Denver Employees Retirement Plan

Michael P. Heitzmann, Executive Director

777 Pearl Street
Denver, Colorado
80203

Comprehensive Annual Financial Report

Prepared by the Plan's Staff

Fiscal Year Ended December 31, 2002

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

Primary Plan Sponsor

City and County of Denver

Elected Officials

Mayor
Honorable Wellington E. Webb

Auditor
Honorable Donald J. Mares

City Council Members

District 1	*Hon. Dennis Gallagher*
District 2	*Hon. T. J. "Ted" Hackworth*
District 3	*Hon. Ramona Martinez*
District 4	*Hon. Joyce Foster*
District 5	*Hon. Polly S. Flobeck*
District 6	*Hon. Charlie Brown*
District 7	*Hon. Kathleen MacKenzie*
District 8	*Hon. Elbra Wedgeworth*
District 9	*Hon. Deborah L. Ortega*
District 10	*Hon. Edward P. Thomas*
District 11	*Hon. Allegra "Happy" Haynes*
Council at Large	*Hon. Cathy Reynolds*
Council at Large	*Hon. Susan Barnes-Gelt*

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Introductory Section

THE PLAN
DENVER EMPLOYEES RETIREMENT PLAN

Michael P. Heitzmann
Executive Director
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Denver, CO 80203
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FAX 303.839.9525
www.derp.org

June 30, 2003

Dear Members of the Denver Employees Retirement Plan and Retirement Board:

I am pleased to present the Comprehensive Annual Financial Report of the Denver Employees Retirement Plan (the Plan) of the City and County of Denver for the fiscal year ended December 31, 2002.

The goal of the Plan is to provide superior service to all its members and, to ensure that the retired members and their beneficiaries receive the maximum benefits possible. Retired members who retired prior to January 1, 2002, received a 1% cost-of-living benefit increase effective January 1, 2002. The health and dental benefit remained at $6.00 per month for each year of service for members age 65 or older and to $12.00 per month for those under the age of 65. A detailed discussion of 2002 activity is contained in the Management Analysis and Discussion included in the Financial Section of this report.

Plan History The Plan was established on January 1, 1963, as a defined benefit plan. Substantially all employees of the City and County of Denver and the Denver Health and Hospital Authority, excluding a majority of the employees of the police and fire departments and the Denver Water Board, are covered by the Plan. All active Plan members are required to contribute to Social Security while employed by the City.

All Plan related benefit and administrative provisions are detailed in Sections 18-401 through 18-430 of the Revised Municipal Code of the City and County of Denver. Any amendments to the Plan must be enacted into ordinance by the Denver City Council and approved by the Mayor of the City and County of Denver.

The Comprehensive Annual Financial Report This report is an overview intended to give the reader reliable and useful information which will provide assurance the Plan is in compliance with all legal provisions and the financial position of the Plan remains sound. The Plan's management is responsible for the accuracy of the data contained in this report, and I believe the information included presents fairly the financial position of the Plan as of December 31, 2002, and the results of operations for the year then ended.

The report consists of five sections: Introductory, Financial, Investment, Actuarial, and Statistical. The Introductory Section includes a list of the members of the Retirement Board and the Advisory Committee, a list of the professionals employed by the Board, and the Plan's organizational structure. The Financial Section incorporates the Management Discussion and Analysis, the Report of Independent Public Accountants and the audited financial statements of the Plan. The Investment Section contains a report on the Plan's investment activity, an outline of the investment policies, the investment results, the asset allocation information, the listings of the largest equity and fixed income assets held, schedules of broker commissions and investment management fees, as well as, an investment summary. The independent actuary's certification letter, the actuarial assumptions and methods, the schedules of valuation data, and a summary of Plan provisions are presented in the Actuarial Section. The Statistical Section includes information pertaining to the Plan membership.

Retirement and Health Benefits The Plan provides normal, rule-of-75, early, and deferred retirement benefit options. 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. As a part of its 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). Active members who are eligible to retire under the normal or rule-of-75 provisions can elect to participate in the Deferred Retirement Option Plan (DROP) program. A more detailed explanation of benefits is outlined in the Summary of 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 the retirees and their beneficiaries throughout the year.

Accounting System This report has been prepared in accordance with the principles of governmental accounting set forth by the Governmental Accounting Standards Board. Transactions are reported using the accrual basis of accounting. Revenue is recognized in the period in which it is due, and expenses are recognized when due and payable.

Internal Control The Plan 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 Plan assets.

Independent Audit The Revised Municipal Code of the City and County of Denver 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 and County of Denver. The Board selected the accounting firm of Grant Thornton, LLP to render an opinion as to the fairness of the Plan's 2002 financial statements. The audit was performed in accordance with auditing standards generally accepted in the United States, as well as, the standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. The Report of the Independent Public Accountants is included in the Financial Section of this report.

Investments The Retirement Board is directed by Section 18-403 of the Revised Municipal Code of the City and County of Denver to invest the assets solely in the interest of the Plan's active and retired members and their beneficiaries. The Board determines reasonable investment objectives and guidelines and selects professional investment managers who meet the requirements set forth in the Plan's investment policy. Too, the Board periodically evaluates the performance of the total portfolio to determine if the investment objectives are being met.

Funding Status The Plan's long-term objective is to meet benefit obligations as they come due. A history of the Plan's funding progress is presented as required supplementary information in the Financial Section of this CAFR. Additional information is included in the Actuarial Section of this 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 comprehensive annual financial report for the fiscal year ended December 31, 2001. 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, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which meet or exceed the program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. The Denver Employees Retirement Plan has received a Certificate of Achievement for the last fourteen years. We believe the Plan's current report continues to meet the Certificate of Achievement program requirements and are submitting it to the GFOA for consideration again this year.

Conclusion I would like to express my appreciation to the Plan staff who prepared this report. It is my hope that the readers will find the report easy to understand and become aware of the contributions the Retirement Board, the staff, the advisors, and many others make to ensure the successful operation of the Plan.

Sincerely,

Michael P. Heitzmann

Michael P. Heitzmann
Executive Director

Retirement Board

Each member is appointed by the Mayor

Edna G. Doyle
Term expires January 1, 2007

Irving S. Hook
Term expires January 1, 2005

Steven E. Hutt, Chair
Term expires January 1, 2004

Bonney A. Lopez
Term expires January 1, 2003

Wayne Cauthen
Term expires January 1, 2008

Advisory Committee

Each member is elected by the Plan membership

Martin E. Flahive
Term expires May 31, 2004

Thomas S. Moe
Term expires May 31, 2005

Thomas P. Wulf
Term expires May 31, 2003

Consulting Services, Independent Public Accountants, and Investment Managers

Consulting Services

- **Actuary**
  Towers Perrin
- **Performance Evaluation**
  R.V. Kuhns and Associates, Inc.
- **Investment Consultant**
  Callan Associates Inc.
- **Real Estate Consultant**
  The Townsend Group

Independent Public Accountants

- Grant Thornton LLP

Domestic Equity Managers

- Cadence Capital Management
- Deutsche Asset Management
- Fiduciary Trust Company International
- Independence Investment, LLC
- Neuberger Berman, LLC
- Sit Investment Associates, Inc.

Domestic Fixed Income Managers

- Deutsche Asset Management
- Loomis, Sayles & Company, L.P.
- Neuberger Berman, LLC

Real Estate Managers

- Various group trusts and other managers.

International Equity Managers

- Deutsche Asset Management
- Templeton Investment Counsel, LLC
- Sit/Kim International Investment Assoc., Inc.

Emerging/Minority Fixed Income Managers

- NCM Capital Management Group, Inc.
- Seix Investment Advisors
- Smith, Graham & Company

Alternative Investment Managers

- Adams Street Partners, LLC
- Hancock Timber Resource Group
- J.P. Morgan Fleming Asset Management, Inc
- Prudential Timber Investments, Inc.
- Sovereign Financial Services, Inc.
- TCW Energy Group

Custodian Bank

- J.P. Morgan Chase

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Denver Employees Retirement Plan, Colorado

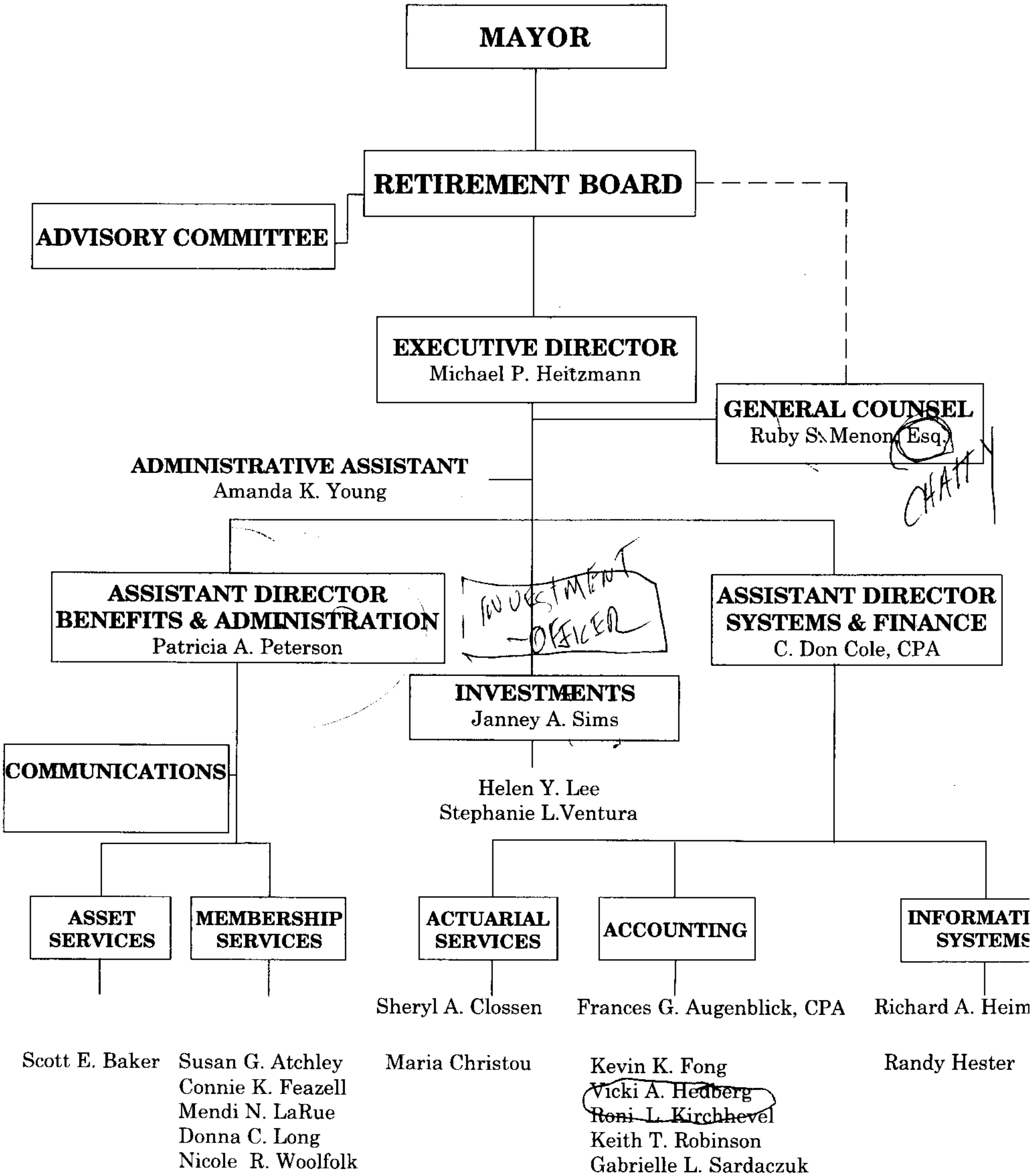
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director


MAYOR
RETIREMENT BOARD
ADVISORY COMMITTEE
EXECUTIVE DIRECTOR
Michael P. Heitzmann
GENERAL COUNSEL
Ruby S. Menon, Esq.
CHATT
ADMINISTRATIVE ASSISTANT
Amanda K. Young
ASSISTANT DIRECTOR
BENEFITS & ADMINISTRATION
Patricia A. Peterson
INVESTMENT OFFICER
ASSISTANT DIRECTOR
SYSTEMS & FINANCE
C. Don Cole, CPA
INVESTMENTS
Janney A. Sims
COMMUNICATIONS
Helen Y. Lee
Stephanie L.Ventura
ASSET SERVICES
MEMBERSHIP SERVICES
ACTUARIAL SERVICES
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INFORMATI SYSTEMS
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Frances G. Augenblick, CPA
Richard A. Heim
Scott E. Baker
Susan G. Atchley
Connie K. Feazell
Mendi N. LaRue
Donna C. Long
Nicole R. Woolfolk
Maria Christou
Kevin K. Fong
~~Vicki A. Hedberg~~
~~Roni L. Kirchhevel~~
Keith T. Robinson
Gabrielle L. Sardaczuk
Randy Hester

Financial Section

Grant Thornton

Accountants and Management Consultants

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Retirement Board of the
Denver Employees Retirement Plan:

We have audited the accompanying combining statement of plan net assets of the Denver Employees Retirement Plan (the Plan) as of December 31, 2002, and the related combining statement of changes in plan net assets for the year then ended. These financial statements and the schedules referred to below are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan, as of and for the year ended December 31, 2001, were audited by other auditors whose report dated March 22, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2002, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2003 on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management discussion and analysis on pages 16 through 19 and the supplementary information in the Schedule of Funding Progress and the Schedule of Employer Contributions are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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US Member of Grant Thornton International

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supporting schedules (Schedule of Administrative Expenses and Schedule of Investment Expenses) are presented for the purpose of additional analysis and are not a required part of the Plan's basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Denver, Colorado
March 28, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is an analysis and overview of the financial activities of the Denver Employees Retirement Plan for the yea ended December 31, 2002. Please refer to the basic financial statements, the notes to the financial statements, th required supplementary information, and the supporting schedules.

Financial Highlights

As of December 31, 2002, $1,323,590,068 was held in trust for the payment of Plan benefits, and to meet the Plan': future obligations to its members and their beneficiaries.

For 2002, the total Plan net assets held in trust decreased by $144,223,959 or (9.8%) from 2001. Increased benefi payments and declines in the financial markets contributed to the decrease.

Additions to Plan net assets included contributions of $42,423,943 from the City and County of Denver and $8,377,10: from the Denver Health and Hospital Authority (DHHA). Active Plan members paid back a total of $93,905 ir contributions. The Plan had a net investment loss of $124,154,841.

Deductions from Plan net assets for 2002 totaled $70,964,068. An 8.1% increase in benefit payments represents ε majority of the 8.4% increase from year 2001.

The Plan's funding objective is to meet its long-term benefit obligations through employer contributions and investmen returns. As of January 1, 2002, the date of the last actuarial valuation, the funded ratio for the retirement fund wa: 99.5%, while the funded ratio for the health benefits account was 85.2%.

Overview of the Financial Statements

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

1. Comparative Statements of Plan Net Assets
2. Comparative Statements of Changes in Plan Net Assets
3. Notes to the Financial Statements
4. Required Supplementary Information
5. Supporting Schedules

The Comparative Statements of Plan Net Assets presents the Plan assets and liabilities as of December 31, 2002, with comparative totals for 2001. It reflects the net assets available for benefits in the retirement fund and the health benefits account as of December 31, 2002.

Management's Discussion and Analysis (continued)

The Comparative Statements of Changes in Plan Net Assets shows the additions to and deductions from Plan assets during 2002 with comparative totals for 2001.

Both of these statements are in compliance with the Governmental Accounting Standards Board (GASB) Statements Nos. 3, 5, 25, 26, and 34. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The Plan's financial statements comply with all material requirements of these pronouncements.

These statements provide a snapshot of the Plan's assets and liabilities as of December 31 and the activities which occurred during the year. Both statements were prepared using the accrual basis of accounting as required by GASB. All investment activities have been reported based on the trade dates and have been valued based on independent outside sources. All property and equipment are depreciated over their useful lives. Please 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 to 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, the history of employer contributions, and the notes to the required supplementary schedules.

Supporting Schedules provide a breakdown of the administrative and investment expenses for the year ending December 31, 2002.

Financial Analysis

There are several ways to measure the Plan's financial position. One means is to determine the Plan's net assets available to pay benefits. This is the difference between total assets and total liabilities. Another way is to refer to the funded ratio. As of January 1, 2002, the date of the last actuarial valuation, the retirement fund had a funded ratio of 99.5% or, for every dollar of benefits due, the Plan has $.995 in assets available for payment. The health benefits account has a funded ratio of 85.2% which means that the Plan has $.852 in assets available for payment. Financial market conditions also impact the health of the Plan.

On December 31, 2002, The Plan's net assets totaled $1,323,590,068. Of these funds, $25,296,434 represented monies reserved in DROP accounts.

Management's Discussion and Analysis (continued)

The market volatility impacted the Plan during 2002. The Plan Board has developed an investment allocation pla with the help of an outside consultant and continually monitors the Plan's investments. As of December 31, th Plan's net asset activity was:

	2002	2001	Increase/ (Decrease)	% Change
Current assets	$ 40,205,250	$ 63,362,814	$ (23,157,564)	(36.55%)
Investments, at fair value	1,288,904,731	1,417,831,382	(128,926,651)	(9.09%)
Property, plant & equipment	1,291,077	1,291,124	(47)	(0.00%)
Total assets	1,330,401,058	1,482,485,320	(152,084,262)	(10.26%)
Total liablilities	6,810,990	14,671,293	(7,860,303)	(53.58%)
Plan net assets	$ 1,323,590,068	$ 1,467,814,027	$ (144,223,959)	(9.83%)

Reserves

The Plan has established a reserve account for the accumulated DROP benefits. These funds are designated for th individuals who have elected to participate in the DROP program which is more fully described in note 4 to th financial statements. Upon retirement, the member can elect to receive distributions or keep the accumulate monies with the Plan. The health benefits account is reserved for the payment of a portion of health and denta premiums for participating retirees and their beneficiaries. The remaining assets are available to pay retiremen benefits.

Plan Activities

A decline in the fair value of investments, a decrease in the number of active employees for whom contribution were made, and an increase in benefits contributed to the reduction in Plan net assets as of December 31, 2002 The net assets decreased by $144,223,959 or (9.83%) during 2002. Key elements are discussed below:

Revenues - Additions to Plan Assets

The monies needed to pay benefits are accumulated from the contributions made from employers and the incom generated from the Plan's investments, including interest, dividends and proceeds from the sale of individua investments. Any earnings on investments are reported net of investment management expenses. Employe contributions for 2002 totaled $50,801,045, a 1.37% increase from 2001. The market conditions during 200 negatively impacted the Plan's total investment income which decreased by 37.14% from 2001.

Management's Discussion and Analysis (continued)

	2002	2001	Increase/ (Decrease)	% Change
Employer contributions	$ 50,801,045	$ 50,112,440	$ 688,605	1.37%
Employee contributions	93,905	92,495	1,410	1.52%
Investment earnings	(124,154,841)	(90,529,364)	(33,625,477)	(37.14%)
Total additions	$ (73,259,891)	$ (40,324,429)	$ (32,935,462)	(81.68%)

Expenses - Deductions from Plan Net Assets

The Plan provides a lifetime benefit to its retired members, survivor benefits, disability benefits, and retiree health and dental benefits. Annual Plan expenditures include retirement benefits, DROP distributions, refunds of employee contributions and administrative expenses. For the year ending December 31, 2002, these costs totaled $70,964,068, representing an 8.39% increase over 2001. A majority of the increase is attributed to increased retirement benefit payments. The Board granted retirees a 1% cost-of-living adjustment effective January 1, 2002.

	2002	2001	Increase/ (Decrease)	% Change
Benefits	$ 68,881,233	$ 63,419,223	$ 5,462,010	8.61%
Employee refunds	14,325	23,853	(9,528)	(39.94%)
Administrative expenses	2,068,510	2,028,993	39,517	1.95%
Total deductions	$ 70,964,068	$ 65,472,069	$ 5,491,999	8.39%

Requests for Information

This discussion and analysis is designed to provide the Plan Board, the employers, and the membership with an overview of the Plan's financial position as of December 31, 2002.

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

Denver Employees Retirement Plan
777 Pearl Street
Denver, CO 80203

Combining Statement of Plan Net Assets

December 31, 2002 (With Comparative Totals for December 31, 2001)

Assets	Retirement	Health Benefits	2002 Total	2001 Total
Cash and short-term investments (note 6)	$ 31,914,136	$ 1,806,122	$ 33,720,258	$ 45,898,61
Receivables:				
Employer contributions	588,843	44,321	633,164	651,75
Unsettled securities sold	400,875	22,687	423,562	10,960,12
Interest and dividends	5,137,518	290,748	5,428,266	5,852,32
Total receivables	6,127,236	357,756	6,484,992	17,464,20
Investments, at fair value (notes 2c and 6):				
U.S. government obligations	251,547,954	14,235,897	265,783,851	265,364,92
Domestic corporate bonds and other fixed income	188,963,661	10,694,053	199,657,714	211,934,84
Domestic equity	488,710,770	27,657,692	516,368,462	642,521,75
International equity	144,693,699	8,188,676	152,882,375	145,801,67
Real estate	116,722,696	6,605,708	123,328,404	122,351,10
Other investments	29,229,722	1,654,203	30,883,925	29,857,07
Total investments	1,219,868,502	69,036,229	1,288,904,731	1,417,831,38
Property and equipment, at cost, net of accumulated depreciation of $1,278,863 and $1,224,576 at December 31, 2002, and 2001, respectively	1,221,924	69,153	1,291,077	1,291,12
Total assets	1,259,131,798	71,269,260	1,330,401,058	1,482,485,32
Liabilities				
Unsettled securities purchased	4,858,095	274,935	5,133,030	12,792,52
Accounts payable	1,588,085	89,875	1,677,960	1,878,76
Total liabilities	6,446,180	364,810	6,810,990	14,671,29
Net assets held in trust for benefits (see schedule of funding progress)	$1,252,685,618	$70,904,450	$1,323,590,068	$1,467,814,0
Net assets held in trust for pension and health benefits	$1,227,389,184	$70,904,450	$1,298,293,634	$1,458,352,9
Net assets held in reserve for DROP benefits	25,296,434	-	25,296,434	9,461,0
Net assets held in trust for benefits (see schedule of funding progress)	$1,252,685,618	$70,904,450	$1,323,590,068	$1,467,814,0

The accompanying notes are an integral part of these statements.

Combining Statement of Changes in Plan Net Assets

Year Ended December 31, 2002 (With Comparative Totals for the Year Ended December 31, 2001)

Additions	Retirement	Health Benefits	2002 Total	2001 Total
Contributions (note 3):				
City and County of Denver	$ 39,454,267	$ 2,969,676	$ 42,423,943	$ 40,697,985
Denver Health and Hospital Authority	7,790,705	586,397	8,377,102	9,414,455
Plan members	93,905	-	93,905	92,495
Total contributions	47,338,877	3,556,073	50,894,950	50,204,935
Investment income/(loss):				
Net appreciation/(depreciation) in fair value of investments	(157,063,999)	(9,047,894)	(166,111,893)	(137,627,089)
Interest	23,730,433	1,364,701	25,095,134	28,954,754
Dividends	12,519,353	719,961	13,239,314	14,769,130
Real estate/other investments income	9,351,313	536,943	9,888,256	9,689,231
	(111,462,900)	(6,426,289)	(117,889,189)	(84,213,974)
Less investment expense	5,925,591	340,061	6,265,652	6,315,390
Net investment income/(loss)	(117,388,491)	(6,766,350)	(124,154,841)	(90,529,364)
Total additions/(reductions)	(70,049,614)	(3,210,277)	(73,259,891)	(40,324,429)
Deductions				
Retired member benefits	61,884,415	6,561,307	68,445,722	63,344,870
DROP benefits paid	435,511	-	435,511	74,353
Refunds of contributions	14,325	-	14,325	23,853
Administrative expenses	1,955,993	112,517	2,068,510	2,028,993
Total deductions	64,290,244	6,673,824	70,964,068	65,472,069
Net increase/(decrease) in plan net assets	(134,339,858)	(9,884,101)	(144,223,959)	(105,796,498)
Net assets held in trust for benefits:				
Beginning of year	1,387,025,476	80,788,551	1,467,814,027	1,573,610,525
End of year	$1,252,685,618	$ 70,904,450	$1,323,590,068	$1,467,814,027

The accompanying notes are an integral part of these statements.

Notes to Combining Financial Statements

December 31, 2002

(1) PLAN DESCRIPTION

The Denver Employees Retirement Plan (the Plan) is a cost-sharing multiple-employer defined benefit pension pla established in 1963 by the City and County of Denver, Colorado. During 1996 the Denver Health and Hospita Authority (DHHA) was created and joined the Plan as a contractual entity. All risks and costs are shared by the Cit and DHHA. There is a single actuarial evaluation performed annually. The Plan has separate legal standing and fiscally independent of the City and County of Denver. All assets of the Plan are funds held in trust by the Plan fo members of the Plan for the exclusive purpose of paying pension and post-retirement health benefits to eligib members.

Substantially all of the general employees of the City and County of Denver are covered under the Plan; howeve employees of the police department, fire department and the Denver Water Board are covered by separate retiremen systems. Some of the employees of the Denver Health and Hospital Authority (DHHA) are also covered under th Plan. At December 31, the Plan membership consisted of the following:

	2002	2001
Retirees and beneficiaries currently receiving benefits	5,233	5,086
Deferred Retirement Option Plan (DROP) participants	481	361
Terminated employees entitled to benefits but not yet receiving such benefits	2,790	2,899
Current employees:		
Vested	6,029	6,091
Non-vested	3,508	4,007
Total	18,041	18,444

The Plan has separate legal standing and, based upon the criterion of financial accountability as defined b Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, may b considered a component unit of the City and County of Denver financial reporting entity. The Plan's financia information is included in the financial statements of the City and County of Denver, Colorado.

The following brief description of the Plan is provided for general information purposes only. Sections 18-40 through 18-430 of the Revised Municipal Code of the City and County of Denver should be referred to for complete description of the Plan.

The Plan provides retirement benefits plus death and disability benefits for its members and their beneficiaries Employees who retire at or after age 65 (or at age 55 if the sum of the employee's age and credited service is at leas 75) are entitled to an annual retirement benefit, in an amount equal to as much as 2.00% of their final average salar for each year of credited service, payable monthly for life. Final average salary is based on the employee's highes

Notes to Combining Financial Statements
December 31, 2002

(1) PLAN DESCRIPTION (continued)

salary during a 36-consecutive-month period of credited service. Employees with 5 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. 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.

The Plan also offers post-retirement health benefits as described in note 7.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

As defined by principles established by the GASB, the financial reporting entity consists of a primary organization and its component units which are legally separate organizations for which the officials of the primary unit are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board and either (a) the ability to impose its will on the organization or (b) the possibility that the component unit will provide a specific financial benefit or impose a specific financial burden on the primary unit, or

2. Fiscal dependency on the primary unit.

Based on the above criteria, there are no other entities that the Plan is required to include within its financial reporting entity.

(b) Basis of Accounting and Presentation

The accompanying combining financial statements are prepared using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States and Government Auditing Standards issued by the Comptroller General of the United States. The financial statements are in compliance with GASB Statements Nos 3, 5, 25, 26, and 34 reporting requirements for public employee retirement systems. Employer contributions and investment income are recognized in the period in which they are due and earned. Expenses, benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

(c) Investments

The Plan's investments are reported at fair value. The fair value of domestic equity securities is based on prices reported by national exchanges. The fair value of international equity securities is based on prices obtained from an approved independent pricing service. Fixed income security fair values are based on the Merrill Lynch Bond Service Report. Fair values of real estate and other investments are determined by independent periodic appraisals

Notes to Combining Financial Statements

December 31, 2002

(c) Investments (continued)

of properties included in the applicable investment trust. Short-term investments, with the exception of internation funds, are recorded at historical cost which approximates fair value.

Investment income is recognized as earned. Gains and losses on sales and exchanges of securities are recognized (the trade date.

For 2002 and 2001, the Plan realized net gains/(losses) on the disposition of investments of ($38,523,439) aı ($33,304,030) respectively. The calculation of realized gains and losses is independent of the calculation of the n appreciation in the fair value of Plan investments and is determined using the weighted average cost metho Unrealized gains and losses on investments held for more than one year and sold in the current year were includ in the net appreciation or depreciation in the fair value of investments reported for 2002 and 2001.

(d) Property and Equipment

Property and equipment is recorded at historical cost. Depreciation on property and equipment is calculated usi the straight-line method over the following estimated useful lives:

Computer equipment	5 years
General office equipment	10 years
Building	30 years

(e) Income Taxes

The Plan's current determination letter issued by the Internal Revenue Service, dated October 19, 2001, qualifi the Plan as a tax-exempt entity pursuant to Section 401(a) of the Internal Revenue Code. The trust is exempt frc federal income tax under Section 501(a) of the Internal Revenue Code.

(f) Estimates Made by Management

The preparation of financial statements in conformity with accounting principles generally accepted in the Unit States requires the Plan's management to use estimates and assumptions that affect the accompanying financ statements and disclosures. Actual results could differ from these estimates.

(g) Reclassifications

Certain 2001 amounts have been reclassified to conform with the 2002 presentation.

Notes to Combining Financial Statements
December 31, 2002

(3) CONTRIBUTIONS

The Plan's funding policy provides for annual employer 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 2002, the City contributed a total of 10% of the salary of covered employees, with a 9.30% contribution, or $47,244,972, for pension benefits and a 0.70% contribution, or $3,556,073, for health benefits. During 2001, the City and County made required contributions at a rate equal to 8.76% of the salary of covered employees, or $43,898,497, for pension benefits and 1.24% of salary, or $6,213,943, for health benefits, resulting in a total contribution of 10% of the salary of covered employees.

An actuarial valuation is performed annually by an independent actuarial consultant to determine that employer contributions are sufficient to provide funds for future Plan benefits and to evaluate the funded status of the Plan.

For 2002, in accordance with the January 1, 2002, actuarially determined contribution requirements, the total required contribution was $52,727,540 ($48,421,198 of normal cost and $645,757 representing the amortization of the unfunded actuarial accrued liability for retirement benefits; $2,272,791 of normal cost and $1,387,794 representing amortization of the unfunded actuarial accrued liability for the health benefits account) based on a rate of 9.99% of projected payroll. The actual contribution was $50,801,045, using a rate of 10.0% of covered payroll. For 2001, in accordance with actuarially determined contribution requirements as of January 1, 2001, contributions totaling $49,733,274 ($48,810,101 of normal cost and a reduction of $5,085,384 representing amortization of the unfunded actuarial liability; and $2,681,039 of normal cost and $3,327,518 representing amortization of the unfunded actuarial accrued liability for the health benefits account) were required based on a contribution rate of 9.90% of projected payroll. The actual contribution of $50,112,440 was determined using a rate of 10.0% of covered payroll.

The employees of the Plan are also participants in the Plan. The Plan's contributions for these employees was $144,734 and $159,622 for 2002 and 2001, respectively, and are included in both employer contributions and expenses in the combining financial statements.

Regular employee contributions are no longer allowed under the Plan. The members' contributions shown on the combining statement of changes in plan net assets are repayments to reinstate service credits for the period prior to January 1, 1979, when participant contributions were allowed. If an employee leaves covered employment, accumulated employee contributions, if any, plus 3.0% interest may be refunded to the employee. Eligible active members may also purchase a maximum of five years of qualifying governmental service.

Notes to Combining Financial Statements

December 31, 2002

(4) DEFERRED RETIREMENT OPTION PLAN (DROP)

Effective January 1, 2001, active members of the plan who are eligible for a normal or rule-of-75 retirement ca choose to enter the Deferred Retirement Option Plan (DROP) for a maximum of four years. While participating i DROP, the member continues to work for the employer, earning a regular salary. The member's monthly retiremei benefits are deposited into a DROP account maintained by the Plan. The balance in each member's DROP accour earns interest at a rate equal to the actuarial assumed rate of return. Sections 18-423 through 18-430 of the Revise Municipal Code of the City and County of Denver should be referred to for more complete information on th Deferred Retirement Option Plan. Upon retirement, members have access to the funds accumulated during the participation in DROP. During 2002, 189 members chose to enter DROP and 69 members exited the progran During 2002 a total of $16,270,849, representing $14,848,585 in benefit payments and $1,422,264 in intere: payments, was credited to members' DROP accounts, while a total of $435,511 was distributed from the DRO accounts to members who had retired and exited DROP. As of December 31, 2002, the reserve for DROP payment was $25,296,434. During 2001, 361 members chose to enter DROP, and 28 members exited the program. A total c $9,535,450, representing $9,186,290 in benefit payments and $349,150 in interest payments, was deposited into th DROP participants' accounts. A total of $74,353 was distributed from DROP accounts during 2001. As of Decembe 31, 2001, there was $9,461,096 was held in reserve for DROP benefits.

(5) PLAN AMENDMENTS

The actuarial assumed rate of return was changed from 7.75% to 8.0%.

The Retirement Board approved a 1.0% cost-of-living adjustment effective January 1, 2002, for all retirees wh retired prior to January 1, 2002.

Effective January 1, 2001, the Board approved a 3.0% cost-of-living adjustment for all retirees who retired prior t January 1, 2001.

Amendments to the postemployment health benefits are discussed in note 7.

(6) CASH DEPOSITS AND INVESTMENTS

Cash Deposits

At December 31, 2002, the carrying amount and the bank balance of the Plan's cash deposits were $6,213,308 an $1,039,976, respectively. At December 31, 2001, the carrying amount and the bank balance of the Plan's casl deposits were $5,046,885 and $1,543,250 respectively. The differences between the carrying amount and the banl balances are due to outstanding checks and deposits not yet processed by the bank. The entire bank balance wa covered by FDIC insurance.

Notes to Combining Financial Statements

December 31, 2002

(6) CASH DEPOSITS AND INVESTMENTS (continued)

Investments

The Retirement Board of the Plan is directed by an ordinance of the City and County of Denver, Colorado, to have sole discretion over the Plan's investments. The Plan contracts with investment managers to manage the majority of the Plan's investments. J.P. Morgan Chase holds these investments under a custodial agreement with the Plan. The Plan also invests in managed real estate group trusts and other investments, including energy partnership funds, timber limited partnerships, and fund-of-fund investments.

The Plan's investments at December 31, 2002, are categorized below to provide an indication of the level of risk assumed by the Plan relative to the custody of investment assets. Investments not evidenced by securities are not categorized. The levels of risk are:

Category 1	Insured or registered, or securities held by the Plan or its agent in the Plan's name,
Category 2	Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Plan's name, and
Category 3	Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the Plan's name.

Investments held by the Plan at December 31, 2002, are summarized below:

	Category			
Security type	1	2	3	Fair Value
Equity securities	$ 669,250,837	$ -	$ -	$ 669,250,837
Fixed income securities	465,441,565	-	-	465,441,565
Short-term investments:				
Commercial paper	11,980,527	-	-	11,980,527
Total categorized securities	$1,146,672,929	$ -	$ -	$1,146,672,929

Notes to Combining Financial Statements
December 31, 2002

(6) CASH DEPOSITS AND INVESTMENTS (continued)

The Plan's non-categorized investments include:

Short-term securities:	
Mutual funds	$ 15,489,315
International funds	37,108
Real estate investment trusts	123,328,404
Fund of funds alternative investments	15,224,052
Timber - limited partnerships	10,000,856
Energy partnership fund	5,659,017
Total non-categorized investments	$ 169,738,752

Certain investment managers, who have been retained by the Plan, are permitted to invest in high quality mortgag backed securities. Certain of these securities are collateralized mortgage obligations (CMOs) which are included fixed income securities on the Statement of Plan Net Assets. Investment in these securities provide the Plan with the ability to lower overall risk and increase investment returns.

Repayments of the CMOs are based upon cash flows related to underlying mortgages. As with all fixed incon securities, the market value of the Plan's CMO portfolio is affected by changes in interest rates. The total fair valı of the CMOs included in the Plan's portfolio as of December 31, 2002, was $4,496,632 or 0.35% of the total fa value of investments. On December 31, 2001, the total fair value of the CMOs included in the Plan's portfolio w $12,201,585 or 0.86% of the total fair value of investments.

Additionally, the Plan's investment managers, who invest in foreign markets, may enter into forward contrac These contracts are assigned no cost but do have a current market value. There were no forward currency contrac outstanding on December 31, 2002, or December 31, 2001.

(7) HEALTH BENEFITS

A health benefits account was established by City ordinance in 1991 to provide, beginning January 1, 199 postemployment health care benefits, to retired members, their spouses and dependents, spouses and dependents deceased active and retired members, and Plan members awaiting approval of retirement applications. For Janua 1, 2002, and 2001, the health insurance premium reduction was $12.00 per month per years of service for retir participants under the age of 65 and $6.00 per month per years of service for retirees aged 65 and older. The heal insurance premium reduction can be applied to the payment of medical and/or dental insurance premiums. T benefit recipient pays the remaining portion of the premium. Effective January 1, 2003, health benefit premiu

Notes to Combining Financial Statements

December 31, 2002

7) **HEALTH BENEFITS** (continued)

:duction will be $12.50 per month per year of service for retired participants under the age of 65 and $6.25 per ıonth per years of service for retirees aged 65 or more.

unding commenced January 1, 1991. For 2002, the amount of the employer contributions allocated to the health enefits account was 0.70% of gross compensation of all active members. For 2001, the contribution was 1.24% f gross compensation. Employees do not contribute to the health benefits account.

'here were 9,537 active employees at December 31, 2002, for whom the employer made contributions to the health enefits account. The actuarially required contribution during 2002 was $3,660,585 and the actual contribution was 3,556,073. The actuarially required contribution during 2001 was $6,008,557 and the actual contribution was 6,213,943.

:ffective January 1, 2002, the annual retiree medical plan benefit inflation assumption was changed from 5.0% to ero.

ıt December 31, the Health Benefits account membership consisted of the following:

	2002	2001
Retirees and beneficiaries currently receiving health insurance premium reductions	3,520	3,398
Retirees and beneficiaries entitled to health insurance premium reductions but not receiving any reductions	1,713	1,688
Terminated employees who will be eligible for health insurance premium reduction upon retirement	2,790	2,899
Deferred Retirement Option Plan (DROP) participants	481	361
Current employees:		
Vested	6,029	6,091
Non-vested	3,508	4,007
Total	18,041	18,444

Required Supplementary Information

Schedule of Funding Progress

Retirement Fund

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL)-entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/(c)
1-1-97	$908,759,547	$920,242,549	$11,483,002	98.8%	$372,620,370	3.1%
1-1-98	996,981,845	995,550,162	(1,431,683)	100.0	389,589,930	0.0
1-1-99	1,116,551,051	1,090,000,921	(26,550,130)	102.4	403,314,070	0.0
1-1-00	1,288,567,879	1,240,138,714	(48,429,165)	103.9	439,049,750	0.0
1-1-01	1,397,491,574	1,349,865,371	(47,626,203)	103.5	474,440,780	0.0
1-1-02	1,459,257,726	1,466,105,079	6,847,353	99.5	438,984,970	1.6

Health Benefits Account

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL)-entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/(c)
1-1-97	$43,110,629	$63,068,715	$19,958,086	68.4%	$372,620,370	5.4%
1-1-98	51,348,645	77,011,228	25,662,583	66.7	389,589,930	6.6
1-1-99	60,712,975	90,290,956	29,577,981	67.2	403,314,070	7.3
1-1-00	71,604,593	101,856,283	30,251,690	70.3	439,049,750	6.9
1-1-01	79,448,655	110,611,890	31,163,235	71.8	474,440,780	6.6
1-1-02	85,000,482	99,716,089	14,715,607	85.2	438,984,970	3.3

See accompanying notes to required supplementary schedules.

Required Supplementary Information
Schedule of Employer Contributions

Retirement Fund

Year beginning January 1	Annual required contribution (1)	Percentage contributed (2)
1997	$34,206,811	99.7%
1998	35,505,217	97.7
1999	35,287,732	100.0
2000	40,438,762	100.0
2001	43,724,717	100.0
2002	49,066,955	96.3

Health Benefits Account

Year beginning January 1	Annual required contribution (1)	Percentage contributed (2)
1997	$4,639,369	100.0%
1998	5,476,499	100.0
1999	6,327,279	100.0
2000	5,683,070	100.0
2001	6,008,557	100.0
2002	3,660,585	97.1

(1) Employers made contributions based on the legally required rates.

(2) Contributions in excess of annual required contribution are presented as 100%

See accompanying notes to required supplementary schedules.

Notes to Required Supplementary Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated and apply to both the Retirement Fund and the Health Benefits Account. Additional information as of the latest actuarial valuation follows:

Valuation date	01-01-02
Actuarial cost method	Entry Age
Amortization method	Level percentage of projected payroll - Closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.1 - 8.7%
Includes inflation at	4.0%
Cost-of-living adjustments	None
Health Insurance Benefit Inflation	0%

Supporting Schedules

Schedule of Administrative Expenses

Year ended December 31, 2002

Operating Expenses	
Personnel services	
Salaries	$1,110,780
Employee benefits	325,007
Total personnel services	1,435,787
Professional services	
Actuarial	74,814
Retirement board	27,899
Audit	25,000
Legal	6,766
Medical examination	3,740
Consultation	3,158
Total professional services	141,377
Office operations	
Plan insurance	53,653
Office forms and printing	36,591
Postage	31,870
Office equipment	20,325
Employee education	13,103
Telephone	12,605
Employee travel and conference	10,765
Publications	9,061
Miscellaneous operating	8,548
Office supplies	6,541
Auto	2,557
Personnel services	1,902
Total office operations	207,521
Computer operations	
Computer and software leasing	64,692
Computer supplies	7,614
Other computer expenses	4,924
Total computer operations	77,230
Total operating expenses	1,861,915
Miscellaneous administrative expenses	
Building operations	132,563
Depreciation expense	74,032
Total miscellaneous administrative expenses	206,595
Total administrative expenses	$2,068,510

Supporting Schedules
Schedule of Investment Expenses
Year ended December 31, 2002

Domestic equity portfolio management	$2,226,546
Real estate portfolio management	1,138,747
International equity portfolio management	861,978
Fixed income portfolio management	856,957
Alternative investment portfolio management	501,377
Other investment related expenses	440,281
Custody	239,766
Total investment management expenses	$6,265,652

Investment Section

CALLANASSOCIATES

MICHAEL J. O'LEARY, JR., CFA
EXECUTIVE VICE PRESIDENT

April 24, 2003

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

Michael P. Heitzmann
Executive Director
Denver Employees' Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Dear Mr. Heitzmann:

This letter reviews the performance for the Denver Employees Retirement Plan (DERP) for the year ended December 31, 2002.

Callan Associates Inc. independently calculates time-weighted performance statistics based ultimately on underlying custodial data. The performance calculations were made in compliance with AIMR Performance Presentation Standards. Callan Associates Inc. serves as DERP's independent investment consultant and evaluates DERP's performance in relation to market indices, appropriate manager peer groups and other public funds.

The Plan's primary investment objective is to prudently and expertly invest assets, in accordance with governing law and industry practices, in a manner that will help ensure the Plan's ability to pay promised benefits to its members and their beneficiaries. In pursuit of this objective, the DERP Board periodically evaluates liabilities, expected contributions, and potential earnings. This analysis is used to consider a wide range of potentially viable investment strategies. The Board selects a strategic investment policy that balances long-term growth potential and acceptable risk. A policy benchmark is constructed that mirrors DERP's strategic asset allocation policy. This policy benchmark is a custom index comprised of equity, fixed income, and real estate market indices weighted in the same proportions as DERP's investment policy.

Market Environment

The stock market, as measured by the Russell 3000 Stock Index, registered a substantial decline of 21.54% in calendar 2002. In combination with the losses registered in the prior two years, the stock market decline is now actually more protracted and at least as severe as the 1973-74 bear market. There has literally been no safe place to hide in this market environment. Unlike 2000 and 2001 when small cap stocks and value oriented strategies managed to hold up, the decline in 2002 affected stocks across the board. Fortunately, markets and the economy showed signs of sluggish recovery in the fourth quarter of the year.

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For the year, international stocks, on balance, mirrored domestic stocks. Weakening of the dollar, however, helped international stock indices post smaller declines in U.S. dollar terms than those experienced in domestic equities.

Interest rates declined substantially during the year. By year-end, interest rates across the entire maturity spectrum had fallen to levels not experienced in decades. The decline in rates naturally helped bond market values to increase substantially. Within the bond market, high quality instruments significantly outperformed comparably dated lower quality instruments.

DERP Performance

For the calendar year, DERP's total fund had a time-weighted total return of negative 7.88%. When compared to Callan's Public Fund Database, DERP ranked in the 42nd percentile. This strong ranking is largely attributable to the Plan having a very well diversified asset allocation policy. The return modestly trailed DERP's strategic policy benchmark target return of negative 7.44%. The policy benchmark is comprised of the following indices in the percentages as indicated: Russell 3000 (41%); MSCI EAFE (14%); Lehman Brothers Aggregate Bond Index (34%); NCREIF Total Index (8%); and Alternative Investments (3%). Over the trailing five years ended 12/31/02, DERP achieved a positive annualized return of 3.48% despite experiencing the worst bear market in modern history; this was slightly below the Plan's policy target return of 3.67%. When compared to other public funds, the Plan's five-year return ranked in the 42nd percentile. When compared to other large public funds (those with more then $1 billion in assets) the ranking improved to the 37th percentile.

As noted earlier, DERP's broad diversification was the primary driver in the achievement of strong relative performance results for calendar 2002. For example, DERP has a 14% target allocation to international equities. The Plan's target index for international equity is the MSCI EAFE Index. This index declined 15.94% for the year while DERP's international equity composite declined 17.85%. Thus, while DERP's international managers declined slightly more than their market benchmark for the full year, the Plan still benefited from international diversification as domestic equities declined by a larger percent (the Russell 3000 was down 21.54%).

DERP's U.S. equity composite declined 22.31% in 2002. This was poor in absolute terms, but close to the U.S. equity market target return of negative 21.54%. The slight under-performance experienced in the calendar year was attributable to a growth bias in the large cap segment of the portfolio. The DERP Board took action to reduce this bias during the year. DERP utilizes two active managers to achieve small company exposure. This segment of the equity portfolio achieved a negative return of 17.93%, which was better than the appropriate small cap index return of negative 20.48%. It is interesting to note that small cap stocks have fared better than large cap stocks throughout the bear market. The Plan's broad diversification both by style and capitalization has been beneficial.

DERP has a high quality bias in the bond area. This bias was a major factor in DERP's better than median total fund performance. DERP's fixed income composite registered a positive total return of 10.93% for the year. This return compares very favorably with the results posted by other public funds and was superior to the bond market index return of 10.26%.

In summary, calendar 2002 was another difficult and challenging year for investors. Fortunately, DERP's conservative asset allocation strategy and broad diversification helped the Plan weather the market declines in a comparatively strong manner.

Sincerely,

Michael J. O'Leary, Jr., CFA
Executive Vice President

This section was prepared by the Plan's Staff.

Mission

The Denver Employees Retirement Plan was established on January 1, 1963, as a defined benefit plan. The 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, retired 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 the rate of return.

Investment Responsibilities

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

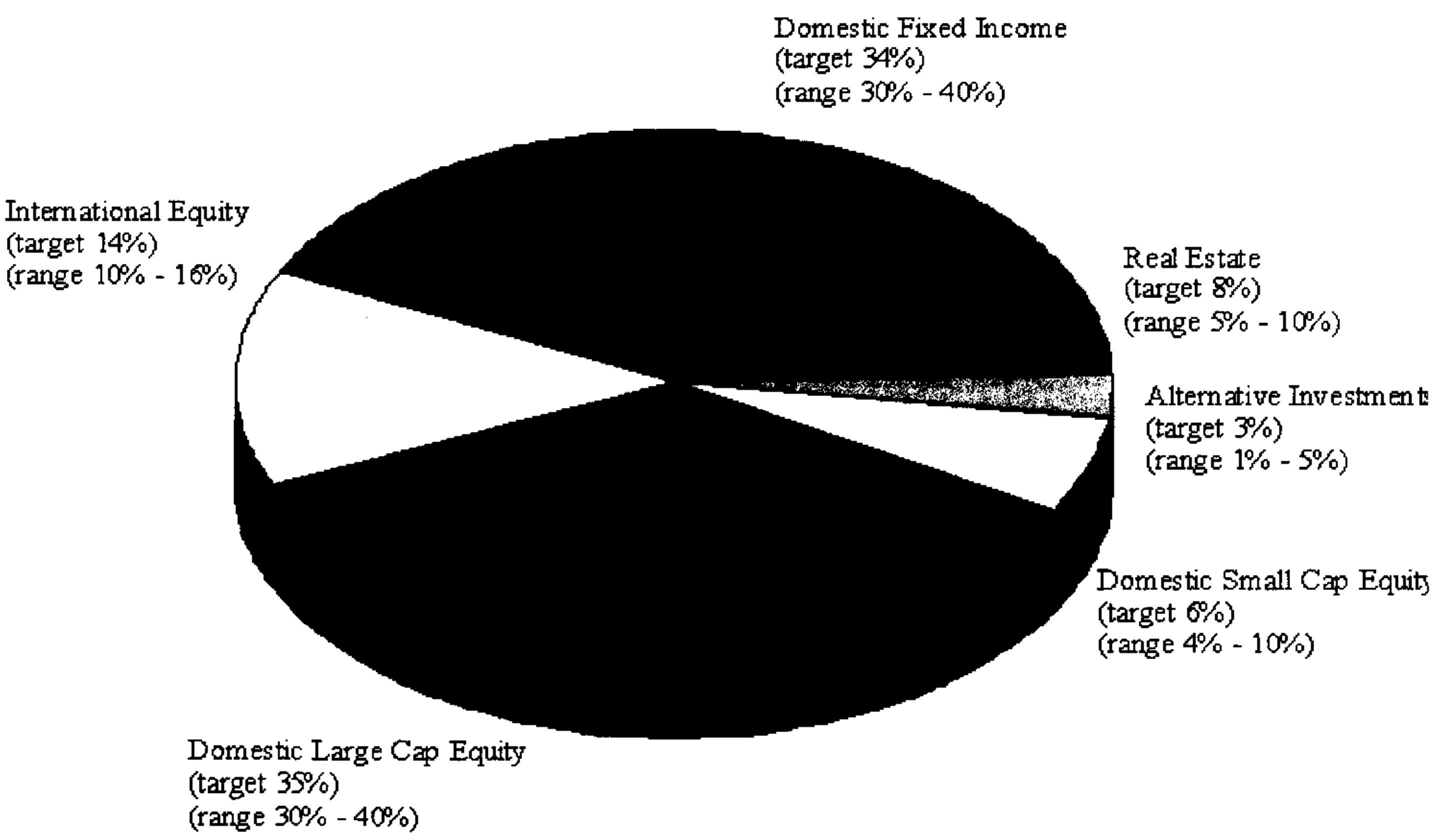
(a) providing a net realized real rate of return in excess of three percent, annualized, over a full market/economic cycle of three to seven years;
(b) maintaining an efficient portfolio determined by the risk and return concepts of the Capital Market Line; and
(c) exceeding the rate of return of that achieved by a passively managed portfolio weighted in the same proportion and at the same risk.

Asset Allocation

The 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.

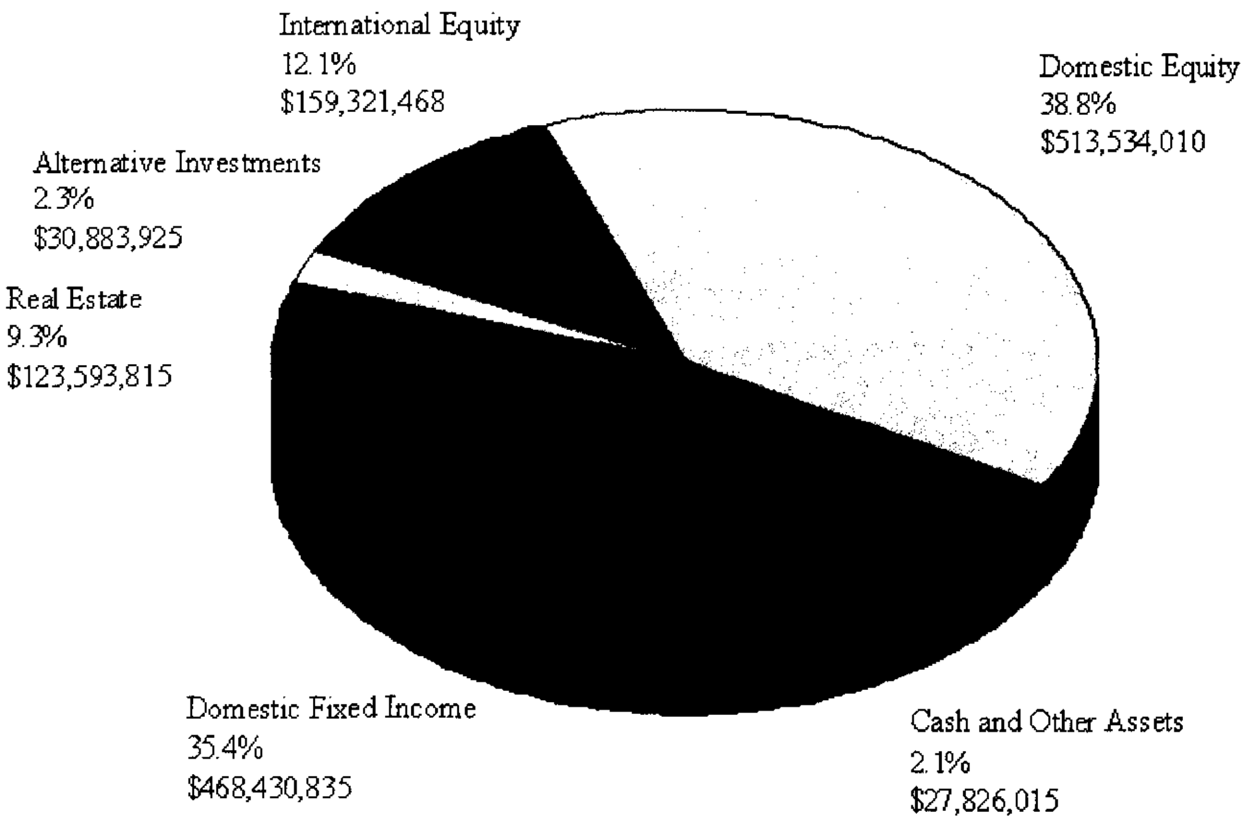
The first formal asset allocation plan was adopted by the Board on April 7, 1989. There have been subsequent asset allocation plans adopted with the most recent being on May 10, 2002. Callan Associates Inc. assisted the Board in developing the latest asset allocation.

The current asset allocation strategy is shown below:

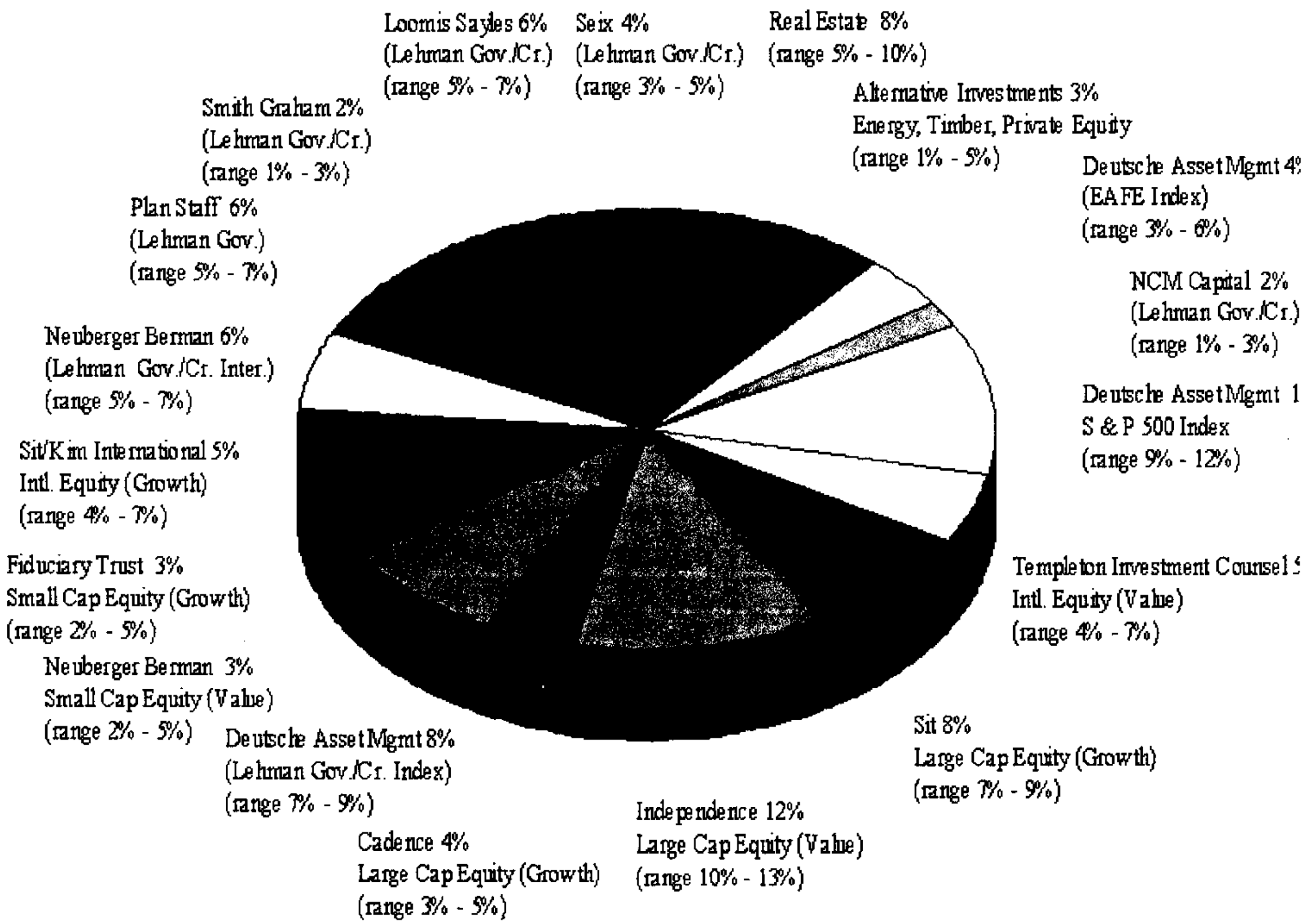


At target, a portfolio so allocated would be expected to achieve a 8.13% return with a standard deviation (risk) of 11.62%.

The total market value of the Plan on December 31, 2002, was $1,323,590,068. At December 31, 2002, the Plan's assets were allocated as shown in the graph below:



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



The Plan's investment 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, 2002, are shown below:

Top Ten Stock Holdings
December 31, 2002

Shares	Stocks	Market Value
243,516	CitiGroup	$8,569,328
164,300	Microsoft	8,494,310
207,800	Exxon Mobile	7,260,532
218,650	Pfizer	6,684,131
127,000	Wells Fargo	5,952,490
101,218	American Int'l Group	5,855,461
114,637	Viacom	4,672,604
88,300	Amgen	4,268,422
62,050	Int'l Business Machines	4,808,875
170,600	General Electric	4,154,110

A complete listing of stock holdings is available at the Plan offices.

Top Ten Bond Holdings
December 31, 2002

Par	Bonds			Market Value
$9,610,000	Federal Nat'l Mortgage Assn.	5.500%	due 02-15-06	$10,510,938
9,230,000	U.S. Treasury Note	4.375%	due 05-15-07	9,910,713
7,020,000	U.S. Treasury Bond	8.125%	due 08-15-19	9,777,526
7,470,000	U.S. Treasury Note	2.250%	due 07-31-04	7,568,081
5,500,000	U.S. Treasury Bond	7.500%	due 11-15-16	7,192,955
6,300,000	U.S. Treasury Note	5.625%	due 02-15-06	6,977,250
5,550,000	U.S. Treasury Note	6.500%	due 08-15-05	6,207,342
5,000,000	U.S. Treasury Bond	6.625%	due 02-15-27	6,176,550
5,816,789	Federal Nat'l Mortgage Assn.	7.000%	due 09-01-31	6,118,331
5,455,000	U.S. Treasury Bond	5.375%	due 02-15-31	5,947,641

A complete listing of bond holdings is available at the Plan offices.

Investment Performance

The Plan contracts with R.V. Kuhns and Associates, Inc., Callan Associates, and the Townsend Group to measure investment results on a quarterly basis. The returns are calculated using a time-weighted rate of return based on the market value of assets in accordance with AIMR's Performance Presentation Standards. Returns are reported gross of fees. The estimated annualized return from the inception of the Plan on January 1, 1963, to December 31, 2002, is 9.1%. Annualized investment results for the year ending December 31, 2002, are as follows:

	Last year	Last 3 years	Last 5 years
Domestic Equity	-22.31%	-13.60%	0.35%
S & P 500 Index	-22.10	-14.55	-0.59
International Equity	-17.85	-20.93	-4.04
MSCI EAFE Index	-15.94	-17.24	-2.89
Fixed Income	10.93	10.30	7.58
Lehman Aggregate Index	10.26	10.10	7.55
Real Estate	7.49	9.43	10.68
NCREIF Index	6.75	8.73	10.72
Cash	1.80	4.18	4.68
T-Bills	1.78	4.11	4.49
Total Portfolio	-7.88	-4.73	3.48
Callan Public Plan >$1B Universe	-8.74	-4.36	3.08
Consumer Price Index	2.40	2.40	2.30

Schedule of Investment Commissions
December 31, 2002

BROKER	QUANTITY (UNITS)	BROKER COMMISSION	COMMISSION PER/SHARE
ABEL NOSER	1,297,400	64,870	0.050
ADAMS HARKNESS	590,500	26,336	0.045
ADVEST INC	93,500	4,675	0.050
ARCHIPELAGO	395,200	7,904	0.020
ARNHOLD & BLEICHROEDER	185,723	8,234	0.044
BAIRD (ROBERT)	84,000	4,200	0.050
BANC OF AMERICA	732,200	32,612	0.045
BEAR STEARNS	438,550	20,162	0.046
BERNSTEIN	287,900	14,550	0.051
BNY-ESI & CO	87,800	4,390	0.050
BRIDGE TRADING	104,800	5,659	0.054
BROADCORT CAPITAL	550,250	30,575	0.056
CANTOR FITZGERALD	255,300	12,608	0.049
CIBC WORLD MARKETS	250,200	10,742	0.043
COWEN & CO.	295,950	14,525	0.049
CREDIT LYONNAIS	41,650	2,083	0.050
DEUTSCHE BANC ALEX BROWN	238,150	11,004	0.046
DILLON REED	75,600	3,780	0.050
DOMINION SECURITIES	81,700	4,115	0.050
DOUGHERTY & CO	200,600	9,319	0.046
EDWARDS (AG)	82,300	4,460	0.054
EXECUTION SERVICES	72,900	3,645	0.050
FIDELITY CAPITAL	363,671	21,331	0.059
FIRST BOSTON	1,013,713	45,953	0.045
FLEET TRADING	292,700	6,258	0.021
FOX PITT KELTON	62,950	3,363	0.053
FRIEDMAN	83,500	4,175	0.050
FULCRUM GLOBAL	38,500	1,925	0.050
GERARD/KLAUER	101,100	4,814	0.048
GOLDMAN SACHS	1,394,824	67,344	0.048
HOWARD WEIL	57,400	2,880	0.050
INSTINET CORP.	748,581	21,641	0.029
INT'L STRATEGY	60,550	3,053	0.050
INVESTEC ERNEST	59,050	3,276	0.055
INVESTMENT TECH	1,077,187	21,964	0.020
JANNEY MONTGOMERY	107,500	5,375	0.050
JEFFERIES & CO.	582,794	20,491	0.035
JONES & ASSOCIATES	57,700	2,874	0.050
J.W. WILSON	149,600	7,386	0.049
KEEFE BRUYETTE & WOODS	428,528	20,736	0.048
KEVIN DANN & PARTNERS	109,400	5,458	0.050
LADENBURG	71,100	3,304	0.046
LAZARD FRERES	176,400	8,820	0.050
LEERINK SWANN	137,500	6,875	0.050
LEGG MASON WOOD	46,300	2,315	0.050
LEHMAN BROTHERS	621,900	26,992	0.043
LIQUIDNET	102,750	2,027	0.020
MCDONALD & CO	51,800	2,590	0.050

Schedule of Investment Commissions (continued)

BROKER	QUANTITY (UNITS)	BROKER COMMISSION	COMMISSION PER/SHARE
MERRILL LYNCH	1,351,738	66,377	0.049
MIDWEST RESEARCH	46,400	2,320	0.050
MONTGOMERY SECURITIES	249,900	12,135	0.049
MORGAN J.P.	265,085	10,158	0.038
MORGAN KEEGAN	83,800	2,345	0.028
MORGAN STANLEY	538,750	24,931	0.046
NEEDHAM	352,900	13,850	0.039
OTA LIMITED	140,700	6,323	0.045
PATRICK J COLLINS	35,400	1,647	0.047
PERSHING & CO	907,000	45,350	0.050
PIPER JAFFRAY	40,500	1,972	0.049
PRUDENTIAL SECURITIES	343,901	16,915	0.049
PULSE TRADING	281,600	12,598	0.045
RAYMOND JAMES	185,206	4,055	0.022
ROBINSON-HUMPHREY	206,100	9,194	0.045
SALOMON SMITH BARNEY	383,300	14,505	0.038
SANDLER ONEILL	100,600	5,028	0.050
SCHWAB, CHARLES	36,700	1,797	0.049
SIDOTI & COMPANY	529,750	21,641	0.041
SIMMONS & CO	66,700	3,335	0.050
SMITH BARNEY	282,700	13,845	0.049
SOUNDVIEW FINANCIAL	196,300	9,715	0.049
SOUTHWEST SECURITIES	73,398	3,005	0.041
SPEAR LEADS KELLOGG	47,300	2,047	0.043
STEPHENS INC	72,500	3,492	0.048
THINKEQUITY	283,000	12,859	0.045
THOMAS WEISEL	437,600	19,400	0.044
UBS WARBURG	327,750	12,996	0.040
WACHOVIA	575,800	28,439	0.049
WEEDEN	91,400	4,486	0.049
WELLS FARGO SECURITIES	112,000	5,457	0.049
WESTMINSTER	294,900	13,350	0.045
WILLIAM BLAIR	243,633	10,547	0.043
WILSHIRE ASSOCIATES	447,720	22,386	0.050
All other brokers ($1,500 or less)	708,147	34,457	0.049
TOTAL	**24,779,349**	**$1,096,619**	**0.044**

Total recaptured commissions for 2002 were, $129,733.37.

Schedule of Investment Management Fees

December 31, 2002

Fees on Externally Managed Portfolios

	Assets under Management	Fees
U.S. Equities		
Actively Managed		
Large Cap	$ 280,943,294	$ 1,124,432
Small Cap	94,734,611	1,017,188
Passively Managed	140,690,557	84,926
International Equiites		
Actively Managed	119,113,741	854,053
Passively Managed	33,768,634	7,925
U.S. Fixed Income Managers		
Actively Managed	357,863,066	788,133
Passively Managed	107,578,499	68,825
Real Estate Managers		
Fees are netted with earnings	47,422,112	281,401
Fees are paid separately	75,906,292	765,646
Alternative Investments		
Fees are netted with earnings	18,366,115	156,507
Fees are paid separately	12,517,810	344,870
	$ 1,288,904,731	$ 5,493,906

Other Investment Service Fees

Custodial Fees	$ 239,765
Investment Consultant Fees	177,678
Performance Measurement	40,500

Actuarial Section

Thomas F. Martini, EA
Principal

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Denver, CO 80202-2123
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Internet: martint@towers.com

Towers Perrin

May 29, 2003

Retirement Board
Denver Employees Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Dear Members of the Board:

An actuarial valuation of the Retirement Plan is completed annually. The most recent valuation was performed as of January 1, 2002.

The actuarial cost method used to determine the contribution requirements was the entry age actuarial cost method with the normal cost expressed as a level percentage of pay. The required contribution was determined as the amount sufficient to fund the normal cost and amortize the unfunded actuarial accrued liability over 20 years. Gains and losses are reflected in the unfunded actuarial accrued liability.

The financial objective of the Retirement Board is to ensure that the Employer's contributions to the Plan provides adequate level funding, as a percentage of active member payroll, to pay future benefits. The January 1, 2002, valuation indicates that the current contribution rate is sufficient to pay the Plan's normal cost and amortize the unfunded actuarial liability within 20 years.

The actuarial value of assets is determined using a method designed to temper fluctuation in the market value of assets. Twenty percent of the difference between a projected actuarial value and the market value is added to the projected actuarial value to obtain the actuarial value of assets.

Significant changes in Plan provisions made during the last three years include a 3% cost of living increase to retirees effective January 1, 2000, a 2% cost of living increase to retirees effective January 1, 2001, and a 1% cost of living increase to retirees effective January 1, 2002. For 2000, retiree medical benefits were increased to $11.00 a month per year of service for members while under age 65, and $5.50 a month per year of service for participants after age 65. For 2001, the amounts were increased from $11.00 to $12.00 a month and $5.50 to $6.00 a month. For 2002, the amounts were increased (effective January 1, 2003) from $12.00 to $12.50 a month and $6.00 to $6.25 a month. Also for 2000, the pension plan's multiplier was increased from 1.75% of final average salary to 2.0% of final average earnings.

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Retirement Board
May 29, 2003
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Towers Perrin

The valuation assumptions are adopted by the Retirement Board based on the actuary's recommendations. Effective January 1, 2000, the assumed investment return, net of expenses, was increased to 7.75% from 7.50%. Effective January 1, 2002, the assumed investment return, net of expenses, was increased to 8.00% from 7.75%. Experience Investigations are performed periodically by the actuary to review the assumptions. The assumptions are selected to reflect actual past experience and to recognize developing trends which are likely to affect future experience. With the exception of the change in the assumed investment return, no changes in assumptions were made as a result of the most recent Investigation for the period from 1998 to 2001. The assumptions and methods used for funding purposes meet the requirements for financial disclosures as described in GASB Statement No. 25.

Data used for the actuarial valuation is supplied by the Executive Director. The data is thoroughly examined by the actuary for reasonableness and consistency with prior years' data. The Schedules of Funding Progress and Employer Contributions in the Financial Section of this report have been developed from data in the actuarial reports and are reasonable and consistent.

Towers Perrin has prepared the following supporting schedules for inclusion in the Actuarial Section of this report:

- Summary of Actuarial Assumptions and Methods
- Analysis of Financial Experience
- Schedule of Retirees and Beneficiaries
- Schedule of Active Members
- Solvency Test
- Summary of Principal Plan Provisions

On the basis of the January 1, 2002 valuation, it is our opinion that the current financial condition and operation of the Retirement Plan are sound.

Sincerely,

Thomas F. Martini
Principal

TFM/mlv

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Summary of Actuarial Assumptions and Methods

(Adopted as of January 1, 1998)

◆ Investment return, net of expenses	8.00% per year. (Revised as of January 1, 2002)
◆ Salary increases	See Exhibit A.
◆ Mortality	
- healthy	1983 Group Annuity Mortality Table (See Exhibit B).
- disabled	1983 Railroad Board Mortality Table
◆ Termination	See Exhibit C.
◆ Disability	See Exhibit C.
◆ Entry Age	Age on birthday nearest valuation date following employment.
◆ Retirement	See Exhibit D.
◆ Form of Payment	Life annuity.
◆ Proportion of participants with spouses	75% of male and 60% of female participants are assumed to be married with spouses assumed to be the same age.
◆ Valuation earnings	Prior year's earnings projected with one year's salary scale.
◆ Retiree Medical Plan Participation	
- current retirees under age 65 without coverage	0% at age 65 and older.
- terminated vested retirees	50% while under age 65; 50% at age 65 and older.
- active employees by decrement	
retirement	85%
termination	50%
disability	80%
death	80%
◆ Retiree Medical Plan Benefit Inflation	0.0% per year for all years including deferral period.
◆ Post-retirement Benefit Inflation	No post-retirement cost-of-living increases are assumed. Increases are provided on an ad hoc basis.

Summary of Actuarial Assumptions and Methods

Exhibit A		
Salary Increases		
Age	Percentage Increase in the Year	Ratio of Salary at Age 65 to Current Salary
25	8.7	10.18
30	7.7	6.84
35	6.8	4.80
40	6.2	3.99
45	5.7	2.61
50	5.3	1.99
55	4.9	1.55
60	4.4	1.23

The salary assumption is based on an inflation rate of approximately 4.0%.

Exhibit B		
Mortality Assumptions Annual Rate per 1,000 Participants		
1983 Group Annuity Mortality		
Age	Male	Female
25	0.464	0.253
30	0.607	0.342
35	0.860	0.476
40	1.238	0.665
45	2.183	1.010
50	3.909	1.647
55	6.131	2.541
60	9.158	4.241
65	15.592	7.064
70	27.530	12.385
75	44.597	23.992
80	74.070	42.945

Summary of Actuarial Assumptions and Methods

Exhibit C

Rates of Separation
Annual Rate per 1,000 Participants

	Termination		Disability	
Age	Male	Female	Duty	Non-Duty
25	138.9	142.6	.20	1.00
30	103.3	117.5	.20	1.00
35	76.9	93.0	.20	1.00
40	56.7	71.7	.20	1.00
45	40.7	53.5	.20	1.00
50	27.8	38.1	2.00	4.00
55	17.2	24.9	2.00	4.00
60	8.3	13.7	2.00	4.00
65	--	--	2.00	4.00

Exhibit D

Retirement Assumptions

Percentage of Eligible Participants at Age Shown Who Retire During the Year

Age	Male & Female
55	7.5%
56	5.0
57	5.0
58	5.0
59	5.0
60	10.0
61	7.5
62	25.0
63	20.0
64	25.0
65	55.0
66	30.0
67	30.0
68	30.0
69	50.0
70	100.0

Summary of Actuarial Assumptions and Methods

Calculation of Normal Cost and Actuarial Accrued Liability: The method used to determine the normal cost and actuarial accrued liability was the Entry Age Actuarial Cost Method described below.

Entry Age Actuarial Cost Method

Projected benefits were determined for all active participants under age 70. Cost factors designed to produce annual costs as a constant percentage of each participant's expected pay in each year from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The actuarial assumptions shown above for normal cost and actuarial accrued liability were used in determining the projected benefits and cost factors. The actuarial accrued liability for active participants (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs. Actuarial gains or losses adjust the actuarial accrued liability.

The actuarial accrued liability for retired participants and their beneficiaries currently receiving benefits, active participants age 70 and over, terminated vested participants and disabled participants not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No normal costs are now payable for these participants.

Calculation of the Actuarial Value of Assets: The actuarial value of assets is calculated according to the following method:

A projected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date. Twenty percent (20%) of the difference between the projected actuarial value and the market value at the valuation date is added to the projected actuarial value, and the result is constrained to a range of 80% to 120% of the market value at the valuation date to obtain the actuarial value of assets.

Analysis of Financial Experience
Gain (or Loss) for Years Ending December 31, 2001, 2000, and 1999

Retirement Benefits

Type of Activity:	2001	2000	1999
1. Retirement, Disability, Death, Withdrawal, Pay Increases. Gains result when participants retire later than expected or become disabled less often than assumed. Gains also result if survivor claims are lower than expected. Higher turnover than assumed also results in actuarial gains. Smaller salary increases than assumed creates gains.	($38,479,799)	($7,563,191)	($5,448,745)
2. New Entrants. New entrants cause a loss to the plan in their first valuation year due to having, on average, a half year of past service.	(4,244,670)	(3,618,178)	(1,689,642)
3. Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.	(20,423,336)	22,712,750	100,209,378
Gain (or Loss) During Year From Financial Experience	(63,147,805)	11,531,381	93,070,991
Non-Recurring Items.			
- Changes in Actuarial Assumptions	18,642,112	-	34,490,503
- Changes in Plan Provisions	(4,738,532)	(8,556,684)	(103,819,050)
-Total Non-Recurring Items	13,903,580	(8,556,684)	(69,328,547)
Composite Gain (or Loss) During Year	($49,244,225)	$2,974,697	$23,742,444

Health Benefits

Type of Activity:	2001	2000	1999
1. Retirement, Disability, Death, Withdrawal, Pay Increases. Gains result when participants retire later than expected or become disabled less often than assumed. Gains also result if survivor claims are lower than expected. Higher turnover than assumed also results in actuarial gains. Smaller salary increases than assumed creates gains.	$3,101,234	($2,881,929)	$1,270,490
2. New Entrants. New entrants cause a loss to the plan in their first valuation year due to having, on average, a half year of past service.	(320,585)	(341,801)	(398,005)
3. Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.	(1,052,983)	1,454,824	3,513,545
Gain (or Loss) During Year From Financial Experience	1,727,666	(1,768,906)	4,386,030
Non-Recurring Items.			
- Changes in Actuarial Assumptions	17,677,169	-	2,685,319
- Changes in Plan Provisions	(3,988,643)	-	(8,487,896)
-Total Non-Recurring Items	13,688,526	-	(5,802,577)
Composite Gain (or Loss) During Year	$15,416,192	($1,768,906)	($1,416,547)

Schedule of Retirees and Beneficiaries

	Number Added Since Last Valuation Date		Number Removed Since Last Valuation Date					
Valuation Date	No.	Annual Allowances (1)	No.	Annual Allowances (1)	No.	Annual Allowances	%Increase in Annual Allowances	Average Annual Allowances (1)
01-01-97	282	-	171	-	4,123	$32,666,370	7.1%	-
01-01-98	426	-	134	-	4,415	38,872,908	11.1	-
01-01-99	292	4,404,360	187	1,152,599	4,520	42,280,614	6.2	9,354
01-01-00	289	4,950,412	117	1,136,503	4,692	47,083,403	7.3	10,035
01-01-01	421	6,199,225	137	1,293,978	4,976	52,989,910	6.1	10,649
01-01-02	656	14,557,573	185	1,304,784	5,447	68,852,267	18.7	12,640

(1) No data is available for years prior to 1998.

Schedule of Active Members

Valuation Date	Number	Annual Payroll	Average Annual Earnings	% Increase in Average Earnings
01-01-97	10,006	$370,423,930	$37,020	3.5%
01-01-98	10,101	389,243,035	38,535	4.1
01-01-99	10,273	403,314,070	39,260	1.9
01-01-00	10,663	439,049,750	41,175	4.9
01-01-01	10,821	474,440,780	43,844	6.5
01-01-02	10,098	501,124,400	49,626	13.2

Solvency Test

Valuation Date	(1) Retirees and Beneficiaries	(2) Terminated Vested Members	(3) Active Members	Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets (1)	(2)	(3)
	Actuarial Accrued Liabilities For						
01-01-97	$294,284,857	$29,938,694	$596,018,998	$908,759,547	100%	100%	99%
01-01-98	368,046,113	37,614,099	589,889,950	996,981,845	100	100	100
01-01-99	405,392,349	47,896,186	636,712,386	1,116,551,051	100	100	100
01-01-00	447,583,743	48,906,244	743,648,727	1,288,567,879	100	100	100
01-01-01	501,293,173	57,512,632	791,059,566	1,397,491,574	100	100	100
01-01-02	642,493,555	63,857,552	759,753,972	1,459,257,726	100	100	100

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. In a plan that uses level percent of payroll financing, the liabilities for present retired lives (liability 1) and terminated vested members (liability 2) will be fully covered by present assets. In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the plan has been using level percent of payroll financing, the funded portion of liability 3 will increase over time.

Summary of Principal Plan Provisions

Retirement Program

Denver Employees Retirement Plan is a defined benefit plan 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 is designed to be supplemented by Social Security benefits and/or other retirement investments.

Contributions

The City and County of Denver and Denver Health and Hospital Authority (DHHA) contribute a percentage of employees' wages to the trust fund on their behalf. Employer contributions plus income from investments fund the benefits for members and beneficiaries.

Retirement Benefits

Calculation of Retirement Benefits

The retirement benefit calculation is 2% 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. The vesting requirement is five years of credited service. Active, vested members may purchase up to five years of non-vested governmental service. Retirement benefits from the Plan are payable for life.

Normal Retirement

A normal retirement becomes effective the first day of any month after the member reaches 65 and terminates employment with the City/DHHA. There are no service requirements for this benefit.

Normal Retirement - Rule-of-75

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 equal or exceed the sum of 75.

Early Retirement

A member may retire early upon reaching age 55 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 by 3% per year for each year under age 65.

Deferred Retirement

Following the month of application, a member with a minimum of five years credited service who has terminated employment with the City/DHHA may elect to receive a benefit upon reaching age 55 or older. 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/DHHA employee. If a member should die prior to receiving a monthly deferred retirement benefit, the spouse may be eligible for a benefit.

Maximum Lifetime Benefit

This option provides a maximum lifetime benefit to the member but 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.

Summary of Principal Plan Provisions

Deferred Retirement Option Plan (DROP)
DROP is a program in which active members (not previously retired) of the Plan who are eligible for a normal or Rule-of-75 retirement can choose to enter DROP, have their maximum retirement benefit deferred to a DROP account with the Plan while continuing to work and receiving their regular salary with the City/DHHA. Sixty days after termination of employment, the member's DROP account can be taken in a lump-sum, periodic payment or rolled into a qualified IRA.

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 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 Benefits Before Retirement

If an active member should die while employed with the City, DHHA or other covered agency, 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 21. If the member is unmarried 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 five years. In either case, the credits may not exceed service which would have been earned by the member at age 65.

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 service requirements for this benefit.

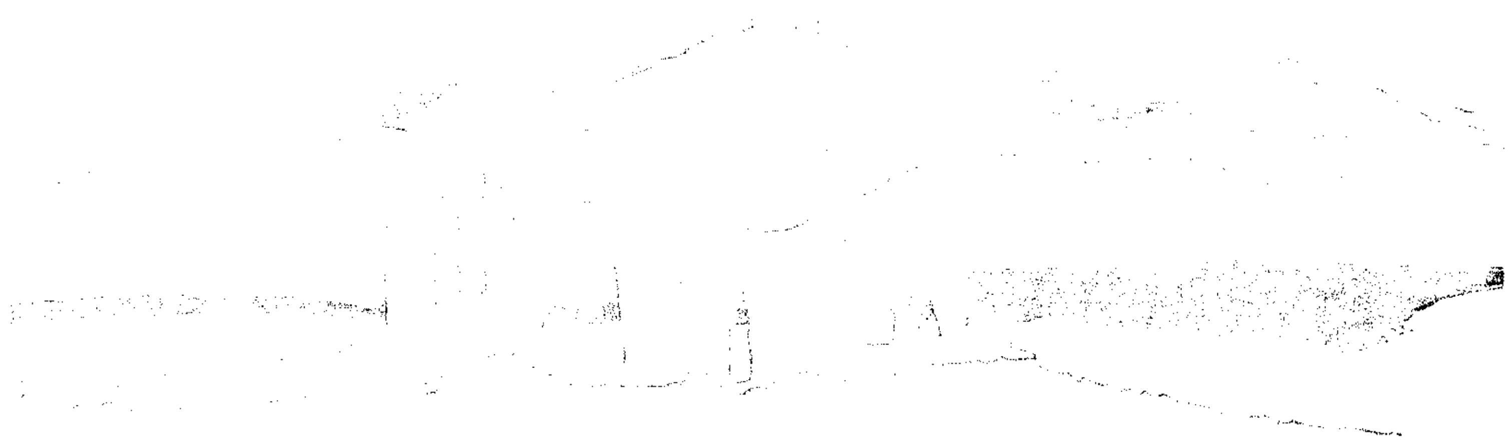
Death Benefits After Retirement

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, Rule-of-75 or Disability (after age 65) Retirement, is $5000.

Health Insurance After Retirement

The Plan offers health and dental insurance options for retired members and the member's family. The Plan contributes a portion of the monthly health and dental insurance premiums provided the member is enrolled in group insurance offered by the Plan.

Statistical Section



Revenue by Source and Expenses by Type

Revenue by Source

Fiscal Year	Employer contributions(1)	Contributions as a percentage of covered payroll	Employee contributions	Investment income net of investment expenses	Total
1997	$39,328,695	10.0%	$165,926	$192,977,861	$232,472,482
1998	40,331,407	10.0	148,417	218,092,228	258,572,052
1999	43,904,975	10.0	99,096	210,803,617	254,807,688
2000	47,444,078	10.0	182,408	(22,094,225)	25,532,261
2001	50,112,440	10.0	92,495	(90,529,364)	(40,324,429)
2002	50,801,045	10.0	93,905	(124,154,841)	(73,259,891)

Expenses by Type

Fiscal Year	Pension and Health Benefits	Refunds	Administrative expenses	Total
1997	$44,310,767	$ 9,358	$1,789,493	$46,109,618
1998	45,206,125	25,550	1,882,286	47,113,961
1999	50,751,482	10,345	2,028,012	52,789,839
2000	57,856,687	18,271	2,095,316	59,970,274
2001	63,419,223	23,853	2,028,993	65,472,069
2002	68,881,233	14,325	2,068,510	70,964,068

(1) Employer 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 accrued liability when due.

Schedule of Benefit Expenses by Type

Year Ending	Age & Service Benefits		Death in Service Benefits	Disability Benefits			Lump Sum Death Benefits	Refunds	DROP Benefits (1)	Total Pension Benefits	Health Benefits (2)
	Retirees	Survivor		Retirees		Survivors					
				On-the-Job	Off-the-Job						
1997	$36,234,213	$1,673,626	$1,455,919	$251,146	$1,509,556	$352,329	$1,057,329	$9,358	-	$42,543,476	$1,776,649
1998	35,355,298	1,868,220	1,559,253	292,560	1,576,186	379,000	1,250,097	25,550	-	42,306,164	2,925,511
1999	39,332,776	2,176,884	1,751,794	351,956	1,900,456	418,616	1,150,921	10,345	-	47,093,748	3,668,079
2000	44,433,446	2,440,347	1,879,220	395,915	2,002,129	466,857	1,371,996	18,271	-	53,008,181	4,866,777
2001	48,762,123	2,726,821	2,003,243	443,733	2,165,980	550,044	1,020,755	23,853	74,353	57,770,905	5,672,171
2002	52,217,021	3,055,528	2,147,646	587,789	2,347,540	582,711	946,180	14,325	435,511	62,334,251	6,561,307

(1) Effective January 1, 2001, the Plan implemented the Deferred Retirement Option Plan (DROP).

(2) Beginning in 1992, the Plan has provided post-retirement health care benefits to members receiving a pension benefit.

Schedule of Retired Members by Type of Benefit

December 31, 2002

Amount of Monthly Benefit	Number of Retirees	Type of Retirement* 1	2	3	4	5	6	7	Option Selected ** 1	2	3	4
$ 1- 50	223	61	161			1			223			
51- 100	147	26	107			3	11		120	22	2	3
101- 150	201	31	136			9	25		137	46	6	12
151- 200	181	25	130		1	6	18	1	118	40	9	14
201- 250	189	33	132		1	9	11	3	135	41	3	10
251- 300	178	30	95	3	3	20	27		119	40	2	17
301- 350	209	49	97		5	24	22	12	140	43	8	18
351- 400	161	38	81		11	21	8	2	114	29	3	15
401- 450	164	37	83	2	6	16	15	5	109	29	7	19
451- 500	183	62	71	1	15	14	13	7	126	33	3	21
501- 600	340	137	116	6	30	17	23	11	224	63	9	44
601- 700	289	142	59	2	37	16	27	6	183	55	19	32
701- 800	300	162	63	4	21	11	30	9	182	62	26	30
801- 900	267	174	29	3	17	17	22	5	165	53	18	31
901-1000	234	169	17	2	16	10	15	5	149	43	13	29
1001-1100	238	181	14	3	14	5	16	5	129	56	23	30
1101-1200	215	154	16	2	14	8	14	7	123	51	17	24
1201-1300	197	162	12	1	6	8	7	1	114	43	11	29
1301-1400	167	145	3	3	6	1	7	2	96	33	17	21
1401-1500	158	125	8	2	3	5	12	3	81	34	16	27
1501-1600	135	119	5		3	2	6		78	26	20	11
1601-1700	110	101	4		1	4			66	15	13	16
1701-1800	115	108	1		2	1	3		69	20	13	13
1801-1900	101	94	3	1	1	1		1	63	14	10	14
1901-2000	86	76	2		2	2	4		46	19	5	16
2001-2100	83	76	1	1		2	2	1	44	16	9	14
2101-2200	70	65	1		1		2	1	42	15	6	7
2201-2300	66	61				1	4		41	16	3	6
2301-2400	82	72	2		2	3	3		49	15	11	7
2401-2500	67	61		1	2	1	2		37	14	8	8
2501-over	558	542	3	3	2	3	5		377	71	44	66
Totals	5714	3318	1452	40	222	241	354	87	3699	1057	354	604

Totals include 481 DROP participants.

*** Type of Retirement**

1 Normal Retirement for Age & 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

Schedule of Retired Members by Attained Age and Type of Benefit

December 31, 2002

		Type of Retirement*						
Age	Number of Retirees	1	2	3	4	5	6	7
01-24	20					19	1	
25-29	7					3		4
30-34	5					2		3
35-39	14				1	9	3	1
40-44	33			2	10	11	4	6
45-49	51			2	19	11	9	10
50-54	97			7	42	27	8	13
55-59	973	591	276	2	42	29	23	10
60-64	1004	610	260	8	48	25	39	14
65-69	935	615	198	9	29	30	45	9
70-74	889	610	170	2	12	23	67	5
75-79	765	426	225	6	11	26	63	8
80-84	563	277	206	2	5	13	56	4
85-89	244	124	82		3	9	26	
90-94	96	53	32			4	7	
95-and up	18	12	3				3	
Totals	5714	3318	1452	40	222	241	354	87

Totals include 481 DROP participants.

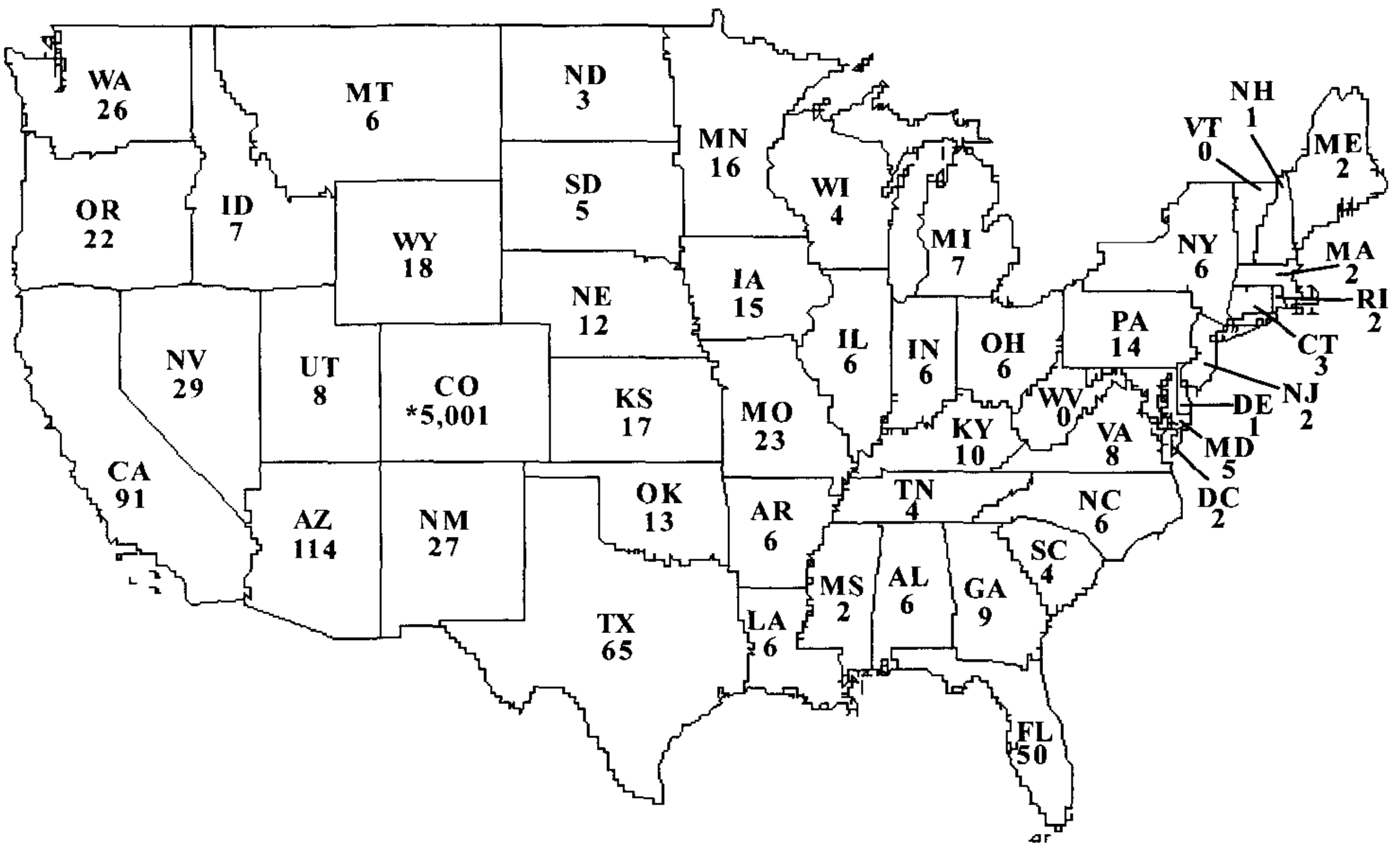
*** Type of Retirement**

1 **Normal Retirement for Age & 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**

Average Monthly Pension Benefit Payments

Retirement Effective Date For the Years Ended December 31:	Years of Credited Service							
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
1997								
Average Monthly Benefit	$ 66.98	$ 326.59	$ 584.33	$ 916.59	$ 1,305.55	$ 1,733.06	$ 2,273.06	$ 1,213.65
Mean Final Avg. Salary	$ 1,891.58	3,315.30	3,461.33	3,342.34	3,639.77	3,973.53	3,947.30	3,605.64
Number of Retirees	4	57	47	76	81	76	57	398
1998								
Average Monthly Benefit	$ 172.25	$ 309.19	$ 567.87	$ 875.27	$ 1,320.86	$ 1,630.27	$ 2,465.00	$ 1,305.89
Mean Final Avg. Salary	$ 2,844.15	3,435.97	3,407.20	3,503.08	3,673.59	3,616.76	4,589.61	3,741.64
Number of Retirees	2	37	31	34	58	55	50	267
1999								
Average Monthly Benefit	$ 116.21	$ 326.61	$ 599.31	$ 846.68	$ 1,348.41	$ 1,827.64	$ 2,447.32	$ 1,275.31
Mean Final Avg. Salary	$ 2,270.76	3,489.25	3,342.17	3,158.85	3,795.27	4,088.86	4,570.05	3,759.51
Number of Retirees	6	47	38	40	72	51	52	306
2000								
Average Monthly Benefit	$ 11.03	$ 273.70	$ 640.40	$ 999.39	$ 1,710.15	$ 2,455.01	$ 2,662.21	$ 1,575.32
Mean Final Avg. Salary	$ 501.64	2,555.12	3,408.69	3,569.74	4,108.76	4,767.32	4,334.71	3,827.91
Number of Retirees	9	37	51	35	52	67	59	310
2001								
Average Monthly Benefit	$ 136.18	$ 375.02	$ 738.20	$1,381.98	$ 2,191.11	$ 3,014.21	$ 3,033.24	$ 2,210.50
Mean Final Avg. Salary	$ 3,076.89	3,605.96	3,717.92	4,261.20	5,010.69	5,526.33	4,801.42	4,737.27
Number of Retirees	4	47	48	81	100	140	148	568
2002								
Average Monthly Benefit	$ 5.31	$ 330.93	$ 743.84	$1,237.29	$ 1,927.91	$ 2,615.87	$ 3,255.39	$ 1,754.06
Mean Final Avg. Salary	$ 480.59	3,242.39	3,710.53	3,900.95	4,490.34	4,821.29	5,110.39	4,246.26
Number of Retirees	2	57	62	60	70	76	67	394
From January 1, 1997 - December 31, 2002								
Average Monthly Benefit	$ 72.75	$ 326.32	$ 657.23	$ 1,087.25	$ 1,668.45	$ 2,365.31	$ 2,781.01	$ 1,630.39
Mean Final Avg. Salary	$1,654.17	3,294.09	3,529.47	3,692.12	4,180.59	4,664.42	4,620.95	4,072.63
Number of Retirees	27	282	277	326	433	465	433	2,243

Location of Plan Retirees
Total Number of Retirees - 5,714



Foreign Countries

Australia	1
Bulgaria	1
Canada	1
Israel	2
Mexico	4
New Zealand	1
Puerto Rico	1

***Includes 481 DROP participants.**