856)
Net income from securities lending	296,248	469,282	812,066
Total additions	366,684,247	449,230,312	366,684,247
Deductions			
Member benefits and refunds	250,557,542	244,845,016	233,056,895
Administration expenses	4,607,234	4,256,502	4,149,416
Total deductions	255,164,776	249,101,518	237,206,311
Net position restricted for benefits	\$2,441,691,073	\$2,330,171,602	\$2,130,042,808

DERP's largest expense is providing monthly pension and health benefits to our retirees. Investment expenses are netted against investment earnings and accounted for approximately \$13 million in 2020. The administrative expenses include necessary day-to-day costs to operate the plan (personnel and professional services, information technology, depreciation, and building expenses). The annual administrative and investment management expenses combined represent less than 1% of the DERP's asset under management.

10-Year Snapshot

Additions to the fund include employee and employer contributions, and earnings on investments. Deductions include payments to retirees and beneficiaries, contribution refunds, and the costs of administering the fund.

Additions and Deductions Over Time



Managing Investments for the Long Haul

DERP's investment strategy is disciplined, balanced, and focused on long-term results.

We expect investment gains in some years and losses in others, and rely on a professional investment management, diversification of investments, and a long-term view to achieve our goals. To withstand significant market swings, we are invested across multiple asset classes (for example, bonds, U.S. stocks, foreign stocks, real estate, and private equity).

The goal of the portfolio allocation is to provide the highest level of return at an acceptable level of risk. We partner with some of the best investment professionals in the country using best practice investment strategies to maximize returns and manage investment risk, and collaborate with partners who challenge us to be innovative.

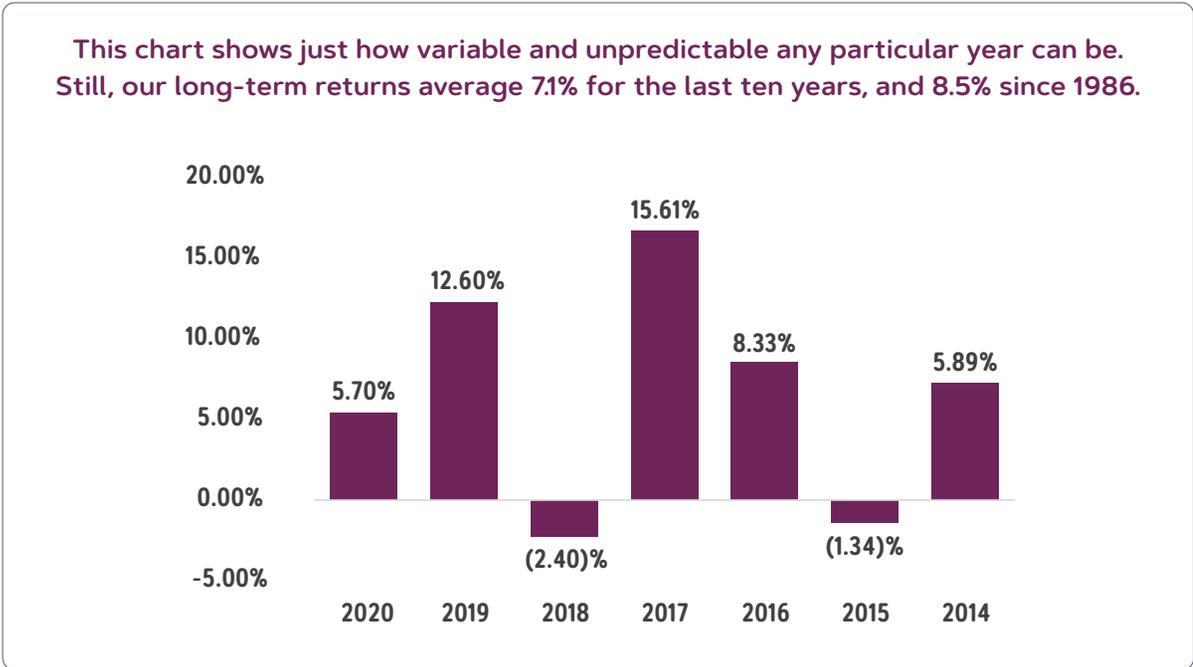
DERP is required to make investment management decisions solely for the benefit of the trust funds it manages. As fiduciaries of the pension funds, DERP staff and the

retirement board are required to use the diligence, skill, and care that a prudent investor would use in managing a large public pension fund.

Investment results are extremely important as investment returns provide approximately two-thirds of the funding for a retiree's ultimate pension. DERP's continuing investment goal is to attain a return over the long-term that will provide adequate funding for benefits.

Investment Returns

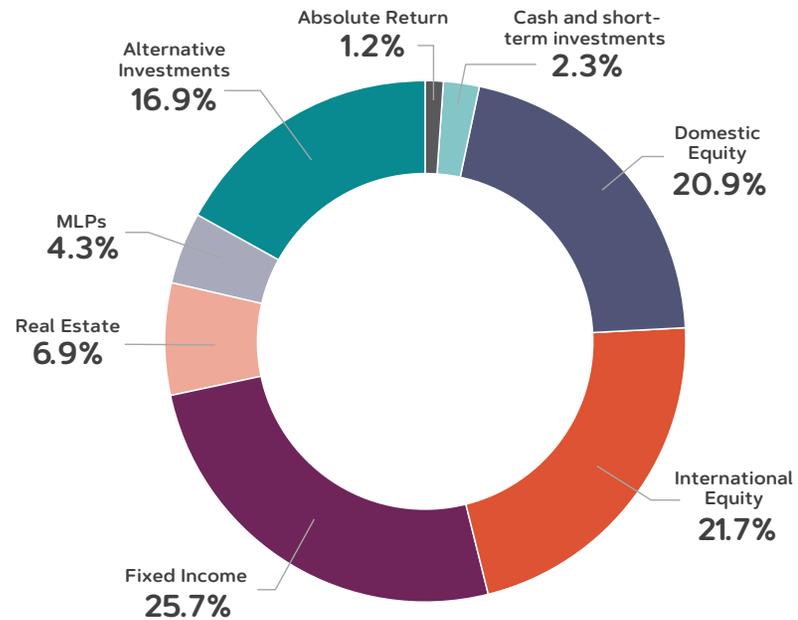
The DERP investment portfolio produced a return of 5.7% for 2020. While our U.S. stocks performed quite well, other areas of the portfolio still had not recovered from the impacts of COVID-19 by year end. As a result, we did not meet our targeted return of 7.5% for the year. However, our history has many instances of large swings in results, and it is expected to have disappointing outcomes from time to time.



Investment Allocation

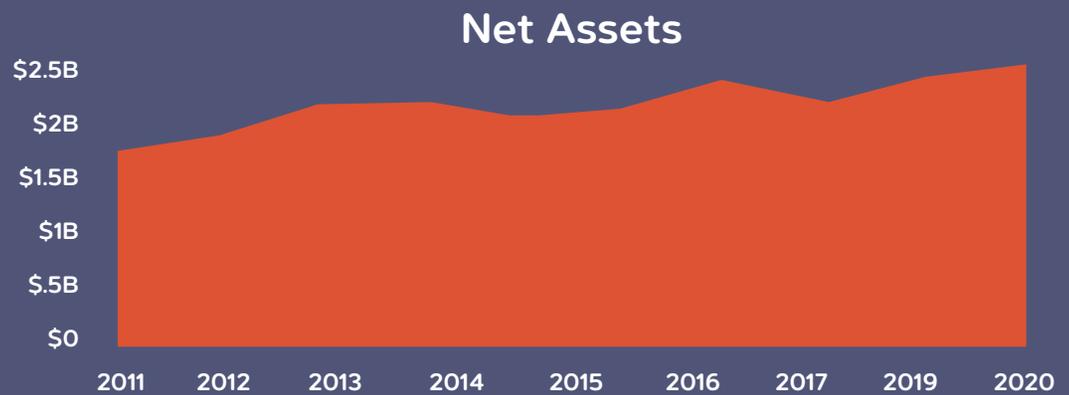
The most significant contributor to a fund’s long-term performance is the allocation among various investments. The allocation process helps control risk and ensures the overall portfolio is broadly diversified. DERP’s retirement board, with the assistance of staff and an external consultant, adopts the asset allocation policy.

The allocation graph shows the distribution of DERP’s \$2,330,171,602 investment portfolio as of December 31, 2020.



10-Year Snapshot

DERP’s net position represents assets available to pay pension benefits. The fund was \$2.4 billion at the end of fiscal year 2020.



Pension Funding Status

Where does the funding comes from?

Each pay period eligible employees, the City and County of Denver, Denver Health and Hospital Authority, and DERP contribute a pretax percentage of the employee’s total gross salary to the retirement plan.

These contributions are made on a pretax basis through a payroll deduction and become part of the DERP trust fund. Together, the employee and employer contributions, plus income from investments, fund the retirement benefits for members and their beneficiaries. By law, DERP must pay the pension benefits when a member retires.

DERP’s revenues (\$367 million in 2020) consist of 3 main streams:

- Employer contributions - 15.75% of payroll
- Employee contributions - 9.25% of payroll
- Investment Returns - Changes in fair value of investments are reflected as income and reflect market conditions as of year-end, net of investment expenses



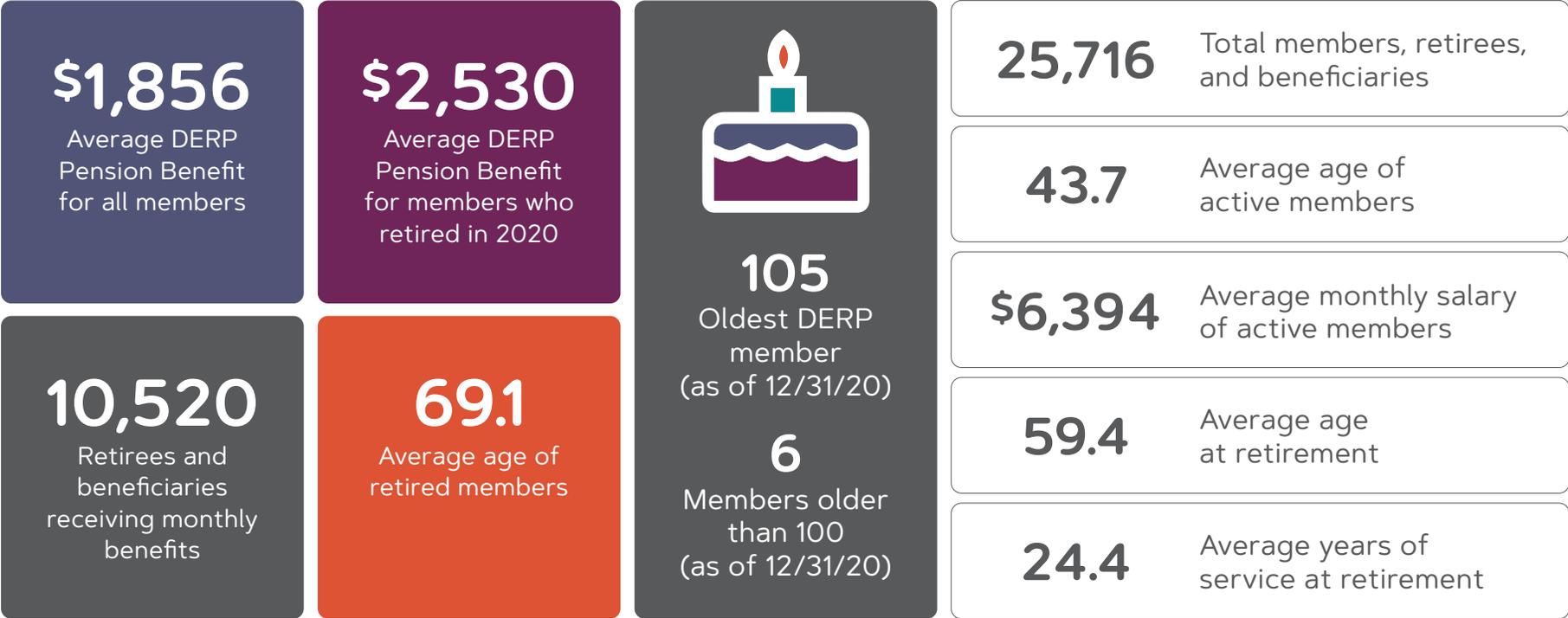
Funded Status

Funded status measures the progress of accumulation of the funds necessary to meet future obligations. The January 1, 2020 valuation funded status was 60.9%. The unfunded liability was expected to be funded within 19 years. Challenges, such as members living longer in retirement than ever before, volatile global markets, and an ever-decreasing member-to-retiree ratio have placed deeper-than-expected strains on the DERP foundation. Pension payments are up 43.9% since 2013.



DERP in Numbers

This page highlights member averages and average benefits paid to retirees receiving a benefit. The cost of retirement will continue to increase as new retirees with higher final average salaries replace long-time retirees with lower average salaries and as members continue to work longer.



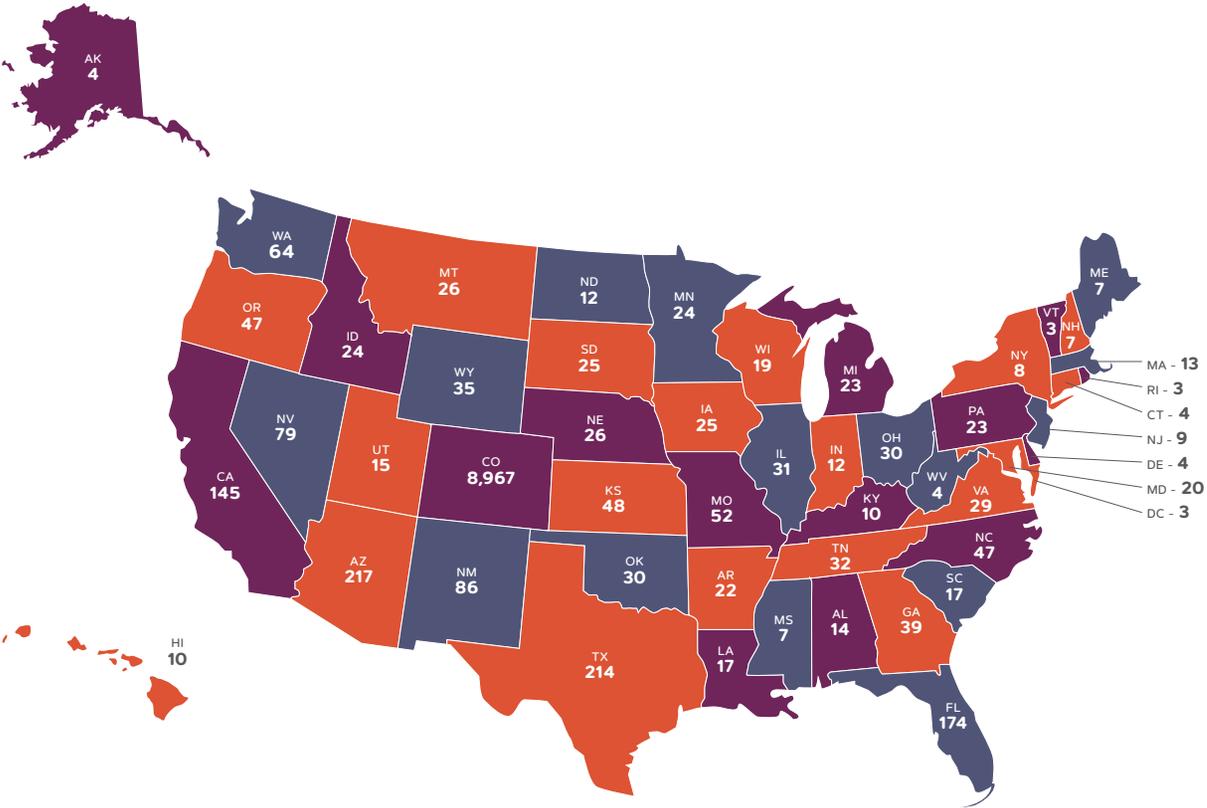
Giving Back

DERP contributes to the Colorado economy through the benefits we pay to our retired members, who may then spend that money in the communities in which they live.

In 2020 85.2% of DERP Pension Benefit payments were made to 8,967 Colorado residents. Out of the over \$227 million in gross benefit payments, over \$200 million stayed in Colorado.

Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Colorado. Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect. Each \$1 in state and local pension benefits paid to Colorado residents ultimately supported \$1.57 in total output in the state.

*Source:
National Institute on Retirement Security*



Location of DERP's 10,520 Retirees

Australia	1	Italy	1
Canada	2	Mexico	3
Costa Rica	3	New Zealand	1
Germany	1	Philippines	1
Israel	3	Poland	1
		United Kingdom	2



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