



DERP[®]
Denver Employees
Retirement Plan

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

Powering Your Future, Together.

Popular Annual Financial Report

Fiscal Year Ended December 31, 2021

About This Report

The Popular Annual Financial Report (PAFR) includes condensed and simplified information from the 2021 Denver Employees Retirement Plan [Annual Comprehensive Financial Report](#) or ACFR. The financial information presented is unaudited and does not provide all the necessary financial statement and note disclosures required by GAAP. Those interested in learning more about the Denver Employees Retirement Plan, and for electronic copies of the ACFR, are invited to visit [DERP.org](#).



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

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Message to Our Members



Did you know most people across all generations believe a defined pension benefit—like a DERP Pension Benefit—is valuable?

As we all know, there are many of generational differences between millennials, generation Xers, and baby boomers. But according to studies from the National Institute on Retirement Security (NIRS), people across all generations agree a defined pension benefit is important. In fact, for most millennials it's one of the top reasons they chose to work in, and stay working in, a public sector job. Additionally, people across generational lines agree pensions provide better retirement security than 401(k) plans.

Because a DERP Pension Benefit is your foundation for a strong retirement future, I am committed to providing you with information, education, guidance, and support throughout your retirement journey. For that reason, it is my pleasure to present to you our **2021 Popular Annual Financial Report** or **PAFR**. The PAFR is a reader-friendly summary of the detailed financial information and statistical overview contained in our 2021 Annual Comprehensive Financial Report or ACFR that is available at [DERP.org/About/Financial Reports](https://DERP.org/About/FinancialReports). Our PAFR provides a summary of information such as membership data, investment performance, assets and liabilities, and revenue and expenses.

My team and I believe our highest priority is to help you retire strong. This past year, we challenged ourselves to make decisions and implement solutions to make us stronger, support all generations, and carry us into

the future. We've worked hard to provide a robust range of exceptional programs and services so you can make informed retirement decisions throughout your career and when you retire. I am honored to work with the DERP team and I'm extremely proud of their continued dedication and accomplishments.

Even though the past two years prompted many of us to change the way we live, work, and plan for the future, one thing that hasn't changed is the need for a secure retirement. We look forward to—and are committed to—partnering with you and **Powering Your Future, Together**.

Respectfully submitted,

A handwritten signature in black ink that reads "Heather K. Darlington". The signature is fluid and cursive.

Heather K. Darlington, CPA
Executive Director

At a time when 69% of American household lack any form of protected, guaranteed retirement income, your DERP Pension Benefit is a valuable retirement benefit.

Source: Alliance for Lifetime Income

What is the Denver Employees Retirement Plan?

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

DERP's Organizational Structure

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

Retirement Board

The retirement board's role is to ensure DERP is appropriately governed and managed. The retirement board acts as trustees for active members, retired members, and their beneficiaries and

oversees the investment of assets, approves the operating budget, and sets policy. One member must be a vested, active employee and one must be a retired member.

Advisory Committee

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

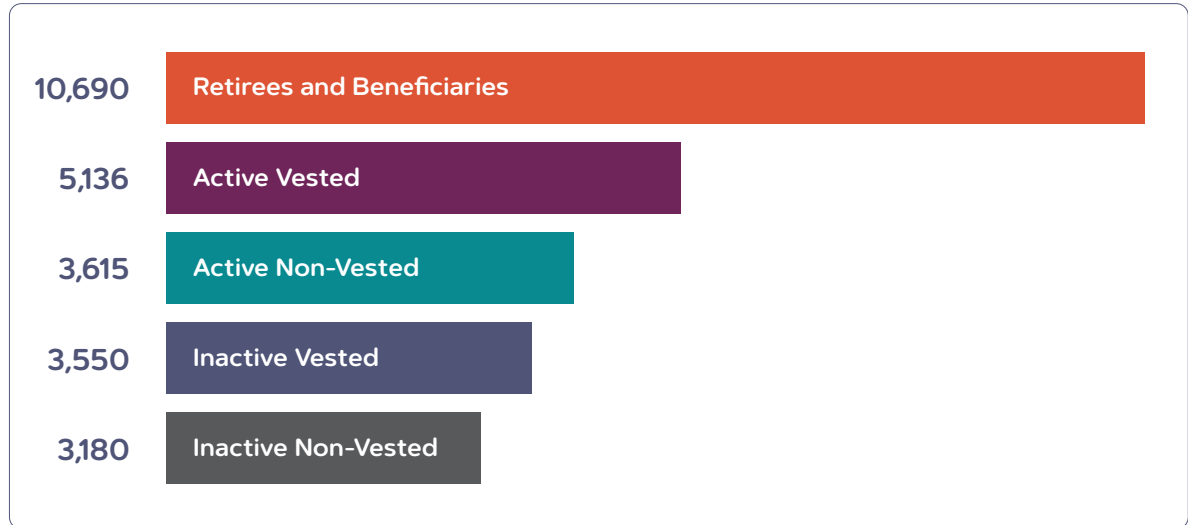
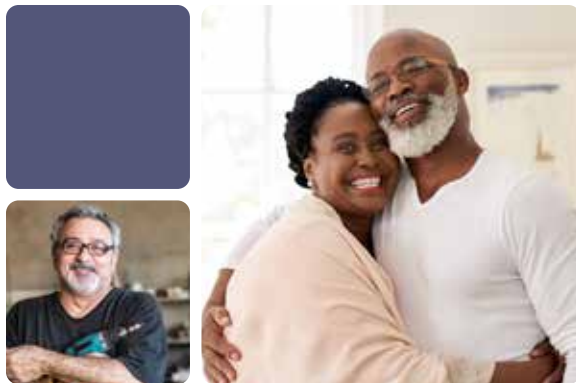


As a trusted steward of the city's pension plan for over 50 years, DERP has helped thousands of eligible employees build, plan, and live a strong retirement future through prudent investment management, exceptional member service, and a commitment to deliver retirement benefits to our members.

Membership

City and County of Denver (city) employees in the Career Service, certain employees of the Denver Health and Hospital Authority (DHHA), and DERP staff are covered by the defined benefit plan. Denver Police and Denver Fire Department uniformed employees are covered by a separate retirement system.

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



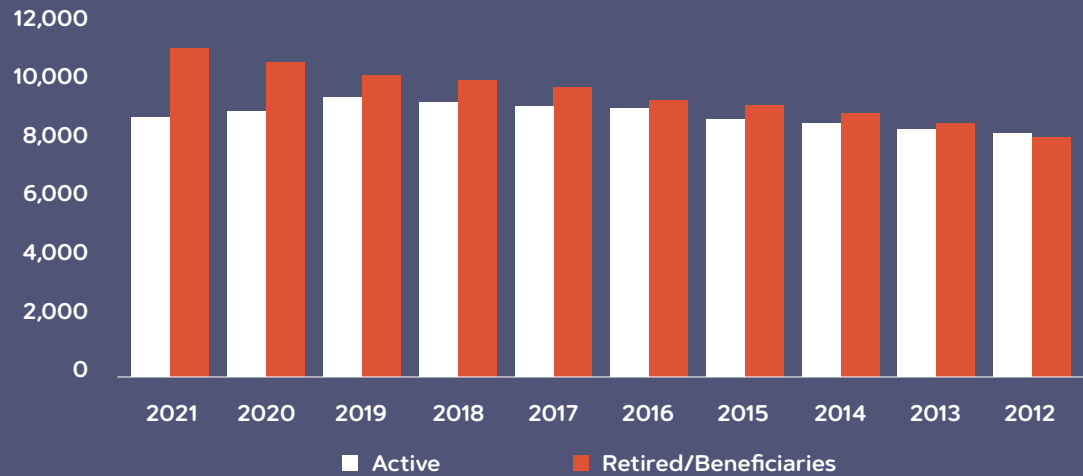
In 2021 DERP had 26,171 members in the following categories:

- **Active Vested** – Members in this category work at the city, DHHA, or DERP, are vested, and will receive a DERP Pension Benefit.
- **Active Non-Vested** – Members in this category work at the city, DHHA, or DERP, but they are not vested, and not eligible to receive a DERP Pension Benefit.
- **Inactive Vested** – Members in this category no longer work at the city, DHHA, or DERP. However, they are vested and will receive a DERP Pension Benefit.
- **Inactive Non-Vested** – Members in this category are no longer employed with the city, DHHA, or DERP. They are not vested and not eligible to receive a DERP Pension Benefit. They can request a refund of their contributions or roll them over into a qualified retirement account. Employer contributions remain with DERP.
- **Retirees and Beneficiaries** – Members in this category receive a monthly lifetime DERP Pension Benefit.

10-Year Snapshot

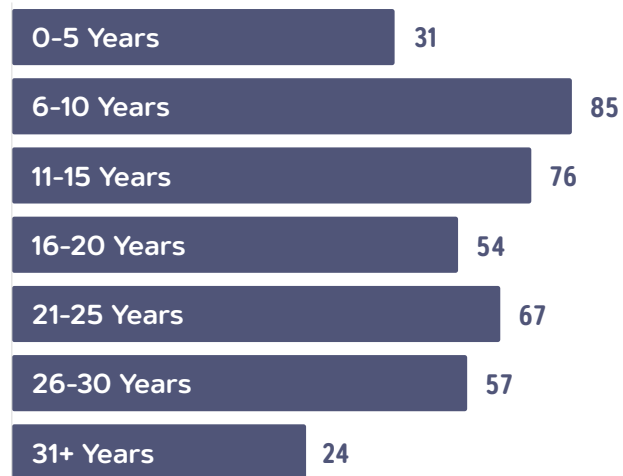
Active Members Compared to Retirees and Beneficiaries

Over the last 10 years the number of active members making contributions has increased more than 9%, from 8,175 to 8,751. The number of retirees and beneficiaries collecting benefits has increased 25%, from 8,045 to 10,690.



Years of Service at Retirement

In 2021, 394 DERP members retired. Of those, more than half had over 16 years of service.



Benefits Provided

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

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

What is a DERP Pension Benefit?

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

How It Works

- Eligible employees become a member on their first day of employment.
- The member and the city contribute a percentage of each paycheck, pretax, to their DERP Pension Benefit.
- Members become vested and qualify for a monthly lifetime DERP Pension Benefit after five years of service credit.
- Members who separate before vesting can request a refund of their contributions, plus interest, or roll them over into another qualified retirement account. Their employer's contributions remain with DERP.

Advantages of the DERP Pension Benefit

- **It's Guaranteed** – Once a member has five years' service credit, they are eligible to receive a lifetime, monthly DERP Pension Benefit.
- **It's for Life** – Members can't outlive their DERP Pension Benefit. No matter how long they live they will receive a lifetime, monthly DERP Pension Benefit.
- **It's Professionally Managed** – A member's DERP Pension Benefit is maintenance free. Members don't have to make investment decisions.
- **It Can be Passed Onto Loved Ones** – A member's DERP Pension Benefit can continue to be paid to their beneficiary after they pass.

DERP Plus Benefits

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

DERP Plus Benefits Available

While Employed

- Disability Retirement
- Temporary Early Retirement
- Active Death Retirement

DERP Plus Benefits Available When Retired

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

Online Services

DERP.org

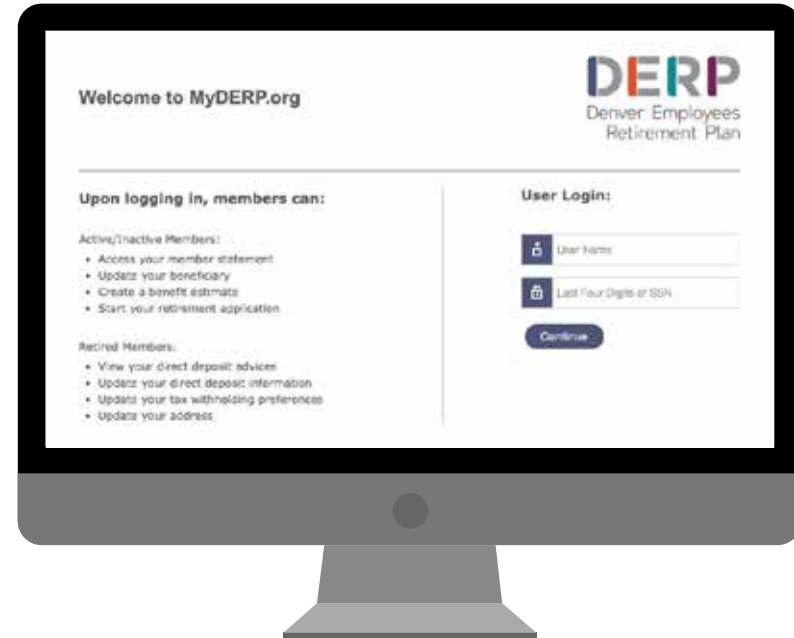
DERP.org provides a wealth of information and is the best source to help members build, plan, and live a secure retirement future. Members can access and find the information they need wherever they are.

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

MyDERP.org

A MyDERP.org account is a secure online resource where members can view and update their information, request an appointment with a membership services representative, calculate the cost to purchase service, and more. A MyDERP.org account provides members with 24-hour access to their personal information seven days a week.

- **It's safe** - Keeping a member's account safe and secure is DERP's highest priority.
- **It's convenient** - Members can log into their MyDERP.org account at anytime from anywhere.
- **It's easy to use** - Members can quickly and easily access and update information.

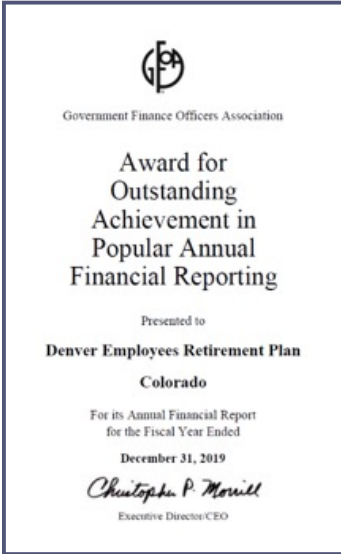


Financial Reporting Awards

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

Award for Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Denver Employees Retirement Plan (DERP) for its Popular Annual Financial Report for the fiscal year ended December 31, 2020. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.



In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

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

Certification of Achievement for Excellence in Financial Reporting

DERP's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020, from which the information was drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). This was the 33rd consecutive year DERP has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Assets and Liabilities

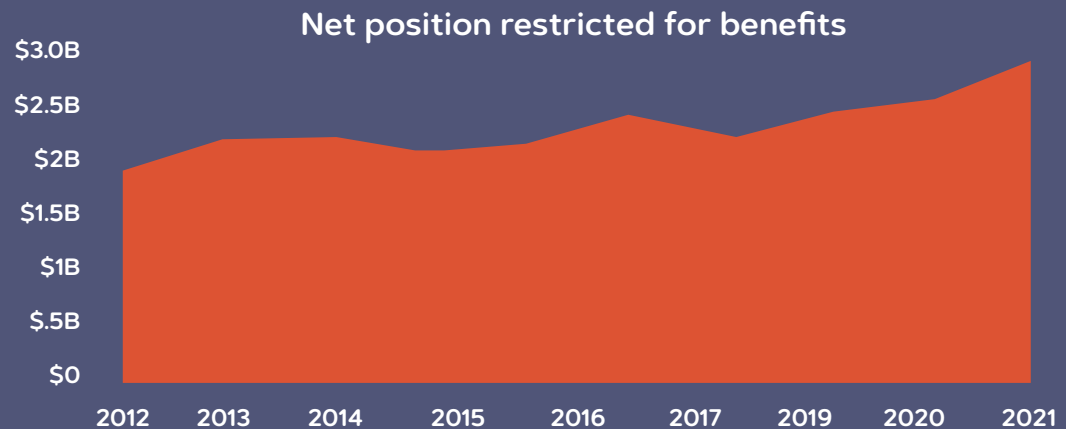
This table shows DERP's assets and liabilities for the years ended December 31, 2021, 2020, and 2019. The net position represents the funds DERP had available at end of the year to pay DERP Pension Benefits to members, as well as health care insurance premium reduction payments for current and future retirees. The improvement in fiduciary net position is due to strong investment returns earned in 2021. DERP has a net pension liability of \$1.38 billion and an \$86 million net other post-employment benefit liability.

The value of DERP's assets increased by \$303 million during 2021. This increase was largely due to the fair value of investment being higher than their value at the end of 2020.

	2021	2020	2019
Assets			
Cash and short-term investments	\$ 84,569,097	\$ 56,448,623	\$ 116,410,500
Securities lending collateral	77,080,319	82,051,725	81,271,523
Receivables	1,440,583	1,690,483	2,047,375
Investments, at fair value	2,663,900,426	2,383,234,047	2,217,854,919
Prepaid Items	-	33,844	34,680
Capital assets	2,329,334	2,716,226	3,168,692
Total assets	2,829,319,759	2,526,174,948	2,420,787,689
Liabilities			
Accounts payable	2,433,649	2,432,150	2,538,455
Leases payable	30,570	-	-
Unearned contributions	-	-	6,806,109
Securities lending obligations	77,080,319	82,051,725	81,271,523
Total liabilities	79,544,538	84,483,875	90,616,087
Deferred inflow of resources	22,218	-	-
Net position restricted for benefits	\$2,749,753,003	\$2,441,691,073	\$2,330,171,602

10-Year Snapshot

DERP's net position represents assets available to pay pension benefits. The fund was \$2.7 billion at the end of fiscal year 2021.



Income and Expenses

This table shows DERP's income (additions) and expenses (deductions) for the years ended December 31, 2021, 2020, and 2019. In 2021, investment earnings were the main component of income and DERP posted a gain from investing activity. Expenses for 2021 were approximately \$282 million. DERP paid over \$277 million in pension benefits (including monthly retiree benefit payments, health insurance premium reduction payments, and account refunds) to over 11,000 members and their beneficiaries.

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

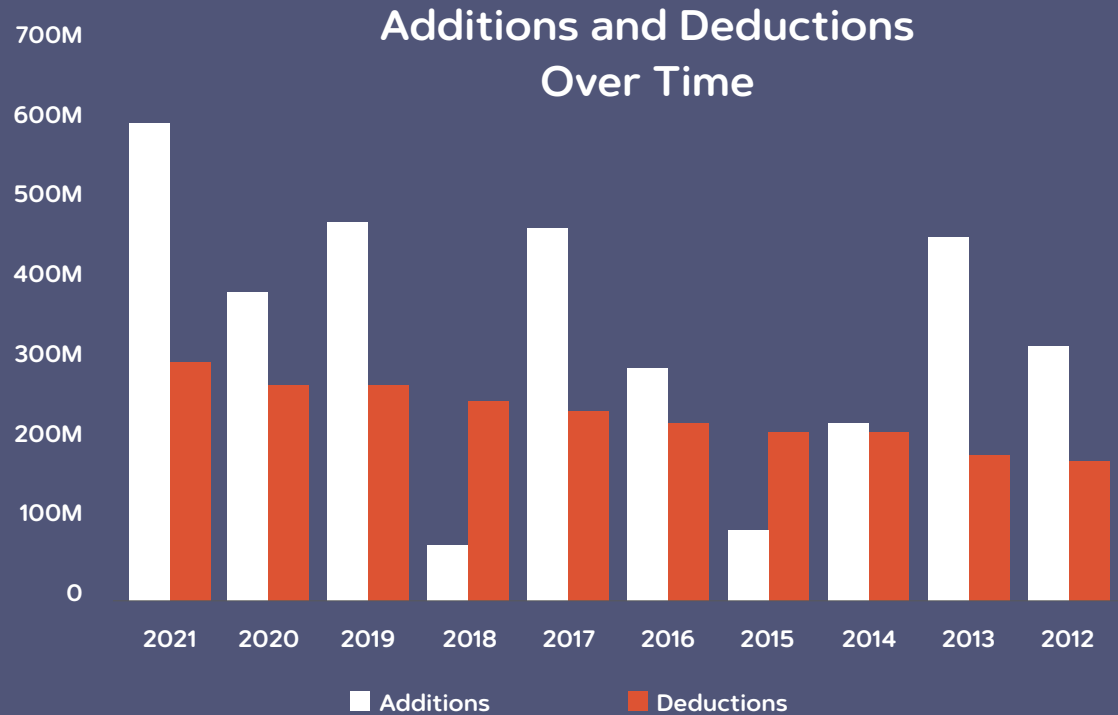
	2021	2020	2019
Additions			
Employer contributions	\$ 117,270,262	\$ 112,733,625	\$ 92,549,621
Member contributions	66,425,088	67,845,591	63,385,303
Investment earnings			
Net appreciation (depreciation) in fair value of investments	362,175,795	200,430,935	262,064,555
Earnings on investments	57,841,622	(1,226,470)	45,767,196
Less: investment expenses	(14,295,147)	(13,395,682)	(15,005,645)
Net income from securities lending	266,210	296,248	469,282
Total additions	589,683,830	366,684,247	449,230,312
Deductions			
Member benefits and refunds	276,816,548	250,557,542	244,845,016
Administration expenses	4,805,352	4,607,234	4,256,502
Total deductions	281,621,900	255,164,776	249,101,518
Net position restricted for benefits	\$2,749,753,003	\$2,441,691,073	\$2,330,171,602

DERP's largest expense is providing monthly pension and health benefits to our retirees. Investment expenses are netted against investment earnings and accounted for approximately \$14 million in 2021. The administrative expenses include necessary day-to-day costs to operate the plan (personnel and professional services, information technology, depreciation, and building expenses). The annual administrative and investment management expenses combined represent less than 1% of the DERP's asset under management.

During 2021 DERP's investment earnings net of expenses increased by \$220 million compared to 2020, this increase was due to favorable market conditions during 2021. Benefits paid increased by approximately \$27 million during 2021 compared to 2020 largely due to increased retirements at the end of 2020 as well as a significant increase in benefits paid from the Deferred Optional Retirement Program (DROP).

10-Year Snapshot

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



Managing Investments for the Long Haul

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

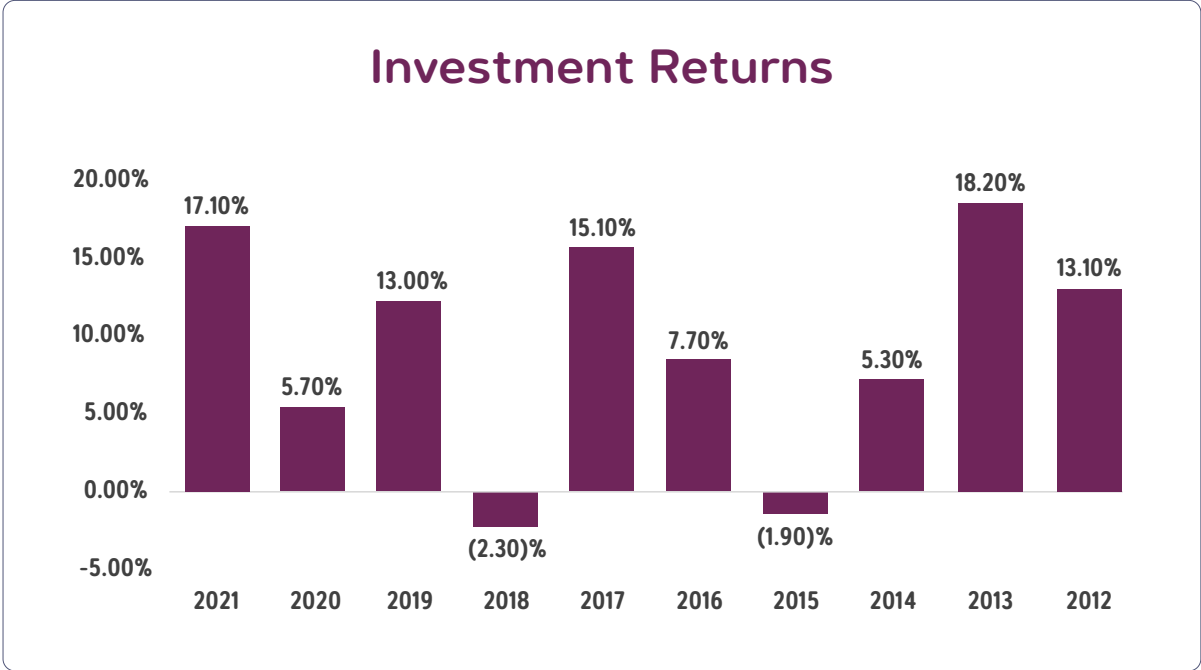
We expect investment gains in some years and losses in others, and rely on a professional investment management, diversification of investments, and a long-term view to achieve our goals. To withstand significant market swings, we invest across multiple asset classes (for example, bonds, U.S. stocks,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

Our goal is to provide the highest level of return with an acceptable level of risk. We use best practice investment strategies to maximize returns and manage investment risk. We partner with some of the best investment professionals in the country who challenge us to be innovative. Our staff, and the retirement board, use the same diligence, skill, and care a prudent investor uses in managing a large public pension fund.

DERP’s investment returns provide approximately two-thirds of the funding for a retiree’s pension so our investment results are important. Our continuing investment goal is to attain a return over the long-term that will provide adequate funding for benefits.

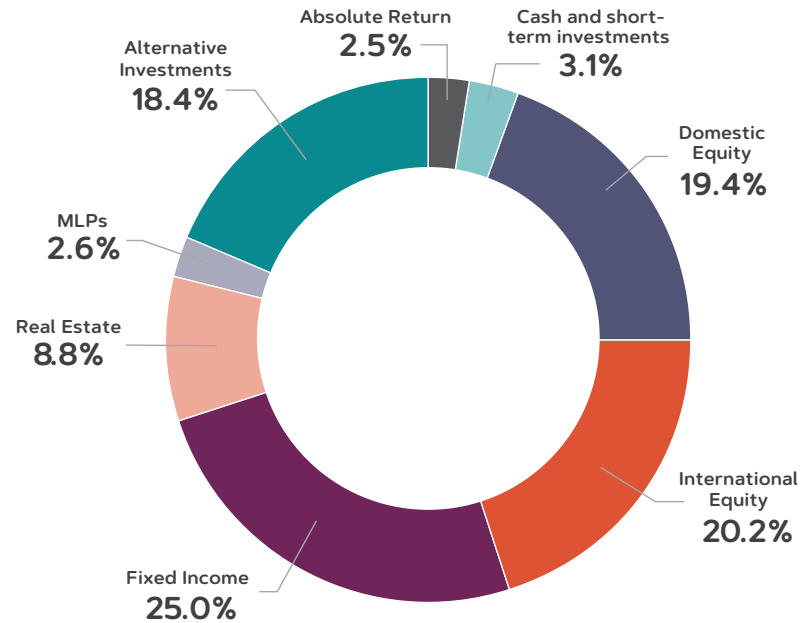
Investment Returns

DERP had a 17.1% investment return for 2021. We experienced strong performance from our U.S. and foreign equities, real estate, and energy investments as the global economy recovered from Covid-19 pandemic lockdowns. As you can see from the chart below, investment returns vary from year-to-year. Over the last ten years, our average annual return stands at 8.9%, well above our assumed rate of return of 7.25%.



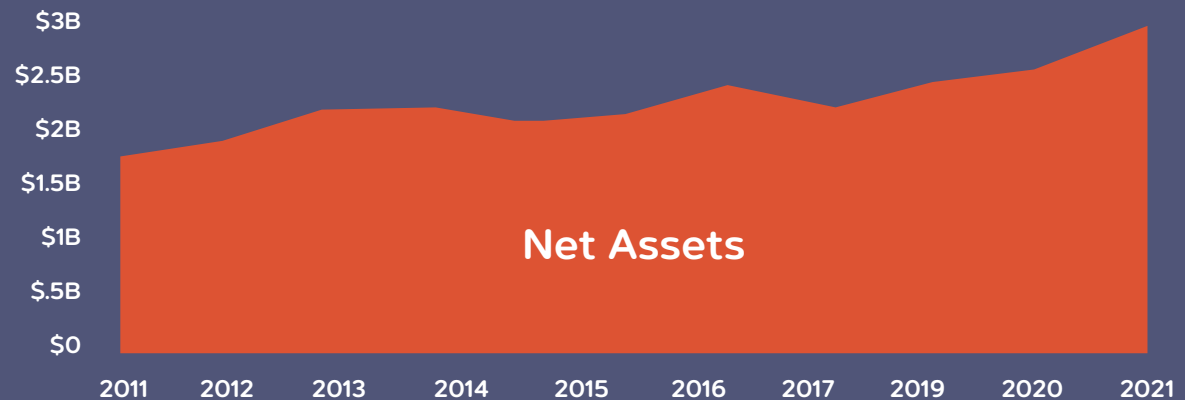
Investment Allocation

The most significant contributor to a fund’s long-term performance is the allocation among various investments. The allocation process helps control risk and ensures our portfolio is broadly diversified. DERP’s retirement board, with the help of staff and an external consultant, adopts the asset allocation policy. The allocation graph shows the distribution of DERP’s \$2,686,596,508 investment portfolio as of December 31, 2021.



10-Year Snapshot

DERP’s net position represents assets available to pay pension benefits. The fund was \$2.7 billion at the end of fiscal year 2021.



Pension Funding Status

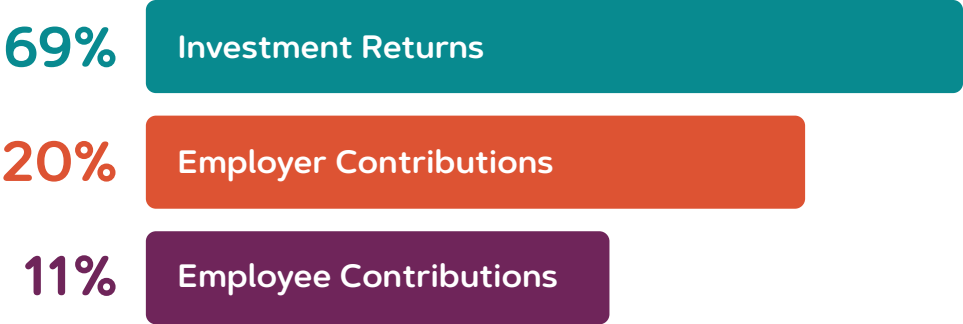
Where does the funding comes from?

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

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

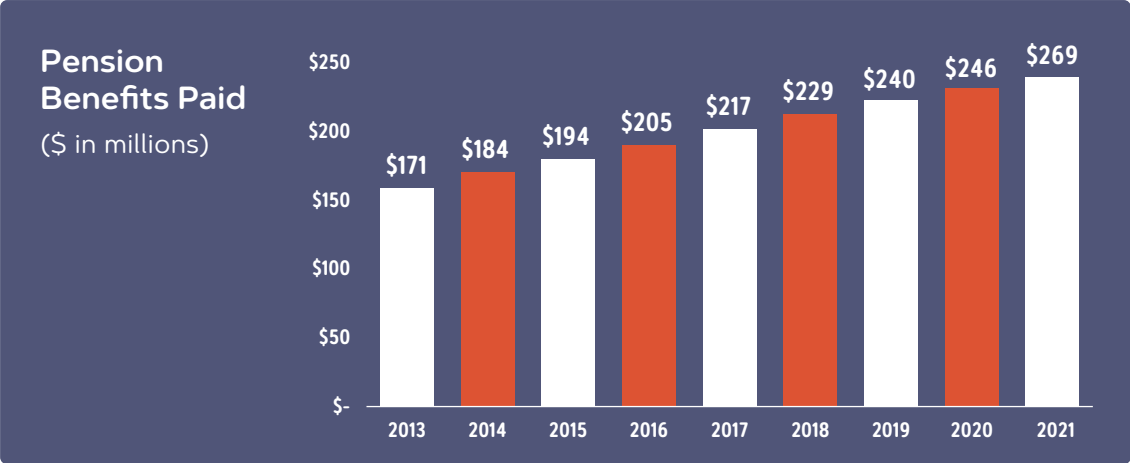
DERP’s revenues (\$590 million in 2021) consist of 3 main streams:

- Employer contributions - 16.75% of payroll
- Employee contributions - 8.85% of payroll
- Investment Returns - Changes in fair value of investments are reflected as income and reflect market conditions as of year-end, net of investment expenses



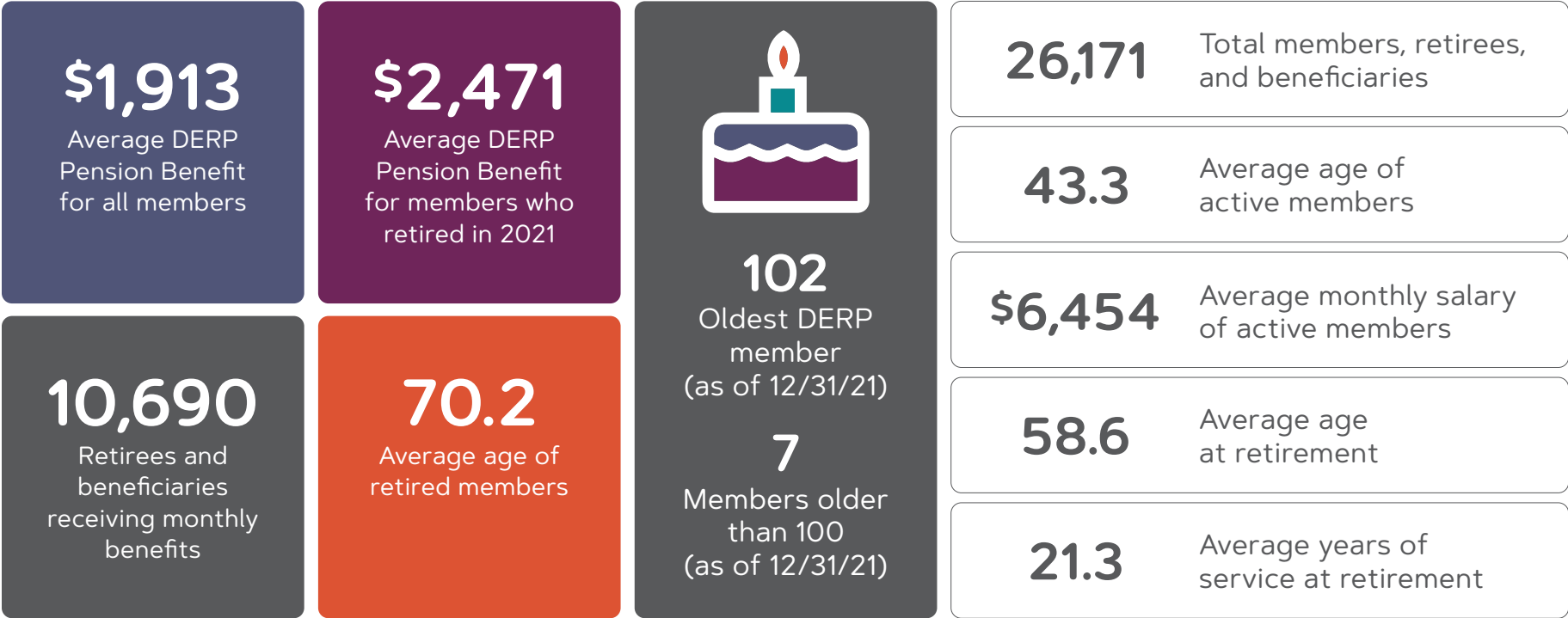
Funded Status

Funded status measures the progress of accumulation of the funds necessary to meet future obligations. The January 1, 2022, valuation funded status was 61.2%. The unfunded liability is expected to be funded within 17 years. The most significant changes to the DERP funded status during 2021 were investment gains greater than actuarial expectations and mortality gains. These gains were partially offset by benefit payments being higher than expected. DERP Pension Benefit payments are up 65.0% since 2012.



DERP in Numbers

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



Giving Back

DERP retired members contribute to the economy of the city and state in which they live when they use their DERP Pension Benefit to purchase goods and services within their community.

In 2021, 87.4% of DERP Pension Benefit payments were made to 8,724 Colorado residents. Out of the more than \$241 million in gross benefit payments, almost \$211 million stayed in Colorado.

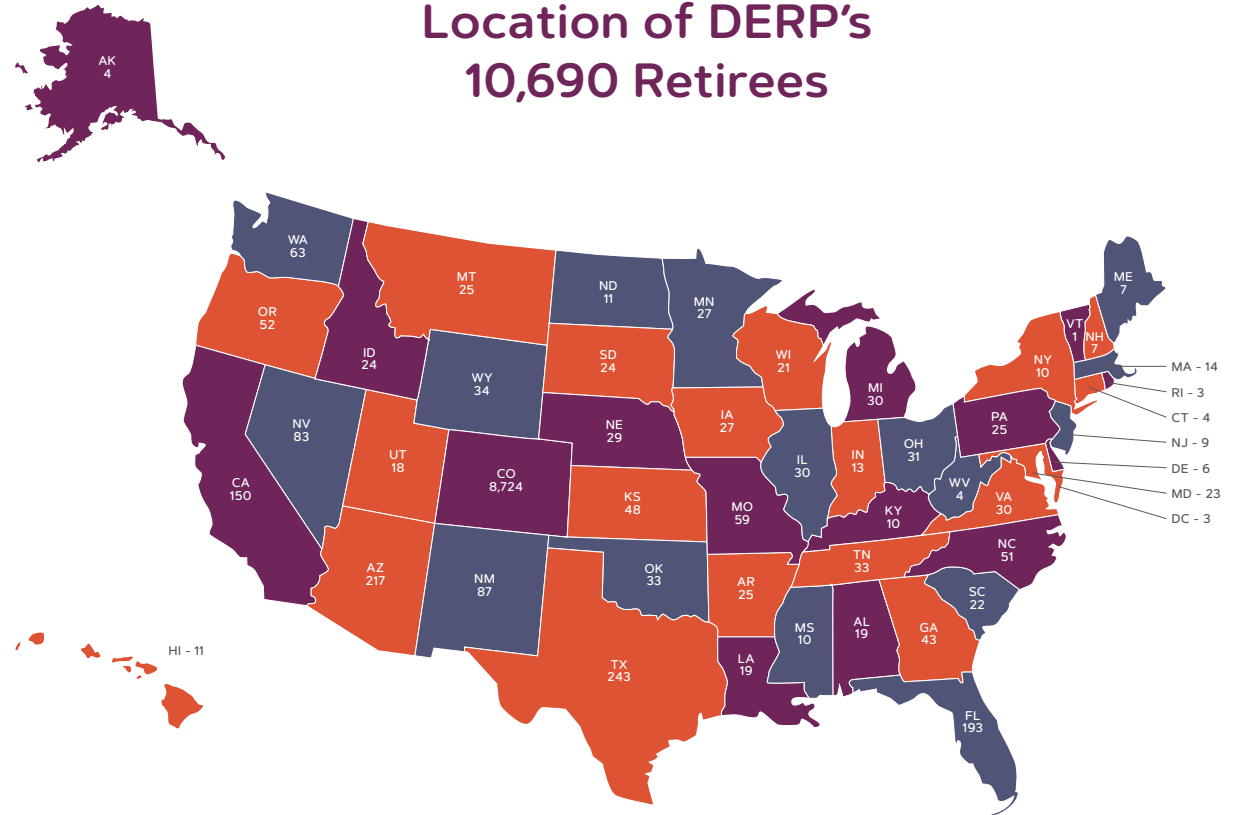
Other Countries and Territories

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

Armed Forces

Africa, Canada, Europe, or Middle East	1
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Location of DERP's 10,690 Retirees



DERP[®]
Denver Employees
Retirement Plan



TEL (303) 839-5419
FAX (303) 839-9525



777 Pearl St.
Denver, CO 80203



DERP.org
MyDERP.org