



Denver Employees  
Retirement Plan

# Popular Annual Financial Report

A Component Unit of the City and County of Denver, Colorado  
Fiscal Year Ended December 31, 2023



*Powering Your Future, Together.*

# About This Report

The Popular Annual Financial Report (PAFR) includes condensed and simplified information from the 2023 Denver Employees Retirement Plan **Annual Comprehensive Financial Report**, or ACFR, presented in clear, easy-to-understand language. The financial information presented is unaudited and does not provide all the necessary financial statement and note disclosures required by the Generally Accepted Accounting Principles (GAAP). To learn more about the Denver Employees Retirement Plan, and for electronic copies of the ACFR, visit [DERP.org](http://DERP.org).



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## Message to Members



I hope this letter finds you well. As executive director of the Denver Employees Retirement Plan (DERP), I am privileged to lead an organization whose focus is, and

always has been, squarely on you, our valued members. My staff and I share a commitment to you which is encapsulated in our motto, "Powering Your Future, Together," reflecting our dedication to ensuring your retirement security and financial well-being.

At DERP, we believe in keeping you informed about our financial health and decisions that impact your future. That's why I'm proud to announce the release of our 2023 Popular Annual Financial Report, or PAFR. This report offers a concise overview of the detailed information found in our Annual Comprehensive Financial Report, or ACFR, which is available for your review at [DERP.org/About/FinancialReports](https://DERP.org/About/FinancialReports).

I am delighted to share that in 2023, we achieved a commendable 9.6% rate of return on our investments. This success not only reflects more favorable market conditions compared to 2022, but also highlights

More than three-fourths of Americans agree that those with pensions are more likely to have a secure retirement.

Source: National Institute on Retirement Security

our investment team's adept, long-term navigation of market dynamics. Since 1986, we have consistently delivered an average annual return exceeding 8%, even amid challenging economic climates, including recessions and other disruptions.

In addition to financial stewardship, we remain committed to enhancing member services. Our RetireStrong Education Program continues to evolve, offering both in-person and virtual seminars to equip active members with the knowledge needed to make informed retirement decisions. We also provide personalized counseling to all members through in-person meetings and virtual consultations, ensuring that individual needs are met with care and expertise. In 2023, our member support inbox [Help@DERP.org](mailto:Help@DERP.org) received and responded to a

record number of your emails, enriching your experience by maintaining a dedicated resource to address inquiries promptly and effectively.

These initiatives collectively reinforce our commitment to your retirement security both now and in the years ahead. Together, we look forward to navigating the future and powering your retirement dreams.

Respectfully submitted,

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

**Heather K. Darlington, CPA**  
Executive Director

# 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.

## Executive Leadership

The executive leadership team is a passionate group of hard-working people comprised of a legal professional, an investment strategist, a financial expert, a benefits and membership leader, and a skilled communicator. As part of a small and dynamic team, each one plays an integral role and brings a unique perspective to the table.

## Retirement Board

We are governed by a 5-person retirement board, appointed by the mayor, for staggered 6-year terms. The retirement board's role is to ensure we are appropriately governed and managed. The retirement board acts as trustees for city employees, DHHA-

covered employees, and retired members and their beneficiaries. They oversee the investment of assets, approve the operating budget, and set policy. One member must be an active, vested employee and one must be a retired member. The retirement board appoints the executive director, who oversees our day-to-day operations and staff.

## Advisory Committee

Advisory committee members represent city employees, DHHA-covered employees, and retired members and present suggestions and questions to the retirement board. Our advisory committee consists of four members who serve staggered 3-year terms. One member is appointed by the Denver Career Service Board, and the other three are elected by membership. One elected member must be an active, vested city or DHHA employee, one must be a retired member, and the third can be either a retired member or an active, vested DHHA or city employee. Advisory committee members are not responsible for the administration or management of DERP and do not vote on retirement board motions or resolutions.

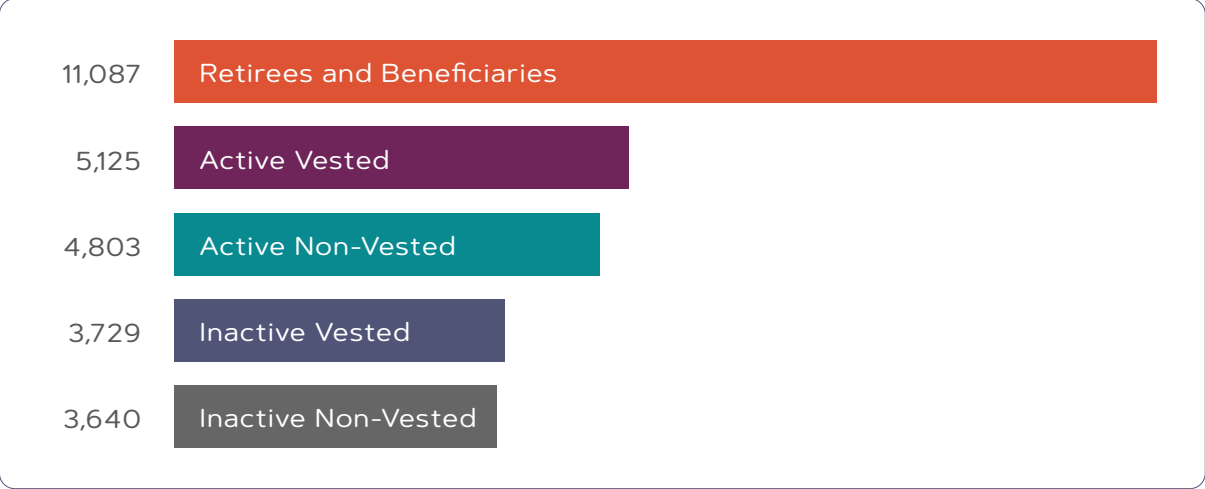
As a trusted steward of the city's pension plan for over 60 years, we have helped thousands of eligible employees build, plan, and live a strong retirement future through exceptional member service, investment management, and a commitment to deliver retirement benefits to our members.



# 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 are automatically enrolled in DERP and become a member on their first day of employment. After earning five years of service credit, they become vested and eligible to receive a guaranteed monthly DERP Pension Benefit upon reaching retirement age. Once vested, their accumulated retirement benefits will always be there when they retire.



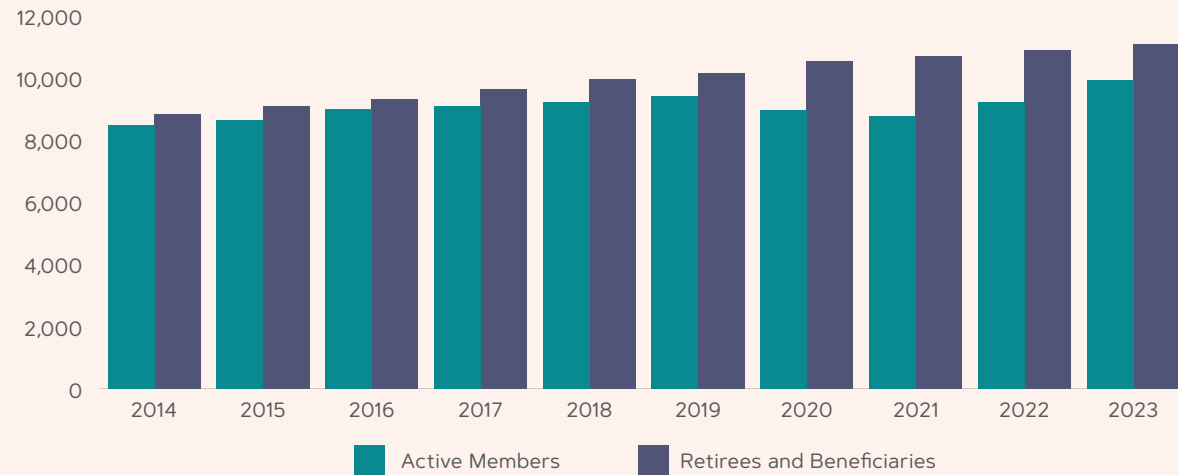
### In 2023 DERP had 28,384 members in the following categories:

- **Retirees and Beneficiaries** – Retirees and beneficiaries currently receive a lifetime monthly DERP Pension Benefit.
- **Active Vested** – Active, vested members have five years of credited service. Upon vesting, members are eligible for a lifetime monthly DERP Pension Benefit.
- **Active Non-Vested** – Active, non-vested members have less than five years of credited service and are not yet eligible for a lifetime monthly DERP Pension Benefit.
- **Inactive Vested** – Inactive, vested members are no longer active employees, but members in this category are eligible to receive a future lifetime monthly DERP Pension Benefit.
- **Inactive Non-Vested** – Inactive, non-vested members are not eligible to receive a lifetime monthly DERP Pension Benefit. Members in this category may request a refund of their contributions or roll them over into a qualified retirement account. Employer contributions remain with DERP.

### 10-Year Snapshot

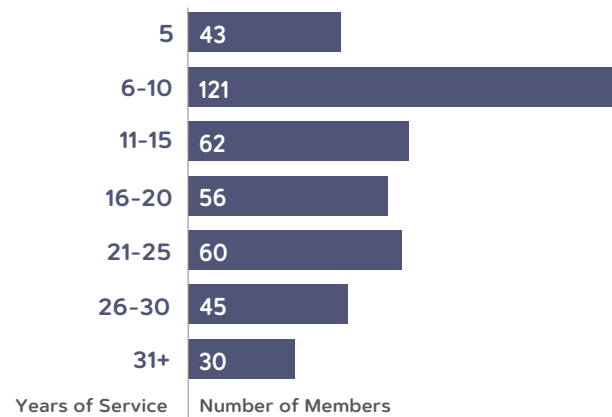
Over the last 10 years, the number of active members making contributions to DERP increased more than 17%, from 8,489 to 9,928. The number of retirees and/or beneficiaries collecting benefits has increased 26%, from 8,815 to 11,087.

### Active Members Compared to Retirees and Beneficiaries



### Years of Service Credit at Retirement

In 2023, 417 members retired from covered employers. Among them, almost half had more than 15 years of service credit at retirement, and members with 6-10 years of credited service were the largest group.



# Member Benefits

## What is the DERP Pension Benefit?

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

## What are DERP Plus Benefits?

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

DERP Plus Benefits available to members while they are employed include disability retirement and active death retirement. Upon retirement, DERP Plus Benefits available to members include joint and survivor, lump-sum death, health insurance, and an insurance premium reduction. Contributions made are on a pre-tax basis through payroll deduction, and income is tax-deferred until received as a benefit.

## How It Works

Eligible employees become members on their first day of employment. The member and their employer contribute a percentage of each paycheck, pre-tax, to their DERP Pension Benefit. Members earn service credit in each pay period where they receive pay and contribute to their DERP Pension Benefit.

Once a member accumulates five years of service credit, they become vested and qualify to receive a guaranteed lifetime monthly DERP Pension Benefit upon retirement.

### Advantages of the DERP Pension Benefit

**It's Guaranteed** - Once vested, members 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 receive a monthly DERP Pension Benefit.

**It's Professionally Managed** - The DERP Pension Benefit is maintenance-free for members, as they don't have to make investment decisions.

**It Can Be Passed On to a Loved One** - A member's DERP Pension Benefit can continue to be paid to their beneficiary after they pass.

## Member Services

We are committed to empowering members with the knowledge, resources, and tools to make informed decisions. Because our members have an active role to play in preparing for their secure retirement future, we provide a range of services to educate and support them during their journey to retirement and afterwards.

- **RetireStrong Education Program** – Our RetireStrong Education Program helps members understand their retirement benefits, decisions, and actions they should take at the different stages of their life and career. There are three seminars in this program including one for new/early career members, one for mid/late career members, and one for ready-to-retire members. The seminar format encourages attendees to ask questions and engage directly with our membership services representatives.
- **One-on-One Member Support** – We offer one-on-one counseling, providing members the opportunity to ask specific questions about their unique retirement journey. Office, phone, or virtual appointments are available.

- **Open Enrollment Health Benefits Fair** – Every autumn we host a benefits fair for our retired members so they can learn about the medical, dental, and vision plans available and select a plan(s) that meets their needs for the year ahead.
- **Online Resources** – Members can access a wealth of information across their careers and in retirement, through our [DERP.org](https://www.derp.org) website and our online member portal, [MyDERP.org](https://www.myderp.org).
  - **DERP.org** provides members with robust information about retirement benefits, member education programs, resources, retirement planning tools, and more.
  - **MyDERP.org** gives members a safe and convenient way to view and manage their information, 24/7. Active and inactive members can view their annual member statements, review and update beneficiaries, calculate their retirement benefit estimate, and more. Retired members can view their direct deposit advices, update direct deposit information, modify tax withholding preferences, access their 1099-R tax forms, and update contact information.



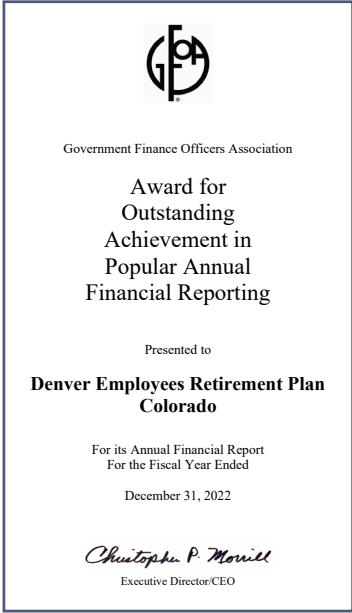


# Financial Reporting Awards

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 GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to us for our Popular Annual Financial Report for the fiscal year ended December 31, 2022. 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 this award for the last four 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

Our Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022, from which the information for this report was drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by GFOA. This was the 34th consecutive year we 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

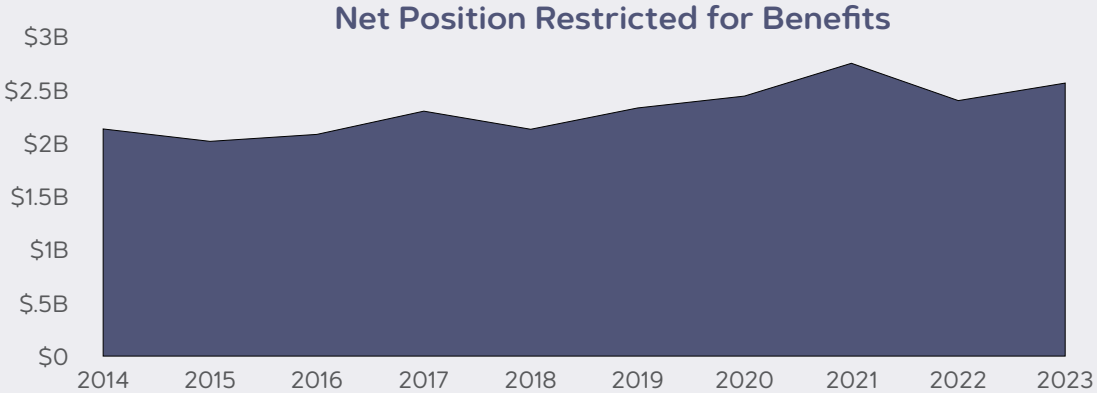
This table shows our assets and liabilities for the years ended December 31, 2021, 2022, and 2023. The fiduciary net position represents the funds we had available at the end of the year to pay DERP Pension Benefits to our retired members or their beneficiaries, as well as health care insurance premium reduction payments for current and future retirees. The increase in fiduciary net position is mainly driven by the investment returns and an increase in contributions received due to the city’s rising payroll. As of December 31, 2023, we had a fiduciary net position of \$2.56 billion.

The value of our assets increased by \$158 million during 2023. This increase was largely due to the fair value of investments being higher than their value at the end of 2022.

	2021	2022	2023
<b>Assets</b>			
Cash and short-term investments	\$ 84,569,097	\$ 56,579,912	\$ 54,754,251
Securities lending collateral	77,080,319	68,602,894	61,700,970
Receivables	1,440,583	10,235,726	13,629,026
Investments, at fair value	2,663,900,426	2,332,598,410	2,496,217,623
Capital assets	2,329,334	1,950,243	1,529,228
<b>Total assets</b>	<b>2,829,319,759</b>	<b>2,469,967,185</b>	<b>2,627,831,098</b>
<b>Liabilities</b>			
Accounts payable	2,433,649	2,013,812	2,158,922
Leases payable	30,570	19,963	34,650
Securities lending obligations	77,080,319	68,602,894	61,700,970
<b>Total liabilities</b>	<b>79,544,538</b>	<b>70,636,669</b>	<b>63,894,542</b>
<b>Deferred inflow of resources</b>	<b>22,218</b>	<b>86,375</b>	<b>56,475</b>
<b>Fiduciary net position restricted for benefits</b>	<b>\$ 2,749,753,003</b>	<b>\$ 2,399,244,141</b>	<b>\$ 2,563,880,081</b>

## 10-Year Snapshot

Our fiduciary net position represents assets available to pay pension benefits. The fund was \$2.56 billion at the end of fiscal year 2023. Most asset classes performed significantly better in 2023 than in 2022.



## Income and Expenses

This table shows our income (additions) and expenses (deductions) for the years ended December 31, 2021, 2022, and 2023. Additions from contributions and investment returns in 2023 totaled \$461 million. Deductions for 2023 were approximately \$297 million, of which \$285 million were paid on retirement benefits (including monthly DERP Pension Benefits payments, health insurance premium reduction payments, and DROP distributions) to retirees and/or their beneficiaries.

Keep in mind that investments will have positive returns in some years and negative or neutral returns in others. When years are poor, we absorb the loss. As long-term investors, we maximize the availability of investable assets by reducing costs, controlling expenses, and structuring long-term solutions to address inequities.

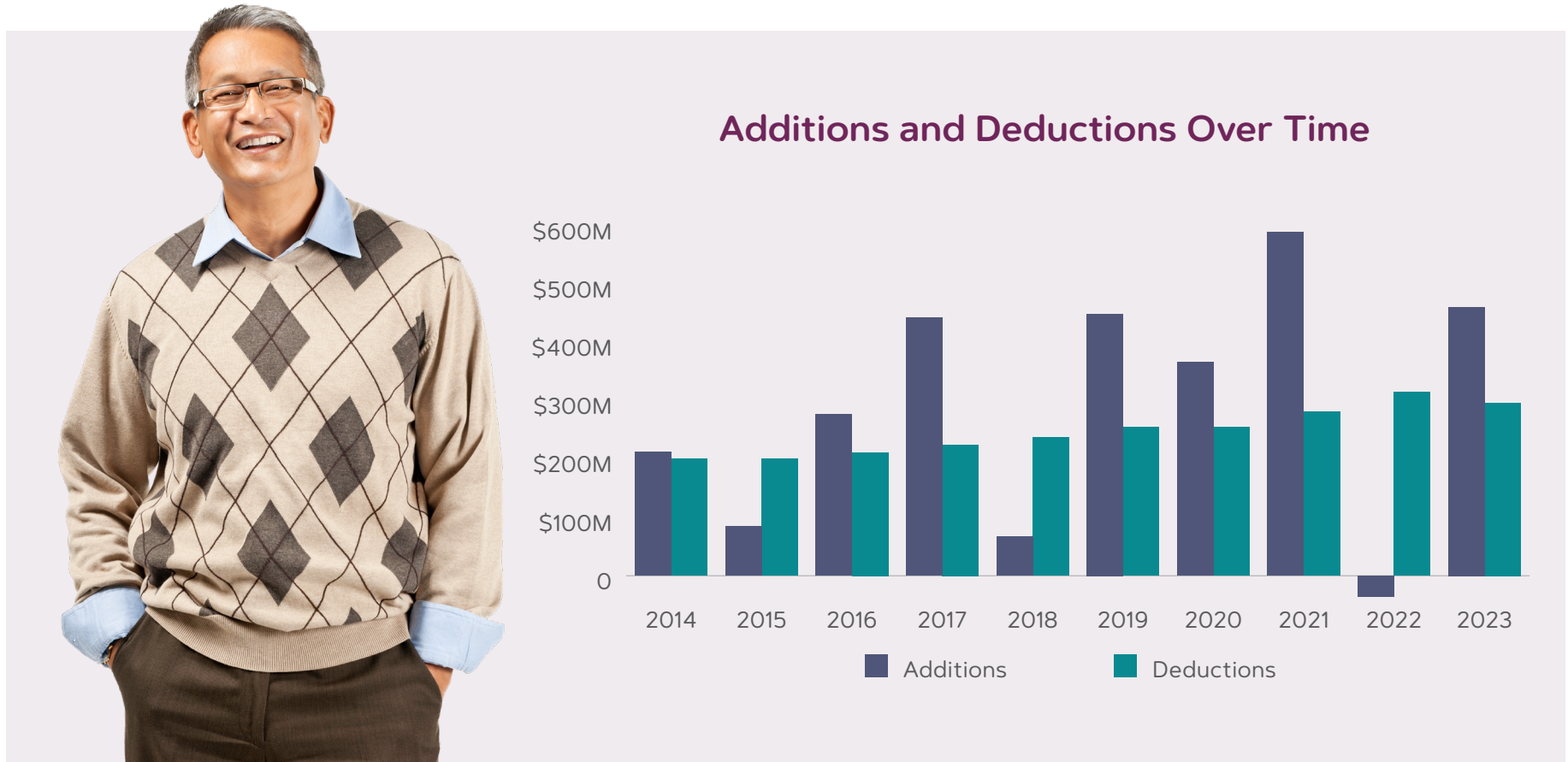
	2021	2022	2023
<b>Additions</b>			
Employer contributions	\$ 117,270,262	\$ 136,145,712	\$ 159,584,423
Member contributions	66,425,088	72,428,925	75,788,120
<b>Investment earnings</b>			
Net appreciation (depreciation) in fair value of investments	362,175,795	(293,751,342)	194,982,293
Earnings on investments	57,841,622	64,583,514	46,893,824
Less: investment expenses	(14,295,147)	(14,914,617)	(16,217,030)
Net income from securities lending	266,210	261,548	231,678
<b>Total additions</b>	<b>589,683,830</b>	<b>(35,246,260)</b>	<b>461,263,308</b>
<b>Deductions</b>			
Member benefits and refunds	276,816,548	310,458,134	291,323,819
Administrative expenses	4,805,352	4,804,468	5,303,549
<b>Total deductions</b>	<b>281,621,900</b>	<b>315,262,602</b>	<b>296,627,368</b>
<b>Fiduciary net position restricted for benefits</b>	<b>\$ 2,749,753,003</b>	<b>\$ 2,399,244,141</b>	<b>\$ 2,563,880,081</b>

Our largest expense is providing monthly DERP Pension Benefit payments and health benefits to retirees and/or their beneficiaries. Investment expenses are netted against investment earnings and accounted for approximately \$16 million in 2023. 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 DERP's assets under management.

During 2023 our investment earnings net of expenses increased by \$507 million compared to 2022. This increase was due to positive market conditions during 2023 compared to the 2022 market. Benefits paid decreased by approximately \$16 million during 2023 compared to 2022 largely due to a decrease in benefits paid from the Deferred Optional Retirement Program (DROP). This decrease was offset by an increase in benefits paid to retirees of \$7 million.

## 10-Year Snapshot

Additions to the fund include employee and employer contributions, and net earnings/losses on investments. Deductions include payments to retirees and beneficiaries, contribution refunds, and the costs of administering the fund. In certain years, the fund may experience negative additions. This is due to reporting requirements to show both investment earnings and losses as additions.



# Investments

Our investment strategy is disciplined, balanced, and focused on long-term results.

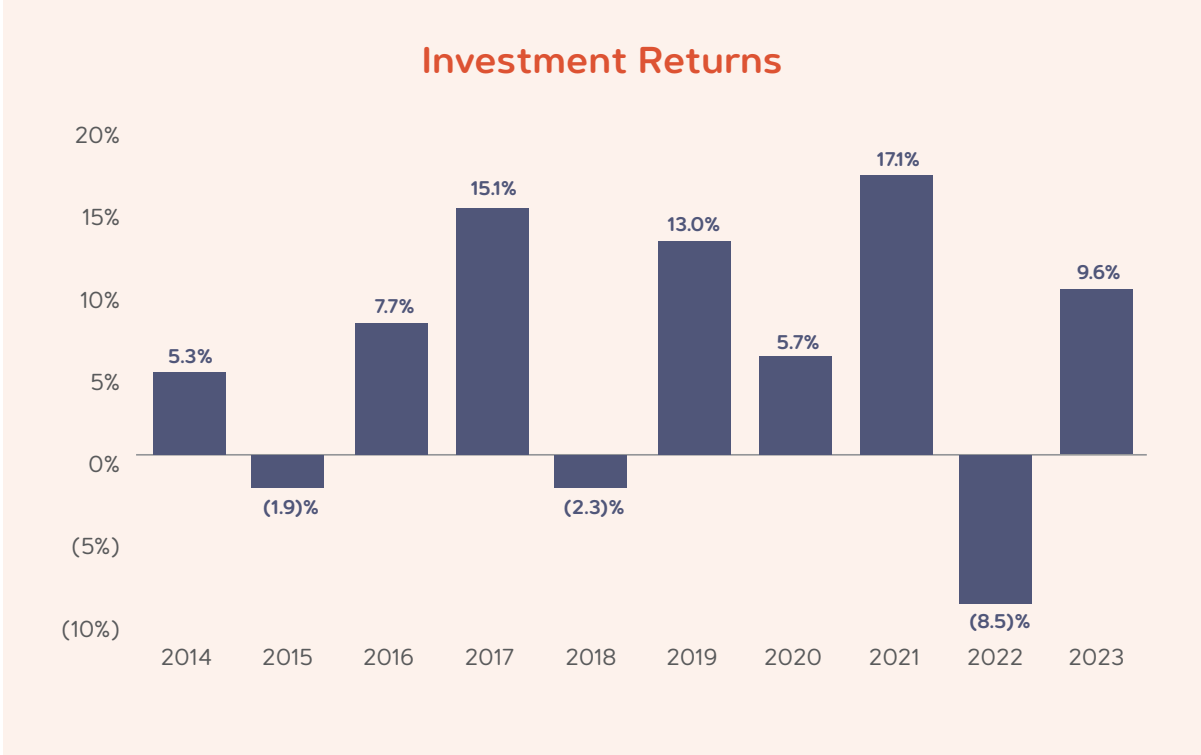
We expect investment gains in some years and understand there will be losses in others, and rely on professional investment management, diversification of investments, and a long-term view to achieve our goals. To withstand significant market swings, we invest across multiple asset classes (for example, 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 investment staff, and the retirement board, use the same diligence, skill, and care a prudent investor uses in managing a large public pension fund.

Because investment returns are expected to provide approximately 42% of the funding for a retiree's benefits, our investment results are important. Our ongoing investment goal is to attain a return over the long term that provides adequate funding for benefits.

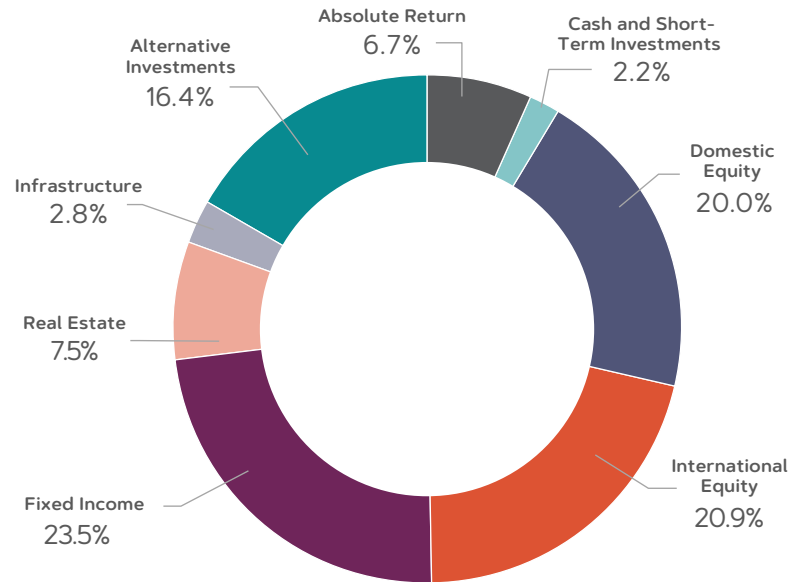
## Investment Returns

In 2023, our fund returned 9.6%, well above our 7.0% assumed rate of return. Equities were the source of much of our gains, particularly U.S. technology stocks. However, real estate and private equity fared poorly, and our significant allocation to these asset classes offset some of our performance. For the last 10 years, our portfolio has generated an average annual return of 6.0%.



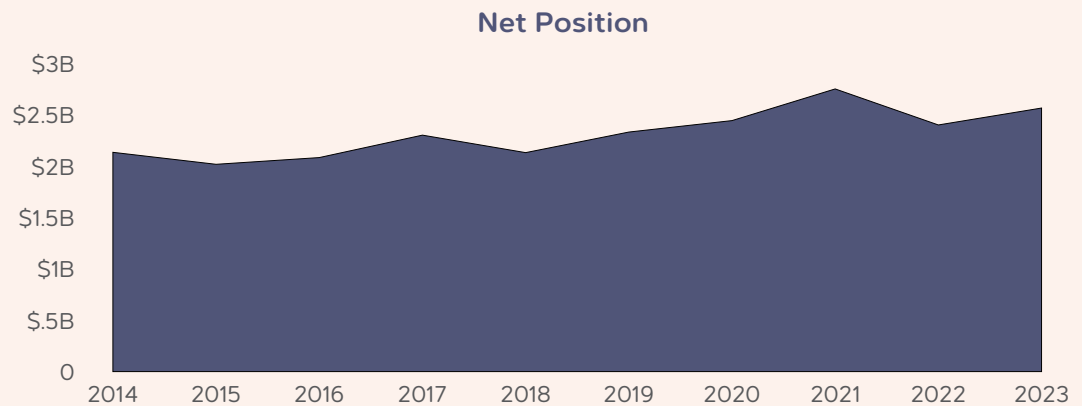
### Investment Allocation

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. The DERP Retirement Board, with the help of staff and an external consultant, adopts the asset allocation policy. The allocation graph shows the distribution of our \$2,563,880,081 investment portfolio as of December 31, 2023.



### 10-Year Snapshot

Our net position represents assets available to pay retirement benefits. The fund was \$2.5 billion at the end of fiscal year 2023.

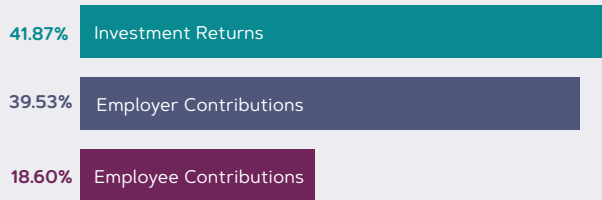


# Funding

## Where does the funding come from?

Our annual revenue consists of 3 main streams:

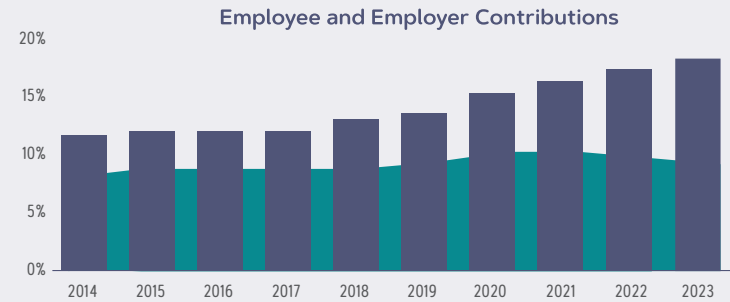
- Employer contributions – 17.95% of payroll
- Employee contributions – 8.45% of payroll
- Investment Returns – a 7.00% rate of return is expected



The graph above details funding percentages when our assumptions are met.

Each pay period, eligible city employees, covered DHHA employees, and DERP employees contribute a pretax percentage of their gross salary to DERP through a payroll deduction. Usually, their contributions, along with employer contributions, plus income from investments, fund retirement benefits for members and/or their beneficiaries. However, in years where there are investment losses, we draw from our investment portfolio to fund retirement benefits.

The Employee and Employer Contributions chart shows employee and employer contributions over the past 10 years. In 2023, payroll contributions from the city and employees remained at 17.95% and 8.45% respectively.

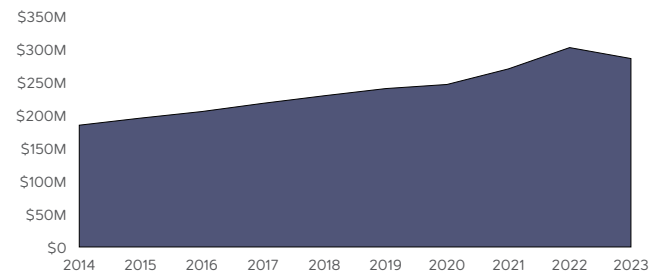


## Funded Status

Funded status measures the progress of accumulation of the funds necessary to meet future obligations. Our January 1, 2023, funded status, on an actuarial basis, was 59.4%. Our unfunded liability is expected to be funded within 16.5 years. The most significant changes to our funded status during 2022 were investment returns less than actuarial expectations, losses due to experience from salary increases larger than expected, and a change in the assumed rate of return from 7.25% to 7.00% due to future earnings expectations decreases. These losses were partially offset by contributions collected being higher than expected due to increased total payroll.

In addition to an annual valuation, our actuaries perform an experience study every five years. An experience study looks back at the actual experience of the plan compared to demographic and economic assumptions and looks forward using demographic, economic, and capital market projections. The most recent experience study was completed in early 2023.

## Retirement Benefits Paid



In 2023, we paid over \$285 million in total gross pension benefits to 11,087 retired members and/or their beneficiaries. This is an increase of \$100 million, or 54%, since 2014. The retirement benefits are a monthly DERP Pension Benefit and DERP Plus Benefits, which include joint and survivor, disability, and retiree health, dental, and vision benefits.

# DERP in Numbers

This page provides a snapshot of our membership as of December 31, 2023, and highlights average monthly DERP Pension Benefit payments made to retirees and their beneficiaries.





## Giving Back

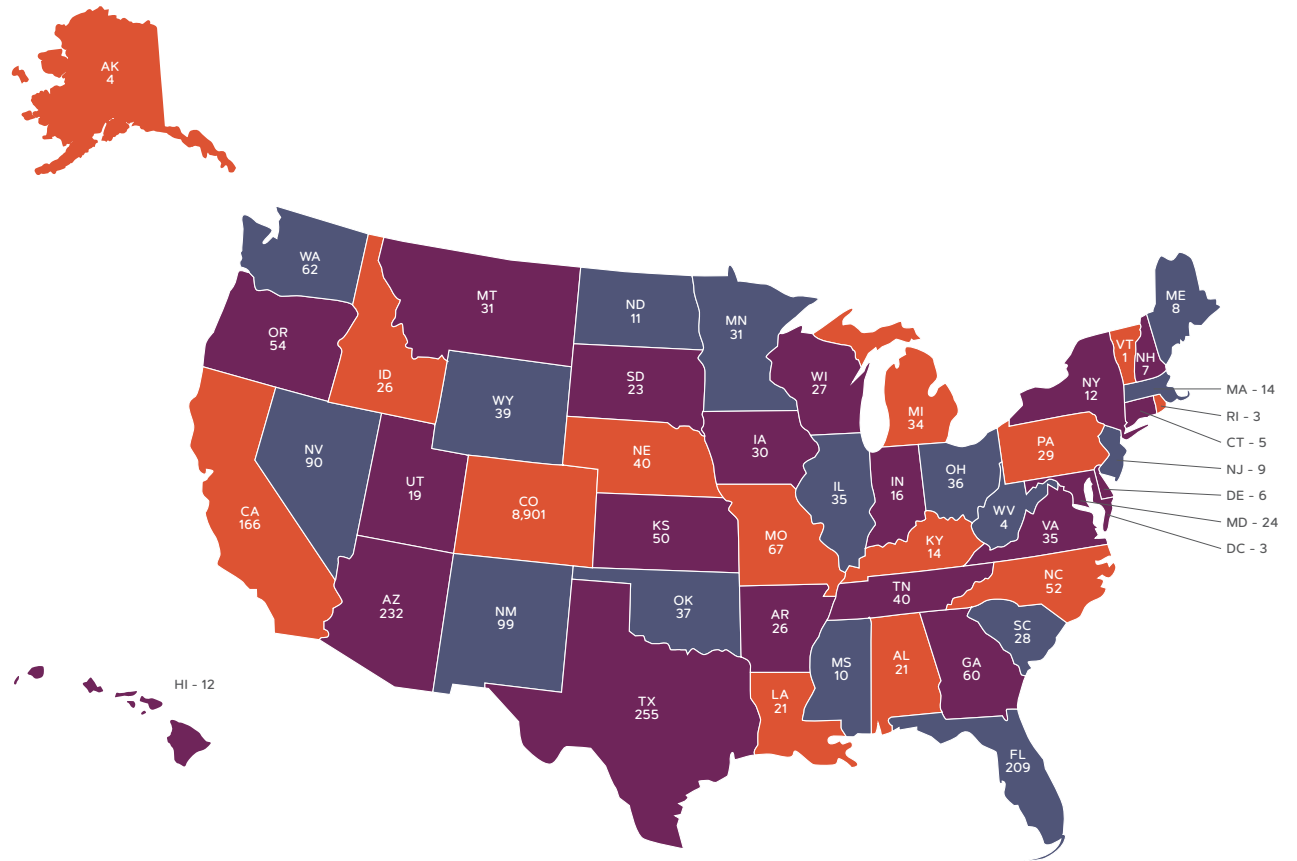
Our retired members contribute to the economy of the city and state in which they live when they use their DERP Pension Benefit to purchase goods and services within their community.

In 2023, 80.3% of total benefit payments were made to 8,901 Colorado residents. Out of the \$256 million in gross benefit payments, more than \$213 million stayed in Colorado.

### Other Countries and Territories

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

### Locations of DERP's Retirees and Beneficiaries





**TEL** (303) 839-5419  
**FAX** (303) 839-9525  
**EMAIL** [Help@DERP.org](mailto:Help@DERP.org)



777 Pearl St.  
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**DERP.org**  
**MyDERP.org**