

# Denver Employees Retirement Plan



Years

1963-2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2012

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

# Denver Employees Retirement Plan

(A Component Unit of the City and County of Denver, Colorado)

## Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2012

**Cheryl Cohen-Vader**  
Retirement Board Chairman

**Steven E. Hutt**  
Executive Director

Prepared by the Plan Staff

# Table of Contents

## Introductory Section

Primary Plan Sponsor and Elected Officials .....	5
Letter of Transmittal .....	6
Retirement Board .....	8
Advisory Committee .....	9
Professional Services and Investment Managers .....	10
Certificate of Achievement for Excellence in Financial Reporting .....	11
Organizational Structure .....	12

## Financial Section

Independent Auditor's Report on Financial Statements and Supplementary Information .....	14
Management's Discussion and Analysis .....	16
Basic Financial Statements:	
Statement of Plan Net Position .....	20
Statement of Changes in Plan Net Position .....	21
Notes to Financial Statements .....	22
Required Supplementary Information:	
Schedule of Funding Progress .....	32
Schedule of Employer Contributions .....	33
Supplementary Information:	
Schedule of Administrative Expenses .....	34
Schedule of Investment Expenses .....	35

## Investment Section

Investment Consultant's Statement .....	39
Mission Statement .....	41
Investment Responsibilities .....	41
Investment Objectives .....	41
Asset Allocation Target .....	42
Chart of Allocation Target .....	42
Chart of Allocation by Asset Class .....	43
Asset Target Allocation by Managed Account .....	44
Top Ten Stock and Bond Holdings .....	45
Investment Performance .....	46
Schedule of Investment Commissions .....	47
Schedule of Investment Fees .....	49

## Actuarial Section

Actuary's Certification Letter .....	53
Valuation Methods .....	55
Development of Amortization Payment .....	56
Assumptions – Valuation, Changes and Economic .....	56
Assumptions – Demographic .....	57
Assumptions – Miscellaneous and Technical .....	62
Analysis of Financial Experience .....	64
Schedules of Retirees – Beneficiaries and Active Members .....	65
Solvency Test .....	66
Summary of Principal Plan Provisions .....	67

## Statistical Section

Changes in Plan Net Position .....	72
Schedule of Benefit Expenses by Type .....	74
Schedule of Retired Members by Type of Benefit – Pension and Health Insurance Reduction .....	76
Schedule of Retired Members by Attained Age and Type of Pension Benefit .....	78
Average Monthly Benefit Payment – Pension .....	79
Average Monthly Benefit Payment – Health Insurance Reduction .....	80
Principal Participating Employers .....	80
Location of Plan Retirees (Map) .....	81

# Introductory Section

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**Primary Plan Sponsor**

City and County of Denver, Colorado

**Elected Officials**

Mayor

Honorable Michael B. Hancock

Auditor

Honorable Dennis J. Gallagher

**City Council**

District 1	Honorable Susan K. Shepherd
District 2	Honorable Jeanne Faatz
District 3	Honorable Paul D. López
District 4	Honorable Peggy Lehmann
District 5	Honorable Mary Beth Susman
District 6	Honorable Charlie Brown
District 7	Honorable Chris Nevitt
District 8	Honorable Albus Brooks
District 9	Honorable Judy H. Montero
District 10	Honorable Jeanne Robb
District 11	Honorable Christopher Herndon
Council at-Large	Honorable Robin Kniech
Council at-Large	Honorable Deborah Ortega

Clerk and Recorder

Honorable Debra Johnson



Steven E. Hutt  
Executive Director  
777 Pearl Street  
Denver, CO 80203  
Ph. 303.839.5419  
Fax 303.839-9525  
[www.derp.org](http://www.derp.org)

June 1, 2013

Dear Members of the Denver Employees Retirement Plan:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Denver Employees Retirement Plan (the Plan) of the City and County of Denver (the City) for the fiscal year ended December 31, 2012.

**Comprehensive Annual Financial Report** This report is an overview intended to give the reader reliable and useful information which describes the financial position of the Plan and provides assurance that the Plan is in compliance with applicable legal provisions. The Plan's management is responsible for the accuracy of the data contained in this report, and we believe the information included presents fairly the net position of the Plan as of December 31, 2012, and the changes in net position for the year then ended.

**Internal Control** The Plan's management has designed and implemented internal and accounting controls to provide reasonable assurance of the accuracy and reliability of all the financial records and the safekeeping of the Plan assets. There are inherent limitations in the effectiveness of any system of internal controls. The cost of internal control should not exceed anticipated benefits; therefore the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

**Independent Audit** The Revised Municipal Code of the City requires an annual audit of the trust fund, with the results being furnished to the Mayor, the City Council, and the Auditor of the City. The Retirement Board selected the accounting firm BKD, LLP to render an opinion as to the fairness of the Plan's 2012 financial statements. The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Independent Accountants' Report is included in the Financial Section of this report.

**Management's Discussion and Analysis** Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Plan's MD&A can be found immediately following the report of the independent accountants in the Financial Section of this report.

**Plan Profile** The Plan was established on January 1, 1963, as a defined benefit plan. Most employees of the City, certain employees of the Denver Health and Hospital Authority (DHHA), and all of the Plan staff are covered by the Plan. Excluded from membership are the uniformed employees of the City's police and fire departments and the employees of the Denver Water Board. All active Plan members are required to contribute to Social Security while employed. As of December 31, 2012, there were 8,175 active and 8,045 retired members of the Plan.

The Plan is governed by a five member Board, the members of which are appointed for staggered six-year terms by the Mayor of the City. Additionally, three members of the Advisory Committee are elected by the membership for staggered three-year terms and one member is appointed by the City's Career Service Board.

All Plan-related benefit and administrative provisions are detailed in Sections 18-401 through 18-430.7 of the Revised Municipal Code of the City. Any amendments to the Plan must be enacted into ordinance by the Denver City Council and approved by the Mayor of the City.

## Introductory Section

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The Plan provides retirement benefit options based upon the member's date of hire. At the time of retirement, a member may elect to receive a reduced benefit in order to provide a lifetime benefit to a spouse or an eligible beneficiary upon the member's death. The Plan also provides disability and death benefits. With respect to other post-retirement benefits, the Plan offers retired members and their beneficiaries the option of purchasing health and dental insurance coverage. Based on a formula incorporating a member's years of service, the Plan pays a portion of the monthly insurance premium(s). A more detailed explanation of benefits is outlined in the Summary of Principal Plan Provisions in the Actuarial Section of this report. The Plan's Membership Services representatives provide ongoing pre-retirement counseling to the active members and assist retired members and their beneficiaries throughout the year.

**Investment Performance** The Plan follows a strategic asset allocation policy so that investments are diversified. The goal of the asset allocation is to provide the highest level of return at an acceptable level of risk. During 2012, the Plan's investment portfolio experienced strong gains, returning 13.73% gross of fees. These investment results exceeded both the overall strategic benchmark return for the Plan, as well as the median peer return, surpassing the annual return earned by 70% of other public pension funds nationally.

**Funded Status** The Plan's pension benefit fund continues to be at the upper end of funded status compared to our peer group of other public pension funds nationally. The Retirement Board, the Executive Director, and the Plan staff remain committed to managing the Plan's assets and liabilities to maintain the long-term financial soundness of the Plan and to have the funds needed to pay every dollar of benefits promised to every current and future retiree. A history of the Plan's funded status through January 1, 2012 is presented in the required supplementary information in the Financial Section of this CAFR. Additional information is included in the Actuarial Section of the report.

**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 Denver Employees Retirement Plan for its CAFR for the fiscal year ended December 31, 2011. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded the Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized report, the contents of which meet or exceed program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. The Plan has received a Certificate of Achievement for 23 years in a row. We believe this current report continues to meet the Certificate of Achievement program requirements and will submit it to the GFOA for consideration again this year.

**Conclusion** We express our appreciation to the Plan staff who served the membership throughout 2012 and who prepared this report. We also want to recognize the 48 continuous years of devoted service to the Plan by our late former Board Chairman, Irving Hook, and the 17 years of strong leadership provided by our late former Executive Director, Mike Heitzmann.

We hope readers find this report easy to read and understand, and will recognize the contributions that the Retirement Board, Advisory Committee, and Plan staff make toward the continued successful operation of the Plan.

Sincerely,



Cheryl Cohen-Vader  
Retirement Board Chairman



Steven E. Hutt  
Executive Director



## Retirement Board

Each member is appointed by the Mayor of Denver



**Cheryl Cohen-Vader**

Term expires January 1, 2014



**John J. Hanley**

Term expires January 1, 2017



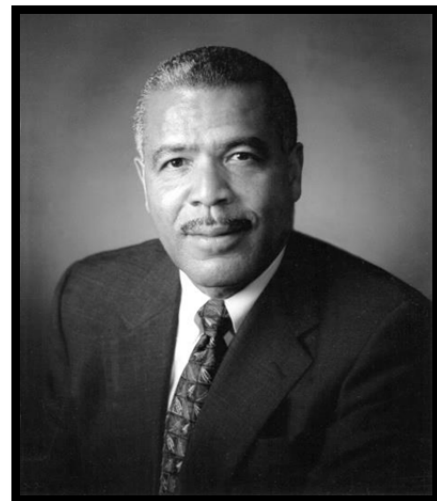
**Thomas J. Migaki**

Term expires January 1, 2015



**Eric S. Rothaus**

Term expires January 1, 2016



**Thomas Williams**

Term expires January 1, 2019

### Advisory Committee

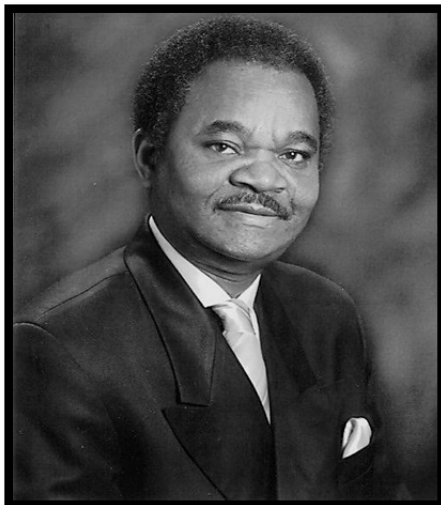
Three members are elected by the Plan membership and one member is appointed by the Denver Career Service Board



**Michael F. Aleksick**  
Term expires May 31, 2015



**Heather L. Britton**  
Term expires June, 2014 on  
the date of annual meeting



**Adeniyi M. Kelani, Ph.D.**  
Term expires May 31, 2014



**Erma D. Zamora**  
Term expires May 31, 2013

## Professional Services

### Actuary

- Gabriel Roeder Smith & Co.

### Custodian Bank

- Bank of New York Mellon Corporation

### Independent Auditor

- BKD, LLP

### Investment Consulting

- Summit Strategies Group

## Investment Managers

### Domestic Equity Managers

- Bank of New York Mellon Corporation
- Cadence Capital Management
- Eagle Capital Management
- Franklin Global Advisors
- Neuberger Berman, LLC
- NorthPointe Capital
- Sit Investment Associates, Inc.

### International Equity Managers

- Bank of New York Mellon Corporation
- Dimensional Fund Advisors
- LSV Asset Management
- Pyramis Global Advisors
- Templeton Investment Counsel, LLC

### Domestic Fixed Income Managers

- Bank of New York Mellon Corporation
- Golub Capital
- Smith Graham & Company

### Real Estate Managers

- Contrarian Capital Management, LLC
- Fidelity Real Estate Group
- JP Morgan Asset Management
- Prudential Real Estate Investors
- UBS Global Asset Management
- Walton Street Capital

### Alternative Investments Managers

- Adams Street Partners, LLC
- EIG Global Energy Partners
- Hancock Timber Resource Group
- INVESCO Private Capital
- JP Morgan Asset Management
- Tortoise Capital Advisors

### Absolute Return Funds

- Prisma Capital Partners

Investment commissions and fees can be found on pages 47-49 in the Investment Section.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Denver Employees Retirement  
Plan, Colorado

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

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.



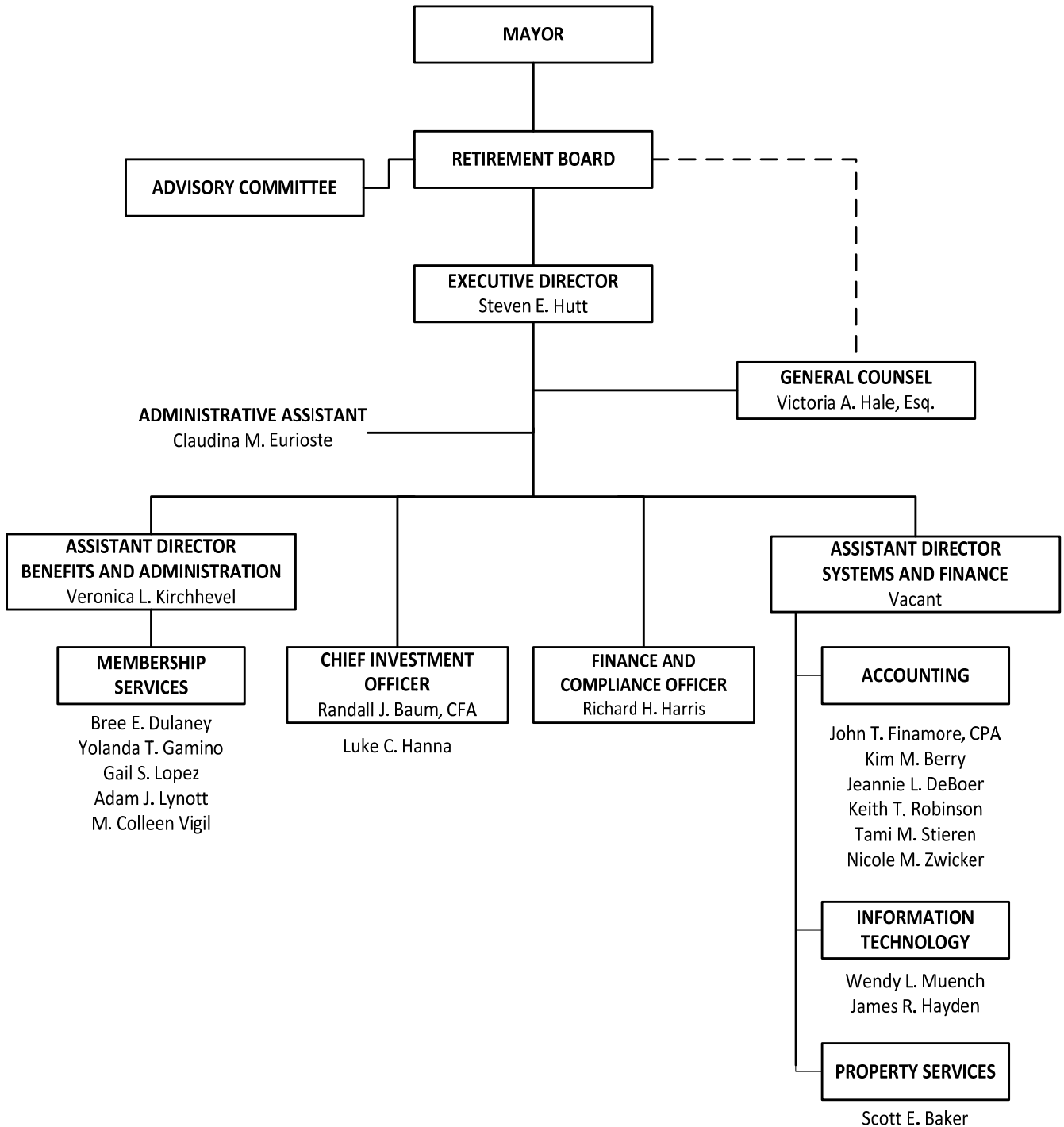
*Christopher P. Movill*

President

*Jeffrey R. Enos*

Executive Director

### Organizational Structure



# Financial Section



Wells Fargo Center  
1700 Lincoln Street, Suite 1400  
Denver, CO 80203-4514  
303.861.4545 Fax 303.832.5705 www.bkd.com

## Independent Auditor's Report

To the Retirement Board of the Denver Employees Retirement Plan  
Denver, Colorado

We have audited the accompanying basic financial statements, which are comprised of a statement of plan net position as of December 31, 2012, and statement of changes in plan net position for the year then ended and the related notes to the financial statements, as listed in the table of contents, of the Denver Employees Retirement Plan (the Plan), a component unit of the City and County of Denver.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Plan as of December 31, 2012, and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Retirement Board of the Denver Employees Retirement Plan  
Denver, Colorado

### ***Report on Summarized Comparative Information***

We have previously audited the Plan's 2011 financial statements, and we expressed an unqualified audit opinion on those audited financial statements in our report dated May 15, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The introductory section, investment section, actuarial section, statistical section and supplementary information (schedule of administrative expenses and schedule of investment expenses) listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**BKD, LLP**

Denver, Colorado  
May 30, 2013



### Management's Discussion and Analysis

This is an analysis and overview of the financial activities of the Denver Employees Retirement Plan (the Plan) for the year ended December 31, 2012. For additional information, please refer to the basic financial statements, notes to the financial statements, required supplementary information, and supporting schedules.

#### **Financial Highlights**

As of December 31, 2012, \$1,854,690,588 (net) was restricted for the payment of benefits and to meet the Plan's future obligations to its members and their beneficiaries.

For 2012, the Plan's total net position restricted for benefits increased by \$135,220,466 a 7.9% increase from the amount of net position restricted for benefits reported at the end of 2011. The net increase for 2012 is primarily the result of favorable financial markets for the year that contributed to a net investment profit of \$214,445,568.

Additions to the Plan's net position included contributions of \$47,175,823 from the City and County of Denver (the City) and \$6,822,108 from the Denver Health and Hospital Authority (DHHA). Active members of the Plan contributed \$33,155,925. The Plan had net securities lending transaction income of \$894,735.

Deductions from the Plan's net position during 2012 totaled \$166,378,958. This amount is 4.9% higher than the total 2011 deductions. Increasing retired member benefits, due to an increase in the retired member population and marginally higher operating costs are responsible for the higher deduction amount.

The Plan's funding objective is to meet its long-term benefit obligations through employer and employee contributions and investment returns. As of January 1, 2012, the date of the last actuarial valuation, the funded ratio for the pension and health benefits was 81.6% and 59.2%, respectively.

#### **Overview of the Financial Statements**

The following discussion and analysis is intended to serve as an introduction to the Plan's financial statements which follow. The financial statements include:

- Statement of Plan Net Position
- Statement of Changes in Plan Net Position
- Notes to Financial Statements
- Required Supplementary Information

*The Statement of Plan Net Position* presents the Plan's assets, liabilities and net position as of December 31, 2012, with summarized comparative totals for 2011. This statement reflects the Plan's net position available for benefits in each the retirement and the health benefits' funds as of December 31, 2012, and in the aggregate as of December 31, 2011.

*The Statement of Changes in Plan Net Position* shows the additions to and deductions from the Plan's net position during 2012, with summarized comparative totals for 2011.

The Governmental Accounting Standards Board (GASB) promulgates the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The financial statements, notes to financial statements, and required supplementary information presented in this report were prepared in compliance with applicable GASB pronouncements.

## Financial Section

### Management's Discussion and Analysis

The financial statements provide a snapshot of the Plan's assets and liabilities as of December 31 and the financial activities which occurred during the year. The financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Investment activities have been reported based on trade dates and were valued pursuant to independent outside sources. All capital assets, exclusive of land and construction in progress, are depreciated over their useful lives. Refer to the financial statements and notes to the financial statements for additional information.

*Notes to the Financial Statements* provide additional information which is essential for a full understanding of the basic financial statements.

*Required Supplementary Information* provides additional information and details about the Plan's progress in funding its future obligations and the history of employer and employee contributions.

#### Financial Analysis

There are several ways to measure the Plan's financial status. One means is to determine the Plan's net position available to pay benefits. This is the difference between total assets and total liabilities. Another way is to refer to the funded ratio which takes into account the actuarial assets and actuarial liabilities of the Plan. As of January 1, 2012, the date of the last actuarial valuation, the pension benefits fund had a funded ratio of 81.6%, or for every dollar of pension benefits due participants, the Plan had approximately \$0.82 in actuarial assets available for payment. The health benefits account had a funded ratio of 59.2%, meaning the Plan had approximately \$0.59 in actuarial assets available for payment for every dollar of health benefits due.

On December 31, 2012, the Plan's net position totaled \$1,854,690,588. Of this amount, \$103,613,914 represented funds reserved in the Deferred Retirement Option Plan (DROP) and the Amended Deferred Retirement Option Plan (DROP II) accounts.

The Plan's Board has an investment allocation strategy in place and, with the help of an outside consultant, continually monitors the Plan's investments. The Plan's total assets increased in 2012 due to relatively favorable market conditions impacting investments and keeping pace with costs. As of December 31, the Plan's net position was:

	2012	2011	Amount of Change	Percentage Change
<b>Assets</b>				
Cash, short-term investments, and receivables and prepaid items	\$ 34,797,815	\$ 49,949,998	\$ (15,152,183)	-30.3%
Securities lending collateral	185,735,650	182,585,165	3,150,485	1.7%
Investments, at fair value	1,818,884,214	1,668,301,089	150,583,125	9.0%
Capital assets, net	5,803,286	6,035,248	(231,962)	-3.8%
Total assets	2,045,220,965	1,906,871,500	138,349,465	7.3%
<b>Liabilities</b>				
Accounts payable and unsettled securities purchased	4,794,727	4,816,213	(21,486)	-0.4%
Securities lending obligations	185,735,650	182,585,165	3,150,485	1.7%
Total liabilities	190,530,377	187,401,378	3,128,999	1.7%
<b>Plan net position</b>	<b>\$ 1,854,690,588</b>	<b>\$ 1,719,470,122</b>	<b>\$ 135,220,466</b>	<b>7.9%</b>

## Financial Section

### Management's Discussion and Analysis

#### **Reserves**

The Plan has established a reserve account for accumulated DROP benefits of \$103,613,914 as of December 31, 2012. These funds are restricted for individuals who elected to participate in one of the DROP programs. Upon retirement, the member could elect to receive distributions or keep the accumulated monies with the Plan. The remaining Plan net position is available to pay retirement and health benefits.

#### **Plan Activities**

As a result of favorable market conditions, net investment activity ended the year with a gain. Contributions were higher due mostly to an increase in the contribution rates for employers and employees. Net additions were higher than Plan deductions, resulting in an overall 7.9% increase in Plan net position for the year. Benefit payments increased due for the most part to a larger retiree population. For the years ended December 31, the Plan's activities were:

	<u>2012</u>	<u>2011</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
<b>Additions</b>				
Contributions	\$ 87,153,856	\$ 78,345,513	\$ 8,808,343	11.2%
Net investment earnings	214,445,568	(2,438,812)	216,884,380	8893.0%
Total additions, net	301,599,424	75,906,701	225,692,723	297.3%
<b>Deductions</b>				
Benefits	162,904,707	155,570,309	7,334,398	4.7%
Administrative expenses	3,474,251	3,009,299	464,952	15.5%
Total deductions	166,378,958	158,579,608	7,799,350	4.9%
Change in net position	135,220,466	(82,672,907)	217,893,373	263.6%
Beginning of year net position	1,719,470,122	1,802,143,029	(82,672,907)	-4.6%
<b>End of year net position</b>	<u>\$ 1,854,690,588</u>	<u>\$ 1,719,470,122</u>	<u>\$ 135,220,466</u>	7.9%

#### **Additions to Plan Net Position**

The monies needed to pay benefits are accumulated from the contributions made from employers and employees, and income generated from the Plan's investments. Income or losses on investments are reported net of investment management expenses. Employer contributions for 2012 totaled \$53,997,931, which is 8.2% higher than the amounts contributed in 2011, due primarily to an increase in the contribution rate in January, 2012. During 2012, employees contributed a total of \$33,155,925, which is an increase of 16.6% over the 2011 amount due to increases in the contribution rate and service buybacks. The Plan's net investment return was approximately 13.1% in 2012 compared to -0.4% in 2011.

	<u>2012</u>	<u>2011</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
Employer contributions	\$ 53,997,931	\$ 49,905,384	\$ 4,092,547	8.2%
Employee contributions	33,155,925	28,440,129	4,715,796	16.6%
Net appreciation (depreciation) in fair value of investments	188,100,285	(39,700,198)	227,800,483	573.8%
Interest, dividends, real estate/alternative investments, and absolute return income	36,035,898	45,414,800	(9,378,902)	-20.7%
Securities lending transactions income, net	894,735	418,835	475,900	113.6%
Investment expenses	(10,585,350)	(8,572,249)	(2,013,101)	23.5%
<b>Total additions, net</b>	<u>\$ 301,599,424</u>	<u>\$ 75,906,701</u>	<u>\$ 225,692,723</u>	297.3%

### Management's Discussion and Analysis

#### ***Deductions from Plan Net Position***

The Plan provides a lifetime pension benefit to its retired members, as well as survivor, disability, and retiree health, dental and vision benefits. Annual expenses of the Plan include retirement benefits, DROP distributions, refunds of employee contributions, and administrative expenses. For the year ended December 31, 2012, deductions totaled \$166,378,958, an increase of 4.9% over the amount of 2011 total deductions. The increase is attributed to higher benefit payments resulting from an increasing retired member population and relatively higher benefits per retiree. Refunds of contributions to non-vested members were marginally lower. Administrative expenses were higher than those of the previous year due to an increase in depreciation expense and operating costs associated with the Plan's new computer system for administering benefits and higher personnel costs.

	<b>2012</b>	<b>2011</b>	<b>Amount of Change</b>	<b>Percentage Change</b>
Benefits	\$ 161,917,298	\$ 154,580,085	\$ 7,337,213	4.7%
Employee refunds	987,409	990,224	(2,815)	-0.3%
Administrative expenses	<u>3,474,251</u>	<u>3,009,299</u>	<u>464,952</u>	15.5%
<b>Total deductions</b>	<b><u>\$ 166,378,958</u></b>	<b><u>\$ 158,579,608</u></b>	<b><u>\$ 7,799,350</u></b>	4.9%

#### ***Capital Assets***

Capital assets, net of accumulated depreciation, had a net decrease of \$231,962 for the year ended December 31, 2012, which is comprised primarily net of depreciation expense of \$419,237. See Note 9 *Capital Assets* for additional information.

#### ***Requests for Information***

This management's discussion and analysis is intended to provide the Plan's Board, participating employers and the membership with an overview of the Plan's financial position as of December 31, 2012, and a summary of the Plan's activities for the year then ended.

Questions about any of the information presented or requests for additional information should be directed to:

Denver Employees Retirement Plan  
 777 Pearl Street  
 Denver, CO 80203  
 Phone: 303-839-5419  
 Fax: 303-839-9525  
 Website: [www.derp.org](http://www.derp.org)  
 Email: [mbrsvs@derp.org](mailto:mbrsvs@derp.org)

## Financial Section

**Statement of Plan Net Position**  
December 31, 2012  
(with Summarized Comparative Totals for December 31, 2011)

	Pension Benefits	Health Benefits	December 31,	
			2012	2011
<b>Assets</b>				
Cash and short-term investments	\$ 31,579,891	\$ 1,294,958	\$ 32,874,849	\$ 46,415,090
Securities lending collateral	178,419,423	7,316,227	185,735,650	182,585,165
Receivables				
Unsettled securities sold	493,842	20,250	514,092	270,018
Interest and dividends	1,353,379	55,495	1,408,874	3,264,890
Total receivables	1,847,221	75,745	1,922,966	3,534,908
Investments, at fair value				
U.S. Government obligations	71,934,943	2,949,748	74,884,691	77,225,811
Domestic corporate bonds and other fixed income	235,219,843	9,645,372	244,865,215	228,230,459
Domestic stocks	462,940,176	18,983,222	481,923,398	495,569,713
International stocks	467,215,068	19,158,516	486,373,584	421,061,738
Real estate	146,894,297	6,023,515	152,917,812	142,955,364
Alternative investments	272,638,672	11,179,760	283,818,432	221,034,203
Absolute return	90,394,390	3,706,692	94,101,082	82,223,801
Total investments	1,747,237,389	71,646,825	1,818,884,214	1,668,301,089
Capital assets				
Land	413,101	16,940	430,041	430,041
Building and equipment, net of accumulated depreciation	5,161,590	211,655	5,373,245	5,605,207
Total assets	1,964,658,615	80,562,350	2,045,220,965	1,906,871,500
<b>Liabilities</b>				
Unsettled securities purchased	2,405,212	98,627	2,503,839	2,646,106
Securities lending obligations	178,419,423	7,316,227	185,735,650	182,585,165
Accounts payable	2,200,649	90,239	2,290,888	2,170,107
Total liabilities	183,025,284	7,505,093	190,530,377	187,401,378
<b>Net position restricted for benefits</b>	<u>\$ 1,781,633,331</u>	<u>\$ 73,057,257</u>	<u>\$ 1,854,690,588</u>	<u>\$ 1,719,470,122</u>
Net position restricted for pension and health benefits	\$ 1,678,019,417	\$ 73,057,257	\$ 1,751,076,674	\$ 1,618,069,531
Net position restricted for DROP and DROP II benefits	103,613,914	-	103,613,914	101,400,591
<b>Net position restricted for benefits</b>	<u>\$ 1,781,633,331</u>	<u>\$ 73,057,257</u>	<u>\$ 1,854,690,588</u>	<u>\$ 1,719,470,122</u>

See Notes to Financial Statements

## Financial Section

### Statement of Changes in Plan Net Position

Year Ended December 31, 2012

(with Summarized Comparative Totals for the Year Ended December 31, 2011)

	Pension Benefits	Health Benefits	Year ended December 31,	
			2012	2011
<b>Additions</b>				
Contributions				
City and County of Denver, Colorado	\$ 43,470,377	\$ 3,705,446	\$ 47,175,823	\$ 43,046,572
Denver Health and Hospital Authority	6,286,262	535,846	6,822,108	6,858,812
Plan members	<u>30,663,247</u>	<u>2,492,678</u>	<u>33,155,925</u>	<u>28,440,129</u>
Total contributions	80,419,886	6,733,970	87,153,856	78,345,513
Investment earnings				
Net appreciation (depreciation) in fair value of investments	180,523,439	7,576,846	188,100,285	(39,700,198)
Interest	7,824,628	328,673	8,153,301	17,979,224
Dividends	14,956,051	625,453	15,581,504	17,544,713
Real estate/alternative investments, and absolute return income	<u>11,809,104</u>	<u>491,989</u>	<u>12,301,093</u>	<u>9,890,863</u>
	215,113,222	9,022,961	224,136,183	5,714,602
Investment expenses	<u>(10,162,119)</u>	<u>(423,231)</u>	<u>(10,585,350)</u>	<u>(8,572,249)</u>
	204,951,103	8,599,730	213,550,833	(2,857,647)
Securities lending transactions income	558,794	23,397	582,191	420,056
Securities lending transactions expenses				
Borrower rebates	587,738	24,692	612,430	138,393
Agent fees	<u>(287,815)</u>	<u>(12,071)</u>	<u>(299,886)</u>	<u>(139,614)</u>
	<u>858,717</u>	<u>36,018</u>	<u>894,735</u>	<u>418,835</u>
Net investment earnings	<u>205,809,820</u>	<u>8,635,748</u>	<u>214,445,568</u>	<u>(2,438,812)</u>
Total additions, net	286,229,706	15,369,718	301,599,424	75,906,701
<b>Deductions</b>				
Retired member benefits	144,232,319	12,446,444	156,678,763	149,227,971
DROP and DROP II benefits paid	5,238,535	-	5,238,535	5,352,114
Refunds of contributions	947,756	39,653	987,409	990,224
Administrative expenses	<u>3,334,741</u>	<u>139,510</u>	<u>3,474,251</u>	<u>3,009,299</u>
Total deductions	<u>153,753,351</u>	<u>12,625,607</u>	<u>166,378,958</u>	<u>158,579,608</u>
Change in net position	132,476,355	2,744,111	135,220,466	(82,672,907)
<b>Net position held in trust for benefits</b>				
Beginning of year	<u>1,649,156,976</u>	<u>70,313,146</u>	<u>1,719,470,122</u>	<u>1,802,143,029</u>
End of year	<u>\$ 1,781,633,331</u>	<u>\$ 73,057,257</u>	<u>\$ 1,854,690,588</u>	<u>\$ 1,719,470,122</u>

See Notes to Financial Statements

**Notes to Financial Statements**

**Note 1 PLAN DESCRIPTION**

The Denver Employees Retirement Plan (the Plan) administers a cost-sharing multiple-employer defined benefit plan providing pension and post employment health benefits to eligible members. The Plan was established in 1963 by the City and County of Denver, Colorado. During 1996, the Denver Health and Hospital Authority (DHHA) was created and joined the Plan as a contractual entity. In 2001, the Plan became closed to new entrants from DHHA. All risks and costs are shared by the City and County of Denver (the City) and DHHA. There is a single actuarial evaluation performed annually that covers both the pension and post employment health benefits. All assets of the Plan are funds held in trust by the Plan for its members for the exclusive purpose of paying pension and post employment health benefits.

Substantially all of the general employees of the City, certain employees of DHHA, and all employees of the Plan are covered under the Plan. The classified service employees of the Denver Police and Denver Fire Departments, and the employees of the Denver Water Board are covered by separate retirement systems. At December 31, 2012, the Plan membership consisted of the following:

	<b>Pension Benefits</b>	<b>Health Benefits</b>
Retirees and beneficiaries currently receiving benefits	8,045	5,668
Retirees and beneficiaries entitled to health benefits but not receiving any	-	2,377
Terminated employees entitled to benefits but not yet receiving them	3,550	3,550
Current employees:		
Vested	6,079	6,079
Non-vested	2,096	2,096
Total	19,770	19,770

The following brief description of the Plan is provided for general information purposes only. Sections 18-401 through 18-430.7 of the City’s Revised Municipal Code should be referred to for complete details of the Plan.

The Plan provides retirement, death and disability benefits for its members and their beneficiaries. Members who were hired before July 1, 2011, and retire at or after age 65 (or at age 55 if the sum of their age and credited service is at least 75) are entitled to an annual retirement benefit, in an amount equal to 2.0% of their final average salary for each year of credited service, payable monthly for life. Effective for employees hired after September 1, 2004, the formula multiplier was reduced to 1.5%. Final average salary is based on the member’s highest salary during a 36 consecutive month period of credited service. Members with 5 years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

For members who were hired after July 1, 2011, they must be age 60 and have combined credited service of at least 85 in order to receive a normal retirement prior to age 65. Final average salary is based on the member’s highest salary during a 60 consecutive month period of credited service. Five year vesting is required of all employees in order to qualify for a benefit, regardless of their age at the time of termination of employment.

Annual cost of living adjustments are granted on an ad hoc basis. The estimated cost of benefit and contribution provisions is determined annually by an independent actuary, recommended by the Plan’s Board and enacted into ordinance by the Denver City Council.

### Notes to Financial Statements

The health benefits account was established by City Ordinance in 1991 to provide, beginning January 1, 1992, post-employment health care benefits in the form of a premium reduction to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2012, the monthly health insurance premium reduction was \$12.50 per year of service for retired participants not yet eligible for Medicare, and \$6.25 per year of service for retirees eligible for Medicare. The health insurance premium reduction can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

#### **Note 2 Summary of Significant Accounting Policies**

##### ***Reporting Entity***

The Plan has separate legal standing and is fiscally independent of the City. However, based upon the criterion of financial accountability as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, the Plan is reported as a component unit of the City's financial reporting entity.

##### ***Basis of Accounting and Presentation***

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Plan is accounted for using the economic resources measurement focus and the accrual basis of accounting. Employer/employee contributions and investment earnings are recognized in the period in which they are due and earned, respectively. Expenses are recognized when incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

##### ***Plan Expenses***

The Plan's Board acts as the trustee of the Plan's assets. The operating and other administrative expenses incurred by the Board, or its employees, in the performance of its duties as the Plan's trustee are paid from the assets of the Plan accumulated from contributions and investment earnings. Such expenses totaled \$3,474,251 in 2012, and are reported as administrative expenses in the accompanying statement of changes in plan net position.

##### ***Investments***

The Plan's investments are reported at fair value. The fair value of domestic stocks is based on prices reported by national exchanges. The fair value of international stocks and fixed income securities are based on prices obtained from an approved independent pricing service. Fair values of real estate and alternative investments are determined by independent periodic appraisals of properties owned in the various investment funds. The absolute return fund of funds investment fair value is based upon net asset values provided by the fund's third-party administrator. Short-term investments, with the exception of international funds, are recorded at amortized cost which approximates fair value. Investment earnings are recognized as earned. Gains and losses on sales and exchanges of securities are recognized on the trade date.

For 2012, the Plan realized net gain on the disposition of investments of \$51,929,269. The calculation of realized gains and losses is independent of the calculation of the net appreciation in the fair value of the Plan's investments and is determined using the weighted average cost method. Unrealized gains and losses on investments held for more than one year and sold in the current year were included in the net appreciation in the fair value of investments reported for 2012.



### Notes to Financial Statements

Investments of the Plan shall be in accordance with all applicable laws of the State of Colorado and the City, specifically:

- Investments shall be solely in the interest of the participants and their beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries.
- Investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

#### **Capital Assets**

Capital assets, which include land, building, furniture, equipment, and construction in progress, are recorded at historical cost. The Plan's capitalization threshold for capital assets is \$500 of cost and a useful life in excess of one year. The costs of routine maintenance and repairs that do not add to the value of capital assets or materially extend assets' lives are not capitalized. Depreciation on capital assets, excluding land and construction in progress, is calculated using the straight-line method over the following estimated useful lives:

Building	30 years
General office equipment and furniture	10 years
Internally generated computer software	15 years
Computer equipment	5 years

#### **Income Taxes**

The Plan's current determination letter issued by the Internal Revenue Service, dated January 5, 2011, qualifies the Plan as a tax-exempt entity pursuant to Section 401(a) of the Internal Revenue Code. Earnings on the trust funds are exempt from federal income tax under Section 501(a) of the Internal Revenue Code. Although the Plan has been subsequently amended, the Board and management are of the opinion that the Plan, as amended, meets the IRS requirements and therefore continues to be tax exempt.

#### **Estimates Made by Management**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

#### **Prior-Year Summarized Totals**

The basic financial statements include certain prior year summarized comparative information in total, but do not present detail for the pension or health benefits' accounts. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's audited financial statements for the year ended December 31, 2011, from which the summarized information was derived.

### Notes to Financial Statements

#### ***Current Economic Conditions***

The current economic environment continues to present public employee benefit plans such as the Plan with challenges which have resulted in substantial volatility in the fair value of investments. The accompanying financial statements have been prepared using values and information available to the Plan as of the date of the financial statements. Due to the volatility of economic conditions, the values of assets recorded in the financial statements could change materially in the future.

#### **Note 3 Contributions**

The Plan's funding policy provides for annual contributions at rates determined by an independent actuary recommended by the Plan's Board and enacted by City ordinance which, when expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. During 2012, the actuarially determined contribution rates, expressed as a percentage of annual covered payroll, for the pension and health benefits were 16.66% and 1.42%, respectively, for a combined total of 18.08%. The City enacted Ordinance No. 506 in 2012 to re-set the combined total contribution rate to 18.00% effective January, 2013. In 2012, employers contributed a total of 10.25% of covered payroll and employees made a pre-tax contribution of 6.25% in accordance with Section 18-407 of the City's Revised Municipal Code. The employees' contribution was handled as a payroll deduction and was forwarded to the Plan with the employers' contribution. During 2012, the employers contributed \$49,756,639 for pension benefits and \$4,241,292 for health benefits while the employees contributed a total of \$30,663,247 for pension benefits and \$2,492,678 for health benefits.

An actuarial valuation is performed annually by an independent actuarial consultant to determine that contributions are sufficient to provide funds for future benefits and to evaluate the funded status of the Plan. For 2012, in accordance with the January 1, 2012, actuarially determined contribution requirements, the total required contribution was \$93,537,797 (\$50,024,682 of normal cost and \$36,163,123 amortization of the unfunded actuarial accrued liability for pension benefits; \$2,556,026 of normal cost and \$4,793,966 amortization of the unfunded actuarial accrued liability for health benefits) based on a rate of 18.08% of projected payroll. The actual contribution was \$85,733,415 using a rate of 16.50% of covered payroll, which when combined with the members' repayments of \$1,420,441, discussed below, resulted in total contributions of \$87,153,856. In accordance with a separate agreement between DHHA and the Plan, DHHA was to make a supplemental contribution in the amount of \$1,816,762, which is included in the total contributions amount.

During 2012, employee contributions totaled \$33,155,925 and were allocated to pension and health benefits in the same manner as the employers' contributions. Regular employee contributions were not required or allowed between January 1, 1979, and September 30, 2003. City ordinance currently allows members to repay refunded contributions plus interest to reinstate service credits for periods prior to January 1, 1979. Any employee who made contributions after September 30, 2003, and was not vested upon leaving covered service could request a refund of those contributions. Eligible active members may also purchase permissive service credits in accordance with the Internal Revenue Code, which includes a maximum of five years of nonqualified service credits. Members paid \$1,420,441 under these provisions during 2012.

Notes to Financial Statements

**Note 4 Deferred Retirement Option Plan (DROP)**

Between January 1, 2001, and April 30, 2003, active members of the Plan who were eligible for a normal or rule-of-75 retirement could choose to enter the Deferred Retirement Option Plan (DROP) for a maximum of four years. After April 30, 2003, no active member with an actual and effective date of retirement after May 1, 2003, could enter or participate in DROP. Under DROP, the member’s monthly retirement benefit was calculated as of the date of DROP entry. While participating in DROP, the member continued to work for the employer, earning a regular salary. The monthly retirement benefits were deposited into a DROP account maintained by the Plan. The balance in each member’s DROP account earns interest at a rate equal to the actuarial assumed rate of return, currently 8% per annum. Sections 18-422 through 18-429 of the City’s Revised Municipal Code should be referred to for more complete information on DROP. Upon retirement, members have access to the funds accumulated during their participation in DROP. As of December 31, 2012, there were no remaining DROP participants. During 2012, a total of \$7,189,364 in interest was credited to members’ DROP accounts. During 2012, a total of \$5,020,151 was distributed from the DROP accounts to members who had retired and exited DROP. As of December 31, 2012, the reserve for DROP payments was \$99,317,067.

**Note 5 Amended Deferred Retirement Option Plan (DROP II)**

Between May 1, 2003, and August 31, 2003, active members of the Plan who were eligible for a normal or rule-of-75 retirement could choose to enter the Amended Deferred Retirement Option Plan (DROP II) for a maximum of five years. While participating in DROP II, the member continued to work for the employer, earning a regular salary. The member’s monthly retirement benefits were deposited into a DROP II account maintained by the Plan. The balance in each member’s DROP II account earns interest equal to the Plan’s investment earnings rate provided it is not less than 3% per annum and not more than the Plan’s annual actuarial assumed rate of return, currently 8% per annum. Sections 18-430 through 18-430.7 of the City’s Revised Municipal Code should be referred to for more complete information on DROP II. Upon exiting DROP II, members have access to the funds accumulated during their participation in DROP II. As of December 31, 2012, there were no remaining DROP II participants. A total of \$259,496 in interest was credited to members’ DROP II accounts during 2012. Also during 2012, a total of \$218,384 was distributed to members who had exited DROP II. As of December 31, 2012, the reserve for DROP II payments was \$4,296,847.

**Note 6 Funded Status and Funding Progress**

The funded status of the Plan as of January 1, 2012, was as follows:

	<u>Pension Benefits</u>	<u>Health Benefits</u>
Actuarial accrued liability (AAL)	\$2,386,530,071	\$142,966,927
Actuarial value of Plan assets	1,946,844,159	84,679,890
Unfunded AAL	439,685,912	58,287,037
Funded ratio (actuarial value of Plan assets/AAL)	81.6%	59.2%
Covered payroll (active Plan members)	\$517,396,257	\$517,396,257
Unfunded AAL as a percentage of covered payroll	85.0%	11.3%

The actuarial valuation of the Plan’s pension and health benefits involve estimates of the value of reported amounts and assumptions about the probability of certain events well into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multi-year trend information showing whether the actuarial value of the Plan’s assets is increasing or decreasing over time.

### Notes to Financial Statements

The value of projected benefits for financial reporting purposes are based upon the substantive plan in effect at the time of each actuarial valuation, and the pattern of sharing costs between the employers and plan members to that point. Consistent with the long-term perspective of the actuarial calculations, the actuarial methods and assumptions used include techniques intended to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets.

For the January 1, 2012, actuarial valuation, the projected unit credit valuation method was used. The Actuarial Value of Assets recognizes 20% of the difference between the projected actuarial value and the market value at the valuation date. This method has the effect of smoothing volatility in investment returns. The actuarial assumptions included an 8.0% investment rate of return (net of administrative expenses), projected salary increases of 3.0% – 6.3%, including inflation of 3.0%, and no cost of living increases. Healthcare cost trend rate is not applicable for health benefits as the benefit is based upon the member’s age and years of service. The amortization period at December 31, 2012, was 30 years using a level dollar, open basis, amortization method.

#### Note 7 Deposits and Investments

It is the objective of the Plan in managing the trust as a whole to provide a net realized real rate of return meeting or exceeding the actuarial assumption of 8.0% annualized, over a full market/economic cycle of three to seven years. The relative investment objective of the Plan is to exceed the rate of return that would have been achieved by a statically allocated and passively managed portfolio, at the same risk, in accordance with a long-term asset allocation strategy of the following approximate percentages: equity 57.0%, fixed income 18.5%, real estate 8%, alternative investments 11.5%, and absolute return 5%. At December 31, 2012, the Plan’s deposit and investment balances were as follows:

	Fair Value
U.S. Treasury securities	\$ 68,219,856
U.S. agency securities	6,664,835
Corporate and mortgage bonds	244,865,215
Domestic stocks	481,923,398
International stocks	486,373,584
Real estate	152,917,812
Alternative Investments	283,818,432
Absolute return	94,101,082
Cash and short-term investments	32,874,849
Total	\$ 1,851,759,063

A portion of the Plan’s assets are exposed to risks, including credit risk, concentration of credit risk, interest rate risk and foreign currency risk, that have the potential to result in losses.

#### Credit Risk

To mitigate the risk that issuers or other counterparties to an investment will not fulfill their obligations, the Plan’s investment policy specifically states that the fixed income investment managers, excluding the Plan’s high yield manager, invest only in securities that are rated at BBB- or higher by one of the three established rating agencies. The Plan’s high yield investment manager is permitted to invest in securities rated CCC- or above. The high yield manager is also permitted to invest 5% of its portfolio temporarily in bonds rated below CCC-. Securities implicitly guaranteed by the U.S. Government are included.

**Notes to Financial Statements**

**Note 7 DEPOSITS AND INVESTMENTS (continued)**

The following table provides information regarding Standard & Poor's (S&P) and Moody's credit ratings associated with the Plan's investment in debt securities as of December 31, 2012:

S&P	Moody's	Asset Backed	Corporate Bonds	Government Bonds	Mortgage Bonds	Total
AAA	Aaa	\$ 760,273	\$ 23,712,539	\$ -	\$ 27,901,415	\$ 52,374,227
AAA	NR	191,208	-	-	908,783	1,099,991
AA+ to AA-	Aa3 to A1	17,994	2,062,056	62,949,024	1,792,655	66,821,729
A+ to A-	A1 to Baa2	43,351	6,036,144	-	4,115,723	10,195,218
BBB+ to BBB-	A3 to Baa3	42,839	15,805,838	-	4,067,127	19,915,804
BB+ to BB-	Ba3 to B1	-	29,467,912	-	-	29,467,912
B+ to B-	B1 to Caa1	-	28,080,427	-	-	28,080,427
CCC+ to CCC	B3 to Caa2	101,318	6,728,950	-	-	6,830,268
NR	Aaa to Baa2	329,910	2,911,565	-	385,729	3,627,204
NR	NR	-	26,452,435	-	-	26,452,435
		<u>\$ 1,486,893</u>	<u>\$ 141,257,866</u>	<u>\$ 62,949,024</u>	<u>\$ 39,171,432</u>	<u>\$ 244,865,215</u>

NR - no rating available.

Government bonds are comprised of the following with the nationally recognized statistical rating organizations (NRSRO) rating disclosed:

	2012 Securities		
	Exempt from Disclosure	Custodian Portfolio Percentage	NRSRO Rating
U.S. Treasuries or obligations explicitly guaranteed by the U.S. Government	X	54.33%	
Government agencies		45.67%	AA
Total		<u>100.00%</u>	

**Concentration of Credit Risk**

The Plan's investment policy mandates that no managed account may invest more than 5% of managed assets in the securities of a single issuer. As of December 31, 2012, the Plan was in compliance with this policy.

**Custodial Credit Risk**

In the event of a failure of a financial institution or counterparty, custodial credit risk is the risk that the Plan would not be able to recover its deposits, investments or collateral securities in the possession of an outside party. The Plan has no formal policy for custodial credit risk for deposits and investments. At December 31, 2012, the Plan did not have any deposits, investments or collateral securities subject to custodial credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in financial market rates of interest will adversely affect the value of an investment. As a means of limiting the Plan's exposure to fair value losses due to rising interest rates, the Plan's Investment Manual provides for the use of duration as the primary measure of interest rate risk within some of the fixed income investments: intermediate – 2.8 to 7.4 years, and high yield – between (+) or (-) 10% of the duration of the Merrill Lynch High Yield Cash Pay Index. The Plan manages interest rate risk through the constraints on duration specified in each manager's investment guidelines included in the Investment Manual. At

## Financial Section

### Notes to Financial Statements

#### Note 7 DEPOSITS AND INVESTMENTS (continued)

December 31, 2012, the Plan's fixed income investments had the following maturities by investment type:

Investment Type	Fair Value	Less than 1			More than 10	
		Year	1-5 Years	6-10 Years	Years	
U.S. Treasury securities	\$ 68,219,856	\$ 52,332	\$ 36,159,724	\$ 17,039,002	\$ 14,968,798	
U.S. agency securities	6,664,836	6,916	3,342,517	1,986,986	1,328,417	
Asset backed	1,486,893	472	1,112,928	113,949	259,544	
Corporate bonds	141,257,866	586,010	87,203,434	46,831,054	6,637,368	
Government bonds	62,949,024	3,678,847	23,187,709	27,902,838	8,179,630	
Mortgage backed	39,171,431	44,858	21,681,375	10,818,259	6,626,939	
Total	<u>\$ 319,749,906</u>	<u>\$ 4,369,435</u>	<u>\$ 172,687,687</u>	<u>\$ 104,692,088</u>	<u>\$ 38,000,696</u>	

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's investment policy allows 18% to 26% of total investments to be invested in international equities. The following positions represent the Plan's exposure to foreign currency risk as of December 31, 2012:

Foreign Currency	U.S. Dollars
Euro	\$ 92,139,503
British Pound Sterling	72,546,127
Japanese Yen	63,497,373
South Korea Won	26,495,747
Swiss Franc	25,760,346
Australian Dollar	20,072,778
Brazilian Real	19,724,628
Hong Kong Dollar	19,428,250
Chinese Yuan	18,004,469
Taiwan Dollar	16,865,664
Canadian Dollar	13,711,531
South Africa Rand	13,643,393
Indian Rupee	12,299,712
Russia Ruble	10,329,334
Swedish Krona	9,269,941
Singapore Dollar	8,405,081
Norwegian Krone	5,654,932
Mexican Peso	5,559,566
Thai Baht	5,311,786
Turkish Lira	4,181,289
Polish Zloty	3,763,161
Danish Krone	3,522,948
Indonesian Rupiah	3,066,279
Malaysia Ringgit	2,880,444
Chilean Peso	1,920,296
Czech Koruna	1,827,378
New Israeli Shekel	1,743,203
Hungarian Forint	1,486,681
Philippine Peso	929,175
New Zealand Dollar	912,883
Egyptian Pound	356,184
Other	227,241
Columbian Peso	61,945
Total	<u>\$485,599,268</u>

Notes to Financial Statements

**Note 8 Securities Lending Transactions**

Board policy permits the Plan to participate in a securities lending program to augment income. The program is administered by the Plan's custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. government securities, defined letters of credit, or other collateral approved by the Plan. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. The custodial agent bank determines daily that required collateral meets a minimum of 100% of the market value of securities on loan for domestic securities lent and 105% for international securities lent. The Plan continues to receive interest and dividends during the loan period as well as a fee from the borrower. There are no restrictions on the amount of securities that can be lent at one time. The duration of securities lending loans generally matches the maturation of the investments made with cash collateral. At December 31, 2012, the fair value of underlying securities lent was \$206,867,784. The fair value of associated collateral was \$211,793,029; of this amount, \$185,735,650 represents the fair value of cash collateral and \$26,057,379 is the fair value of non-cash collateral. The Plan does not have the ability to pledge or sell non-cash collateral unless the borrower defaults, therefore it is not reported on the financial statements. The Plan has no credit risk exposure at December 31, 2012, since the collateral held exceeds the value of securities lent.

The Plan reports securities loaned as assets on the Statement of Plan Net Position. Cash received as collateral on securities lending transactions and investments made with that cash are recorded as an asset and liability. Investments purchased with cash collateral are recorded as Securities Lending Collateral with a corresponding liability as Securities Lending Obligations.

**Note 9 Capital Assets**

The Plan's capital assets activity for the year ended December 31, 2012, was as follows:

	January 1	Additions	Deletions	December 31
Capital assets, not being depreciated				
Land	\$ 430,041	\$ -	\$ -	\$ 430,041
Capital assets, being depreciated				
Building	1,136,013	-	-	1,136,013
Furniture and equipment	<u>5,930,331</u>	<u>187,389</u>	<u>(13,996)</u>	<u>6,103,724</u>
Total capital assets, being depreciated	7,066,344	187,389	(13,996)	7,239,737
Accumulated depreciation				
Building	(760,796)	(37,522)	-	(798,318)
Furniture and equipment	<u>(700,341)</u>	<u>(381,715)</u>	<u>13,882</u>	<u>(1,068,174)</u>
Total accumulated depreciation	<u>(1,461,137)</u>	<u>(419,237)</u>	<u>13,882</u>	<u>(1,866,492)</u>
Total capital assets being depreciated, net	<u>5,605,207</u>	<u>(231,848)</u>	<u>(114)</u>	<u>5,373,245</u>
<b>Capital assets, net</b>	<u>\$ 6,035,248</u>	<u>\$ (231,848)</u>	<u>\$ (114)</u>	<u>\$ 5,803,286</u>

The 2012 depreciation expense for the pension and health benefit accounts was \$386,327 and \$32,910, respectively.

### Notes to Financial Statements

#### Note 10 Commitments and Contingencies

As of December 31, 2012, the Plan had commitments for the future purchase of investments in private debt of \$24,003,026, real estate of \$15,266,113, and alternative investments of \$76,576,289. The purpose of such commitments is to assist the Plan in maintaining the designated level of exposure to these asset classes. The anticipated pace of funding the commitments coincides with the expected distribution rate of invested assets.

#### Note 11 Other Postemployment Benefit Plan – Implicit Rate Subsidy

Employees of the Plan, along with a portion of the employees of DHHA (those employed prior to 2001 who have elected to remain members of the Plan) and a majority of the employees of the City (certain fire and police personnel are excluded), are participants in the City's health care plan. For active employees participating in the City's health care plan, the employers pay a certain percentage of monthly premiums and the employees pay the remainder of the premium. Vested retired employees participating in the City's health care plan pay 100% of the premium and are eligible for an insurance premium reduction payment from the Plan, see Note 1. In establishing premiums, the active and retired employees from the three employers are grouped together without age-adjustment or differentiation between employers. The premiums are the same for both active and retired employees creating an implicit rate subsidy for the retirees.

The City is acting in a cost-sharing multiple-employer capacity for this other postemployment benefit plan. The City's Revised Municipal Code, Section 18-412, authorizes the Plan retirees to participate in the health insurance programs offered to the active employees. To be eligible, a retiree must be a minimum of 55 years of age if hired prior to July 1, 2011, and a minimum of 60 years of age if hired after July 1, 2011, with 5 years of service and have begun receiving their pension benefit. Coverage ceases when one reaches Medicare eligibility age. For purposes of calculating the implicit rate subsidy, it was estimated there were 1,324 retirees not yet covered by Medicare who were covered by the health insurance programs. There is no stand-alone report for this plan and it is not included in the City's financial statements. The City's required contribution toward the implicit rate subsidy is based on pay-as-you-go financing. Contributions made by DERP toward the implicit rate subsidy were \$15,905, \$20,200 and \$17,600 for the years ended December 31, 2012, 2011 and 2010, respectively, based upon pay-as-you-go financing.

A Schedule of Funding Progress and Schedule of Employer Contributions are presented as Required Supplementary Information following the notes to the financial statements. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Both the Schedule of Funding Progress and the Schedule of Employer Contributions present information related to the cost-sharing plan as a whole, of which the Plan is one participant, and should provide information helpful for understanding the scale of the information presented relative to the Plan.

Projections and benefits for financial reporting purposes are based on the substantive plan as understood by the plan and the members and included in the types of benefits provided at the time of each valuation and the historic pattern of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective calculations.

For the December 31, 2012, actuarial valuation of the Implicit Rate Subsidy, the entry age normal, level percent of pay, valuation method was used. The actuarial assumptions included a 3.0% general inflation rate, 4.0% investment rate of return, a 4.0% salary increase, and health care cost trend grading from 9.0% decreasing by 0.5% per year to 5.0% thereafter. The amortization period was 30 years, open basis, using a level percentage of pay amortization method.



## Financial Section

### Required Supplementary Information

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL (Funding Excess) as a Percentage of Covered Payroll (b-a)/(c)
<b>Pension Benefits</b>						
1/1/07	\$1,837,476,077	\$1,862,772,866	\$25,296,789	98.6%	\$499,462,875	5.1%
1/1/08	1,950,010,815	1,985,651,482	35,640,667	98.2	545,835,393	6.5
1/1/09	1,924,991,121	2,095,887,096	170,895,975	91.8	564,986,660	30.2
1/1/10	1,923,560,713	2,176,242,736	252,682,023	88.4	506,045,186	49.9
1/1/11	1,942,871,295	2,284,756,118	341,884,823	85.0	517,398,105	66.1
1/1/12	1,946,844,159	2,386,530,071	439,685,912	81.6	517,396,257	85.0
<b>Health Benefits</b>						
1/1/07	\$93,089,297	\$127,133,068	\$34,043,771	73.2%	\$499,462,875	6.8%
1/1/08	96,457,419	128,607,079	32,149,660	75.0	545,835,393	5.9
1/1/09	92,682,144	134,000,558	41,318,414	69.2	564,986,660	7.3
1/1/10	90,414,800	141,642,522	51,227,722	63.8	506,045,186	10.1
1/1/11	87,609,491	143,112,474	55,502,983	61.2	517,398,105	10.7
1/1/12	84,679,890	142,966,927	58,287,037	59.2	517,396,257	11.3
<b>Implicit Rate Subsidy</b>						
12/31/10	\$0	\$113,048,000	\$113,048,000	0.0%	\$409,058,000	27.6%
12/31/11	0	115,813,000	115,813,000	0.0	425,186,000	27.2
12/31/12	0	88,704,000	88,704,000	0.0	446,182,000	19.9

**Required Supplementary Information**

**Schedule of Employer Contributions**

Year beginning January 1	Annual actuarially required contribution <sup>(1) (5)</sup>	Percentage contributed
<b>Pension Benefits</b>		
2007	\$39,623,830	100.0%
2008	41,699,683	100.0
2009	54,392,610	79.3
2010 <sup>(2)</sup>	48,995,846	86.2
2011 <sup>(3)</sup>	52,000,472	87.9
2012 <sup>(4)</sup>	56,054,792	88.8
<b>Health Benefits</b>		
2007	\$3,929,333	100.0%
2008	4,532,574	93.9
2009	5,156,984	88.3
2010 <sup>(2)</sup>	4,290,712	68.2
2011 <sup>(3)</sup>	4,965,060	84.6
2012 <sup>(4)</sup>	5,153,185	82.3
<b>Implicit Rate Subsidy</b>		
2010	\$8,026,000	69.9%
2011	8,280,000	77.9
2012	6,261,000	85.6

- (1) Employers made contributions based on the legally required rates.
- (2) Beginning on January 1, 2010, the employers and employees contributed 8.5% and 4.5%, respectively.
- (3) Beginning on January 1, 2011, the employers and employees contributed 9.5% and 5.5%, respectively.
- (4) Beginning on January 1, 2012, the employers and employees contributed 10.25% and 6.25%, respectively.
- (5) Excludes DHHA supplemental.

## Financial Section

### Supporting Schedules

#### Schedule of Administrative Expenses Year ended December 31, 2012

Personnel services:	
Salaries	\$ 1,527,495
Employee benefits	524,761
Total personnel services	<u>2,052,256</u>
Professional services:	
Actuarial	75,839
Legal	(1,108)
Retirement board	32,138
Audit	53,100
Consultation	6,089
Total professional services	<u>166,058</u>
Office operations:	
Plan insurance	75,561
Postage	65,640
Office forms and printing	16,812
Office equipment	28,576
Employee travel and conferences	13,099
Telephone	10,067
Membership education	4,356
Miscellaneous operating	12,167
Employee education	20,999
Office supplies	12,110
Publications	15,769
Automobile	5,200
Total office operations	<u>280,356</u>
Computer operations:	
Maintenance	4,645
Computer and software leasing	372,156
Supplies	1,573
Other expenses	29,288
Total computer operations	<u>407,662</u>
Miscellaneous administrative expenses:	
Building operations	148,682
Depreciation expense	419,237
Total miscellaneous administrative expenses	<u>567,919</u>
<b>Total</b>	<u><u>\$ 3,474,251</u></u>

## Financial Section

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### Supporting Schedules

#### Schedule of Investment Expenses Year ended December 31, 2012

Domestic equity portfolio management	\$ 2,838,949
Real estate portfolio management	1,988,302
Fixed income portfolio management	294,334
International equity portfolio management	2,249,426
Alternative investment portfolio management	1,656,466
Absolute return investment portfolio management	865,858
Other investment related expenses	588,374
Custody	103,641
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<b>Total</b>	<b>\$ 10,585,350</b>
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# Investment Section

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*Summit Strategies Group*

May 10, 2013

Steven E. Hutt  
Executive Director  
Denver Employees Retirement Plan  
777 Pearl Street  
Denver, Colorado 80203

Dear Mr. Hutt:

This letter reviews the performance for the Denver Employees Retirement Plan (DERP) through December 31, 2012.

The DERP investment portfolio experienced strong gains in the fiscal year ended December 31, 2012, returning 13.73% gross of fees. Performance exceeded DERP's strategic policy benchmark return of 13.21% and the 12.89% median return of the BNY Mellon Public Fund Universe. DERP ranked in the 30<sup>th</sup> percentile of the Public Fund Universe, thus outperforming 70% of other public pension funds. The best performing asset classes in the DERP investment portfolio were international equity (up 20.64%), US equity (up 14.87%) and real estate (up 12.71%). No asset classes posted losses during the year.

Over the trailing 3 years ended 12/31/12, DERP achieved an annualized return of 9.30%, once again outperforming the strategic policy benchmark and ranking in the 27<sup>th</sup> percentile of the Public Fund Universe. The trailing 5-year return currently stands at 2.23%, reflecting the losses experienced during the 2008 market downturn. DERP's trailing 10-year annualized return is 7.69%, better than the 7.17% strategic policy benchmark return and ranking in the 32<sup>nd</sup> percentile of the BNY Mellon Public Fund Universe.

As DERP's investment consultant, Summit Strategies Group calculates performance statistics utilizing market values obtained from custodial records or other statements. Performance is determined using a time-weighted calculation methodology. Summit makes comparisons with other public pension plans, evaluates specific portfolio sector performance, and compares portfolio returns to a strategic policy benchmark. The strategic policy benchmark is comprised of a weighted average of the various passive indexes in the same proportions as the DERP investment allocation policy.

It is DERP's goal to seek appropriate returns by the prudent investment of assets. Such investment activities are in accordance with applicable law, modern portfolio theory, and prevailing industry practice, and seek to minimize risk while generating the growth that will assist in paying promised benefits to members and beneficiaries. A study of assets and liabilities is conducted periodically to ensure the mix of investments remains appropriate, and adjustments to the portfolio are made when changes in plan circumstances and/or current capital markets conditions dictate. It is the responsibility of the Retirement Board, with the assistance of Summit Strategies and DERP internal investment staff, to approve a target asset allocation policy, which reflects an appropriate balance between risk and return. A comprehensive study of assets and liabilities was conducted by Summit Strategies in 2009, and annual asset allocation targets are established in March of each year.



Steven E. Hutt

Page 2

May 10, 2013

The target asset allocation at year-end was comprised of the following indices in the percentages as indicated: Russell 1000 (22%), Russell 2000 (5%), MSCI EAFE (12%), MSCI EAFE Small Cap (6%), MSCI Emerging Markets (8%), Barclays Capital Aggregate Bond (12%), Barclays Capital Ba to B US High Yield (4%), Barclays Capital US TIPS (2%), NCREIF Fund Index – Open End Diversified Core Equity (8%), HFRI FOF Conservative Index (5%), Alerian MLP Index (7%) and Alternative Investments (9%).

In fiscal year 2012, Golub Capital was added as a senior secured loan manager, and a commitment was made to a private equity fund managed by Adams Street Partners.

The results for the past year exceeded the fund's actuarial assumption for long-term investment results, the return of the strategic policy benchmark, and the return of the median public pension fund. The results for the last three years are similar, reflecting the hard work of the Board and Staff during a difficult market environment to position the DERP investment portfolio to benefit the Plan and its members. The headwinds facing the economy continue to be many: high unemployment, significant federal debt, uncertain global economic growth, and continued and increasing global conflicts. The recent and longer-term results are positive, and we believe the portfolio is in a good position to capture consistent, quality results in the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy S. Sant". The signature is written in a cursive style with a large initial "T" and a long horizontal stroke at the end.

Timothy S. Sant, CFA  
Senior Vice President

### **Mission Statement**

The Denver Employees Retirement Plan (the Plan) was established on January 1, 1963, as a defined benefit pension plan. The Plan Board assumes full and absolute responsibility for establishing, implementing, and monitoring adherence to the pension fund policy. The mission of any fiduciary acting with regard to the management, investment, receipt, or expenditure of the trust assets is to act solely in the interest of the members and their beneficiaries, and to:

- (a) Provide benefits to participants and their beneficiaries;
- (b) Pay reasonable expenses associated with the administration of the plan;
- (c) Invest with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims; and
- (d) Diversify the investments so as to minimize the risk of loss and to maximize rate of return.

### **Investment Responsibilities**

The Plan Board is responsible for formulating investment strategies, allocation of assets, and contracting with investment management firms. To assist the Plan Board in overseeing these responsibilities, on February 8, 1989, they formally adopted a written investment manual. The investment manual includes a Statement of Investment Policy and Guidelines, establishes an asset allocation plan, and incorporates individual investment manager guidelines. Changes to the investment manual are formally adopted by the Plan Board.

The investment managers are each responsible for implementing investment strategies in accordance with the stated investment policies, guidelines, and objectives of the Plan. Each manager is responsible for optimizing investment return within their guideline constraints and in the sole interest of the Plan's members and beneficiaries. The Board has directed all investment managers to vote proxies, to vote them with vigor, to vote in the interest of the Plan's members and beneficiaries, and to report annually as to how proxies were voted.

### **Investment Objectives**

As outlined in the Investment Manual, the investment objectives include:

- (a) Providing a net realized real rate of return meeting or exceeding the actuarial assumption of eight percent, annualized, over a full market/economic cycle of three to seven years;
- (b) Maintaining an efficient portfolio determined by the risk and return concepts of Modern Portfolio Theory; and
- (c) Exceeding the rate of return of that achieved by a passively managed portfolio weighted in the same proportion and at the same risk.

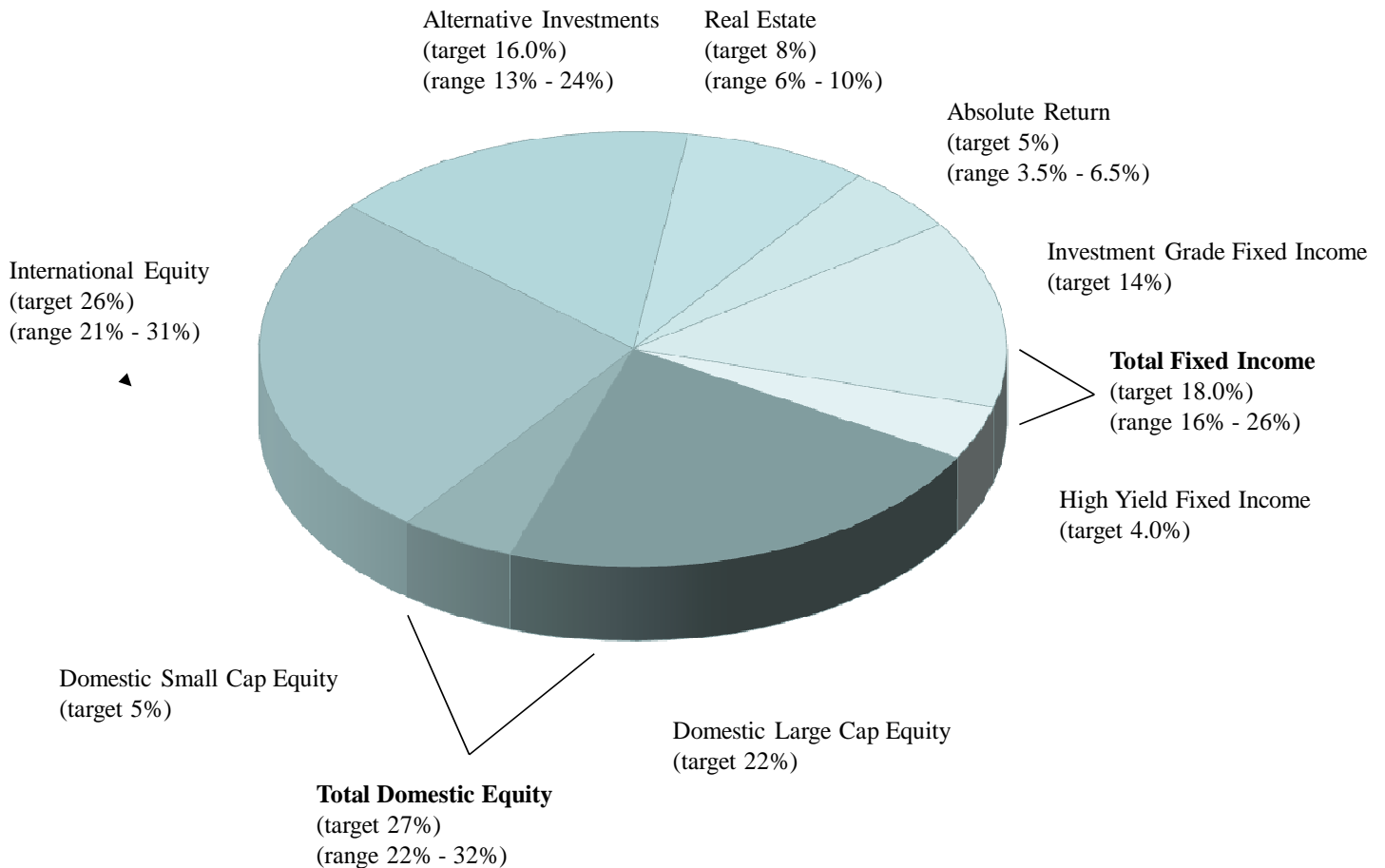
## Investment Section

### Asset Allocation Target

The Plan Board recognizes that strict adherence to an asset allocation plan has the greatest impact on long-term performance results and is, therefore, the most important decision in the investment process. The risk return profile is maintained by identifying a long-term target strategic asset allocation. Temporary deviations from the targets are held within ranges.

The first formal asset allocation plan was adopted by the Plan Board on April 7, 1989. There have been subsequent asset allocation plans adopted with the most recent being on March 21, 2012. The Plan's investment advisors assisted the Plan Board in developing the latest asset allocation.

The asset allocation strategy as of December 31, 2012 is depicted in the chart below:

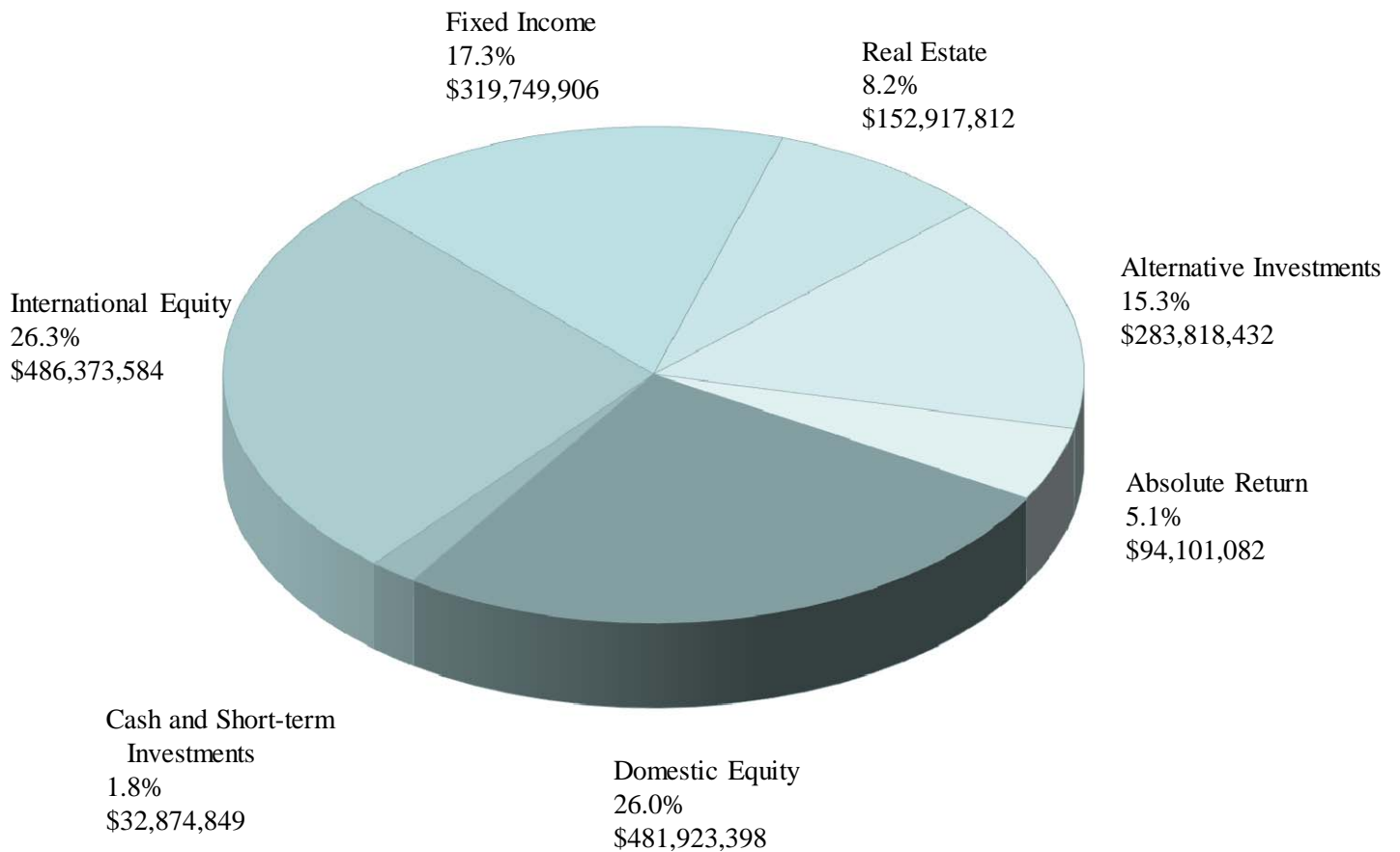


At target, a portfolio so allocated would be expected to achieve a 8.10% return with a standard deviation (risk) of 12.80%.

## Investment Section

### Asset Allocation by Asset Class

The total market value of the Plan on December 31, 2012, was \$1,854,690,588 including cash and investments of \$1,851,759,063. At December 31, 2012, the Plan's investment assets were allocated as shown in the following chart:



## Investment Section

### Asset Target Allocation by Managed Account

A list of investment managers appears in the introductory section of this report. The Plan's Investment Manual identifies the target allocation by managed account and asset style group as follows:

<u>Managed Account</u>	<u>Target Allocation</u>	<u>Asset Style Group</u>	<u>Target Allocation Range</u>
Cadence Capital Management	3.70%	Large Cap Equity (Growth)	2.50% to 5.00%
Mellon Capital Management	7.30%	S&P 500 Index	5.00% to 9.00%
Eagle Assets Management	7.30%	Large Cap Equity (Value)	5.00% to 9.00%
Sit Investment Associates, Inc.	3.70%	Large Cap Equity (Growth)	2.50% to 5.00%
Franklin Global Advisors	1.25%	Small Cap Equity (Growth)	1.00% to 2.00%
NorthPointe Capital	1.25%	Small Cap Equity (Growth)	1.00% to 2.00%
Neuberger Berman, LLC	2.50%	Small Cap Equity (Value)	2.00% to 4.00%
Mellon Capital Management	4.00%	EAFE Index	3.00% to 5.00%
Templeton Investment Counsel, LLC	4.00%	Intl. Equity (Value)	3.00% to 5.00%
Pyramis Global Advisors	4.00%	Intl. Equity (Growth)	3.00% to 5.00%
Dimensional Fund Advisors	6.00%	Intl. Equity (Small Cap)	5.00% to 7.00%
LSV Asset Management	8.00%	Intl. Equity (Emerging Markets)	6.00% to 10.00%
Plan Staff	5.00%	Fixed Income Government	4.50% to 7.00%
Smith Graham & Company	1.50%	Fixed Income Gov't./Credit	1.00% to 2.50%
Golub Capital	2.70%	Fixed Income-Senior Loans	0.00% to 4.00%
Sankaty Advisors	1.30%	Fixed Income-Distressed Debt	0.00% to 2.00%
Mellon Capital Management	7.50%	Barclays Aggregate	6.00% to 10.00%
Prisma Capital Partners	5.00%	Absolute Return	3.50% to 6.50%
Real Estate	8.00%	Real Estate	6.00% to 10.00%
Alternative Investments	16.00%	Energy, Timber, MLP, and Private Equity	13.00% to 24.00%

## Investment Section

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The Plan staff actively monitors each investment manager for compliance with guidelines. There is no allocation to cash. Each manager is asked to prudently remain fully invested in their asset style group. All allocated but uninvested cash is commingled and actively managed by the Plan staff. Income is removed monthly from each actively managed domestic account and reallocated to underweighted accounts using the asset allocation targets established in the allocation plan. Investment manager, custodian, and consultant fees are aggressively negotiated and reviewed annually. The Plan participates in a commission recapture program with all proceeds deposited in the trust.

The top ten stock and bond holdings as of December 31, 2012, are shown in the following tables:

### Top Ten Stock Holdings

December 31 2012

<u>Shares</u>	<u>Stocks</u>	<u>Market Value</u>
13,613	Google, Inc.	\$9,629,564
288,080	Oracle Corporation	9,598,826
92,675	Berkshire Hathaway, Inc.	8,312,948
298,656	Microsoft Corporation	7,977,102
213,417	Coca-Cola, Inc.	7,736,366
138,073	AON Corporation	7,678,240
72,782	Noble Energy, Inc.	7,404,841
13,345	Apple, Inc.	7,101,849
97,210	Ecolab, Inc.	6,989,399
109,830	Liberty Global, Inc.	6,452,513

### Top Ten Bond Holdings

December 31 2012

<u>Par</u>	<u>Bonds</u>	<u>Market Value</u>
6,700,000	U.S. Treasury Bond 8.125% due 8/15/2019	\$9,752,185
5,500,000	U.S. Treasury Bond 7.500 due 11/15/2016	6,970,370
4,750,000	FHLMC Bond 3.750 due 3/27/2019	5,490,620
5,000,000	U.S. Treasury Note 2.625 due 11/15/2020	5,487,500
5,000,000	FNMA Bond 2.625 due 11/20/2014	5,223,100
3,681,540	U.S. Treasury CPI Index 2.375 due 1/15/2025	4,966,324
3,367,719	U.S. Treasury CPI Index 1.750 due 1/15/2028	4,359,343
2,500,000	FNMA Bond 6.625 due 11/15/2030	3,807,500
3,000,000	U.S. Treasury Note 3.625 due 2/15/2020	3,505,320
3,000,000	U.S. Treasury Note 3.875 due 5/15/2018	3,486,330

Complete listings of stock and bond holdings are available at the Plan's office.

## Investment Section

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### Investment Performance

The Plan contracts with Summit Strategies Group to measure investment results on a quarterly basis. Returns are calculated using a time-weighted rate of return based on the market value of assets. Returns are reported gross of fees unless otherwise stated. The estimated annualized return from the inception of the Plan on January 1, 1963 to December 31, 2012 is 9.10%. Annualized investment results compared with benchmarks for the year ending December 31, 2012, are as follows:

	<b>Last Year</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>
Domestic Equity	14.87%	10.47%	1.01%
Russell 3000	16.42	11.20	2.04
International Equity	20.64	5.45	-2.39
MSCI EAFE Index	17.90	4.04	-3.21
Fixed Income	7.01	7.68	6.99
Barclays Capital Aggregate Index	4.21	6.19	5.95
Real Estate	12.71	16.30	-3.03
NCREIF Index	10.91	14.39	-1.10
Total Portfolio	13.73	9.30	2.23
Total Fund Policy Index	13.21	9.15	2.39
Total Portfolio (net of fees)	13.09	8.79	1.78
Change in Consumer Price Index (CPI-U)	2.07	6.32	10.73

## Investment Section

### Schedule of Investment Commissions

December 31, 2012

<b><u>BROKER</u></b>	<b><u>QUANTITY (UNITS)</u></b>	<b><u>BROKER COMMISSION</u></b>	<b><u>COMMISSION PER/SHARE</u></b>
BNY CONVERGEX	2,572,427	\$65,142	\$0.025
STATE STREET	64,395,559	54,719	0.001
CITATION GROUP	1,249,359	38,094	0.030
LIQUIDNET	887,687	26,131	0.029
INVESTMENT TECHNOLOGY	2,790,373	24,685	0.009
BURKE & QUICK	599,215	23,381	0.039
CREDIT SUISSE	801,717	16,449	0.021
BERNSTEIN	338,501	14,385	0.042
MERRILL LYNCH	516,224	13,210	0.026
UBS SECURITIES	678,700	13,015	0.019
JP MORGAN SECURITIES	326,803	12,698	0.039
MORGAN STANLEY	450,989	12,329	0.027
NEEDHAM & COMPANY	361,713	11,917	0.033
STEPHENS INC.	328,538	11,528	0.035
LEK SECURITIES	239,011	8,195	0.034
WILLIAM BLAIR	187,325	6,889	0.037
BARCLAYS	287,135	6,688	0.023
COWEN & COMPANY	183,280	6,599	0.036
RAFFERTY CAPITAL	164,697	6,571	0.040
CITIGROUP	416,976	6,107	0.015
HUDSON SECURITIES	166,890	5,775	0.035
CANTOR FITZGERALD	164,721	5,749	0.035
BTIG	168,097	5,521	0.033
OPPENHEIMER	138,480	5,497	0.040
PIPER JAFFRAY	134,939	5,334	0.040
JEFFERIES & CO	156,786	5,324	0.034
ROBERT BAIRD	124,356	4,815	0.039
RAYMOND JAMES	139,957	4,502	0.032
PICKERING ENERGY PARTNERS	84,600	4,188	0.050
DA DAVIDSON	119,409	4,050	0.034
GOLDMAN SACHS	159,935	3,937	0.025
CANACORO GENUITY	112,916	3,579	0.032
STRAREGAS SECURITIES	68,800	3,440	0.050
PULSE TRADING	120,478	3,298	0.027
MACQUARIE SECURITIES	322,039	3,201	0.010
WEEDEN	120,902	3,186	0.026
KEEFE BRUYETTE	81,185	3,181	0.039
BB&T SECURITIES	74,052	2,602	0.035
JANNEY MONTGOMERY SCOTT	60,215	2,396	0.040
RBC CAPITAL MARKETS	78,655	2,373	0.030
STIFEL NICOLAUS	57,360	2,285	0.040
YAMNER & COMPANY	224,218	2,242	0.010
JONES TRADING	76,099	2,207	0.029



## Investment Section

### Schedule of Investment Commissions (continued)

December 31, 2012

<b><u>BROKER</u></b>	<b><u>QUANTITY (UNITS)</u></b>	<b><u>BROKER COMMISSION</u></b>	<b><u>COMMISSION PER/SHARE</u></b>
WUNDERLICH SECURITIES	42,000	\$2,100	\$0.050
SIDOTI & COMPANY	55,524	2,020	0.036
LAZARD CAPITAL	52,099	1,994	0.038
HOWARD WEIL	35,800	1,789	0.050
CRAIG HALLUM	47,562	1,780	0.037
SJ LEVINSON	43,980	1,759	0.040
THINKEQUITY PARTNERS	43,932	1,757	0.040
KEYBANC CAPITAL	50,937	1,681	0.033
SANDLER O'NEILL	48,160	1,669	0.035
WELLS FARGO SECURITIES	40,408	1,616	0.040
ROTH CAPITAL	48,736	1,614	0.033
PIEBON FINANCIAL	70,908	1,613	0.023
DOUGHERTY COMPANY	50,107	1,513	0.030
All other brokers (each at \$1,500 or less)	<u>3,106,778</u>	<u>32,444</u>	0.001
<b>TOTAL</b>	<b><u>84,468,249</u></b>	<b><u>\$522,763</u></b>	<b>\$0.001</b>

Total recaptured commissions for 2012 were \$14,324.

## Investment Section

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### Schedule of Investment Fees

December 31, 2012

<u>Externally Managed Portfolios</u>	<u>Assets Under Management</u>	<u>Fees</u>
U.S. Equities:		
Actively Managed :		
Large Cap	\$ 262,586,182	\$ 1,948,533
Small Cap	89,723,594	848,311
Passively Managed	129,613,622	42,105
International Equities:		
Actively Managed	414,590,092	2,221,787
Passively Managed	71,783,492	27,639
Fixed Income:		
Actively Managed	119,835,725	270,997
Passively Managed	119,315,933	23,337
Real Estate:		
Fees netted with earnings	52,375,818	1,055,523
Fees paid separately	100,541,994	932,779
Absolute Return:		
Fees netted with earnings	94,101,082	865,858
Alternative Investments:		
Fees netted with earnings	57,977,058	592,521
Fees paid separately	225,841,374	1,063,945
	<u>\$ 1,738,285,966</u>	<u>\$ 9,893,335</u>
 <b><u>Other Investment Services</u></b>		
Custody Fees		\$ 103,641
Other investment related expenses (net of commission recapture)		588,374

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# Actuarial Section

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May 13, 2013

Board of Trustees  
Denver Employees Retirement Plan  
777 Pearl St  
Denver, CO 80203

**Re: Denver Employees Retirement Plan Actuarial Valuation as of January 1, 2012**

Dear Board Members:

The results of the January 1, 2012 Annual Actuarial Valuation of the Denver Employees Retirement Plan (DERP) are presented in this report. The purpose of the valuation was to measure the Plan's funding progress and to determine the employer contribution rate, for the next fiscal year.

Regarding the contribution rate for the next fiscal year (2012), there is an increase in the Total Computed Contribution Rate for the Pension and Medical Plans, as shown on pages 8 and 9 of the valuation report. This is primarily due to 2011 assets not earning the assumed rate of return and the continued recognition of the 2008 asset losses. The Total Computed Contribution Rate (Pension and Medical) has increased from 16.51% for 2011 to 18.08% for 2012. The Total Contribution Amount (Pension and Medical) has increased from \$85.4M for 2011 to \$93.5M for 2012. Receiving this contribution is actuarially necessary to help improve and stabilize the funded status of the Pension and Retiree Medical Plans.

The valuation was based upon information, furnished by DERP, concerning Plan benefits, financial transactions, active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. These calculations may be subject to certain provisions of the agreement between DHHA and DERP. This letter and these calculations are not intended as legal or accounting advice, and we would recommend review by legal counsel for the compliance of these calculations with all relevant agreements.

The actuarial methods and assumptions used are in full compliance with all the parameters established by GASB Statements No. 25 & No. 27 and meet the parameters set for the disclosures presented in the financial section by GASB statement No. 25. For the retiree medical benefits, the schedules illustrate the value of the explicit benefit as described in the Plan Summary, and that explicit benefit is valued in compliance with all the parameters established by GASB Statements No. 43 and 45. The value of any implicit rate subsidy in the City-sponsored health plans will be illustrated in the disclosures related to those plans. The supporting schedules in the Actuarial Section and the Funding Progress and Schedule of Employer Contributions in the Financial Section were prepared by DERP from information in GRS' actuarial reports. We have reviewed these schedules for their accuracy. To the best of our knowledge, the supporting schedules fully and fairly disclose the actuarial condition of the plan.

Board of Trustees  
May 13, 2013  
Page 2

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events for the Pension Plan, Retiree Medical Plan, and Denver Health and Hospital Authority (DHHA). We believe that the assumptions and methods used in this report are reasonable and appropriate for the purpose for which they have been used. However, other assumptions and methods could also be reasonable and could result in materially different results. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.

The following schedules were prepared by GRS for inclusion in the 2012 DERP CAFR:

1. Valuation Methods and Assumptions
2. Analysis of Financial Experience
3. Demographic History
4. Solvency Test
5. Plan Provisions
6. Schedule of Funding Progress
7. Schedule of Employer Contributions

If there is other information that you need in order to make an informed decision regarding the matters discussed in this report, please contact us.

We certify that the information contained in this report is accurate and fairly presents the actuarial position of DERP as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

The actuaries submitting this statement are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. Both are experienced in performing valuations for public retirement systems.

Respectfully submitted,



Leslie L. Thompson, FSA, FCA, EA, MAAA  
Senior Consultant



Diane L. Hunt, FSA, FCA, EA, MAAA  
Consultant

Gabriel Roeder Smith & Company

## Valuation Methods

**Actuarial Cost Method - The Projected Unit Credit (PUC) Cost Method** was used in the valuation.

The Projected Unit Credit Cost Method develops a normal cost and an accrued liability based on the benefit accrued as of the valuation date.

The normal cost is the present value of the benefit that accrue during the year. The benefit accrued during the year is the retirement benefit based on pay projected to a member's retirement date, based on service accrued as of the valuation date. The actuarial accrued liability is the present value of benefits allocated to service prior to the valuation date.

Finally, for all funding methods, the present value of benefits is equal to the accrued liability plus the present value of future normal costs.

**Financing of Unfunded Actuarial Accrued Liabilities** - Unfunded Actuarial Accrued Liabilities (full funding credit if assets exceed liabilities) were amortized by level (principal & interest combined) dollar contributions over a reasonable period of future years.

**Deferred Retirement Option Plan (DROP) and DROP II** - The DROPs are closed and no new members are assumed to enter either of the two DROPs. For members who were in DROP and remain employed upon their exit of the DROP program, their accrued liability is calculated as the value of their deferred benefit based on compensation and service earned before their DROP participation plus the value of their additional benefit earned based on compensation and service accrued after their DROP participation ended, as well as their accrued DROP balance. Further detail describing the DROPs can be found in the Plan Provisions section of this report.

**Actuarial Value of Assets** - The Actuarial Value of Assets recognizes 20% of the difference between the projected actuarial value and the market value at the valuation date. Effective January 1, 2009, this value is no longer constrained to a range of 80% to 120% of the market value of assets as of the valuation date. This method has the effect of smoothing volatility in investment returns. Returns are measured net of all administrative and investment expenses.



## Development of Amortization Payment

### Determination of UAAL Contribution Rate

The unfunded accrued liability as of January 1, 2012 is calculated as of the beginning of the fiscal year for which employer contributions are being calculated.

The unfunded accrued liability is amortized over the appropriate period to determine the amortization payment. This payment is divided by the projected fiscal year payroll to determine the amortization payment as a percentage of active member payroll.

## Valuation Assumptions

*The actuarial assumptions used* in the valuation are shown in this Section. Both the economic and demographic assumptions were based on an Experience Study performed as of January 1, 2008, and adopted for the January 1, 2008 valuation report. In 2010, the DHHA assumptions were studied and new DHHA assumptions adopted for the January 1, 2010 valuation report.

## Changes to Actuarial Assumptions

There have been no changes to the actuarial assumptions as of the valuation date.

## Economic Assumptions

*The investment return rate* assumed in the valuations is 8.00% per year, compounded annually (net of investment and administrative expenses).

The **Wage Inflation Rate** assumed in this valuation was 3.00% per year. The Wage Inflation Rate is defined to be the portion of total pay increases for an individual that are due to macroeconomic forces including productivity and labor market conditions. The wage inflation rate does not include pay changes related to individual merit and seniority effects.

The assumed **real rate of return** over wage inflation is defined to be the portion of total investment return that is more than the assumed total wage growth rate. Considering other economic assumptions, the 8.00% investment return rate translates to an assumed real rate of return over wage inflation of 5.00%.

*Pay increase assumptions* for individual active members are shown for sample ages on the following page. Part of the assumption for each age is for merit and/or seniority increase, and the other 3.00% recognizes wage inflation, productivity increases, and other macroeconomic forces.

Denver Employees Retirement Plan

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*The rates of salary increase* used for individual members are in accordance with the following table. This assumption is used to project a member’s current salary to the salaries upon which benefits will be based.

Sample Ages	% Increase in Salary for the Year		
	Merit and Seniority	Base (Economic)*	Increase for the Year
20	3.30%	3.00%	6.30%
25	3.30%	3.00%	6.30%
30	3.00%	3.00%	6.00%
35	2.20%	3.00%	5.20%
40	1.70%	3.00%	4.70%
45	1.20%	3.00%	4.20%
50	0.70%	3.00%	3.70%
55	0.00%	3.00%	3.00%
60	0.00%	3.00%	3.00%
65	0.00%	3.00%	3.00%

\* Includes 3.00% for price inflation

### Demographic Assumptions

*The post-employment and beneficiary mortality table* was 100% of the 1994 Group Annuity Mortality Table. This table shows the probability of dying after leaving employment either as a vested terminated member, a retiree or a beneficiary of a deceased member.

Ages	% Dying Within Next Year Non-Disabled	
	Men	Women
50	0.26%	0.14%
55	0.44%	0.23%
60	0.80%	0.44%
65	1.45%	0.86%
70	2.37%	1.37%
75	3.72%	2.27%
80	6.20%	3.94%

Denver Employees Retirement Plan

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*The active mortality table* was 65% of the 1994 Group Annuity Mortality Table. This table for active members shows the probability of dying before retirement or termination of employment.

Ages	% Dying Within Next Year Non-Disabled	
	Men	Women
20	0.03%	0.02%
25	0.04%	0.02%
30	0.05%	0.02%
35	0.06%	0.03%
40	0.07%	0.05%
45	0.10%	0.06%
50	0.17%	0.09%

*The disabled mortality table* for disabled retirees below shows the probability of dying at sample attained ages:

Ages	% Dying Within Next Year Disabled	
	Men	Women
50	3.16%	3.16%
55	3.78%	3.78%
60	4.25%	4.25%
65	5.12%	5.12%
70	6.75%	6.75%
75	8.28%	8.28%
80	10.77%	10.77%

Denver Employees Retirement Plan

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*The rates of retirement* used to measure the probability of eligible members retiring during the next year were as follows:

<b>Non Hospital</b>		
Ages	Percent of Eligible Active Members Retiring Within Next Year	
	Early Retirement	Normal Retirement
55	2.50%	N/A
56	3.00%	N/A
57	3.50%	N/A
58	4.00%	N/A
59	4.50%	N/A
60	5.00%	N/A
61	7.50%	N/A
62	10.00%	N/A
63	12.50%	N/A
64	12.50%	N/A
65	N/A	20.00%
66	N/A	15.00%
67	N/A	15.00%
68	N/A	15.00%
69	N/A	15.00%
70	N/A	100.00%

<b>Hospital</b>		
Ages	Percent of Eligible Active Members Retiring Within Next Year	
	Early Retirement	Normal Retirement
55	2.50%	N/A
56	3.00%	N/A
57	3.50%	N/A
58	4.00%	N/A
59	4.50%	N/A
60	5.00%	N/A
61	7.50%	N/A
62	10.00%	N/A
63	12.50%	N/A
64	12.50%	N/A
65	N/A	20.00%
66	N/A	15.00%
67	N/A	15.00%
68	N/A	15.00%
69	N/A	15.00%
70	N/A	15.00%
71	N/A	15.00%
72	N/A	15.00%
73	N/A	15.00%
74	N/A	15.00%
75	N/A	100.00%

Denver Employees Retirement Plan

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	<b>Percent of Eligible Active Members Retiring Within Next Year</b>
<b>Ages</b>	<b>Rule of 75 Retirement</b>
NAR*	20.00%
NAR+1	10.00%
NAR+2	10.00%
NAR+3	10.00%
NAR+4	10.00%
NAR+5	10.00%
NAR+6	10.00%
NAR+7	10.00%
NAR+8	40.00%
NAR+9	40.00%
NAR+10	40.00%

\*NAR, Normal Age at Retirement, is defined as the first age at which a member is eligible to retire under the Rule of 75 with a minimum age of 55 (or Rule of 85 with a minimum age of 60 if hired after July 1, 2011) (Refer to Plan Provisions Section). Rates beyond NAR+8 in the table above continue at 40.00% until member reaches age 70 for Non-Hospital employees and age 75 for Hospital employees. After attainment of those ages, the retirement rate assumption is 100.00%.

*Rates of separation from active membership* are shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability).

<b>Non Hospital</b>		
<b>Years of Service</b>	<b>Select Period</b>	
	<b>% of Active Members Separating Within Next Year</b>	
	<b>Men</b>	<b>Women</b>
1	17.75%	20.89%
2	15.26%	18.01%
3	13.12%	15.53%
4	11.28%	13.39%
5	9.70%	11.55%
6	8.34%	9.96%
7	7.17%	8.59%
8	6.17%	7.41%
9	5.30%	6.39%

Denver Employees Retirement Plan

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<b>Non Hospital</b>		
<b>Ages</b>	<b>Ultimate Rates</b>	
	<b>% of Active Members Separating Within Next Year*</b>	
	<b>Men</b>	<b>Women</b>
25	13.89%	14.26%
30	10.33%	11.75%
35	7.69%	9.30%
40	5.67%	7.17%
45	4.07%	5.35%
50	2.78%	3.81%
55	1.72%	2.49%
60	0.83%	1.37%
64	0.22%	0.58%

\*Members with 10 or more years of service

<b>Hospital</b>		
<b>Ages</b>	<b>% of Active Members Separating Within Next Year</b>	
	<b>Men</b>	<b>Women</b>
	25	18.14%
30	14.84%	15.41%
35	12.92%	11.91%
40	10.42%	8.40%
45	7.97%	5.60%
50	4.40%	5.60%
55	1.10%	5.60%
60	1.10%	5.60%
64	1.10%	5.60%

For inactive members, the assumed age at retirement is age 65. If an inactive member is not vested, the liability valued is their employee contributions plus interest.

Rates are not applied after the member is eligible for reduced or unreduced retirement benefits.

Denver Employees Retirement Plan

*Rates of disability* among active members are shown below for selected ages (10% of the disabilities are assumed to be duty-related and 90% are assumed to be non-duty related):

Ages	% Becoming Disabled Within Next Year	
	Men	Women
20	0.00%	0.02%
25	0.00%	0.02%
30	0.00%	0.02%
35	0.00%	0.03%
40	0.01%	0.06%
45	0.01%	0.12%
50	0.03%	0.24%
55	0.04%	0.40%
60	0.07%	0.60%
65	0.10%	0.90%

### Miscellaneous and Technical Assumptions

- Administrative & Investment Expenses*** The investment return assumption is intended to be the return net of investment and administrative expenses.
- Benefit Service*** Exact fractional service is used to determine the amount of benefit payable.
- COLA*** None assumed.
- Covered Payroll*** Annual payroll projected forward with one year's salary increase
- Decrement Operation*** All decrements other than withdrawal are in force during retirement eligibility.
- Decrement Timing*** Decrement of all types are assumed to occur mid-year.
- Eligibility Testing*** Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
- Incidence of Contributions*** Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

### Denver Employees Retirement Plan

<b><i>Marriage Assumption</i></b>	75% of males and 60% of females are assumed to be married for purposes of death-in-service benefits and 75% of males and 60% of females are assumed to be married for purposes of retiree medical benefits. Male spouses are assumed to be the same age as female spouses for active member valuation purposes.
<b><i>Normal Form of Benefit</i></b>	A straight life annuity is the normal form of benefit.
<b><i>Pay Increase Timing</i></b>	Beginning of year. This is equivalent to assuming that reported pays represent annualized rates of pay on the valuation date.
<b><i>Service Credit Accruals</i></b>	It is assumed that members accrue one year of service credit per year.
<b><i>Split of Member and Employer Contribution</i></b>	For the schedule of Employer Contributions, the member and employer contributions are split between the pension and medical funds based on their respective ratios to the Total Computed Contribution Rate developed in the previous year's actuarial valuation.
<b><i>Terminal Pay</i></b>	For members hired prior to January 1, 2010, unused sick and vacation hours are converted into pay at retirement, death, disability or termination. That converted amount is included in the Final Average Compensation (FAC). The valuation accounts for this by assuming the FAC will be increased by 5.00% for active retirement benefits and increase by 2.25% for active ordinary death and termination benefits for members hired prior to January 1, 2010.
<b><i>Retiree Medical Election Percentage</i></b>	It is assumed that 85% of members who retire elect medical benefits, 30% of members who terminate elect medical benefits, 80% of beneficiaries elect medical benefits, and 80% of members who leave as disabled members elect retire medical benefits.



## Actuarial Section

### Analysis of Financial Experience

Composite Gain (Loss) for the Years Ending December 31, 2007 through 2011

<b>Retirement Benefits</b>					
<b>Type of Activity:</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
1. Retirement, Disability, Death, Withdrawal, Pay Increases, etc.	\$ (5,824,600)	\$ (24,786,800)	\$ (6,092,100)	\$ (13,721,100)	\$ (33,977,800)
2. New Entrants	(1,165,700)	(1,065,700)	(1,349,200)	(2,320,600)	(2,162,300)
3. Investment Income	<u>(77,418,800)</u>	<u>(56,387,300)</u>	<u>(86,709,900)</u>	<u>(119,838,500)</u>	<u>22,982,500</u>
Gain (Loss)	(84,409,100)	(82,239,800)	(94,151,200)	(135,880,200)	(13,157,600)
Non-recurring Items:					
Changes in Actuarial Assumptions and Methods	(7,044,100)	-	25,945,200	-	3,146,700
Changes in Plan Provisions	<u>(72,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-recurring Items	<u>(7,116,600)</u>	<u>-</u>	<u>25,945,200</u>	<u>-</u>	<u>3,146,700</u>
Composite Gain (Loss) During Year	<u>\$ (91,525,700)</u>	<u>\$ (82,239,800)</u>	<u>\$ (68,206,000)</u>	<u>\$ (135,880,200)</u>	<u>\$ (10,010,900)</u>

<b>Health Benefits</b>					
<b>Type of Activity:</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
1. Retirement, Disability, Death, Withdrawal, Pay Increases, etc.	\$ 1,324,000	\$ 223,200	\$ (5,842,600)	\$ (3,660,100)	\$ 1,883,600
2. New Entrants	(59,200)	(91,200)	(40,900)	(93,400)	(111,300)
3. Investment Income	<u>(3,670,600)</u>	<u>(2,858,300)</u>	<u>(4,252,500)</u>	<u>(5,825,700)</u>	<u>1,113,000</u>
Gain (Loss)	(2,405,800)	(2,726,300)	(10,136,000)	(9,579,200)	2,885,300
Non-recurring Items:					
Changes in Actuarial Assumptions and Methods	-	-	138,600	-	(1,549,200)
Changes in Plan Provisions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-recurring Items	<u>-</u>	<u>-</u>	<u>138,600</u>	<u>-</u>	<u>(1,549,200)</u>
Composite Gain (Loss) During Year	<u>\$ (2,405,800)</u>	<u>\$ (2,726,300)</u>	<u>\$ (9,997,400)</u>	<u>\$ (9,579,200)</u>	<u>\$ 1,336,100</u>

## Actuarial Section

### Schedule of Retirees and Beneficiaries <sup>(1)</sup>

Valuation Date	Number	Allowances for Additional Retirees and Beneficiaries	Number	Allowances for Retirees and Beneficiaries Removed	Number	Pension Benefit Amount	Average Annual Benefit	Percent Increase in Average Benefit
	Added Since Last Valuation Date		Removed Since Last Valuation Date					
1/1/06	321	\$5,228,193	216	\$3,632,153	6,305	\$93,261,687	\$14,792	0.5%
1/1/07	404	8,143,129	313	4,219,485	6,396	97,109,973	15,183	2.6
1/1/08	477	9,023,888	259	4,376,599	6,614	101,802,055	15,392	1.4
1/1/09	474	9,536,489	215	2,245,574	6,873	109,243,231	15,895	3.3
1/1/10	733	17,229,892	183	1,847,244	7,423	124,695,435	16,799	5.7
1/1/11	410	7,484,590	227	2,827,899	7,606	130,319,793	17,134	2.0
1/1/12	457	9,392,512	287	2,922,903	7,776	138,317,723	17,788	3.8

<sup>(1)</sup> Includes DROP retirees.

### Schedule of Active Members <sup>(2)</sup>

Valuation Date	Number	Annual Payroll	Average Annual Earnings	Percent Increase in Average Earnings
1/1/06	8,732	\$475,500,445	\$54,455	2.1%
1/1/07	8,988	489,447,759	54,456	0.0
1/1/08	9,304	543,728,238	58,440	7.3
1/1/09	9,323	564,986,660	60,601	3.7
1/1/10	8,604	506,045,186	58,815	-2.9
1/1/11	8,403	517,398,105	61,573	4.7
1/1/12	8,149	517,396,257	63,492	3.1

<sup>(2)</sup> This schedule does not include participants in DROP and DROP II.

## Actuarial Section

### Solvency Test

#### Pension Benefits

Valuation Date	Actuarial Accrued Liabilities			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Retirees and Beneficiaries	Terminated Vested Members	Active Members				
1/1/07	\$1,017,987,597	\$105,533,885	\$739,251,384	(a) \$1,837,476,077	100%	100%	97%
1/1/08	1,068,882,528	112,973,265	803,795,689	(b) 1,950,010,815	100	100	96
1/1/09	1,135,549,357	120,295,849	840,041,890	(c) 1,924,991,121	100	100	80
1/1/10	1,290,661,062	123,892,229	761,689,445	(d) 1,923,560,713	100	100	67
1/1/11	1,341,928,443	129,821,083	813,006,592	(e) 1,942,871,295	100	100	58
1/1/12	1,412,766,986	154,615,776	819,147,309	(f) 1,946,844,159	100	100	46

- (a) Includes DROP accounts of \$92,848,939.
- (b) Includes DROP accounts of \$96,066,783.
- (c) Includes DROP accounts of \$96,801,380.
- (d) Includes DROP accounts of \$98,422,814.
- (e) Includes DROP accounts of \$98,884,382.
- (f) Includes DROP accounts of \$101,400,591.

A short-term solvency test is one means of checking a plan's progress under its funding program. In a short-term solvency test, a plan's assets are compared with the accrued liabilities of the plan. The liabilities are ranked, with (1) representing the liabilities of present retired lives, (2) terminated vested members liabilities, and (3), the liabilities for service already rendered by active members. For DERP pension benefits, the liabilities for the retired members and the terminated vested members are fully covered by the valuation assets, and the liabilities for service already rendered by active members is partially covered by the remainder of the valuation assets.

#### Health Benefits\*\*

Valuation Date	Actuarial Accrued Liabilities			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Retirees and Beneficiaries	Terminated Vested Members	Active Members				
1/1/07 *	\$81,006,285	\$0	\$46,126,783	\$93,089,297	100%	0%	26%
1/1/08	82,271,298	6,596,538	39,739,243	96,457,419	100	100	19
1/1/09	87,168,030	6,706,283	40,126,245	92,682,144	100	82	0
1/1/10	98,068,689	6,768,999	36,804,834	90,414,800	92	0	0
1/1/11	94,937,728	7,310,323	40,864,423	87,609,491	92	0	0
1/1/12	94,007,699	8,530,269	40,428,959	84,679,890	90	0	0

\* Prior to 2008 Active and Terminated Vested Liabilities were combined for Retiree Medical.

\*\* These liabilities represent solely the value of the explicit benefit, without regard to the implicit rate subsidy and therefore are not compliant with GASB #45.

A short-term solvency test is one means of checking a plan's progress under its funding program. In a short-term solvency test, a plan's assets are compared with the accrued liabilities of the plan. The liabilities are ranked, with (1) representing the liabilities of present retired lives, (2) terminated vested members liabilities, and (3), the liabilities for service already rendered by active members. For DERP health benefits, the liabilities for the retired members is partially covered by the valuation assets, and the liabilities for terminated vested members and for service already rendered by active members is not covered by any valuation assets.

### Summary of Principal Plan Provisions<sup>(1)</sup>

#### Retirement Program

The Plan is a defined benefit pension plan that was established on January 1, 1963. The purpose of the Plan is to provide benefits for its members and beneficiaries upon retirement, disability, or death. The Plan was designed to be supplemented by a member's Social Security benefits and/or other retirement investments.

#### Contributions

In 2012, the City, the Plan for its staff, and DHHA contributed 10.25% of the employee's total gross salary to the trust fund, and the employee contributed 6.25% of his or her total gross salary, on a pretax basis through a payroll deduction. The employer and employee contributions, plus income from investments, fund the retirement benefits for employees and their beneficiaries. Effective January 1, 2013, the employer contribution rate increased to 11.00%, and the employee contribution rate increased to 7.00% of gross salary.

#### Retirement Benefits

##### ***Calculation of Retirement Benefits***

For active members employed by the City, the Plan, and DHHA prior to September 1, 2004, the retirement benefit calculation is 2.0% of the member's average monthly salary (AMS) (based upon the highest 36 consecutive months' salary with an agency covered by this retirement plan) times years of credited service. For members who were originally hired or re-hired on or after September 1, 2004, the retirement benefit is based on 1.5% of the average monthly salary times years of credited service. For members hired on or after July 1, 2011, the benefit calculation is 1.5% of the average monthly salary based on the highest 60 consecutive months' salary. The vesting requirement is five years of credited service. In accordance with certain restrictions, active, vested members may purchase additional service. Retirement benefits from the Plan are payable in the form of a life annuity.

##### ***Normal Retirement***

Normal retirement becomes effective the first day of any month after the vested member reaches age 65 and terminates employment with the City, the Plan, or DHHA.

##### ***Normal Retirement - Rule-of-75***

For members hired *prior to* July 1, 2011, the Rule-of-75 enables a member to retire as early as age 55, without a benefit reduction, provided the combined credited service and age at termination equals or exceeds the sum of 75.

##### ***Normal Retirement - Rule-of-85***

For members hired *on or after* July 1, 2011, the Rule-of-85 enables a member to retire as early as age 60, without a benefit reduction, provided the combined years and months of credited service and age at termination equals or exceeds the sum of 85.

##### ***Early Retirement***

A member may retire early upon reaching age 55 or 60, depending on the date of hire, and with a minimum of five years credited service. Benefits are determined in accordance with the above calculation based on credited service to the early retirement date and reduced for each year under age 65.

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<sup>(1)</sup> This summary is provided for general information purposes only and does not constitute legal advice. For detailed information about the Plan, refer to the Plan's Retirement Handbook.

### Summary of Principal Plan Provisions<sup>(1)</sup>

#### ***Deferred Retirement***

Following the month of application, a member with a minimum of five years credited service who has terminated employment with the City, the Plan, or DHHA may elect to receive a benefit as early as age 55 or 60, depending on the date of hire. Calculation of a deferred benefit is based on the member's age at the time of application for retirement benefits, AMS and credited service earned as a City, Plan, or DHHA employee. If a member should die prior to receiving a monthly deferred retirement benefit, a spouse, or children under age 21, may be eligible for a benefit.

#### ***Maximum Lifetime Benefit***

This option provides a maximum lifetime benefit to the member and ceases upon the member's death. If the member is married and chooses the maximum lifetime benefit, the spouse must formally forfeit all rights to any lifetime monthly benefit from the Plan.

#### ***Joint and Survivor Options***

The Plan also provides a joint and survivor benefit option. Under this benefit option the member will receive a reduced lifetime monthly benefit in order to provide a lifetime monthly benefit for a beneficiary. If the member is married, the spouse must be the designated beneficiary unless the spouse formally forfeits these rights and consents to the designation of another beneficiary.

#### ***Disability Retirement - On-the-Job***

If a member should become permanently disabled in connection with the member's employment, the member may be eligible for an On-the-Job Disability retirement benefit. This benefit would be based on the higher of 20 years credited service or actual service plus 10 years. In either case, the credited service cannot exceed the service that the member would have earned at age 65. There are no minimum years of service requirements for this benefit. The member must meet all Ordinance requirements to qualify for an On-the-Job Disability.

#### ***Disability Retirement - Off-the-Job***

A permanent disability not directly connected to the job will be classified as an Off-the-Job Disability. The Off-the-Job Disability benefit is 75% of the benefit calculated for an On-the-Job Disability. The member must be vested and meet all Ordinance requirements.

#### Death Benefit before Retirement

If an active member should die while employed with the City, the Plan or DHHA, there are death benefits available for the member's beneficiary. If the member is married, the member's spouse will receive a lifetime benefit unless the spouse had formally waived this right and consented to another designated beneficiary. If there is no spouse, any children under the age of 21 will receive a benefit until they reach age 21. If the member is not married and has no children under 21, the designated beneficiary will receive the lifetime monthly benefit.

#### ***On-the-Job Death***

If a death is classified as On-the-Job, the member's beneficiary will receive a lifetime monthly benefit calculated at the higher of 15 years service or actual service plus 5 years. In either case, the credits may not exceed service which would have been earned by the member at age 65.

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<sup>(1)</sup> This summary is provided for general information purposes only and does not constitute legal advice. For detailed information about the Plan, refer to the Plan's Retirement Handbook.

### Summary of Principal Plan Provisions<sup>(1)</sup>

#### ***Off-the-Job Death***

If a death is classified as Off-the-Job, the member's beneficiary will receive a lifetime monthly benefit that is 75% of the On-the-Job Death benefit. There are no minimum service requirements for this benefit.

#### Death Benefit after Retirement

#### ***Lump-Sum Death Benefit***

A lump-sum death benefit is available to members who retire directly from active service. This single payment will be paid to the member's beneficiary or to the member's estate if the designated beneficiary is no longer living. The death benefit for Normal Retirement, Rule-of-75, Rule-of-85, or Disability (after age 65) is \$5,000.

#### Health Insurance after Retirement

The Plan offers health, dental and vision insurance options for retired members and the member's family. The Plan contributes a portion of the monthly health, dental and vision insurance premiums, based on the member's years of credited service and age. For members who are not Medicare-eligible, the monthly benefit is \$12.50 per year of credited service, and for members who are Medicare-eligible, the monthly benefit is \$6.25 per year of credited service.

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<sup>(1)</sup> This summary is provided for general information purposes only and does not constitute legal advice. For detailed information about the Plan, refer to the Plan's Retirement Handbook.

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# Statistical Section

This section of the Plan's comprehensive annual financial report presents detailed information to assist the reader in understanding what the information in the financial statements, note disclosures, and required supplementary information indicate about the Plan's overall financial status.



## Statistical Section

### Changes in Plan Net Position Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Pension Benefits</b>					
Additions:					
Member contributions <sup>(1)</sup>	\$ 2,457,661 <sup>(2)</sup>	\$ 9,197,797	\$ 11,248,020 <sup>(3)</sup>	\$ 11,436,362	\$ 11,979,390
Employer contributions <sup>(1)</sup>	43,441,450	35,666,583	37,347,133	37,809,048	40,955,026
Investment earnings (net of expenses)	<u>242,309,261</u>	<u>163,674,788</u>	<u>149,237,500</u>	<u>234,113,308</u>	<u>199,977,322</u>
Total additions to Plan net assets	288,208,372	208,539,168	197,832,653	283,358,718	252,911,738
Deductions:					
Benefit payments	67,869,193	76,355,138	86,053,631	95,436,244	104,926,801
Refunds	20,800	81,937	159,000	209,412	390,158
Administrative expenses	<u>2,098,088</u>	<u>2,211,322</u>	<u>2,464,874</u>	<u>2,618,710</u>	<u>2,469,185</u>
Total deductions from Plan net assets	<u>69,988,081</u>	<u>78,648,397</u>	<u>88,677,505</u>	<u>98,264,366</u>	<u>107,786,144</u>
Change in net assets	<u>\$ 218,220,291</u>	<u>\$ 129,890,771</u>	<u>\$ 109,155,148</u>	<u>\$ 185,094,352</u>	<u>\$ 145,125,594</u>
<b>Health Benefits</b>					
Additions:					
Member contributions <sup>(1)</sup>	\$ 218,967	\$ 784,899	\$ 1,038,456	\$ 1,187,939	\$ 1,297,609
Employer contributions <sup>(1)</sup>	4,348,924	3,143,627	3,530,326	4,075,768	4,504,640
Investment earnings (net of expenses)	<u>13,503,048</u>	<u>8,832,033</u>	<u>7,812,975</u>	<u>11,955,835</u>	<u>10,012,367</u>
Total additions to Plan net assets	18,070,939	12,760,559	12,381,757	17,219,542	15,814,616
Deductions:					
Benefit payments	7,588,370	8,415,219	9,201,577	9,933,174	10,612,929
Refunds	-	4,428	8,352	10,705	19,489
Administrative expenses	<u>117,418</u>	<u>120,277</u>	<u>129,711</u>	<u>133,977</u>	<u>123,382</u>
Total deductions from Plan net assets	<u>7,705,788</u>	<u>8,539,924</u>	<u>9,339,640</u>	<u>10,077,856</u>	<u>10,755,800</u>
Change in net assets	<u>\$ 10,365,151</u>	<u>\$ 4,220,635</u>	<u>\$ 3,042,117</u>	<u>\$ 7,141,686</u>	<u>\$ 5,058,816</u>

<sup>(1)</sup> Employer and employee contributions are made in accordance with rates set by City ordinance. The contribution rate has been actuarially determined by an independent actuary to be sufficient to accumulate assets necessary to pay the actuarial liability when due.

<sup>(2)</sup> The employers contributed amounts equal to 10.0% of covered payroll through September 30, 2003. Beginning on October 1, 2003, the employers reduced their contribution to 8.0% and employees began making a 2.0% contribution.

<sup>(3)</sup> Effective January 1, 2005, the employer and employee contributions increased to 8.5% and 2.5%, respectively.

<sup>(4)</sup> Effective January 1, 2010, the employee contribution increased to 4.5%.

<sup>(5)</sup> Effective January 1, 2011, the employer and employee contributions increased to 9.5% and 5.5%, respectively.

<sup>(6)</sup> Effective January 1, 2012, the employer and employee contributions increased to 10.25% and 6.25%, respectively.

## Statistical Section

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 12,804,873	\$ 12,849,520	\$ 21,139,754 <sup>(4)</sup>	\$ 26,110,772 <sup>(5)</sup>	\$ 30,663,247 <sup>(6)</sup>
44,362,545	43,127,064	42,228,203	45,703,351	49,756,639
<u>(523,370,681)</u>	<u>198,018,642</u>	<u>217,566,113</u>	<u>(2,396,020)</u>	<u>205,809,820</u>
(466,203,263)	253,995,226	280,934,070	69,418,103	286,229,706
115,090,867	121,191,856	137,392,322	142,108,250	149,470,854
492,692	430,252	666,009	948,969	947,756
<u>2,839,820</u>	<u>2,558,311</u>	<u>2,555,677</u>	<u>2,883,909</u>	<u>3,334,741</u>
<u>118,423,379</u>	<u>124,180,419</u>	<u>140,614,008</u>	<u>145,941,128</u>	<u>153,753,351</u>
<u>\$ (584,626,642)</u>	<u>\$ 129,814,807</u>	<u>\$ 140,320,062</u>	<u>\$ (76,523,025)</u>	<u>\$ 132,476,355</u>
\$ 1,183,354	\$ 1,291,670	\$ 1,950,508	\$ 2,329,357	\$ 2,492,678
4,253,783	4,551,097	2,924,858	4,202,033	4,241,292
<u>(25,408,688)</u>	<u>9,252,242</u>	<u>9,714,426</u>	<u>(42,792)</u>	<u>8,635,748</u>
(19,971,551)	15,095,009	14,589,792	6,488,598	15,369,718
10,822,553	11,003,408	11,708,006	12,471,835	12,446,444
24,005	20,304	30,120	41,255	39,653
<u>138,364</u>	<u>120,955</u>	<u>115,362</u>	<u>125,390</u>	<u>139,510</u>
<u>10,984,922</u>	<u>11,144,667</u>	<u>11,853,488</u>	<u>12,638,480</u>	<u>12,625,607</u>
<u>\$ (30,956,473)</u>	<u>\$ 3,950,342</u>	<u>\$ 2,736,304</u>	<u>\$ (6,149,882)</u>	<u>\$ 2,744,111</u>

**Schedule of Benefit Expenses by Type**  
Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Age and Service Benefits:					
Retirees	\$55,940,266	\$62,377,101	\$69,452,844	\$77,386,468	\$85,768,809
Survivor	3,303,251	3,487,000	3,723,260	4,057,908	4,342,907
Death in Service Benefits	2,328,352	2,504,738	2,766,450	2,802,956	2,905,886
Disability Benefits:					
Retirees:					
On-the-Job	514,618	604,324	571,189	581,664	607,662
Off-the-Job	2,639,992	2,868,523	2,871,960	2,986,632	3,115,834
Survivors	586,217	653,459	797,577	874,519	927,141
Lump Sum Death Benefits	893,150	1,555,635	1,275,203	996,348	1,199,236
Pension Benefits' Refunds	20,800	81,937	159,000	209,412	390,158
Health Benefits' Refunds	-	4,428	8,352	10,705	19,489
DROP Benefits	1,653,347	2,304,358	4,595,148	5,749,749	6,059,326
Pension Benefits	66,205,846	74,050,780	81,458,483	89,686,495	98,867,475
Health Benefits	7,588,370	8,415,219	9,201,577	9,933,174	10,612,929

## Statistical Section

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<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 94,138,108	\$ 100,395,696	\$ 114,044,816	\$ 119,878,934	\$ 127,091,564
4,772,142	5,050,283	5,415,206	5,879,654	6,126,099
3,118,334	3,347,207	3,636,127	3,659,245	3,736,130
695,022	646,932	769,792	818,527	869,781
3,257,205	3,377,520	3,712,434	3,888,218	3,854,524
1,012,571	1,071,358	1,124,708	1,122,643	1,238,793
1,055,949	1,310,065	1,376,342	1,508,915	1,315,428
492,692	430,252	666,009	948,969	947,756
24,005	20,304	30,120	41,255	39,653
7,041,536	5,992,795	7,312,897	5,352,114	5,238,535
108,049,331	115,199,061	130,079,425	136,756,136	144,232,319
10,822,553	11,003,408	11,708,006	12,471,835	12,446,444

## Statistical Section

### Schedule of Retired Members by Type of Benefit - Pension

December 31, 2012

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*							Option Selected**				
		1	2	3	4	5	6	7	1	2	3	4	
\$1- 50	102	99	3							102			
51- 100	122	80	23			4	14	1		85	25	6	6
101- 150	206	142	35	1	1	7	20			129	59	5	13
151- 200	220	146	43			8	21	2		129	62	8	21
201- 250	247	161	53			11	20	2		141	79	7	20
251- 300	228	130	41		6	23	26	2		138	68	4	18
301- 350	246	145	41		3	24	26	7		152	63	12	19
351- 400	198	115	39	1	10	17	13	3		125	50	2	21
401- 450	200	114	42		7	13	20	4		115	49	9	27
451- 500	219	120	39	2	13	18	23	4		131	58	10	20
501- 600	398	198	89	3	25	24	44	15		226	97	23	52
601- 700	344	200	50	2	26	23	34	9		200	81	25	38
701- 800	312	170	50	3	24	14	38	13		165	86	24	37
801- 900	304	185	38	3	18	20	35	5		169	74	21	40
901- 1,000	255	167	19	3	20	13	27	6		134	69	22	30
1,001-1,100	306	210	26	2	16	10	32	10		158	78	28	42
1,101-1,200	269	186	18	1	20	13	22	9		138	86	18	27
1,201-1,300	262	186	13	3	13	12	31	4		123	72	21	46
1,301-1,400	226	177	7	3	13	4	16	6		120	53	17	36
1,401-1,500	236	188	9	1	9	12	14	3		124	52	18	42
1,501-1,600	209	176	5	3	7	7	11			114	49	25	21
1,601-1,700	195	164	6		8	8	6	3		104	39	20	32
1,701-1,800	186	159	2	1	10	6	7	1		103	34	22	27
1,801-1,900	186	167	2	1	6	4	6			100	32	23	31
1,901-2,000	160	145	1		3	4	6	1		74	37	14	35
2,001-2,500	719	637	5	5	18	15	32	7		347	185	74	113
2,501-3,000	516	484	3	5	8	6	10			249	122	44	101
3,001-3,500	377	354	1	4	4	5	8	1		162	108	38	69
3,501-4,000	223	214	2		2	2	2	1		104	63	19	37
4,001-4,500	130	124			2	3	1			52	30	10	38
\$4,501- over	244	239	1	1	1	1	1			95	66	33	50
<b>Totals</b>	<b>8,045</b>	<b>5,982</b>	<b>706</b>	<b>48</b>	<b>293</b>	<b>331</b>	<b>566</b>	<b>119</b>		<b>4,308</b>	<b>2,026</b>	<b>602</b>	<b>1,109</b>

**\* Type of Retirement:**

1. Normal Retirement for Age and Service
2. Early Retirement
3. Disability – On-the-Job
4. Disability – Off-the-Job
5. Survivor Payment – Death in Service
6. Survivor Payment – Normal or Early Retirement
7. Survivor Payment – Disability Retirement

**\*\*Option Selected:**

1. Life
2. 100% Joint and Survivor
3. 75% Joint and Survivor
4. 50% Joint and Survivor

## Statistical Section

### Schedule of Retired Members by Type of Benefit - Health Insurance Reduction December 31, 2012

<b>(1) Non Medicare-eligible</b>		<b>(2) Medicare-eligible</b>	
Amount of Reduction	Number of Retirees	Amount of Reduction	Number of Retirees
Eligible to Receive		Eligible to Receive	
\$12.50 - 50.00	87	\$6.25 - 50.00	381
51.00 - 100.00	269	51.00 - 100.00	834
101.00 - 150.00	243	101.00 - 150.00	903
151.00 - 200.00	188	151.00 - 200.00	800
201.00 - 250.00	308	201.00 - 250.00	277
251.00 - 300.00	286	251.00 - 300.00	64
301.00 - 350.00	304	301.00 - 350.00	35
351.00 - 400.00	302	351.00 - 400.00	39
401.00 - 450.00	238	401.00 - 450.00	13
451.00 - 500.00	56	451.00 - 500.00	3
501.00 - 550.00	10	501.00 - 550.00	4
551.00 - 600.00	5	551.00 - 600.00	2
601.00 - 650.00	5	601.00 - 650.00	2
651.00 - 700.00	4	651.00 - 700.00	1
701.00 - 750.00	2	701.00 - 750.00	1
751.00 - 800.00	1	751.00 - 800.00	0
\$801.00 - over	0	\$801.00 - over	1
Total	2,308	Total	3,360

**Type of Benefit:**

<sup>(1)</sup> Participants who are not Medicare-eligible are eligible for health/dental insurance premium reduction equal to \$12.50 per month for each year of service.

<sup>(2)</sup> Participants who are Medicare-eligible are eligible for health/dental insurance premium reduction equal to \$6.25 per month for each year of service.

Note: In some instances, the years of service of spouses may have been combined when determining the amount of benefit.

Schedule of Retired Members by Attained Age and Type of Pension Benefit  
December 31, 2012

Age	Number of Retirees/ Beneficiary	Type of Retirement*						
		1	2	3	4	5	6	7
01-24	28				13	10	2	3
25-29	3					2		1
30-34	15					8	2	5
35-39	14					8	3	3
40-44	28				4	11	9	4
45-49	45	1		1	10	25	5	3
50-54	80	3		2	29	28	13	5
55-59	1,073	895	30	8	58	45	28	9
60-64	1,805	1,495	108	15	72	52	44	19
65-69	1,659	1,323	158	5	44	42	67	20
70-74	1,130	842	120	6	37	28	74	23
75-79	804	583	78	6	13	27	85	12
80-84	642	451	58	1	8	15	104	5
85-89	446	255	84	3	4	19	75	6
90-94	215	96	62	1	1	8	46	1
95 and up	58	38	8			3	9	
Totals	8,045	5,982	706	48	293	331	566	119

\*Type of Retirement:

1. Normal Retirement for Age and Service
2. Early Retirement
3. Disability – On-the-Job
4. Disability – Off-the-Job
5. Survivor Payment – Death in Service
6. Survivor Payment – Normal or Early Retirement
7. Survivor Payment – Disability Retirement

## Statistical Section

### Average Monthly Benefit Payment – Pension Last Ten Fiscal Years

Retirement Effective Date for the Years Ended December 31	Years of Credited Service							Total
	0-5	6-10	11-15	16-20	21-25	26-30	31+	
<b>2003</b>								
Average Monthly Benefit	\$340.96	\$414.46	\$850.92	\$1,656.35	\$2,208.37	\$2,762.79	\$3,316.91	\$1,932.89
Mean Final Average Monthly Salary	\$3,428.78	\$3,683.47	\$4,223.41	\$5,129.96	\$4,969.14	\$5,199.59	\$5,144.78	\$4,761.60
Number of Retirees	5	61	74	81	60	88	82	451
<b>2004</b>								
Average Monthly Benefit	\$235.47	\$408.91	\$809.39	\$1,274.68	\$2,083.56	\$2,325.80	\$3,084.75	\$1,487.81
Mean Final Average Monthly Salary	\$2,883.01	\$3,821.80	\$4,337.81	\$4,537.74	\$4,952.69	\$4,511.64	\$5,025.66	\$4,434.07
Number of Retirees	1	75	39	43	41	39	38	276
<b>2005</b>								
Average Monthly Benefit	\$157.05	\$413.42	\$723.78	\$1,299.63	\$1,531.58	\$2,327.17	\$3,307.38	\$1,367.83
Mean Final Average Monthly Salary	\$2,787.43	\$3,991.64	\$3,993.72	\$4,294.89	\$4,161.50	\$4,599.48	\$5,446.68	\$4,305.44
Number of Retirees	7	81	52	48	40	36	42	306
<b>2006</b>								
Average Monthly Benefit	\$241.12	\$380.82	\$798.58	\$1,640.94	\$2,061.07	\$2,498.79	\$3,358.99	\$1,612.03
Mean Final Average Monthly Salary	\$1,116.33	\$3,672.48	\$4,061.86	\$5,301.29	\$5,103.43	\$7,480.71	\$5,453.33	\$4,562.89
Number of Retirees	7	86	71	59	50	44	63	380
<b>2007</b>								
Average Monthly Benefit	\$52.26	\$406.89	\$668.51	\$1,306.00	\$1,802.38	\$2,500.82	\$3,146.99	\$1,525.70
Mean Final Average Monthly Salary	\$2,936.27	\$3,784.99	\$3,637.37	\$4,493.97	\$4,707.83	\$4,897.62	\$5,052.79	\$4,372.90
Number of Retirees	1	88	56	68	55	50	61	379
<b>2008</b>								
Average Monthly Benefit	\$758.53	\$444.21	\$844.40	\$1,584.03	\$2,316.39	\$2,603.67	\$3,369.03	\$1,621.69
Mean Final Average Monthly Salary	\$2,053.60	\$3,781.87	\$4,450.86	\$4,998.35	\$5,568.83	\$5,209.11	\$5,532.95	\$4,742.67
Number of Retirees	3	94	63	72	44	55	46	377
<b>2009</b>								
Average Monthly Benefit	\$170.48	\$371.43	\$861.17	\$1,646.28	\$2,171.89	\$2,631.60	\$3,380.10	\$1,960.51
Mean Final Average Monthly Salary	\$3,651.81	\$3,179.39	\$4,348.20	\$5,337.72	\$5,432.91	\$5,123.81	\$5,359.29	\$4,883.90
Number of Retirees	5	93	77	114	126	73	142	630
<b>2010</b>								
Average Monthly Benefit	\$211.53	\$369.70	\$979.86	\$1,527.63	\$2,163.74	\$2,606.62	\$3,138.77	\$1,569.19
Mean Final Average Monthly Salary	\$3,293.07	\$3,738.27	\$5,649.60	\$5,459.85	\$5,761.51	\$5,114.12	\$5,862.78	\$5,152.88
Number of Retirees	5	72	63	74	40	33	48	335
<b>2011</b>								
Average Monthly Benefit	\$296.19	\$500.13	\$1,078.70	\$1,848.95	\$2,506.49	\$3,229.10	\$3,896.81	\$1,908.05
Mean Final Average Monthly Salary	\$4,168.30	\$4,069.33	\$5,078.96	\$5,671.69	\$6,024.76	\$5,987.34	\$5,877.89	\$5,268.32
Number of Retirees	40	74	66	90	44	43	55	412
<b>2012</b>								
Average Monthly Benefit	\$547.95	\$447.11	\$1,083.12	\$1,871.72	\$2,482.05	\$3,215.24	\$4,361.42	\$2,001.66
Mean Final Average Monthly Salary	\$6,647.48	\$3,884.74	\$5,068.86	\$5,761.95	\$5,797.04	\$6,102.37	\$6,753.19	\$5,716.52
Number of Retirees	34	101	104	78	61	37	52	467



## Statistical Section

### Average Monthly Benefit Payment – Health Benefits Reduction Last Six Fiscal Years

As of December 31:	Years of Credited Service							Total
	1-5	6-10	11-15	16-20	21-25	26-30	31+	
<b>2006</b>								
Total Eligible Reduction Amount	\$3,531	\$30,738	\$68,931	\$125,975	\$183,056	\$230,344	\$296,069	\$938,644
Average Monthly Benefit Paid	\$36.36	\$62.47	\$95.70	\$145.35	\$191.33	\$245.71	\$292.40	\$186.00
Number of Retirees	89	423	608	780	876	872	897	4,545
<b>2007</b>								
Total Eligible Reduction Amount	\$3,775	\$30,788	\$66,525	\$127,688	\$189,438	\$239,006	\$317,100	\$974,320
Average Monthly Benefit Paid	\$37.58	\$62.76	\$97.04	\$145.41	\$191.21	\$246.67	\$303.49	\$190.26
Number of Retirees	96	432	599	794	915	910	957	4,703
<b>2008</b>								
Total Eligible Reduction Amount	\$3,263	\$33,463	\$69,656	\$139,150	\$191,944	\$245,413	\$330,750	\$1,013,638
Average Monthly Benefit Paid	\$36.25	\$71.05	\$190.18	\$161.05	\$201.83	\$256.98	\$326.83	\$190.26
Number of Retirees	90	471	638	864	951	955	1,012	4,981
<b>2009</b>								
Total Eligible Reduction Amount	\$3,313	\$35,381	\$75,444	\$154,194	\$213,188	\$256,800	\$375,813	\$1,114,131
Average Monthly Benefit Paid	\$36.40	\$72.50	\$110.78	\$165.44	\$209.01	\$260.18	\$336.15	\$209.54
Number of Retirees	91	488	681	932	1,020	987	1,118	5,317
<b>2010</b>								
Total Eligible Reduction Amount	\$3,506	\$34,006	\$75,925	\$157,556	\$209,787	\$252,344	\$377,131	\$1,110,255
Average Monthly Benefit Paid	\$36.91	\$69.97	\$110.20	\$164.12	\$206.48	\$255.41	\$336.12	\$207.29
Number of Retirees	95	486	689	960	1,016	988	1,122	5,356
<b>2011</b>								
Total Eligible Reduction Amount	\$4,666	\$31,748	\$72,015	\$157,243	\$200,803	\$262,652	\$313,342	\$1,042,451
Average Monthly Benefit Paid	\$36.45	\$62.25	\$93.77	\$151.05	\$192.34	\$246.39	\$313.97	\$187.66
Number of Retirees	128	510	768	1,041	1,044	1,066	998	5,555
<b>2012</b>								
Total Eligible Reduction Amount	\$4,844	\$32,767	\$76,100	\$161,844	\$209,974	\$266,394	\$328,562	\$1,080,484
Average Monthly Benefit Paid	\$36.97	\$61.36	\$92.24	\$147.27	\$188.32	\$241.08	\$309.96	\$184.10
Number of Retirees	131	534	825	1,099	1,115	1,105	1,060	5,869

Note: Only seven years of data are available because 2006 is the first year the information was captured.

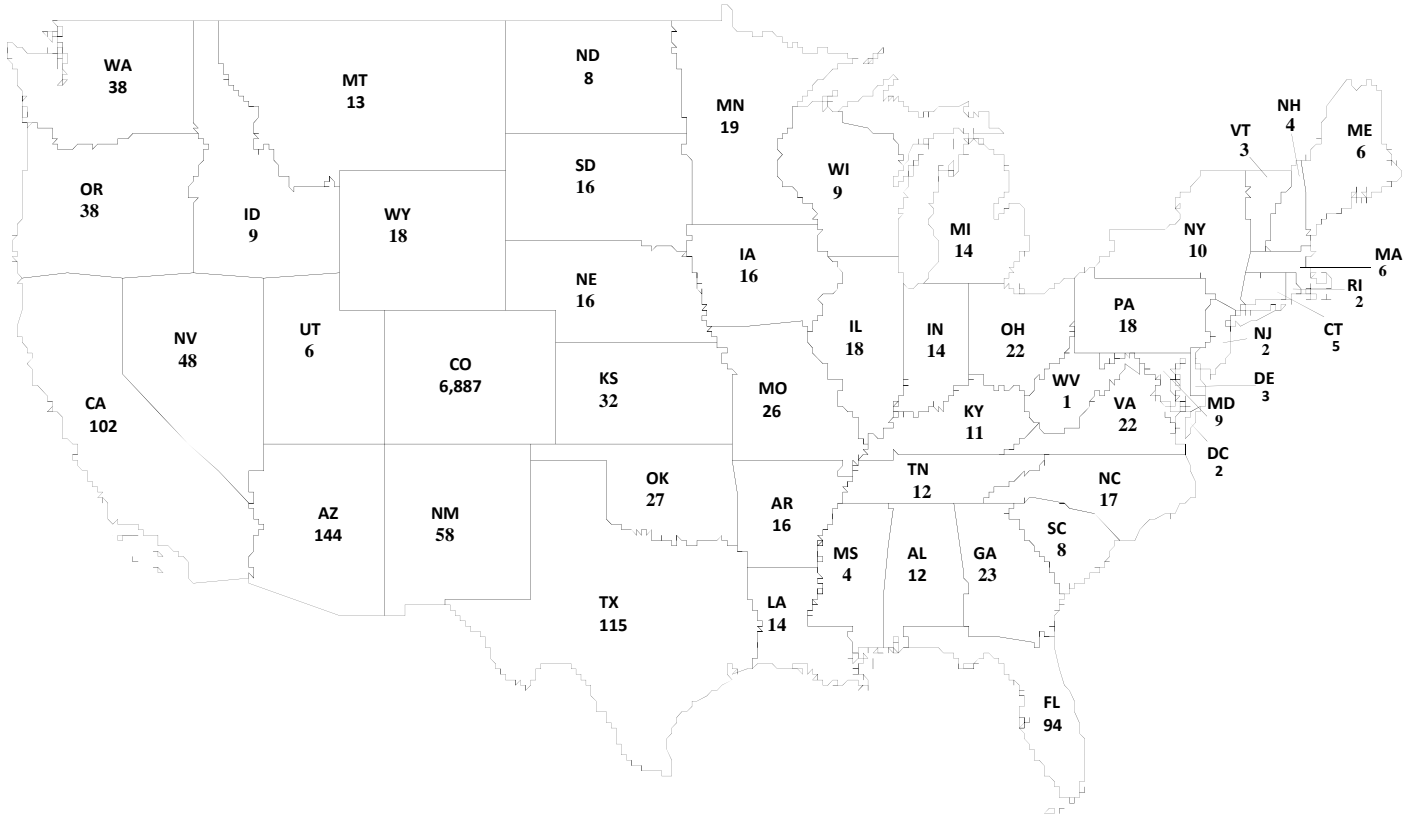
#### Principal Participating Employers Current Year and Nine Years Ago

	2012			2003		
	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
<b>Pension Benefits</b>						
Participating Government:						
City and County of Denver	18,354	1	92.8%	15,841	1	89.1%
Denver Health and Hospital Authority	1,416	2	7.2%	1,937	2	10.9%
<b>Total</b>	<b>19,770</b>		<b>100.0%</b>	<b>17,778</b>		<b>100.0%</b>
<b>Health Benefits</b>						
Participating Government:						
City and County of Denver	18,354	1	92.8%	15,841	1	89.1%
Denver Health and Hospital Authority	1,416	2	7.2%	1,937	2	10.9%
<b>Total</b>	<b>19,770</b>		<b>100.0%</b>	<b>17,778</b>		<b>100.0%</b>

## Statistical Section

### Location of Plan Retirees

Total Number of Retirees – 8,045



#### Other Countries and Territories

Argentina	1
Australia	1
Bulgaria	1
Chile	1
Costa Rica	1
Finland	1
Israel	3
Italy	1
Mexico	6
New Zealand	2
Puerto Rico	1
United Kingdom	1

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