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, 2003

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

Primary Plan Sponsor

City and County of Denver

Elected Officials

Mayor

Honorable John W. Hickenlooper

Auditor

Honorable Dennis J. Gallagher

City Council Members

District 1	Hon. Rick Garcia
District 2	Hon. Jeanne Faatz
District 3	Hon. Rosemary E. Rodriguez
District 4	Hon. Peggy Lehmann
District 5	Hon. Marcia Johnson
District 6	Hon. Charlie Brown
District 7	Hon. Kathleen MacKenzie
District 8	Hon. Elbra Wedgeworth
District 9	Hon. Judy H. Montero
District 10	Hon. Jeanne Robb
District 11	Hon. Michael B. Hancock
Council at Large	Hon. Carol Boigon
Council at Large	Hon. Doug Linkhart

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Introductory Section

THE PLAN

DENVER EMPLOYEES RETIREMENT PLAN

Michael P. Heitzmann
Executive Director
777 Pearl Street
Denver, CO 80203
PH. 303.839.5419
FAX 303.839.9525
www.derp.org

June 30, 2004

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, 2003.

Comprehensive Annual Accounting Report This report is an overview intended to give the reader reliable and useful information which will provide assurance that 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, 2003, and 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's Discussion and Analysis, the report of the independent public accountants and the audited financial statements of the Plan. The Investment Section contains a report on the 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, 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.

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 2003 financial statements. The audit was performed in accordance with auditing standards generally accepted in the United States of America, 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 Certified Public Accountants is included in the Financial Section of this report.

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

Plan Profile The Plan was established on January 1, 1963, as a defined benefit plan. Substantially all employees of the City and County of Denver (the City), the Denver Health and Hospital Authority (DHHA), and the Plan staff, excluding 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. As of December 31, 2003, there were 8,868 active and 5,432 retired members of the Plan. Too, there was a total of 587 participants in the Deferred Retirement Option Plans (DROP and DROP II).

The Plan is governed by a five member Board, the members of which are appointed for six year staggered terms by the Mayor of the City and County of Denver. Additionally, the three members of the Advisory Committee are elected by the membership for three year terms.

All Plan related benefit and administrative provisions are detailed in Sections 18-401 through 18-433 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 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). 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.

Economic Issues The welcomed improvement in the financial markets during 2003 is reflected in the Plan's annual investment return. The Plan follows a strategic asset allocation plan to ensure that its investments are diversified. The goal of diversification is to offset weakness in one investment area with strength in another. Due to its allocation, the Plan was able to weather the unprecedented market conditions experienced during 2000, 2001,and 2002. However, it is anticipated it will be a matter of time until the effect of those three years is mitigated. The Plan continues to attain its long-term objective of meeting benefit obligations as they become due. A history of the Plan's funding progress is presented in the required supplementary information in the Financial Section of this CAFR. Additional information is included in the Actuarial Section of the report.

The employers' (The City and DHHA) struggle to control personnel costs resulted in significant Plan changes during 2003. Effective April 30, 2003, no new participants could enter the Deferred Retirement Option Plan (DROP). An amended DROP program (DROP II) was in effect between May 1, 2003, and August 31, 2003. The DROP II was terminated in anticipation of the Denver Special Incentive Retirement Plan (DSIRP) which was enacted to encourage eligible employees to retire by December 31, 2003. Beginning on October 1, 2003, the employers began deducting a two percent retirement contribution from actively employed members' gross pay each pay period and forwarding it to the Plan on their behalf. At the same time, the employers reduced their contribution to the Plan from ten percent to eight percent.

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, 2002. 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 government 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. A more detailed analysis of the 2003 activity is included in the Management Discussion and Analysis included in the Financial Section which follows. I hope that the readers will find the report easy to read and understand, as well as, highlighting the contributions the Retirement Board, the staff, the advisors, and many others make to ensure the successful operation of the Plan.

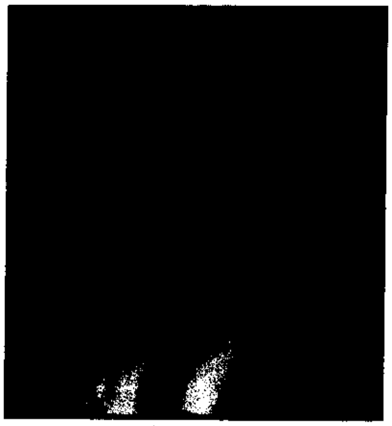
Sincerely,

Michael P. Hutzenmann

MPH

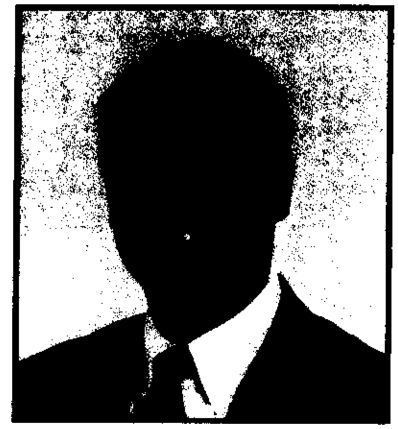
Retirement Board

Each member is appointed by the Mayor

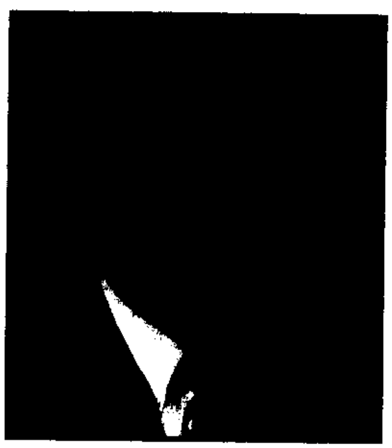


Edna G. Doyle
Term expires January 1, 2007

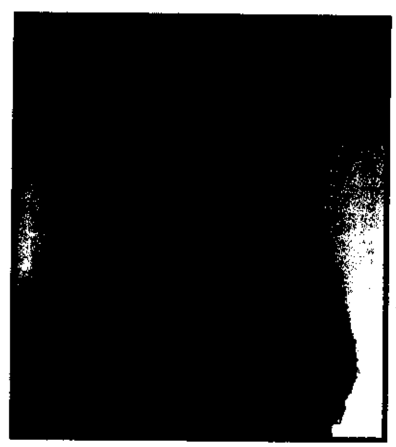
Irving S. Hook, Chair
Term expires January 1, 2005



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



Thomas J. Migaki
Term expires January 1, 2009



Kathy J Selman
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, 2006

Consulting Services, Independent Certified Public Accountants, and Investment Managers

Consulting Services

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

Independent Certified Public Accountants

- Grant Thornton LLP

Domestic Equity Managers

- Cadence Capital Management
- Northern Trust Investments, N.A.
- Fiduciary Trust Company International
- Independence Investment, LLC
- Neuberger Berman, LLC
- Sit Investment Associates, Inc.

International Equity Managers

- Northern Trust Investments, N.A.
- Templeton Investment Counsel, LLC
- Sit/Kim International Investment Assoc., Inc.

Domestic Fixed Income Managers

- Northern Trust Investments, N.A.
- Loomis, Sayles & Company, L.P.
- Neuberger Berman, LLC

Emerging/Minority Fixed Income Managers

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

Real Estate Managers

- Various group trusts and other managers.

Alternative Investment Managers

- Adams Street Partners, LLC
- Hancock Timber Resource Group
- J.P. Morgan Fleming Asset Management, Inc.
- Prudential Timber Investments, Inc.
- INVESCO Private Capital
- TCW Energy Group

Custodian Bank

- JPMorgan Chase Bank

Certificate of Achievement for Excellence in Financial Reporting

Presented to

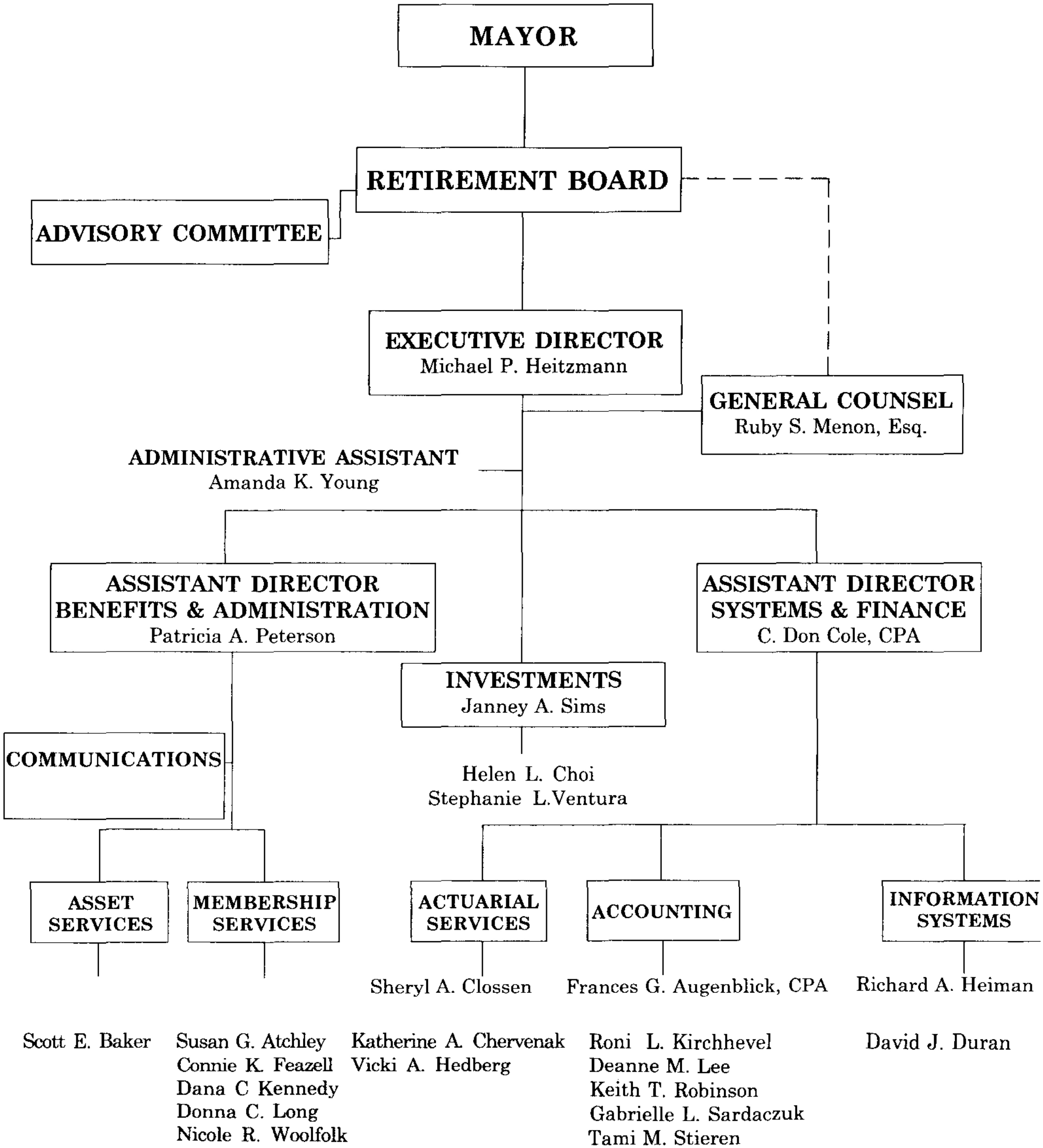
Denver Employees Retirement Plan, Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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.

President

Executive Director


MAYOR
RETIREMENT BOARD
ADVISORY COMMITTEE
EXECUTIVE DIRECTOR
Michael P. Heitzmann
GENERAL COUNSEL
Ruby S. Menon, Esq.
ADMINISTRATIVE ASSISTANT
Amanda K. Young
ASSISTANT DIRECTOR
BENEFITS & ADMINISTRATION
Patricia A. Peterson
ASSISTANT DIRECTOR
SYSTEMS & FINANCE
C. Don Cole, CPA
INVESTMENTS
Janney A. Sims
Helen L. Choi
Stephanie L.Ventura
COMMUNICATIONS
ASSET SERVICES
MEMBERSHIP SERVICES
ACTUARIAL SERVICES
ACCOUNTING
INFORMATION SYSTEMS
Sheryl A. Clossen
Frances G. Augenblick, CPA
Richard A. Heiman
Scott E. Baker
Susan G. Atchley
Connie K. Feazell
Dana C Kennedy
Donna C. Long
Nicole R. Woolfolk
Katherine A. Chervenak
Vicki A. Hedberg
Roni L. Kirchhevel
Deanne M. Lee
Keith T. Robinson
Gabrielle L. Sardaczuk
Tami M. Stieren
David J. Duran

Accountants and Business Advisors

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED
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, 2003, and the related combining statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 status of the Plan as of December 31, 2003, and the changes in financial status 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 24, 2004 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Grant Thornton LLP
US Member of Grant Thornton International

The management's discussion and analysis, schedule of funding progress, schedule of employer contributions and notes to the required supplementary information on pages 16 through 19 and 31 and 32 , respectively, are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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 purposes 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. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Grant Thornton LLP

Denver, Colorado
March 24, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is an analysis and overview of the financial activities of the Denver Employees Retirement Plan for the year ended December 31, 2003. Please refer to the following basic financial statements, the notes to the financial statements, the required supplementary information, and the supporting schedules.

Financial Highlights

As of December 31, 2003, $1,552,175,510 was held in trust for the payment of Plan benefits, and to meet the Plan's future obligations to its members and their beneficiaries.

For 2003, the total Plan net assets held in trust increased by $228,585,442 or 17.27% over 2002. Favorable financial markets contributed to the increase.

Additions to Plan net assets included contributions of $40,014,244 from the City and County of Denver and $7,776,130 from the Denver Health and Hospital Authority (DHHA). Active Plan members contributed $ 2,406,231 and paid back a total of $270,397 in contributions. The Plan had a net investment gain of $255,812,309.

Deductions from Plan net assets for 2003 totaled $77,693,869. A 9.55% increase in benefit payments represents a majority of the increase over year 2002.

The Plan's funding objective is to meet its long-term benefit obligations through employer contributions and investment returns. As of January 1, 2003, the date of the last actuarial valuation, the funded ratio for the retirement fund was 101.7% while the funded ratio for the health benefits account was 88.2%.

Overview of the Financial Statements

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

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

Management's Discussion and Analysis (continued)

The Combining Statement of Plan Net Assets presents the Plan's assets and liabilities as of December 31, 2003, with comparative totals for 2002. It reflects the net assets available for benefits in the retirement fund and the health benefits account as of December 31, 2003.

The Combining Statement of Changes in Plan Net Assets shows the additions to and deductions from Plan assets during 2003 with comparative totals for 2002.

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 ended December 31, 2003.

Financial Analysis

There are several ways to measure the Plan's financial status. 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, 2003, the date of the last actuarial valuation, the retirement fund had a funded ratio of 101.7% or, for every dollar of benefits due, the Plan had $1.02 in assets available for payment. The health benefits account had a funded ratio of 88.2% which means that the Plan had $.88 in assets available for every dollar of benefits due. Financial market conditions also impact the health of the Plan.

On December 31, 2003, The Plan's net assets totaled $1,552,175,510. Of these funds, $48,012,526 represented monies reserved in the Deferred Retirement Option Plan (DROP) and the Amended Deferred Retirement Option Plan (DROP II) accounts.

Management's Discussion and Analysis (continued)

The financial markets improved and positively impacted the Plan's investment return during 2003. The Plan Board of Directors has developed an investment allocation plan with the help of an outside consultant and continually monitors the Plan's investments. As of December 31, The Plan's net asset activity was:

	2003	2002	Increase	% Change
Current assets	$ 43,935,244	$ 40,205,250	$ 3,729,994	9.28%
Investments, at fair value	1,518,552,536	1,288,904,731	229,647,805	17.82
Property, plant & equipment	1,378,267	1,291,077	87,190	6.75
Total assets	1,563,866,047	1,330,401,058	233,464,989	17.55
Total liablilities	11,690,537	6,810,990	4,879,547	71.64
Plan net assets	$ 1,552,175,510	$ 1,323,590,068	$ 228,585,442	17.27

Reserves

The Plan has established a reserve account for the accumulated DROP benefits. These funds are designated for the individuals who have elected to participate in the DROP programs. Upon retirement, the member can elect to receive distributions or keep the accumulated monies with the Plan until a distribution is required by law. The health benefits account is reserved for the payment of a portion of health and dental premiums for participating retirees and their beneficiaries. The remaining assets are available to pay retirement benefits.

Plan Activities

Due to the net appreciation in the fair value of investments, investment earnings, employer and employee contributions the Plan's net assets increased as of December 31, 2003. The net assets increased by $288,585,442 or 17.27% during 2003. Key elements are discussed below:

Revenues - Additions to Plan Assets

The monies needed to pay benefits are accumulated from the contributions made from employers, employees, and the income generated from the Plan's investments, including interest, dividends and proceeds from the sale of individual investments. Any earnings on investments are reported net of investment management expenses. Employer contributions for 2003 totaled $47,790,374, a 5.93% decrease from 2002. Beginning in October 2003, active employees began making contributions. During 2003 employees contributed a total of $2,406,231 and paid back $270,397. The market conditions improved during 2003 and the Plan's total investment income increased by 306.0% over 2002.

	2003	2002	Increase/ (Decrease)	% Change
Employer contributions				
Employee contributions	$ 47,790,374	$ 50,801,045	$ (3,010,671)	-5.93%
Investment earnings	2,676,628	93,905	2,582,723	2,750.36
Total additions/(reductions)	255,812,309	(124,154,841)	379,967,150	306.04
	$ 306,279,311	$ (73,259,891)	$ 379,539,202	518.07

Management's Discussion and Analysis (continued)

Expenses - Deductions from Plan Net Assets

The Plan provides lifetime benefits 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, 2003, these costs totaled $77,693,869, representing an 9.48% increase over 2002. A majority of the increase is attributed to increased benefit payments resulting from an increase in the number of retirements.

	2003	2002	Increase/ (Decrease)	% Change
Benefits	$ 75,457,563	$ 68,881,233	$ 6,576,330	9.55%
Employee refunds	20,800	14,325	6,475	45.20
Administrative expenses	2,215,506	2,068,510	146,996	7.11
Total additions	$ 77,693,869	$ 70,964,068	$ 6,729,801	9.48

Requests for Information

This discussion and analysis is designed to provide the Plan Board of Directors, the employers, and the membership with an overview of the Plan's financial status as of December 31, 2003.

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, 2003 (With Comparative Totals for December 31, 2002)

Assets	Retirement	Health Benefits	2003 Total	2002 Total
Cash and short-term investments (note 7)	$ 30,215,721	$ 1,668,648	$ 31,884,369	$ 33,720,258
Receivables:				
Employer contributions	881,506	88,247	969,753	633,164
Unsettled securities sold	5,363,480	296,195	5,659,675	423,562
Interest and dividends	5,137,719	283,728	5,421,447	5,428,266
Total receivables	11,382,705	668,170	12,050,875	6,484,992
Investments, at fair value (notes 2c and 7)				
U.S. government obligations	200,437,743	11,069,073	211,506,816	265,783,851
Domestic corporate bonds and other fixed income	202,581,805	11,187,477	213,769,282	199,657,714
Domestic stocks	610,993,568	33,741,811	644,735,379	516,368,462
International stocks	267,860,879	14,792,482	282,653,361	152,882,375
Real estate	128,455,131	7,093,870	135,549,001	123,328,404
Other investments	28,750,941	1,587,756	30,338,697	30,883,925
Total investments	1,439,080,067	79,472,469	1,518,552,536	1,288,904,731
Property and equipment, at cost, net of accumulated depreciation of $934,746 and $1,278,863 at December 31, 2003 and 2002, respectively (note 8)	1,306,136	72,131	1,378,267	1,291,077
Total assets	1,481,984,629	81,881,418	1,563,866,047	1,330,401,058
Liabilities				
Unsettled securities purchased	9,007,406	497,430	9,504,836	5,133,030
Accounts payable	2,071,314	114,387	2,185,701	1,677,960
Total liabilities	11,078,720	611,817	11,690,537	6,810,990
Net assets held in trust for benefits (see schedule of funding progress)	$ 1,470,905,909	$ 81,269,601	$ 1,552,175,510	$ 1,323,590,068
Net assets held in trust for pension and health benefits	$ 1,422,893,383	$ 81,269,601	$ 1,504,162,984	$ 1,298,293,634
Net assets held in reserve for DROP and DROP II benefits	48,012,526	-	48,012,526	25,296,434
Net assets held in trust for benefits (see schedule of funding progress)	$ 1,470,905,909	$ 81,269,601	$ 1,552,175,510	$ 1,323,590,068

The accompanying notes are an integral part of this statement.

Combining Statement of Changes in Plan Net Assets

Year Ended December 31, 2003 (With Comparative Totals for the Year Ended December 31, 2002)

Additions	Retirement	Health Benefits	2003 Total	2002 Total
Contributions (note 3):				
City and County of Denver	$ 36,342,317	$ 3,671,927	$ 40,014,244	$ 42,423,943
Denver Health and Hospital Authority	7,099,133	676,997	7,776,130	8,377,102
Plan members	2,457,661	218,967	2,676,628	93,905
Total contributions	45,899,111	4,567,891	50,467,002	50,894,950
Investment income/(loss):				
Net appreciation/(depreciation) in fair value of investments	206,143,210	11,479,292	217,622,502	(166,111,893)
Interest	20,523,102	1,148,513	21,671,615	25,095,134
Dividends	12,075,768	675,716	12,751,484	13,239,314
Real estate/other investments income	9,780,262	546,398	10,326,660	9,888,256
	248,522,342	13,849,919	262,372,261	(117,889,189)
Less investment expense	6,213,081	346,871	6,559,952	6,265,652
Net investment income/(loss)	242,309,261	13,503,048	255,812,309	(124,154,841)
Total additions, net	288,208,372	18,070,939	306,279,311	(73,259,891)
Deductions				
Retired member benefits	66,215,846	7,588,370	73,804,216	68,445,722
DROP and DROP II benefits paid	1,653,347	-	1,653,347	435,511
Refunds of contributions	20,800	-	20,800	14,325
Administrative expenses	2,098,088	117,418	2,215,506	2,068,510
Total deductions	69,988,081	7,705,788	77,693,869	70,964,068
Net increase/(decrease)	218,220,291	10,365,151	228,585,442	(144,223,959)
Net assets held in trust for benefits:				
Beginning of year	1,252,685,618	70,904,450	1,323,590,068	1,467,814,027
End of year	$ 1,470,905,909	$ 81,269,601	$ 1,552,175,510	$ 1,323,590,068

The accompanying notes are an integral part of this statement.

Notes to Combining Financial Statements
December 31, 2003

(1) PLAN DESCRIPTION

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

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

	2003	2002
Retirees and beneficiaries currently receiving benefits	5,432	5,233
Deferred Retirement Option Plan (DROP and DROP II) participants	587	481
Terminated employees entitled to benefits but not yet receiving such benefits	2,891	2,790
Current employees:		
Vested	6,017	6,029
Non-vested	2,851	3,508
Total	17,778	18,041

The Plan has separate legal standing and, based upon the criterion of financial accountability as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* may be considered a component unit of the City and County of Denver financial reporting entity. The Plan's financial 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 18-401 through 18-433.4 of the Revised Municipal Code of the City and County of Denver should be referred to for a 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 least 75) are entitled to an annual retirement benefit, in an amount equal to as much as 2.00% of their final average salary for each year of

(1) PLAN DESCRIPTION (continued)

credited service, payable monthly for life. Final average salary is based on the employee's highest 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 9.

(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, 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 stocks is based on prices reported by national exchanges. The fair value of international stocks 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 of properties included in the applicable investment

Notes to Combining Financial Statements

December 31, 2003

(c) Investments (continued)

trust. Short-term investments, with the exception of international 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 on the trade date.

For 2003 and 2002, the Plan realized net gains/(losses) on the disposition of investments of $25,044,693 and ($38,523,439) respectively. The calculation of realized gains and losses is independent of the calculation of the net appreciation in the fair value of Plan investments and is determined using the weighted average cost method. Unrealized gains and losses on investments held for more than one year and sold in the current year were included in the net appreciation or depreciation in the fair value of investments reported for 2003 and 2002.

(d) Property and Equipment

Property and equipment is recorded at historical cost. Depreciation on property and equipment is calculated using 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, qualifies the Plan as a tax-exempt entity pursuant to Section 401(a) of the Internal Revenue Code. The trust is exempt from 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 United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Notes to Combining Financial Statements

December 31, 2003

(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 2003, the actuarially determined contribution rates for the pension and health benefits were 9.09% and 0.91% respectively. From January 1, 2003, through September 30, 2003, the employers contributed the total 10% of covered payroll. Beginning on October 1, 2003, the employers reduced their contribution to 8.00% of covered payroll and the employees began making a 2.00% pre-tax contribution of salary. The employees' contribution was handled as a payroll deduction and sent to the Plan with the employers' 8.00% contribution. During 2003, the employers contributed $43,441,450 for pension benefits and $4,348,924 for health benefits. The employees contributed a total of $2,457,661 for pension benefits and $218,967 for health benefits. During 2002 the employers made the total 10% contribution, with 9.30%, or $47,244,972, for pension benefits and 0.70%, or $3,556,073 for health benefits.

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 2003, in accordance with the January 1, 2003, actuarially determined contribution requirements, the total required contribution was $52,146,016 ($51,858,428 of normal cost and a reduction of $4,422,482 representing the amortization of the overfunded actuarial accrued liability for pension benefits; $2,681,175 of normal cost and $2,028,895 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 $50,196,605 using a rate of 10.0% of covered payroll. For 2002, in accordance with actuarially determined contribution requirements as of January 1, 2002, contributions totaling $52,727,540 ($48,421,198 of normal cost and $645,757 representing the amortization of the unfunded actuarial liability for pension 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 of $50,801,045 was determined using a rate of 10.0% of covered payroll.

As of October 1, 2003, covered members were required to contribute 2% of their salaries through a payroll deduction. During 2003 these contributions totaled $2,406,231 and were allocated to pension and health benefits in the same manner as the employers' contributions. If employees are not vested and leave covered service, they may request a refund of any contributions made. Once employees are vested and leave covered service, a refund of contributions is not permitted by Ordinance. Regular employee contributions were not allowed under the Plan before October 1, 2003. However, as allowed by Ordinance, members made contributions of $270,397 representing repayments to reinstate service credits for the period prior to January 1, 1979. If an employee left covered employment, accumulated employee contributions, if any, plus 3.0% interest could 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, 2003

4) DEFERRED RETIREMENT OPTION PLAN (DROP)

Between January 1, 2001, and April 30, 2003, active members of the Plan who were eligible for a normal or rule-of-75 retirement could choose to enter the Deferred Retirement Option Plan (DROP) for a maximum of four (4) years. After April 30, 2003, no active member whose actual and effective date of retirement was after May 1, 2003, could enter or participate in DROP. The member's monthly retirement benefit was calculated as of the date of DROP entry. While participating in DROP, the member continues to work for the employer, earning a regular salary. The monthly retirement benefits are deposited into a DROP account maintained by the Plan. The balance in each member's DROP account earns interest at a rate equal to the actuarial assumed rate of return. Sections 18-423 through 18-431 of the Revised Municipal Code of the City and County of Denver should be referred to for more complete information on the Deferred Retirement Option Plan. Upon retirement, members have access to the funds accumulated during their participation in DROP. As of December 31, 2003, there were 524 DROP participants. 157 active employees entered DROP and 110 participants exited DROP during the year. During 2003 a total of $23,589,719, representing $20,639,925 in benefit payments and $2,949,794 in interest payments, was credited to members' DROP accounts. A total of $1,644,514 was distributed from the DROP accounts to members who had retired and exited DROP. As of December 31, 2003, the reserve for DROP payments was $47,241,639. During 2002, 189 members chose to enter DROP, and 60 members exited the program. A total of $16,270,849, representing $14,848,585 in benefit payments and $1,422,264 in interest payments, was deposited into the DROP participants' accounts. A total of $435,511 was distributed from DROP accounts during 2002. As of December 31, 2002, there was $25,296,434 held in reserve for DROP benefits.

(5) AMENDED DEFERRED RETIREMENT OPTION PLAN (DROP II)

Between May 1, 2003, and August 31, 2003, active members of the Plan who were eligible for a normal or rule-of-75 retirement could choose to enter the Amended Deferred Retirement Option Plan (DROP II) for a maximum of five (5) years. While participating in DROP II, the member continues to work for the employers, earning a regular salary. The member's monthly retirement benefits are deposited into a DROP II account maintained by the Plan. The balance in each member's DROP II account earns interest equal to the Plan's investment earnings rate provided it is not less than three (3) percent per annum and not more than the Plan's current, annual actuarial assumed rate of return. Section 18-432 through 18-432.7 of the Revised Municipal Code of the City and County of Denver should be referred to for more complete information on the Amended Deferred Retirement Option Plan. Upon exiting DROP II, members have access to the funds accumulated during their participation in DROP II. As of December 31, 2003, there were 63 DROP II participants. During the period DROP II was in effect 67 active employees entered DROP II and 4 participants exited the program. During 2003, a total of $779,720, representing $762,747 in benefit payments and $16,973 in interest payments, was credited to members' DROP II accounts. A total of $8,833 was distributed to members who had exited DROP II during 2003. As of December 31, 2003, the reserve for DROP II payments was $770,887.

Notes to Combining Financial Statements

December 31, 2003

(6) PLAN AMENDMENTS

The Deferred Retirement Option Plan (DROP) was terminated effective April 30, 2003.

The Amended Deferred Retirement Option Plan (DROP II) was enacted on May 1, 2003, and terminated effective August 31, 2003.

Effective October 1, 2003, covered employees began making a two (2) percent contribution of gross salary to the Plan.

Effective October 1, 2003, the employers reduced their contribution to the Plan to eight (8) percent.

Effective January 1, 2002, the actuarial rate of return was changed from 7.75% to 8.00%.

See Note 9 for amendments to the Health Benefits Account

(7) CASH DEPOSITS AND INVESTMENTS

Cash Deposits

At December 31, 2003, the carrying amount and the bank balance of the Plan's cash deposits were $7,345,024 and $3,355,722, respectively. At December 31, 2002, the carrying amount and the bank balance of the Plan's cash deposits were $6,231,308 and $1,039,976 respectively. The differences between the carrying amount and the bank balances are due to outstanding checks and deposits not yet processed by the bank. The entire bank balance was covered by FDIC insurance.

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, 2003, 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 counterparty's trust department or agent in the Plan's name, and
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Plan's name.

Notes to Combining Financial Statements

December 31, 2003

(7) CASH DEPOSITS AND INVESTMENTS (continued)

Investments held by the Plan at December 31, 2003, are summarized below:

Security type	Category 1	2	3	Fair Value
Equity securities	$ 927,388,740	$ -	$ -	$ 927,388,740
Fixed income securities	425,276,098	-	-	425,276,098
Short term investments:				
Commercial paper	8,984,887	-	-	8,984,887
Total categorized securities	$ 1,361,649,725	$ -	$ -	$ 1,361,649,725

The Plan's non-categorized investments include:

Short-term securities:	
Mutual funds	$ 13,727,304
International funds	1,827,154
Real estate investment trusts	135,549,001
Fund of funds alternative investments	17,770,527
Timber - limited partnerships	9,961,541
Energy partnership fund	2,606,629
Total non-categorized investments	$ 181,442,156

Certain investment managers, who have been retained by the Plan, are permitted to invest in high quality mortgage-backed securities. Certain of these securities are collateralized mortgage obligations (CMOs) which are included as 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 income securities, the market value of the Plan's CMO portfolio is affected by changes in interest rates. The total fair value of the CMOs included in the Plan's portfolio as of December 31, 2003, was $1,281,916 or 0.08% of the total fair value of investments. On December 31, 2002, the total fair value of the CMOs included in the Plan's portfolio was $4,496,632 or 0.35% of the total fair value of investments.

Additionally, the Plan's investment managers, who invest in foreign markets, may enter into forward contracts. These contracts are assigned no cost but do have a current market value. There were no significant forward currency contracts outstanding on December 31, 2003, or December 31, 2002.

Notes to Combining Financial Statements

December 31, 2003

(8) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, is as follows:

	01-01-03	Additions	Deletions	12-31-03
Land	$ 430,041	$ -	$ -	$ 430,041
Building	1,113,863	-	-	1,113,863
Furniture and equipment	1,026,036	192,113	449,040	769,109
Total capital assets	2,569,940	192,113	449,040	2,313,013
Less accumulated depreciation	(1,278,863)	(104,503)	(448,620)	(934,746)
Net capital assets	$ 1,291,077	$ 87,610	$ 420	$ 1,378,267

The 2003 depreciation expense for the building and equipment was $36,383 and $68,120, respectively.

(9) HEALTH BENEFITS

A health benefits account was established by City ordinance in 1991 to provide, beginning January 1, 1992, postemployment health care benefits, to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and Plan members awaiting approval of retirement applications. For January 1, 2003, the health insurance premium reduction was $12.50 per month per year of service for retired participants under the age of 65 and $6.25 per month per years of service for retirees aged 65 and older. The health insurance premium reduction can be applied to the payment of medical and/or dental insurance premiums. The benefit recipient pays the remaining portion of the premium. Effective January 1, 2002, health insurance premium reduction was $12.00 per month per year of service for retired participants under the age of 65 and $6.00 per month per year of service for retirees aged 65 or older.

Funding commenced January 1, 1991. For 2003, the percentage of the employer contributions allocated to the health benefits account was 0.91% of gross compensation of all active members. For 2002, the contribution was 0.70% of gross compensation.

There were 8,868 active employees at December 31, 2003, for whom the employer made contributions to the health benefits account. The actuarially required contribution during 2003 was $4,710,070 and the actual contribution was $4,567,891. The actuarially required contribution during 2002 was $3,660,585 and the actual contribution was $3,556,073.

Notes to Combining Financial Statements

December 31, 2003

(9) HEALTH BENEFITS (continued)

Effective January 1, 2002, the annual retiree medical plan benefit inflation assumption was changed from 5.0% to zero.

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

	2003	2002
Retirees and beneficiaries currently receiving health insurance premium reductions	3,717	3,520
Retirees and beneficiaries entitled to health insurance premium reductions but not receiving any reductions	1,715	1,713
Terminated employees who will be eligible for health insurance premium reduction upon retirement	2,891	2,790
Deferred Retirement Option Plan (DROP and DROP II) participants	587	481
Current employees:		
Vested	6,017	6,029
Non-vested	2,851	3,508
Total	17,778	18,041

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)
1-1-98	$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	501,124,400	1.4
1-1-03	1,503,222,742	1,478,355,657	(24,867,085)	101.7	508,010,450	0.0

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)
1-1-98	$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	501,124,400	2.9
1-1-03	85,029,257	96,437,491	11,408,234	88.2	508,010,450	2.2

See accompanying notes to required supplementary schedules.

Required Supplementary Information

Schedule of Employer Contributions

Retirement Fund

Year ended December 31	Annual actuarially required contribution (1)	Percentage contributed (2)
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
2003	47,435,946	96.2

Health Benefits Account

Year ended December 31	Annual actuarially required contribution (1)	Percentage contributed (2)
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
2003	4,710,070	97.0

(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 Information

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	01-01-03
Actuarial cost method	Projected unit credit
Remaining amortization period	7 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%

Effective January 01, 2003, the Plan changed its actuarial cost method from the entry age method to the projected unit credit method. As a result of the change on January 01, 2003, the actuarial accrued liability was reduced by $125,372,422 for the Retirement Fund and $8,317,091 for the Health Benefits Account. Prior years have not been restated for the change.

Supporting Schedules

Schedule of Administrative Expenses

Year ended December 31, 2003

Operating Expenses	
Personnel services	
Salaries	$1,151,706
Employee benefits	358,560
Total personnel services	1,510,266
Professional services	
Actuarial	71,645
Retirement board	28,077
Audit	24,000
Legal	12,145
Consultation	8,308
Medical examination	4,500
Total professional services	148,675
Office operations	
Plan insurance	52,609
Postage	37,731
Office forms and printing	33,632
Miscellaneous operating	31,180
Personnel services	24,291
Office equipment	21,091
Employee travel and conference	14,083
Telephone	12,984
Publications	10,782
Employee education	9,782
Office supplies	6,688
Auto	4,171
Total office operations	259,024
Computer operations	
Computer and software leasing	67,112
Other computer expenses	10,158
Computer supplies	9,158
Total computer operations	86,428
Total operating expenses	2,004,393
Miscellaneous administrative expenses	
Building operations	142,993
Depreciation expense	68,120
Total miscellaneous administrative expenses	211,113
Total administrative expenses	$2,215,506

Supporting Schedules
Schedule of Investment Expenses
Year ended December 31, 2003

Domestic equity portfolio management	$2,304,166
Real estate portfolio management	1,175,482
International equity portfolio management	983,805
Fixed income portfolio management	896,845
Alternative investment portfolio management	493,558
Other investment related expenses	452,572
Custody	253,524
Total investment management expenses	$6,559,952

Investment Section

CALLANASSOCIATES

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

May 10, 2004

CAI
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, 2003.

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

After three poor years, the equity markets rebounded strongly in 2003. The S&P 500 rose 28.68%, the Dow was up 28.20% and the Russell 3000 Stock Index gained 31.06%. Small cap stocks and the technology sector especially shined. In fact, many individual stocks (although not the broad market indices) ended the year higher than they were when the indexes peaked in 2000. The best performers for the year were low priced stocks, stocks of companies with no earnings and small cap stocks. High quality, very large companies enjoyed attractive gains but lagged the rebound in more speculative issues.

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The year got off to a wobbly start over concerns of war with Iraq. The economy, however, did stage a comeback fueled by tax cuts, lean inventories and the lowest interest rates in more than four decades. The economic rebound and a weak dollar provided the stimulus for the final missing piece: corporate profits, which enjoyed a strong recovery.

Within the fixed income market, the Lehman Aggregate posted a return of 4.10% for the year. Corporate bonds (7.70%) led all sectors in 2003. Treasury bonds lagged as investors sought higher yields. Interest rates on Treasury instruments were volatile during the year, but ended near the same levels as of the end of 2002.

The resurgence in the overseas stock markets that began in the second quarter continued through the year, with international indices outperforming domestic stock indices. MSCI EAFE, a commonly used developed market index, advanced 38.59% in 2003. Nearly every corner of the globe participated. While developed markets enjoyed very strong returns, emerging markets did even better.

DERP Performance

For the calendar year, DERP's total fund had a time-weighted total return of positive 20.06%. DERP's performance approximates each the Callan Public Fund database median of 21% and the Plan's strategic policy benchmark target return of 20.23%. The policy benchmark, at yearend, was comprised of the following indices in the percentages as indicated: Russell 3000 (38%); MSCI EAFE (17%); Lehman Brothers Aggregate Bond Index (31%); NCREIF Total Index (9%); and Alternative Investments (5%). Over the trailing five years ended 12/31/02, DERP achieved a positive annualized return of 3.64% despite experiencing the worst bear market in modern history. The Plan's trailing 8 year annualized return was 8.45%. This result basically matched the policy target index return and exceeds the current actuarial earnings assumption. The 5-year return lagged the Public Fund median and the target index while the 8-year return slightly exceeded median and ranked in the 42nd percentile.

In total, DERP's U.S. equity composite advanced 29.69% in 2003. While this was better than the S&P 500, it was below the Russell 3000 (up 31.06% for the year). DERP uses both passive (index portfolios) and active managers. The Plan diversifies assets by the investment style utilized by the active managers and also diversifies by capitalization (size). Calendar 2003 was a mixed year. Stock index portfolios (both domestic and international) met their objectives while the Plan's active equity managers underperformed their targets. The Plan had overweighted small companies relative to the broad market. This overweighting was a positive factor that resulted in DERP outpacing a large cap stock index such as the S&P 500 despite the managers collectively underperforming their benchmarks. DERP's total small cap commitment

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returned 40.16% in 2003. While this result was below the Russell 2000 small cap stock index, it was well above the S&P 500's return of 28.68%.

DERP's broad diversification was a primary driver in the achievement of strong absolute performance results for calendar 2003. During 2003, DERP increased its target allocation for international equities. Since international equities outpaced domestic equities, the Plan's inclusion of international helped total fund performance and the increase during the year further enhanced returns. Two of the Plan's international managers outperformed their market benchmarks while the third underperformed. The Board, subsequent to yearend, has taken steps to address this manager's continued underperformance. The total international equity portion of the portfolio returned 36.38% for the year. While very strong in absolute terms, it did lag the MSCI-EAFE return of 38.59%.

DERP's fixed income composite registered a positive total return of 5.17% for the year. This return compares favorably with the Lehman Aggregate Bond Index, a broad measure of the bond market.

In summary, calendar 2003 was a very strong year for the financial markets and a welcome relief for the dismal returns of the prior three years. Fortunately, DERP's sound diversification across major asset categories and its long-term orientation helped the Plan "stay the course" and participate fully in the recovery.

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:

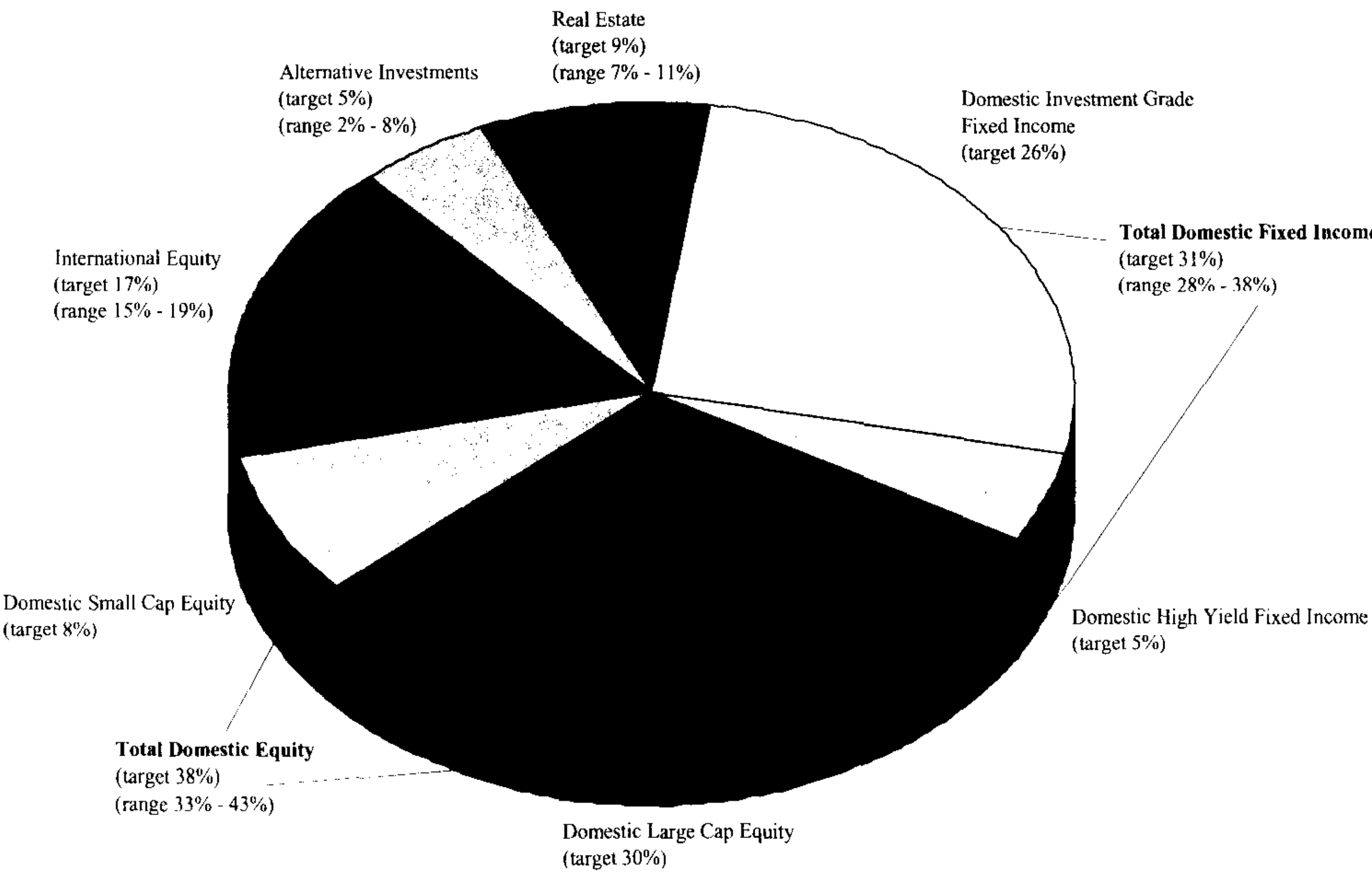
(a) providing a net realized real rate of return in excess of three percent, annualized, over a full market/ economic cycle of three to seven years;
(b) maintaining an efficient portfolio determined by the risk and return concepts of the Capital Market Line; and
(c) exceeding the rate of return of that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

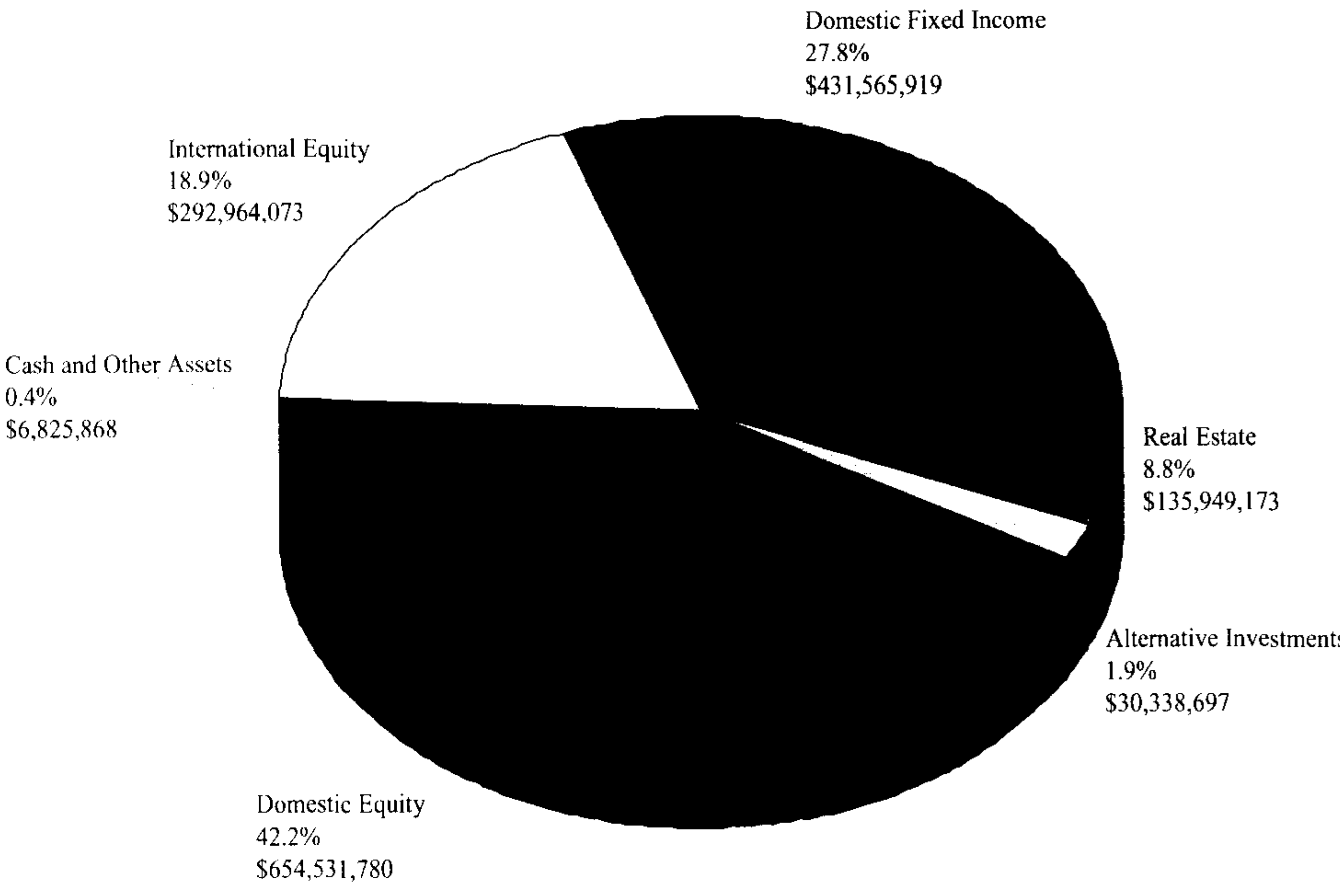
The first formal asset allocation plan was adopted by the Board on April 7, 1989. There have been subsequent asset allocation plans adopted with the most recent being on May 9, 2003. Callan Associates Inc. assisted the Board in developing the latest asset allocation.

The current asset allocation strategy is shown below:

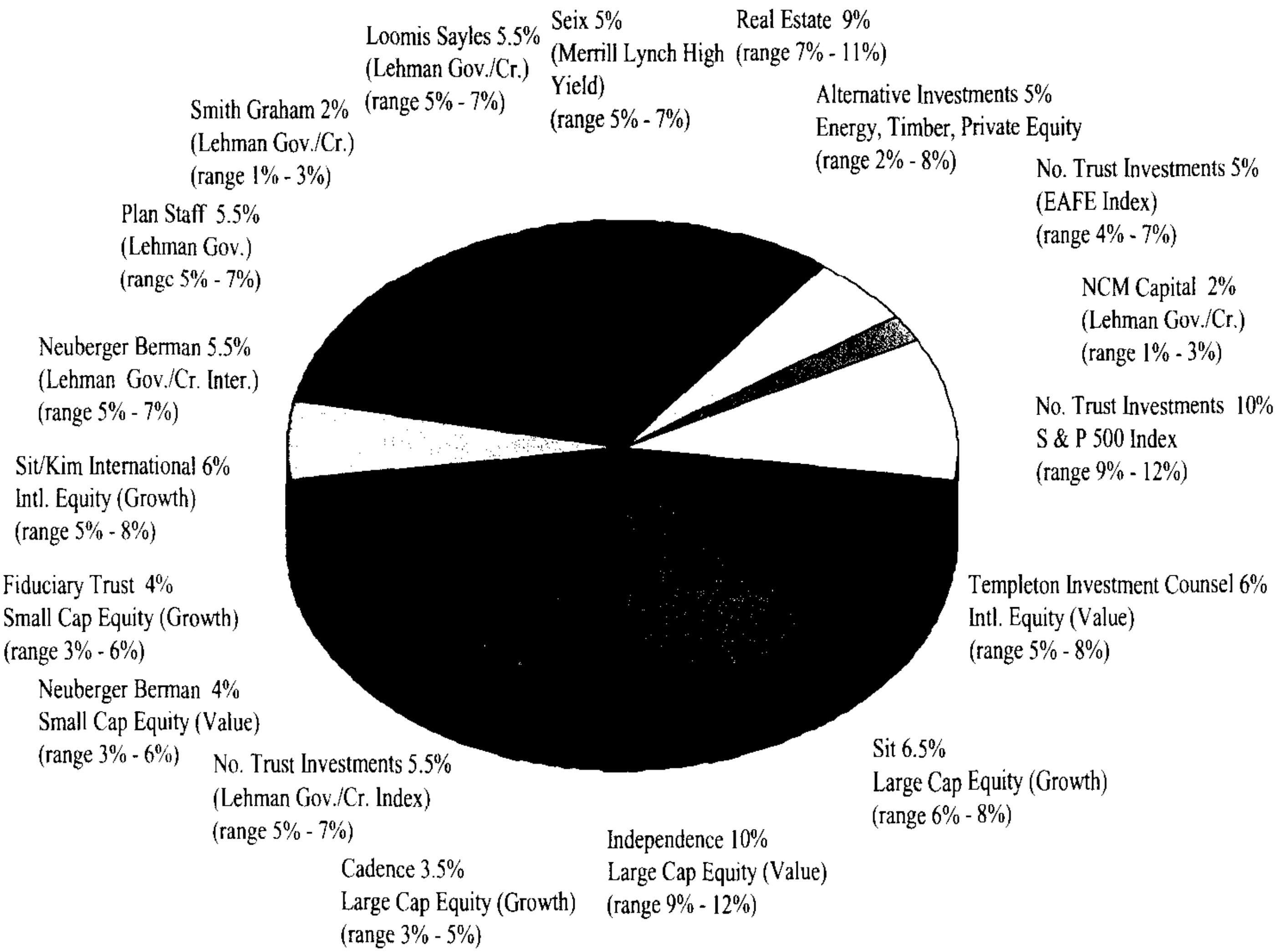


At target, a portfolio so allocated would be expected to achieve a 7.97% return with a standard deviation (risk) of 12.73%.

The total market value of the Plan on December 31, 2003, was $1,552,175,510. At December 31, 2003, 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, 2003, are shown below:

Top Ten Stock Holdings
December 31, 2003

Shares	Stocks	Market Value
246,416	CitiGroup, Inc	$11,961,033
290,600	Microsoft Corp	7,953,722
216,780	Pfizer Inc	7,658,837
172,000	Exxon Mobil Corp	7,052,000
110,500	Wells Fargo Company	6,507,345
207,300	General Electric	6,422,154
57,200	Proctor & Gamble	5,713,136
235,600	Cisco Systems Inc	5,708,588
142,400	Dell Inc	4,838,752
77,800	Amgen	4,807,262

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

Top Ten Bond Holdings
December 31, 2003

Par	Bonds			Market Value
$15,305,000	U.S. Treasury Note	1.625%	due 01-31-05	$15,362,394
10,385,000	U.S. Treasury Note	5.750%	due 11-15-05	11,150,894
6,700,000	U.S. Treasury Bond	8.125%	due 08-15-19	9,051,298
8,275,000	U.S. Treasury Note	2.000%	due 05-15-06	8,277,565
5,500,000	U.S. Treasury Bond	7.500%	due 11-15-16	7,002,215
6,415,000	U.S. Treasury Note	5.625%	due 02-15-06	6,914,151
5,875,000	U.S. Treasury Note	1.125%	due 06-30-05	5,843,804
5,550,000	U.S. Treasury Note	6.500%	due 08-15-05	5,987,063
4,000,000	U.S. Treasury Bond	6.625%	due 02-15-27	4,777,520
4,680,000	U.S. Treasury Note	3.375%	due 12-15-08	4,712,198

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, 2003, is 9.4%. Annualized investment results for the year ending December 31, 2003, are as follows:

	Last year	Last 3 years	Last 5 years
Domestic Equity	29.69%	-4.21%	0.65%
S & P 500 Index	28.68	-4.05	-0.57
International Equity	36.38	-4.35	-1.42
MSCI EAFE Index	38.59	-2.91	-0.06
Fixed Income	5.17	8.17	6.83
Lehman Aggregate Index	4.10	7.57	6.62
Real Estate	10.68	8.26	10.00
NCREIF Index	9.00	7.67	9.31
Cash	1.15	2.39	3.78
T-Bills	1.15	2.44	3.66
Total Portfolio	20.06	1.60	3.64
Median Callan Public Fund	21.00	2.54	4.45
Consumer Price Index	1.90	1.97	2.40

Schedule of Investment Commissions

December 31, 2003

BROKER	QUANTITY (UNITS)	BROKER COMMISSION	COMMISSION PER/SHARE
ABEL NOSER	662,600	33,130	0.050
ADAMS HARKNESS	464,500	21,262	0.046
ADVEST INC	92,300	4,615	0.050
ARCHIPELAGO	322,900	6,458	0.020
ARNHOLD & BLEICHROEDER	49,600	1,600	0.032
BAIRD (ROBERT)	81,900	3,925	0.048
BANC OF AMERICA	381,200	16,970	0.045
BEAR STEARNS	671,100	30,738	0.046
BERNSTEIN	202,000	10,100	0.050
BLEICHRODER	48,500	1,697	0.035
BNY-ESI & CO	464,300	22,595	0.049
BRIDGE TRADING	350,350	17,518	0.050
BROADCORT CAPITAL	737,050	36,933	0.050
CANTOR FITZGERALD	231,600	8,531	0.037
CIBC WORLD MARKETS	245,000	11,292	0.046
CITIGROUP	30,800	1,540	0.050
COMPASS POINT RESEARCH	150,000	7,500	0.050
COWEN & CO.	486,200	19,514	0.040
CRAIG-HALLUM CAPITAL GROUP	99,700	4,985	0.050
DEUTSCHE BANK	313,535	10,268	0.033
DEUTSCHE MORGAN	78,400	3,920	0.050
DILLON REED	61,800	3,090	0.050
EDWARDS (AG)	95,700	4,779	0.050
EXECUTION SERVICES	417,300	20,865	0.050
FECHTOR DETWILE	53,300	2,665	0.050
FIDELITY CAPITAL	158,800	7,940	0.050
FIRST ANALYSIS	65,700	3,285	0.050
FIRST BOSTON	1,038,532	50,118	0.048
FOX PITT KELTON	75,100	3,755	0.050
FRIEDMAN	142,900	7,106	0.050
FULCRUM GLOBAL	153,100	7,248	0.047
GOLDMAN SACHS	460,784	22,345	0.048
HARRIS NESBITT THOMPSON	45,400	1,816	0.040
HOEFER & ARNETT	51,300	2,277	0.044
HOWARD WEIL	69,300	3,465	0.050
INSTINET CORP.	1,074,100	49,037	0.046
INVESTMENT TECH	728,200	14,564	0.020
J.W. WILSON	73,700	3,513	0.048
JANNEY MONTGOMERY	139,400	6,970	0.050
JEFFERIES & CO.	436,600	20,271	0.046
KEEFE BRUYETTE & WOODS	276,900	13,809	0.050
KNIGHT SECURITIES	93,900	3,823	0.041
LA BRANCHE FINANCIAL	85,100	4,159	0.049
LAZARD FRERES	268,101	13,405	0.050
LEERINK SWANN	301,600	14,080	0.047
LEGG MASON WOOD	99,200	4,956	0.050

Schedule of Investment Commissions (continued)

BROKER	QUANTITY (UNITS)	BROKER COMMISSION	COMMISSION PER/SHARE
LEHMAN BROTHERS	685,400	28,163	0.041
LYNCH JONES	60,200	3,010	0.050
MERRILL LYNCH	1,513,350	74,537	0.049
MIDWEST RESEARCH	83,400	4,170	0.050
MONTGOMERY SECURITIES	174,500	7,469	0.043
MORGAN J.P.	120,524	6,006	0.050
MORGAN KEEGAN	51,100	2,329	0.046
MORGAN STANLEY	300,950	14,568	0.048
NEEDHAM	166,000	5,954	0.036
OPPENHEIMER	50,400	2,480	0.049
OTA LIMITED	124,100	5,503	0.044
PACIFIC CREST	139,000	6,950	0.050
PATRICK J COLLINS	106,700	4,891	0.046
PERSHING & CO	726,880	36,344	0.050
PETRIE PARKMAN	48,900	2,445	0.050
PIPER JAFFRAY	292,100	14,149	0.048
PRUDENTIAL SECURITIES	388,500	17,466	0.045
PULSE TRADING	108,200	5,168	0.048
RAYMOND JAMES	567,800	12,849	0.023
ROBINSON-HUMPHREY	113,400	3,986	0.035
ROTH CAPITAL	73,700	3,685	0.050
SALOMON/SMITH BARNEY	112,300	5,393	0.048
SANDLER ONEILL	131,970	6,275	0.048
SCHWAB, CHARLES	63,600	2,348	0.037
SIDOTI & COMPANY	351,200	16,068	0.046
SMITH BARNEY	115,100	5,235	0.045
SOUNDVIEW FINANCIAL	69,200	3,256	0.047
STANDARD & POOR'S	232,900	11,645	0.050
SUSQUEHANNA	102,200	4,250	0.042
THINKEQUITY	130,000	6,079	0.047
THOMAS WEISEL	221,800	9,733	0.044
UBS WARBURG	180,900	9,005	0.050
UNTERBERG HARRIS	79,500	3,975	0.050
WACHOVIA	662,160	31,127	0.047
WEEDEN	92,300	4,603	0.050
WELLS FARGO SECURITIES	77,600	3,310	0.043
WESTMINSTER	515,877	22,954	0.044
WILLIAM BLAIR	122,825	5,855	0.048
WILSHIRE ASSOCIATES	637,250	31,863	0.050
All other brokers ($1,500 or less)	1,006,150	45,849	0.046
TOTAL	**23,429,288**	**1,055,375**	**0.045**

Total recaptured commissions for 2003 were $138,616.00.

Schedule of Investment Management Fees

December 31, 2003

Fees on Externally Managed Portfolios

	Assets under Management	Fees
U.S. Equities		
Actively Managed		
Large Cap	$ 327,284,024	$ 1,166,072
Small Cap	148,006,028	1,080,455
Passively Managed	169,445,327	65,316
International Equities		
Actively Managed	196,542,620	942,839
Passively Managed	86,110,741	40,967
U.S. Fixed Income		
Actively Managed	276,200,494	850,966
Passively Managed	82,806,846	45,879
Real Estate		
Fees are netted with earnings	57,013,487	304,885
Fees are paid separately	78,535,514	778,897
Alternative Investments		
Fees are netted with earnings	16,082,294	154,651
Fees are paid separately	14,256,403	338,907
	$ 1,452,283,778	$ 5,769,834

Other Investment Service Fees

Custodial Fees	$ 253,524
Investment Consultant Fees	177,700
Performance Measurement	43,000

Actuarial Section

Actuary's Certification Letter

TOWERS
PERRIN

May 28, 2004

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, 2003.

The actuarial cost method used to determine the contribution requirements was changed from the entry age actuarial cost method to the projected unit credit actuarial cost method effective as of January 1, 2003. The required contribution was determined as the amount sufficient to fund the normal cost and amortize the unfunded actuarial accrued liability over seven 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, 2003, valuation indicates that the current contribution rate is sufficient to pay the Plan's normal cost and amortize the unfunded actuarial liability within seven 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 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 2001, retiree medical benefits were increased from $11.00 to $12.00 a month per year of service for members while under age 65, and from $5.50 to $6.00 a month per year of service for participants after age 65. 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.

Park Central - Tower 3, 1515 Arapahoe Street, Suite 800, Denver, CO 80202-2123
tel 303-628-4000, fax 303-628-4090 www.towersperrin.com

Retirement Board
May 28, 2004
Page 2.

TOWERS
PERRIN

The valuation assumptions are adopted by the Retirement Board based on the actuary's recommendations. 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, 2003 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 Methods and Assumptions

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

Projected Unit Credit Actuarial Cost Method

Projected benefits at assumed retirement ages were determined for all active participants under age 70, using the actuarial assumptions shown below (section B). The actuarial accrued liability for active participants was determined as the portion of projected benefits attributable to service as of the valuation date. The normal cost for active participants was determined as the portion of projected benefits attributable to service in the year commencing on the valuation date.

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 (and assuming return on assets equal to the valuation interest rate) 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, 2002 thru December 31, 1999

Type of Activity:	Retirement Benefits			
	2002	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.	($23,203,884)	($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.	(1,430,213)	(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.	(65,377,209)	(20,423,336)	22,712,750	100,209,378
Gain (or Loss) During Year From Financial Experience	(90,011,306)	(63,147,805)	11,531,381	93,070,991
Non-Recurring Items.				
- Changes in Actuarial Assumptions	125,372,422	18,642,112	-	34,490,503
- Changes in Plan Provisions	-	(4,738,532)	(8,556,684)	(103,819,050)
-Total Non-Recurring Items	125,372,422	13,903,580	(8,556,684)	(69,328,547)
Composite Gain (or Loss) During Year	$35,361,116	($49,244,225)	$2,974,697	$23,742,444

Type of Activity:	Health Benefits			
	2002	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.	($1,452,235)	$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.	(89,998)	(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.	(3,531,202)	(1,052,983)	1,454,824	3,513,545
Gain (or Loss) During Year From Financial Experience	(5,073,435)	1,727,666	(1,768,906)	4,386,030
Non-Recurring Items.				
- Changes in Actuarial Assumptions	8,317,091	17,677,169	-	2,685,319
- Changes in Plan Provisions	-	(3,988,643)	-	(8,487,896)
-Total Non-Recurring Items	8,317,091	13,688,526	-	(5,802,577)
Composite Gain (or Loss) During Year	$3,243,656	$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)
01-01-98	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
01-01-03	459	9,431,583	192	1,220,623	5,714	77,063,227	6.7	13,487

(1) No data is available for years prior to 1999.

Schedule of Active Members

Valuation Date	Number	Annual Payroll	Average Annual Earnings	% Increase in Average Earnings
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
01-01-03	9,537	491,635,701	51,550	3.9

Solvency Test

Valuation Date		Actuarial Accrued Liabilities For (1) Retirees and Beneficiaries	(2) Terminated Vested Members	(3) Active Members	Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets (1)	(2)	(3)
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
01-01-03	*	743,348,834	73,130,260	661,876,563	1,503,222,742	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.

*Includes DROP accounts of $25,296,434

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 was 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 8% of the employee's total gross salary to the trust fund. The employee contributes 2% of his or her total gross salary, on a pretax basis through a semi-monthly payroll deduction. The employer and employee contributions, plus income from investments, fund the retirement benefits for employees and their beneficiaries. Employee contributions started October 1, 2003.

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

Summary of Principal Plan Provisions

receive a reduced lifetime monthly benefit in order to provide a lifetime monthly benefit for a beneficiary. If the member is married, the spouse must be the designated beneficiary unless the spouse formally forfeits these rights and consents to the designation of another beneficiary.

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

Revenue by Source and Expenses by Type

Revenue by Source

Fiscal Year	Employer contributions(1)	Contributions as a percentage of covered payroll(2)	Employee contributions	Investment income net of investment expenses	Total
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)
2003	47,790,374	10.0	2,676,628	255,812,309	306,279,311

(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.

(2) Beginning on October 1, 2003, the employers reduced their contribution to 8%. Employees began making a 2% contribution.

Expenses by Type

Fiscal Year	Pension and Health Benefits	Refunds	Administrative expenses	Total
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
2003	75,457,563	20,800	2,215,506	77,693,869

Schedule of Benefit Expenses by Type

Year Ending	Age & Service Benefits: Retirees	Age & Service Benefits: Survivor	Death in Service Benefits	Disability Benefits: Retirees: On-the-Job	Disability Benefits: Retirees: Off-the-Job	Disability Benefits: Survivors	Lump Sum Death Benefits	Refunds	DROP Benefits (1)	Total Pension Benefits	Health Benefits (2)
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
2003	55,940,266	3,303,251	2,328,352	514,618	2,639,992	596,217	893,150	20,800	1,653,347	67,889,993	7,588,370

(1) Effective January 1, 2001, the Plan implemented the Deferred Retirement Option Plan (DROP). Effective April 30, 2003, no new participants could enter DROP. An amended DROP program (DROP II) was in effect between May 1, 2003, and August 31, 2003.

(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, 2003

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*							Option Selected **			
		1	2	3	4	5	6	7	1	2	3	4
$ 1- 50	215	60	154			1			215			
51- 100	143	24	104			3	12		112	25	3	3
101- 150	200	34	133			8	25		133	48	7	12
151- 200	170	19	124		1	6	19	1	107	41	9	13
201- 250	194	33	137		1	8	12	3	137	43	3	11
251- 300	182	28	99	3	3	20	29		120	41	2	19
301- 350	208	47	101		4	25	19	12	138	48	7	15
351- 400	163	36	85		10	21	8	3	112	32	3	16
401- 450	158	33	81	2	5	16	17	4	102	28	8	20
451- 500	191	62	78	1	14	15	14	7	126	39	4	22
501- 600	340	132	117	6	29	19	25	12	221	64	11	44
601- 700	292	136	66	2	36	17	29	6	182	57	19	34
701- 800	305	157	68	4	23	14	30	9	183	65	25	32
801- 900	269	169	34	3	17	16	25	5	162	59	18	30
901-1000	234	164	17	2	18	12	16	5	149	45	12	28
1001-1100	255	190	17	3	16	5	19	5	138	59	26	32
1101-1200	226	157	20	2	16	9	15	7	126	57	17	26
1201-1300	203	165	12	1	6	8	10	1	116	45	11	31
1301-1400	177	152	5	3	7	1	7	2	104	36	14	23
1401-1500	167	134	6	2	4	5	13	3	84	36	22	25
1501-1600	139	121	5		4	3	6		80	26	20	13
1601-1700	122	113	3		1	5			72	18	14	18
1701-1800	134	124	3		2	1	4		78	28	13	15
1801-1900	114	107	3	1	1	1		1	73	16	10	15
1901-2000	96	87	1		1	2	4	1	51	22	6	17
2001-2100	100	91	1	1	1	2	3	1	55	19	10	16
2101-2200	80	74	1		2		2	1	49	16	7	8
2201-2300	77	72				1	4		47	20	3	7
2301-2400	89	78	2		2	3	4		58	15	10	6
2401-2500	82	75		1	3	1	2		50	16	7	9
2501-over	694	677	1	4	3	4	5		476	84	50	84
Totals	6019	3551	1478	41	230	252	378	89	3856	1148	371	644

Totals include 587 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, 2003

		Type of Retirement*						
Age	Number of Retirees	1	2	3	4	5	6	7
01-24	23					21	1	1
25-29	5					1		4
30-34	9					5	1	3
35-39	11				1	7	2	1
40-44	25			1	6	10	2	6
45-49	55			2	20	17	8	8
50-54	106			7	49	27	12	11
55-59	1125	700	312	3	44	31	24	11
60-64	1077	681	268	7	49	22	36	14
65-69	983	628	224	8	28	31	50	14
70-74	888	628	151	5	15	21	66	2
75-79	766	443	201	5	10	27	71	9
80-84	571	277	208	3	4	18	57	4
85-89	265	132	82		4	9	37	1
90-94	92	50	30			4	8	
95-and up	18	12	2			1	3	
Totals	6019	3551	1478	41	230	252	378	89

Totals include 587 DROP participants.

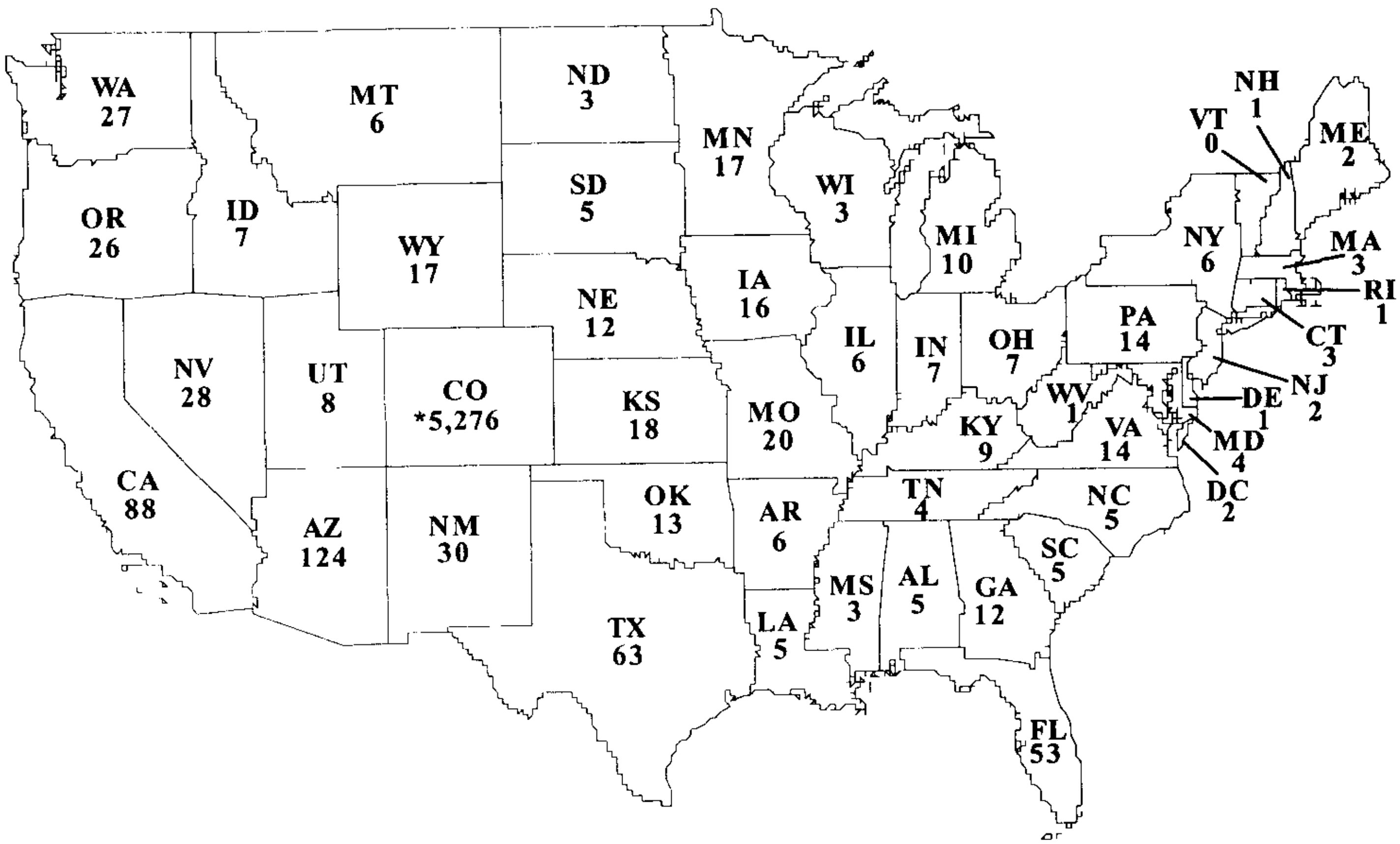
*** Type of Retirement**

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
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
2003								
Average Monthly Benefit	$ 340.96	$ 414.46	$ 850.92	$ 1,656.35	$ 2,208.37	$ 2,762.79	$ 3,316.91	$ 1,932.89
Mean Final Avg. Salary	$ 3,428.78	3,683.47	4,223.41	5,129.96	4,969.14	5,199.59	5,144.78	4,761.60
Number of Retirees	5	61	74	81	60	88	82	451
From January 1, 1998 - December 31, 2003								
Average Monthly Benefit	$ 121.47	$ 345.07	$ 715.65	$ 1,265.70	$ 1,818.42	$ 2,539.38	$ 2,940.17	$ 1,762.05
Mean Final Avg. Salary	$1,937.15	3,372.91	3,708.93	4,124.29	4,401.76	4,873.23	4,798.58	4,288.92
Number of Retirees	28	286	304	331	412	477	458	2,296

Location of Plan Retirees
Total Number of Retirees - 6,019



Foreign Countries

Australia	2
Bulgaria	1
Canada	2
Israel	2
Mexico	5
New Zealand	1
Puerto Rico	1

***Includes 587 DROP participants.**