



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, 2022



About This Report

The Popular Annual Financial Report (PAFR) includes condensed and simplified information from the 2022 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 on GFOA's website ([GFOA.org](#)).

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Message to Members



Our focus is, and has always been, you—our members. My staff and I take seriously our responsibility to support you throughout your retirement journey and help you

RetireStrong. We believe it's important to keep you up to date about our finances and to be transparent and accountable. That is why I'm proud to present our **2022 Popular Annual Financial Report** or **PAFR**. Our PAFR provides an easy-to-read summary of the detailed financial information and statistical overview contained in our 2022 Annual Comprehensive Financial Report (ACFR) available at DERP.org/About/FinancialReports. This report provides a summary of information such as membership data, investment performance, assets and liabilities, and revenue and expenses.

Our top priority is to ensure a secure retirement for all members, and we manage for the long haul. Our investment strategy is disciplined, balanced, and focused on long-term results. In 2022, our investments

provided a rate of return (net of fees) of (8.5%). Although we are never happy to lose money, we have weathered worse years and it's important to remember losses are a normal part of the investing cycle and occur with some frequency—about once every three or four years. The good news is that since 1986, we've earned an average annual return of more than 8% on our investments, a period which includes numerous recessions and other economic disruptions. Our investment portfolio is designed to generate positive returns over decades—rather than weeks or months—enabling us to provide retirement security to our members now and well into the future.

Your confidence means everything to us, and I want to assure you that your future DERP Pension Benefit is safe. 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".

Heather K. Darlington, CPA
Executive Director

At a time when 63% of U.S. households have no source of protected lifetime income other than Social Security, 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.

Organizational Structure

We are 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 our 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

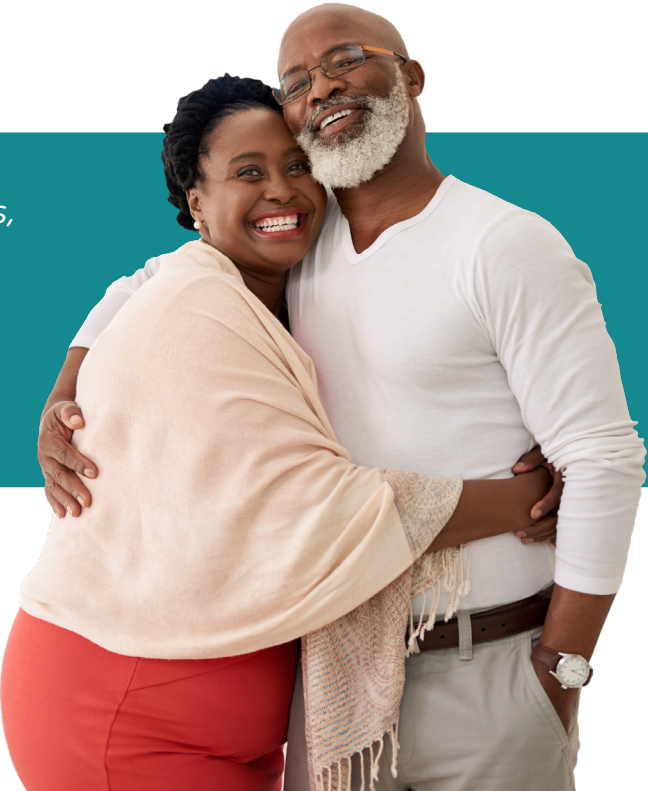
The retirement board's role is to ensure we are appropriately governed and managed. The retirement board acts as trustees for active members, retired members, and their beneficiaries and

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 four members who are elected by membership to serve staggered 3-year terms and presents suggestions and questions to the retirement board on behalf of the members. An election is held in the spring to elect, or re-elect, a member. One advisory committee member must be a vested, active city or DHHA employee, one must be a retired member, and another is appointed by the Denver Career Service Board. The fourth member can be an active/vested city or DHHA employee or a retired member. Because advisory committee members are not responsible for the administration and management of DERP, they 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. When vested, no matter how much longer they work for the city, their accumulated benefits will be there when they retire.



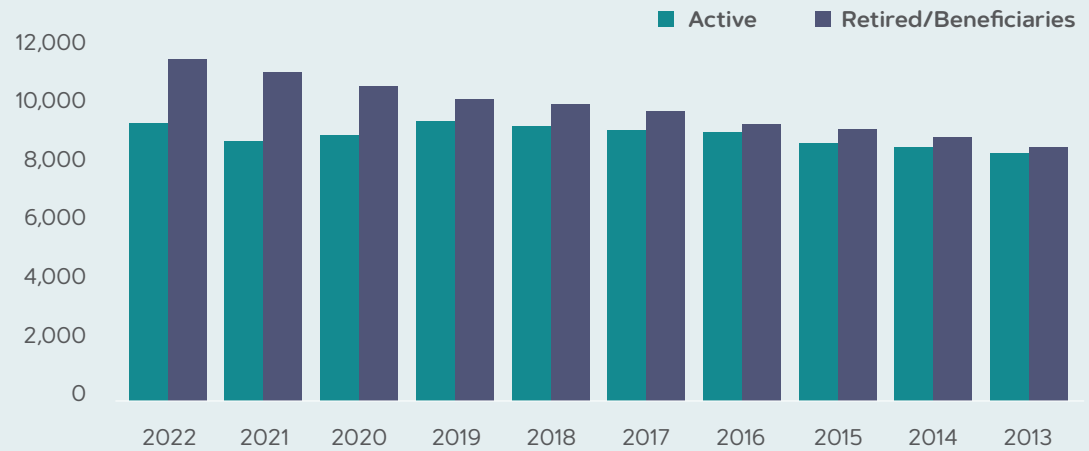
In 2022 DERP had 27,375 members in the following categories:

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

10-Year Snapshot

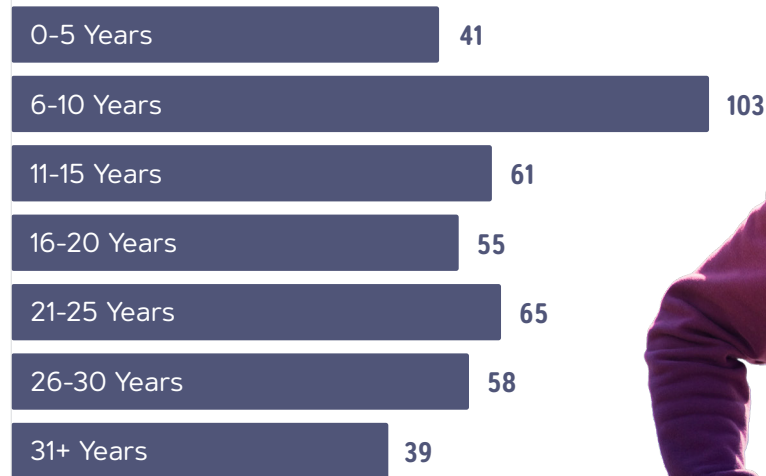
Active Members Compared to Retirees and Beneficiaries

Over the last 10 years the number of active members making contributions increased more than 10%, from 8,304 to 9,228. The number of retirees and/or beneficiaries collecting benefits has increased 25%, from 8,481 to 10,895.



Years of Service at Retirement

In 2022, 422 members applied for and retired from DERP. Of those, more than half had over 16 years of service.



Member Benefits

A DERP Pension Benefit is a member's foundation for a strong retirement future, providing them and/or 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 monthly 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 made are 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 their employer contribute a percentage of each paycheck, pretax, to their DERP Pension Benefit.
- Members earn service credit every pay period they receive pay and contribute to their DERP Pension Benefit.
- Once a member earns five years of service credit, they become vested and qualify to receive a guaranteed monthly lifetime DERP Pension Benefit upon retirement.
- Members who separate before they vest 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** – When 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** – A member's DERP Pension Benefit is maintenance free. Members don't have to make investment decisions.
- **It Can be Passed Onto Loved Ones** – The 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
- Active Death Retirement

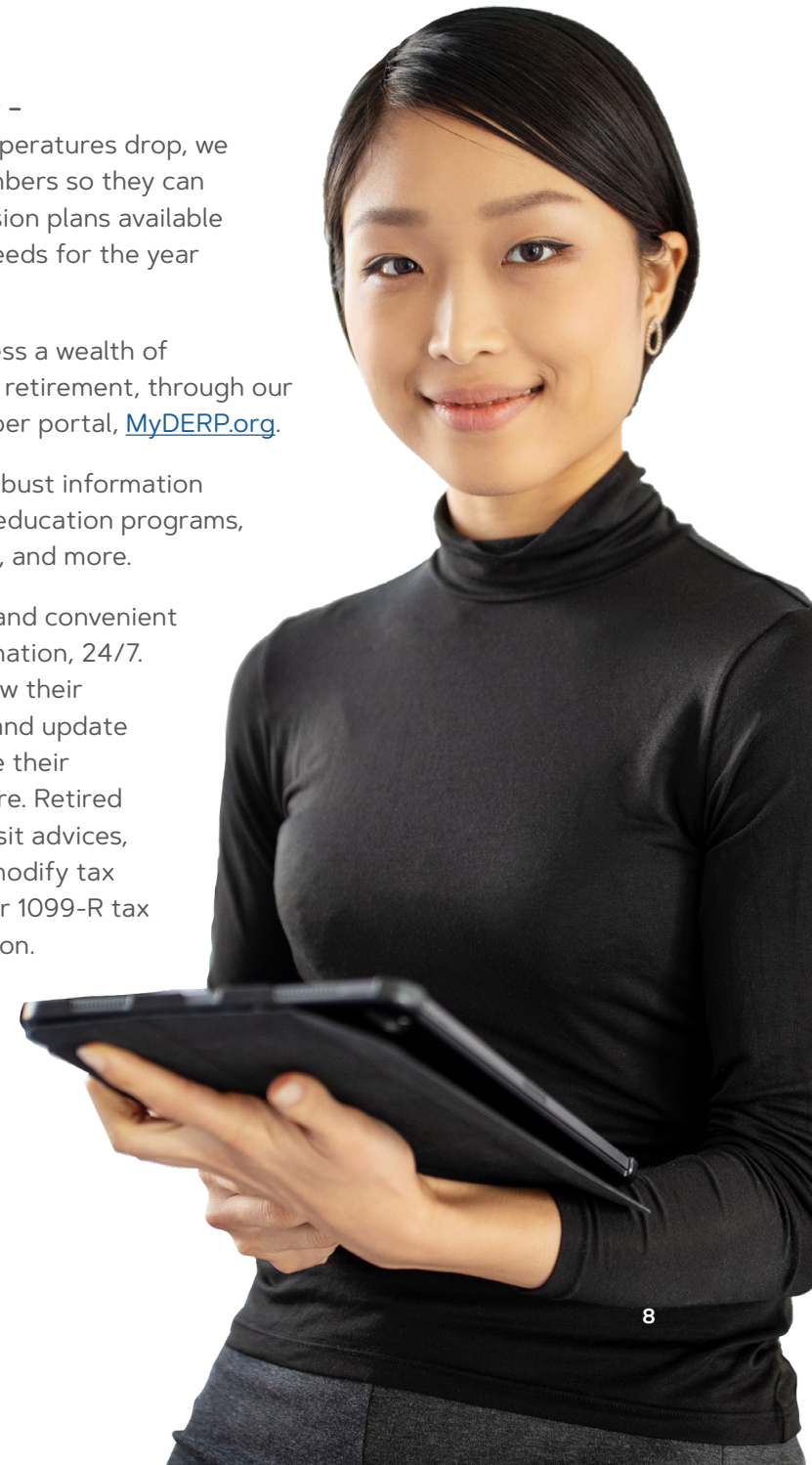
DERP Plus Benefits Available When Retired

- Joint and Survivor
- Lump-Sum Death
- Health Insurance
- Insurance Premium Reduction

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 (newly revamped) 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 content is clear, simple, and easy to understand, and seminars are held virtually and in-person.
- **One-on-One Member Support** – We offer members one-on-one counseling to help them better understand their benefits at every stage of their life and career and after they retire and to answer questions unique to them. Office, phone, or virtual appointments are available.
- **Open Enrollment Health Benefits Fair** – When the leaves change color and temperatures drop, 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 website and our online member portal, 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, and if vested, 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.

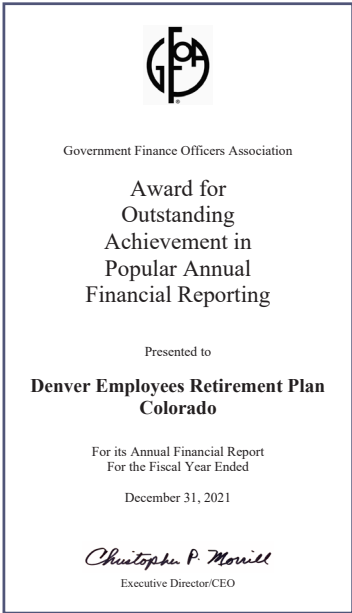
Award for Outstanding Achievement in Popular Annual Financial Reporting

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, 2021. 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 three 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, 2021, 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 33rd 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

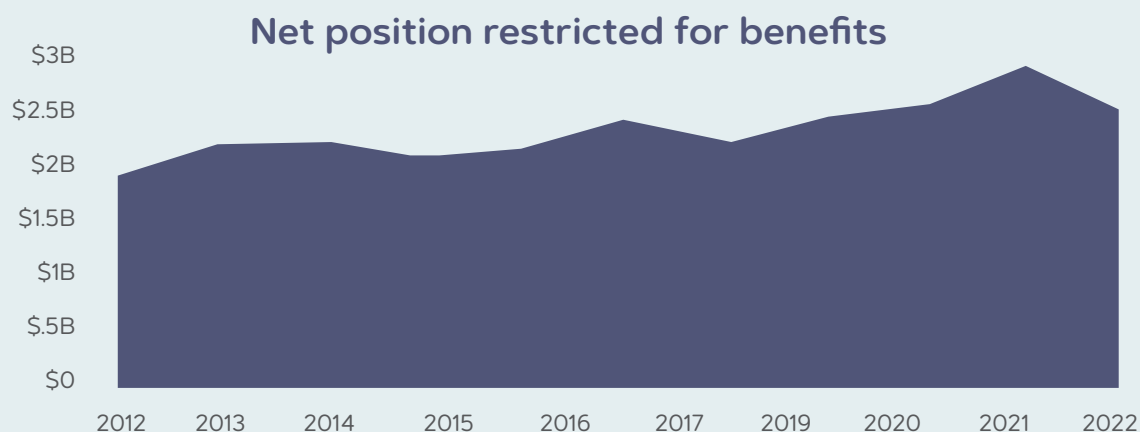
This table shows our assets and liabilities for the years ended December 31, 2022, 2021, and 2020. The fiduciary net position represents the funds we had available at end of the year to pay DERP Pension Benefits to our retired members or their beneficiaries, as well as health care insurance premium reduction payments for current and future retirees. The decrease in fiduciary net position is due to the poor market conditions that existed through most of 2022 causing negative returns. As of December 31, 2022, we had a fiduciary net liability of \$1.8 billion.

The value of our assets decreased by \$360 million during 2022. This decrease was largely due to the fair value of investments being lower than their value at the end of 2021.

	2022	2021	2020
Assets			
Cash and short-term investments	\$ 56,579,912	\$ 84,569,097	\$ 56,448,623
Securities lending collateral	68,602,894	77,080,319	82,051,725
Receivables	10,235,726	1,440,583	1,690,483
Investments, at fair value	2,332,598,410	2,663,900,426	2,383,234,047
Prepaid Items	-	-	33,844
Capital assets	1,950,243	2,329,334	2,716,226
Total assets	2,469,967,185	2,829,319,759	2,526,174,948
Liabilities			
Accounts payable	2,013,812	2,433,649	2,432,150
Leases payable	19,963	30,570	-
Unearned contributions	-	-	-
Securities lending obligations	68,602,894	77,080,319	82,051,725
Total liabilities	70,636,669	79,544,538	84,483,875
Deferred inflow of resources	86,375	22,218	-
Fiduciary net position restricted for benefits	\$2,399,244,141	\$2,749,753,003	\$2,441,691,073

10-Year Snapshot

Our fiduciary net position represents assets available to pay pension benefits. The fund was \$2.3 billion at the end of fiscal year 2022. The decrease relative to 2021 was driven by losses on investments due to poor market conditions in 2022.



Income and Expenses

This table shows our income (additions) and expenses (deductions) for the years ended December 31, 2022, 2021, and 2020. In 2022, additions from contributions were offset by losses. Expenses for 2022 were approximately \$315 million, of which \$310 million were paid in retirement benefits (including monthly retiree DERP Pension Benefit payments, health insurance premium reduction payments, and account refunds) to 10,895 retirees and/or 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, we absorb the loss and continue to meet our 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.

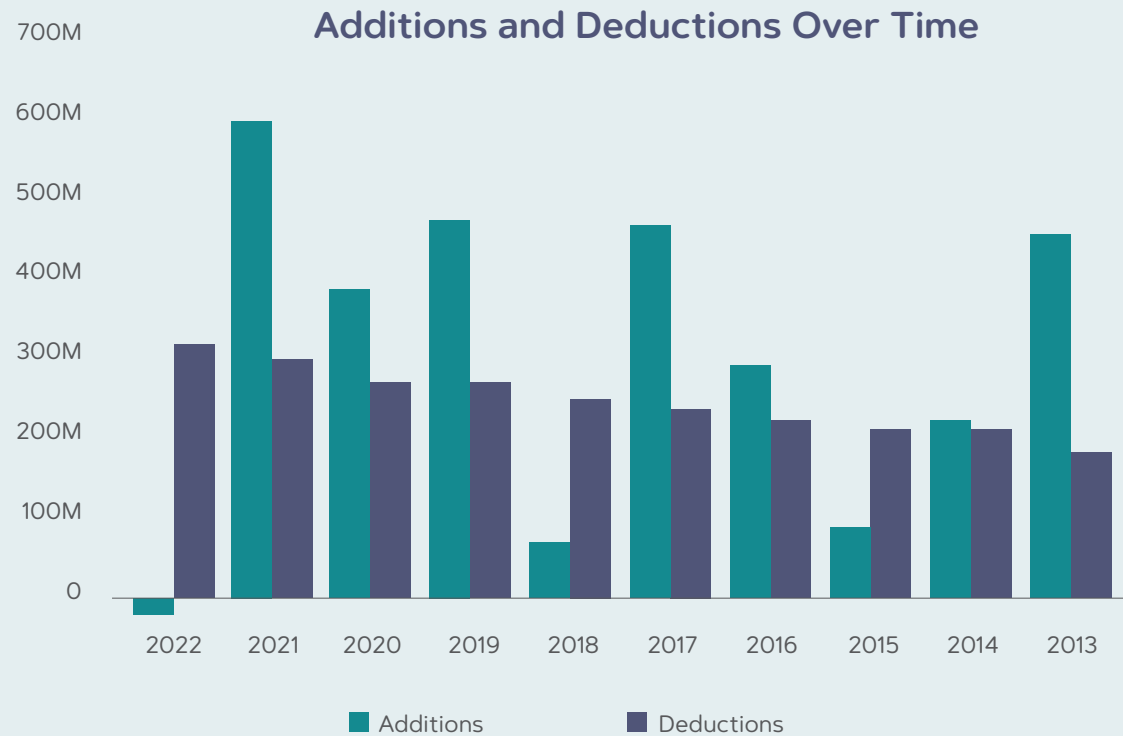
Our largest expense is providing monthly DERP Pension Benefit payment and health benefits to retirees and/or their beneficiaries. Investment expenses are netted against investment earnings and accounted for approximately \$15 million in 2022. The administrative expenses include necessary day-to-day costs 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 2022 our investment earnings net of expenses decreased by \$625 million compared to 2021. This decrease was due to poor market conditions during 2022 on the heels of a favorable market of 2021. Benefits paid increased by approximately \$34 million during 2022 compared to 2021 largely due to a significant increase in benefits paid from the Deferred Optional Retirement Program (DROP).

	2022	2021	2020
Additions			
Employer contributions	\$ 136,145,712	\$ 117,270,262	\$ 112,733,625
Member contributions	72,428,925	66,425,088	67,845,591
Investment earnings			
Net appreciation (depreciation) in fair value of investments	(293,751,342)	362,175,795	200,430,935
Earnings on investments	64,583,514	57,841,622	(1,226,470)
Less: investment expenses	(14,914,617)	(14,295,147)	(13,395,682)
Net income from securities lending	261,548	266,210	296,248
Total additions	(35,246,260)	589,683,830	366,684,247
Deductions			
Member benefits and refunds	310,458,134	276,816,548	250,557,542
Administration expenses	4,804,468	4,805,352	4,607,234
Total deductions	315,262,602	281,621,900	255,164,776
Fiduciary net position restricted for benefits	\$2,399,244,141	\$2,749,753,003	\$2,441,691,073

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. During 2022 the fund experienced negative additions, this is due to reporting requirements to show investment earnings as additions even if they are losses.



Investments

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

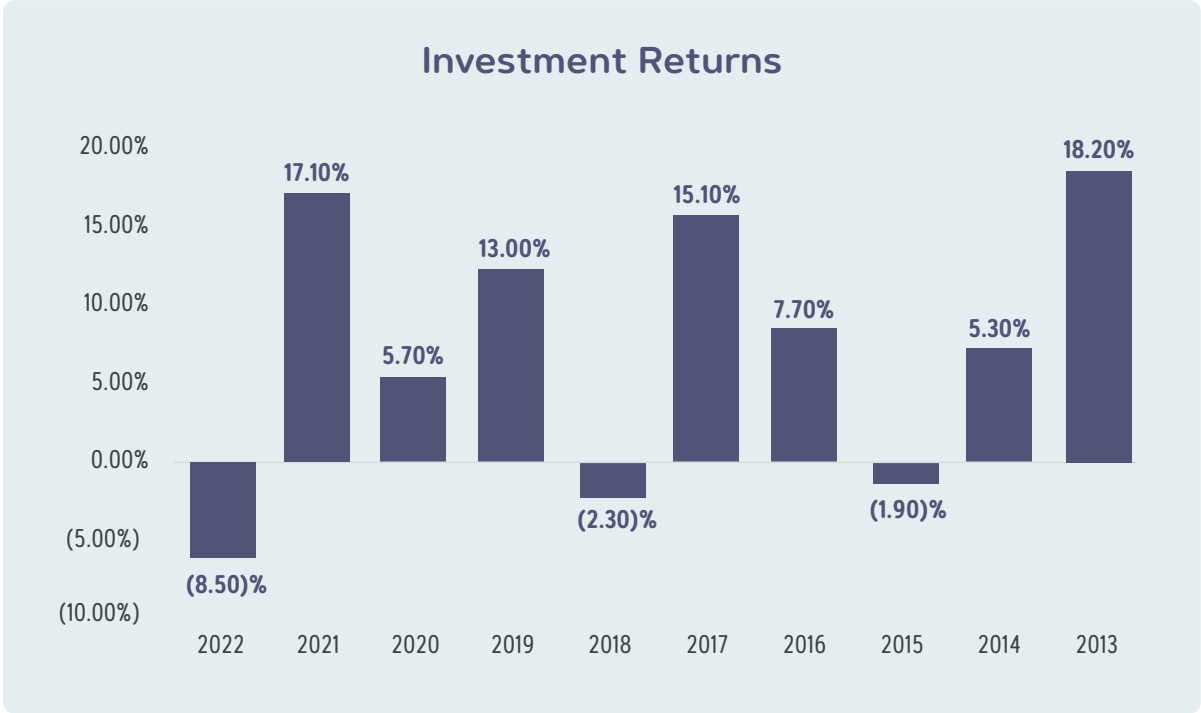
We expect investment gains in some years and losses in others, and rely on a professional investment management, diversification of investments, and a long-term view to achieve our goals. To withstand significant market swings, we invest across multiple asset classes (for example, bonds, U.S. stocks,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

Because investment returns are expected to provide approximately two-thirds 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.

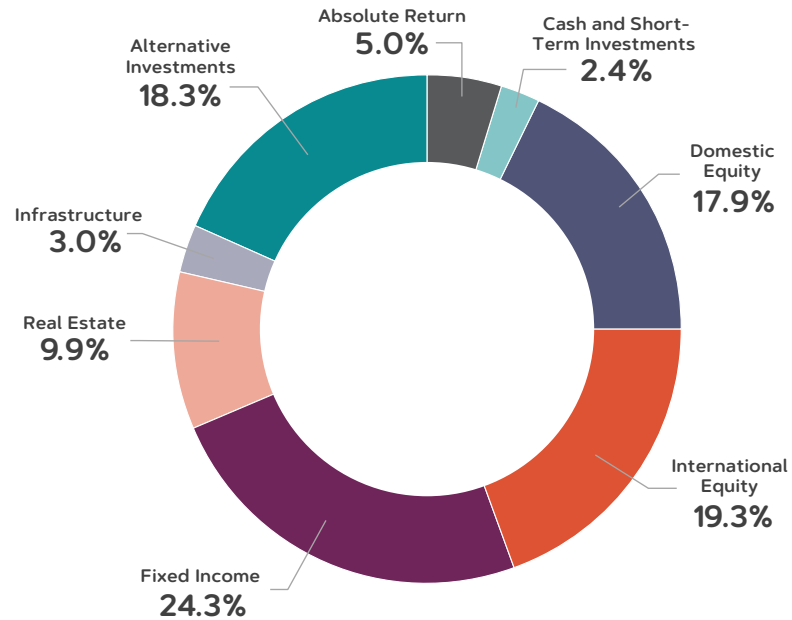
Investment Returns

Our portfolio experienced a loss of 8.5% in 2022. The year ended with most asset classes experiencing large declines and we fell along with the overall market. 2022 was the first year since 1969 that both stocks and bonds declined together, and real estate and energy were the only major asset classes to post gains for the year. Following several years of good performance, a loss is unwelcome but unsurprising. As you can see in the Investment Returns chart, there is great variability from year to year, yet our long-term average remains strong.



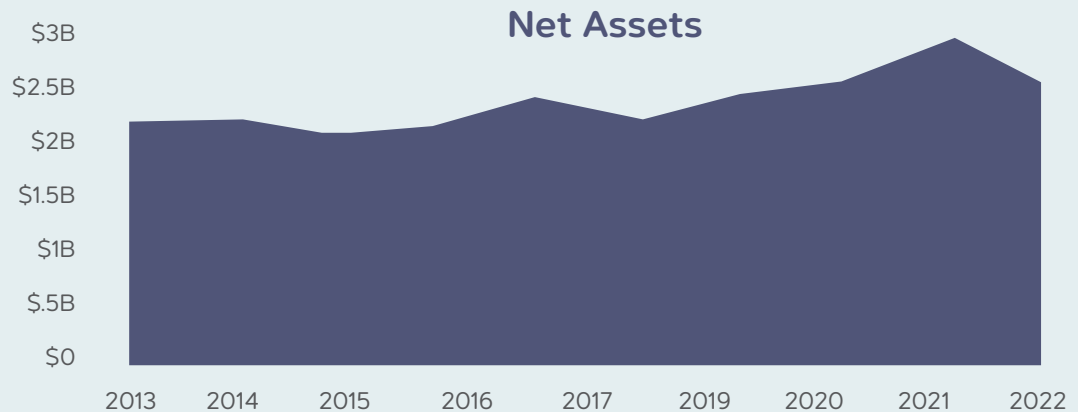
Investment Allocation

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 \$2,389,178,322 investment portfolio as of December 31, 2022.



10-Year Snapshot

Our net position represents assets available to pay retirement benefits. The fund was \$2.3 billion at the end of fiscal year 2022.

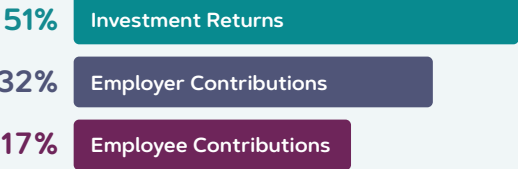


Funding

Where does the funding comes from?

Our annual revenue consists of 3 main streams:

- Employer contributions – 16.75% of payroll
- Employee contributions – 8.85% of payroll
- Investment Returns – assumed rate of return of 7.25% is expected

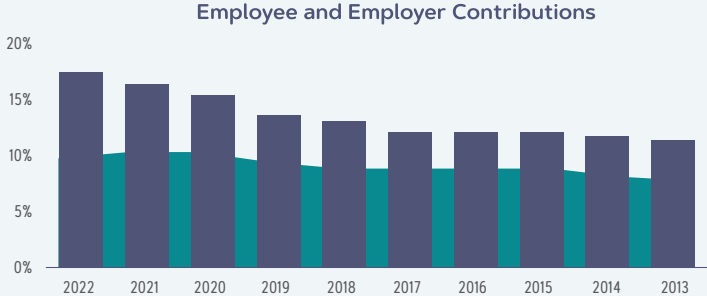


The graph above details funding percentages when our assumptions are met.

Each pay period eligible City and County of Denver (city) employees, Denver Health and Hospital Authority covered employees, and DERP employees contribute a pretax percentage of their total 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 such as 2022, 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 2022, the city increased the percentage they contribute on behalf of the employee towards their future retirement by 1% and reduced employee contributions by (.4%).

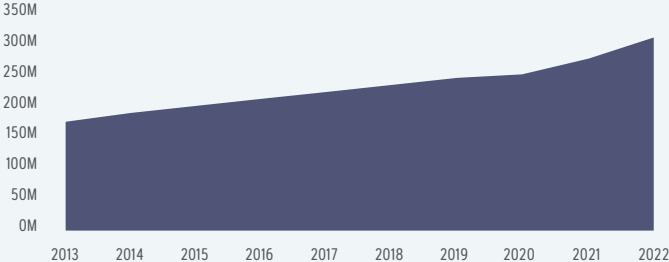


Funded Status

Funded status measures the progress of accumulation of the funds necessary to meet future obligations. Our January 1, 2022, funded status, on an actuarial basis, is 61.2%. Our unfunded liability is expected to be funded within 17 years. The most significant changes to our 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. Our January 1, 2023, annual valuation is in progress and not yet complete.

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.

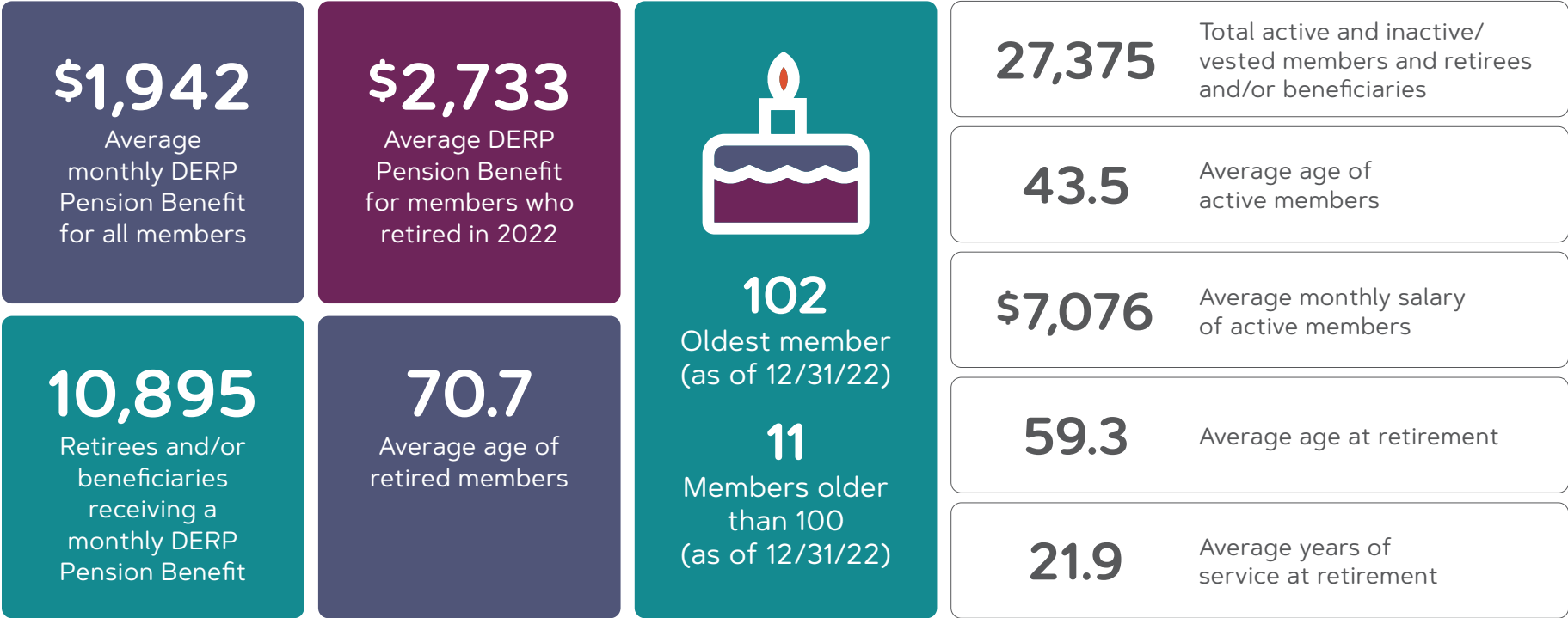
Retirement Benefits Paid



In 2022, we paid over \$301 million in retirement benefits to 10,895 retired members and/or their beneficiaries. This is an increase of \$130 million, or 76%, since 2013. The retirement benefits include a monthly DERP Pension Benefit, joint and survivor, disability, and retiree health, dental, and vision benefits.

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

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 2022, 86.7% of DERP Pension Benefit payments were made to 8,810 Colorado residents. Out of the over \$248 million in gross benefit payments, over \$210 million stayed in Colorado.

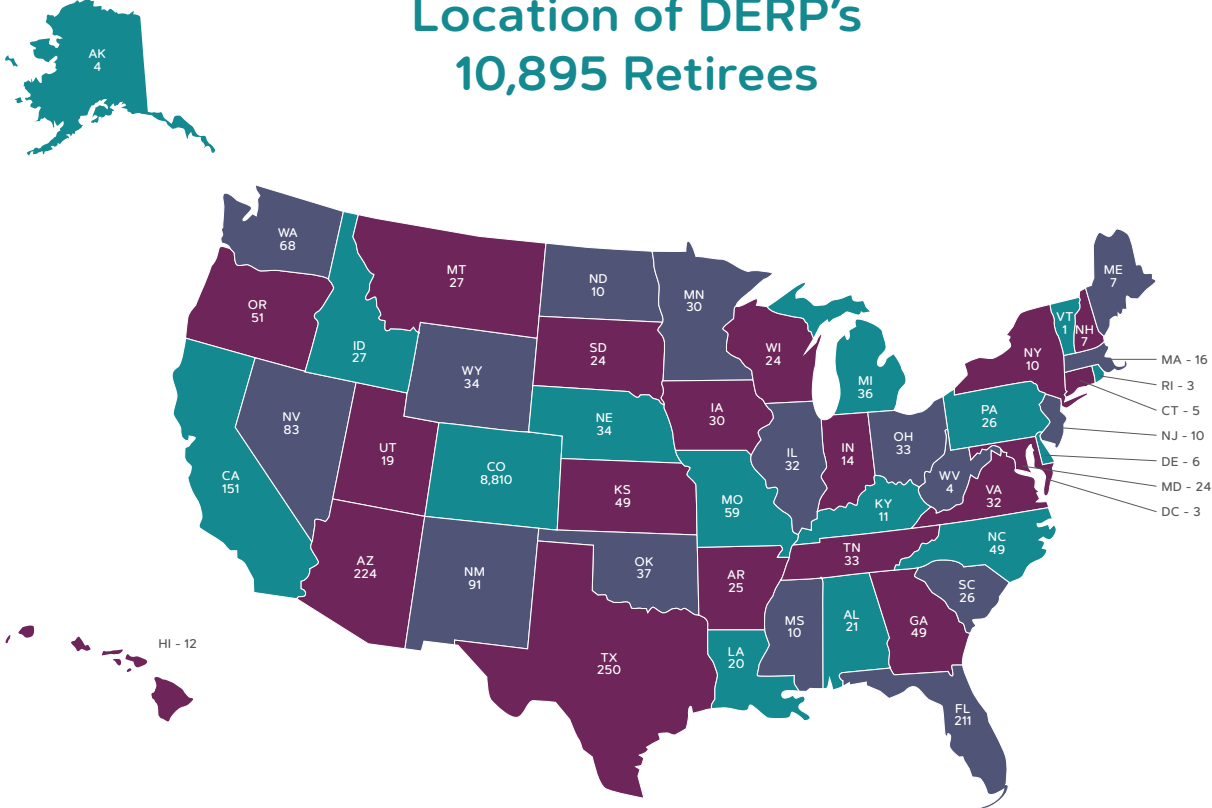
Other Countries and Territories

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

Armed Forces

Africa, Canada, Eurpoe, or Middle East. 1

Location of DERP's 10,895 Retirees





TEL (303) 839-5419
FAX (303) 839-9525
EMAIL Help@DERP.org



777 Pearl St.
Denver, CO 80203



DERP.org
MyDERP.org