Denver Employees Retirement Plan

Steven E. Hutt, Executive Director

777 Pearl Street
Denver, Colorado
80203

Comprehensive Annual Financial Report

Prepared by the Plan's Staff

Fiscal Year Ended December 31, 2004

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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Letter of Transmittal

THE PLAN

DENVER EMPLOYEES RETIREMENT PLAN

Steven E Hutt
Executive Director
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Denver, CO 80203
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Fax 303 839 9525
www derp org

June 30, 2005

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, 2004

Comprehensive Annual Accounting Report This report is an overview intended to give the reader reliable and useful information which will provide reasonable 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 status and changes in financial status of the Plan as of December 31, 2004, 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 Grant Thornton LLP to render an opinion as to the fairness of the Plan's 2004 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 *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's 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 in the Financial Section of this report

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), excluding the employees of the police and fire departments and the Denver Water Board; the Plan staff; and certain employees of the Denver Health and Hospital Authority (DHHA) 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, 2004, there were 8,634 active and 5,678 retired members of the Plan In addition, there were 522 participants in the Deferred Retirement Option Plans (DROP and DROP II)

All Plan related benefit and administrative provisions are detailed in Sections 18-401 through 18-433.4 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

Funded Status As the Plan matures, the number of members receiving benefits continues to grow This fact, coupled with negative financial market conditions during 2000, 2001, and 2002, unprecedented low interest rates, and other factors have had a negative impact on the Plan's funded status. As of January 1, 2004, the date of the Plan's latest actuarial valuation, the Plan's funded ratio was 98% In order to help assure the long-term financial soundness of the Plan, the Retirement Board in 2004 initiated two important changes impacting the Plan's future funded status These changes were endorsed by Denver Mayor John Hickenlooper and enacted unanimously by the Denver City Council Effective January 1, 2005, the combined salary contribution was raised from 10% to 11% of employees' gross pay. Second, for employees originally hired or re-hired on or after September 1, 2004, the formula for calculating their retirement benefit was revised downward from 2% to 1 5% of average monthly salary times years of credited service The Plan continues to maintain its long-term objective of meeting benefit obligations in full as they become due A history of the Plan's funded status 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

Investment Performance The Plan follows a strategic asset allocation policy to ensure that investments are diversified The goal of diversification is to offset any weakness in one investment area with strength in another. This strategy proved successful again in 2004, with the Plan earning an annual investment return of 11 88%, a level of performance exceeding that of most other large public pension plans throughout the country

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, 2003. 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 15 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.

In December 2004, Colorado State Treasurer Mike Coffman selected the Plan as the first recipient of the Colorado State Treasury Certificate of Excellence in Financial Management. In issuing the Award to the Plan, the Treasurer commended the Plan for meeting ". .the challenges of the recent economic slowdown with exceptional foresight and prudence " In specifically citing the changes enacted in 2004 to bolster the plan's funded status, Treasurer Coffman stated. "What DERP has done should be a model for other public and private retirement plans in Colorado "

Conclusion I would like to express my appreciation to the current Plan staff who served the membership throughout 2004 and prepared this report, as well as to my predecessor Michael Heitzmann, who provided 17 years of dedicated leadership to the Plan as Executive Director A more detailed analysis of the 2004 activity is included in the Management's Discussion and Analysis included in the Financial Section which follows I hope that readers will find the report easy to read and understand, and will recognize the contributions the Retirement Board, the staff, the advisors, and others make to ensure the successful operation of the Plan

Sincerely,

Steven E Hutt

Steven E Hutt
Executive Director

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, 2011

Bonney A. Lopez
Term expires January 1, 2010

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

Robert F. Strenski
Term expires May 31, 2005

Thomas S. Moe
Term expires May 31, 2005

Erma D. Zamora
Term expires May 31, 2007

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

- Fidelity Investments
- Northern Trust Investments, N A.
- Templeton Investment Counsel LLC

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 Asset Management
- 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

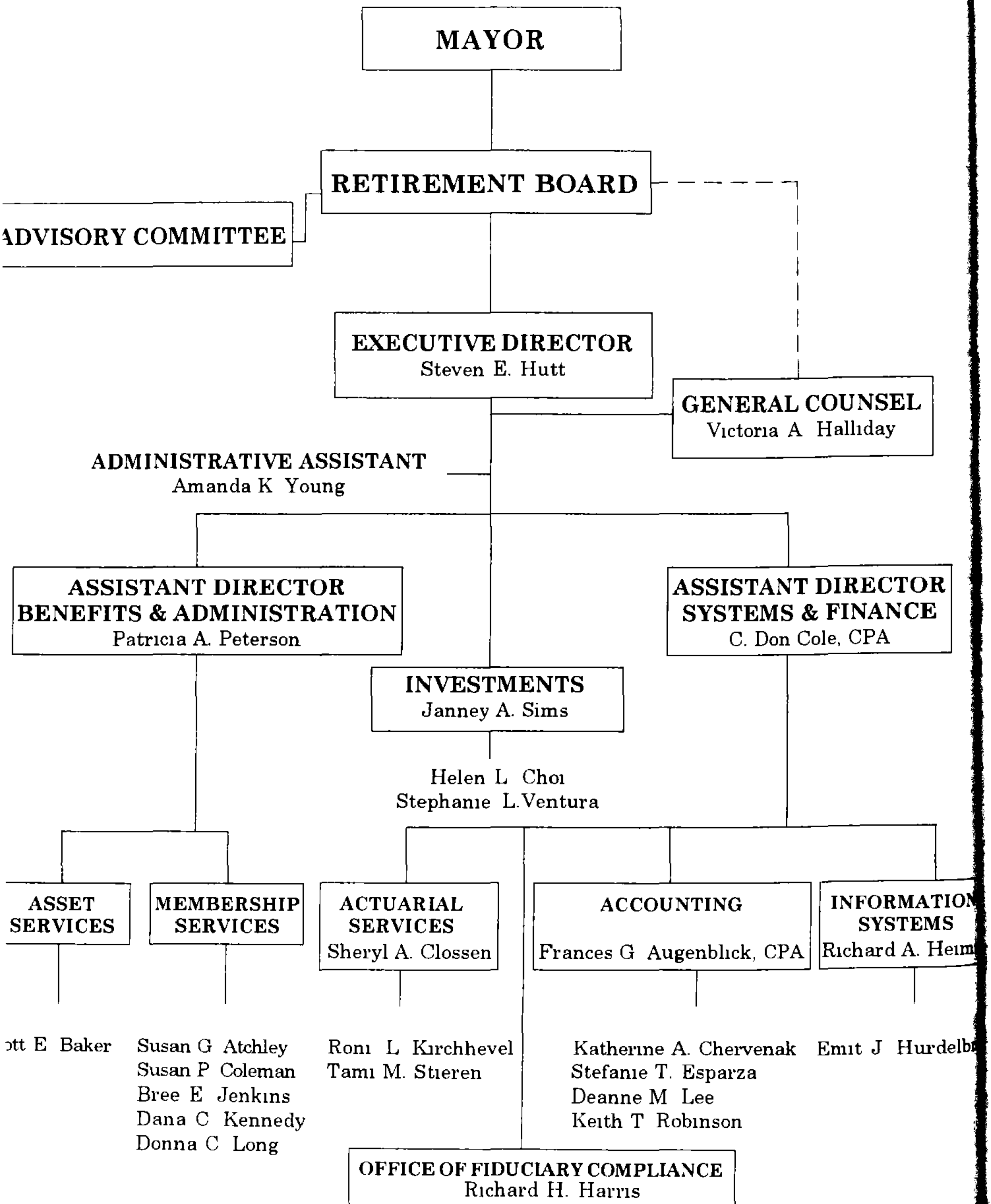
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

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

Nancy L. Zielke
President

Jeffrey R. Esser
Executive Director


MAYOR
RETIREMENT BOARD
ADVISORY COMMITTEE
EXECUTIVE DIRECTOR
Steven E. Hutt
GENERAL COUNSEL
Victoria A Halliday
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
ASSET SERVICES
ott E Baker
MEMBERSHIP SERVICES
Susan G Atchley
Susan P Coleman
Bree E Jenkins
Dana C Kennedy
Donna C Long
ACTUARIAL SERVICES
Sheryl A. Clossen
Roni L Kirchhevel
Tami M. Stieren
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Frances G Augenblick, CPA
Katherine A. Chervenak
Stefanie T. Esparza
Deanne M Lee
Keith T Robinson
INFORMATIO
SYSTEMS
Richard A. Heim
Emit J Hurdelb
OFFICE OF FIDUCIARY COMPLIANCE
Richard H. Harris

Grant Thornton

Accountants and Business Advisors

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, 2004, 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 combining financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of December 31, 2004, 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 25, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Grant Thornton LLP
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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 accounting principles generally accepted in the United States of America. 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying introductory, investment, actuarial and statistical sections, and additional supporting schedules on pages 33 and 34 are presented for purposes of additional analysis and are not a required part of the Plan's basic financial statements. The supporting schedules on pages 33 and 34 have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole The introductory, investment, actuarial and statistical sections 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 25, 2005

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, 2004 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, 2004, $1,686,286,916 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 2004, the total Plan net assets held in trust increased by $134,111,406 or 8 64% over 2003

Additions to Plan net assets included contributions of $33,108,098 from the City and County of Denver, Colorado, and $5,702,112 from the Denver Health and Hospital Authority (DHHA) Active Plan members contributed $ 9,690,111 and paid back a total of $292,585 in contributions The Plan had a net investment income of $172,506,821

Deductions from Plan net assets for 2004 totaled $87,188,321 An increase in benefit payments contributed to a majority of the 12 22% increase when compared to 2003

The Plan's funding objective is to meet its long-term benefit obligations through employer contributions and investment returns As of January 1, 2004, the date of the last actuarial valuation, the funded ratio for the retirement fund was 98 00% while the funded ratio for the health benefits account was 82 60%

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, 2004, with comparative totals for 2003 It reflects the net assets available for benefits in the retirement fund and the health benefits account as of December 31, 2004

The Combining Statement of Changes in Plan Net Assets shows the additions to and deductions from Plan assets during 2004 with comparative totals for 2003

Both of these statements are in compliance with the Governmental Accounting Standards Board (GASB) Statements Nos 3, 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, 2004

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, 2004, the date of the last actuarial valuation, the retirement fund had a funded ratio of 98 00%. The health benefits account has a funded ratio of 82 60% Financial market conditions also impact the health of the Plan

On December 31, 2004, The Plan's net assets totaled $1,686,286,916 Of these funds, $69,867,672 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 market impacted positively the Plan during 2004 The Plan Board has developed an investment allocation plan wi the help of an outside consultant and continually monitors the Plan's investments As of December 31, the Plan's net ass were comprised of

	2004	2003	Increase/ (Decrease)	% Change
Current assets	$ 53,005,585	$ 43,935,244	$ 9,070,341	20 64%
Investments, at fair value	1,651,429,546	1,518,552,536	132,877,010	8 75%
Property, plant & equipment	1,309,447	1,378,267	(68,820)	-4 99%
Total assets	1,705,744,578	1,563,866,047	141,878,531	9 07%
Total liablilities	19,457,662	11,690,537	7,767,125	66 44%
Plan net assets	$ 1,686,286,916	$ 1,552,175,510	$ 134,111,406	8 64%

Reserves

The Plan has established a reserve account for the accumulated DROP benefits These funds are designated for th individuals who have elected to participate in the DROP program Upon retirement, the member can elect to receiv distributions or keep the accumulated monies with the Plan. Please refer to notes 4 and 5 for more information about th DROP reserve accounts The remaining assets are available to pay retirement and health benefits

Plan Activities

An increase in the fair value of investments and the increase in investment earnings contributed to the increase in the Plan' net assets as of December 31, 2004 The net assets increased by $134,111,406 or 8 64% during 2004 Key elements ar discussed below

The changes in net assets for the years ended December 31, 2004, and 2003, are as follows

	2004	2003	Increase/ (Decrease)	% Change
Additions				
Contributions	$ 48,792,906	$ 50,467,002	$ (1,674,096)	-3 32%
Net investment income	172,506,821	255,812,309	(83,305,488)	-32 57%
Total additions	221,299,727	306,279,311	(84,979,584)	-27 75%
Deductions				
Benefits	84,856,722	75,478,363	9,378,359	12 43%
Administrative expenses	2,331,599	2,215,506	116,093	5 24%
Total deductions	87,188,321	77,693,869	9,494,452	12 22%
Net increase	134,111,406	228,585,442	(94,474,036)	-41 33%
Beginning net assets	1,552,175,510	1,323,590,068	228,585,442	17 27%
Ending net assets	$ 1,686,286,916	$ 1,552,175,510	$ 134,111,406	8 64%

Management's Discussion and Analysis (continued)

Revenues - Additions to Plan Assets

The monies needed to pay benefits are accumulated from the contributions made from employers 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 2004 totaled $38,810,210, a 18 79% decrease from 2003 During 2004 employees contributed a total of $9,690,111 and paid back $292,585 The employee contributions including paybacks increased by 272 96% over 2003 During 2004 the Plan's net investment income by 32 57% when compared to 2003 activity

	2004	2003	Increase/ (Decrease)	% Change
Employer contributions	$ 38,810,210	$ 47,790,374	$ (8,980,164)	-18 79%
Employee contributions	9,982,696	2,676,628	7,306,068	272 96%
Net appreciation in fair value of assets	129,686,742	217,622,502	(87,935,760)	-40 41%
Investment income	50,425,859	44,749,759	5,676,100	12 68%
Investment expenses	(7,605,780)	(6,559,952)	(1,045,828)	15 94%
Total additions	$ 221,299,727	$ 306,279,311	$ (84,979,584)	-27 75%

Expenses - Deductions from Plan Net Assets

The Plan provides a lifetime benefit to its retired members, survivor benefits, disability benefits, and retiree health and dental benefits Annual Plan expenditures include retirement benefits, DROP distributions, refunds of employee contributions, and administrative expenses For the year ended December 31, 2004, these costs totaled $87,188,321, representing an 12 22% increase over 2003 A majority of the increase is attributed to increased benefit payments resulting from an increase in the number of retirements and DROP distributions

	2004	2003	Increase/ (Decrease)	% Change
Benefits	$ 84,770,357	$ 75,457,563	$ 9,312,794	12 34%
Employee refunds	86,365	20,800	65,565	315 22%
Administrative expenses	2,331,599	2,215,506	116,093	5 24%
Total additions	$ 87,188,321	$ 77,693,869	$ 9,494,452	12 22%

Requests for Information

This discussion and analysis is designed to provide the Plan Board, the employers, and the membership with an overview of the Plan's financial position as of December 31, 2004

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, 2004 (With Summarized Comparative Totals for December 31, 2003)

Assets	Retirement	Health Benefits	2004 Total	2003 Total
Cash and short-term investments (note 7)	$ 40,300,250	$ 2,151,704	$ 42,451,954	$ 31,884,369
Receivables				
Employer contributions	598,217	52,726	650,943	969 753
Unsettled securities sold	4,143,229	221 215	4,364,444	5 659,675
Interest and dividends	5,257,535	280,709	5,538,244	5,421,447
Total receivables	9,998,981	554 650	10,553,631	12,050,875
Investments, at fair value (notes 2d and 7)				
U S government obligations	166,256,588	8,876,742	175,133,330	211,506,816
Domestic corporate bonds and other fixed income	258,753,166	13,815 303	272,568,469	213,769,282
Domestic stocks	666,820,306	35,602,751	702,423,057	644,735,379
International stocks	295,292,007	15,766,178	311,058,185	282,653,361
Real estate	144,198,555	7,699,023	151,897,578	135,549,001
Other investments	36,405,188	1,943,739	38,348,927	30,338,697
Total investments	1,567,725,810	83,703,736	1,651,429,546	1,518,552,536
Property and equipment, at cost, net of accumulated depreciation of $963,264 and $934,746 at December 31, 2004 and 2003, respectively (notes 2e and 8)	1,243,077	66,370	1,309,447	1,378,267
Total assets	1,619,268,118	86,476,460	1,705,744,578	1,563,866,047
Liabilities				
Unsettled securities purchased	16,478,773	879,832	17,358,605	9,504,836
Accounts payable	1,992,665	106,392	2,099,057	2,185,701
Total liabilities	18,471,438	986,224	19,457,662	11,690,537
Net assets held in trust for benefits (see schedule of funding progress)	$ 1,600,796,680	$ 85,490,236	$ 1,686,286,916	$ 1,552,175,510
Net assets held in trust for pension and health benefits	$ 1 530,929,008	$ 85,490,236	$ 1 616,419,244	$ 1,504,162,984
Net assets held in reserve for DROP and DROP II benefits (notes 4 and 5)	69 867 672	-	69 867,672	48,012,526
Net assets held in trust for benefits (see schedule of funding progress)	$ 1,600,796 680	$ 85,490,236	$ 1,686,286,916	$ 1,552,175,510

The accompanying notes are an integral part of this statement

Combining Statement of Changes in Plan Net Assets

Year Ended December 31, 2004 (With Summarized Comparative Totals for the Year Ended December 31, 2003)

Additions	Retirement	Health Benefits	2004 Total	2003 Total
Contributions (note 3)				
City and County of Denver, Colorado	$ 30,426,342	$ 2,681,756	$ 33,108,098	$ 40,014,244
Denver Health and Hospital Authority	5,240,241	461,871	5,702,112	7,776,130
Plan members	9,197,797	784,899	9,982,696	2,676,628
Total contributions	44,864,380	3,928,526	48,792,906	50,467,002
Investment income				
Net appreciation in fair value of Plan investments	123,063,454	6,623,288	129,686,742	217,622,502
Interest	21,426,948	1,165,383	22,592,331	21,671,615
Dividends	15,993,710	869,650	16,863,360	12,751,484
Real estate/other investments income	10,405,264	564,904	10,970,168	10,326,660
	170,889,376	9,223,225	180,112,601	262,372,261
Less investment expenses	7,214,588	391,192	7,605,780	6,559,952
Net investment income	163,674,788	8,832,033	172,506,821	255,812,309
Total additions, net	208,539,168	12,760,559	221,299,727	306,279,311
Deductions				
Retired member benefits	74,050,780	8,415,219	82,465,999	73,804,216
DROP and DROP II benefits paid	2,304,358	-	2,304,358	1,653,347
Refunds of contributions	81,937	4,428	86,365	20,800
Administrative expenses	2,211,322	120,277	2,331,599	2,215,506
Total deductions	78,648,397	8,539,924	87,188,321	77,693,869
Net increase	129,890,771	4,220,635	134,111,406	228,585,442
Net assets held in trust for benefits				
Beginning of year	1,470,905,909	81,269,601	1,552,175,510	1,323,590,068
End of year	$ 1,600,796,680	$ 85,490,236	$ 1,686,286,916	$ 1,552,175,510

The accompanying notes are an integral part of this statement

(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, some employees of DHHA, and all employees of the Plan are covered under the Plan However, the employees of the police department, the fire department and the Denver Water Board are covered by separate retirement systems At December 31, 2004, the Plan membership consisted of the following

Retirees and beneficiaries currently receiving benefits	5,678
Deferred Retirement Option Plan (DROP and DROP II) participants	522
Terminated employees entitled to benefits but not yet receiving such benefits	3,055
Current employees	
Vested	6,283
Non-vested	2,351
Total	17,889

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

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 credited service, payable monthly for life Effective for new members hired after September 1, 2004, the Plan formula multiplier was reduced from 2 00% to 1 50%

(1) PLAN DESCRIPTION (continued)

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 of America 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 and combine the financial activities of the retirement fund and the health benefits account Employer and employee 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) Plan Expenses

The Plan's Board acts as the trustee of the Plan's assets The operating and other administrative expenses incurred by the Board or its employees in the performance of its duties as trustee of the Plan are paid from the assets of the Plan Such amounts totaled $2,331,599 in 2004, and are included in administrative expenses in the accompanying statement of changes in plan net assets

Notes to Combining Financial Statements
December 31 2004

(d) 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 information provided by the Interactive Data Services Inc (IDSI) Fair values of real estate and other investments are determined by independent periodic appraisals of properties included in the applicable investment 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 2004, the Plan realized net gains on the disposition of investments of $70,080,247 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 2004

(e) 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

(f) 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 Although the Plan has been subsequently amended, the Board and management are of the opinion that the Plan, as amended, meets the IRS requirements and therefore continues to be tax exempt

(g) 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

(h) Prior-Year Summarized Totals

The financial statements include certain prior year summarized comparative information in total, but do not present detail for the retirement fund or health benefits account Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America Accordingly, such information should be read in conjunction with the Plan's audited financial statements for the year ended December 31, 2003, from which the summarized information was derived

(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 2004, the actuarially determined contribution rates for the pension and health benefits were 10 16% and 0 81%, respectively The employers contributed a total of 8 00% of covered payroll and employees made a pre-tax contribution of 2 00% in accordance with Section 18-408 of the Revised Municipal Code of the City and County of Denver, Colorado The employees' contribution was handled as a payroll deduction and was transmitted to the Plan with the employers' 8 00% contribution During 2004, the employers contributed $35,666,583 for pension benefits and $3,143,627 for health benefits while the employees contributed a total of $9,197,797 for pension benefits and $784,899 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 2004, in accordance with the January 1, 2004, actuarially determined contribution requirements, the total required contribution was $55,552,191 ($48,881,821 of normal cost and $2,598,345 representing the amortization of the unfunded actuarial accrued liability for pension benefits, $2,561,259 of normal cost and $1,510,766 representing amortization of the unfunded actuarial accrued liability for the health benefits account) based on a rate of 10 97% of projected payroll The actual contribution was $48,500,321 using a rate of 10 00% of covered payroll, which, when combined with the members' repayments of $292,585, discussed below, resulted in total contributions of $48,792,906

During 2004 employee contributions totaled $9,690,111 and were allocated to pension and health benefits in the same manner as the employers' contributions Any employee who made contributions after September 30, 2003, and is not vested upon leaving covered service may request a refund of those contributions. Once employees are vested, a refund of contributions is generally not permitted by Ordinance Regular employee contributions were not allowed between January 1, 1979, and September 30, 2003 However, as permitted by Ordinance, members are permitted to repay contributions to reinstate service credits for periods 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 During 2004 members repaid $292,585 under this provision Eligible active members may also purchase permissive service credits in accordance with the Internal Revenue Code, as well as, a maximum of five years of nonqualified service credits

Notes to Combining Financial Statements
December 31, 2004

(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 Under 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, Colorado, 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, 2004, there were 470 DROP participants One hundred participants exited DROP during the year During 2004, a total of $22,479,752, representing $17,864,673 in benefit payments and $4,615,079 in interest payments, was credited to members' DROP accounts A total of $2,248,401 was distributed from the DROP accounts to members who had retired and exited DROP As of December 31, 2004, the reserve for DROP payments was $67,472,990

(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 On December 31, 2004, there were 52 DROP II participants During 2004 eleven participants exited the program During 2004, a total of $1,679,753, representing $1,596,721 in benefit payments and $83,032 in interest payments, was credited to members' DROP II accounts A total of $55,957 was distributed to members who had exited DROP II in 2004 As of December 31, 2004, the reserve for DROP II payments was $2,394,682

(6) PLAN AMENDMENTS

The Plan formula multiplier changed from 2 00% to 1 50% for employees hired on or after September 1, 2004.

Effective January 1, 2005, the employer and employee contributions will be 8 50% and 2 50%, respectively

See Note 9 for amendments to the Health Benefits Account, if any

(7) CASH DEPOSITS AND INVESTMENTS

Cash Deposits
At December 31, 2004, the carrying amount and the bank balance of the Plan's cash deposits were $7,562,990 and $3,162,296, 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 index funds, 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, 2004, 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 2004

(7) CASH DEPOSITS AND INVESTMENTS (continued)

Investments held by the Plan at December 31, 2004, are summarized below

	Category			
Security type	1	2	3	Total
Equity securities	$ 1,013,481,242	$ -	$ -	$ 1,013,481,242
Fixed income securities	447,701,799	-	-	447,701,799
Short term investments				
Commercial paper	17,955,124	-	-	17,955,124
Total categorized securities	$ 1,479,138,165	$ -	$ -	$ 1,479,138,165

The Plan's non-categorized investments include

Short-term securities	
Mutual funds	$ 16,312,939
International funds	620,901
Real estate investment trusts	151,897,578
Fund of funds alternative investments	24,640,773
Timber limited partnerships	8,592,316
Energy partnership funds	5,115,838
Total non-categorized investments	$ 207,180,345

The Plan's investment managers, who invest in foreign markets, may enter into currency forward contracts These contracts are assigned no cost but do have a current fair value There were no significant forward currency contracts outstanding on December 31, 2004 Any contracts would be reported on the face of the financial statements

(8) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, is as follows

	01-01-04	Additions	Deletions	12-31-04
Capital Assets				
Land	$ 430,041	$ -	$ -	$ 430,041
Building	1,113,863	-	-	1,113,863
Furniture and equipment	769,109	52,116	92,418	728,807
Total capital assets	2,313,013	52,116	92,418	2,272,711
Accumulated depreciation				
Building	(458,966)	(36,383)	-	(495,349)
Furniture and equipment	(475,780)	(72,520)	(80,385)	(467,915)
Total accumulated depreciation	(934,746)	(108,903)	(80,385)	(963,264)
Net capital assets	$ 1,378,267	$ (56,787)	$ 12,033	$ 1,309,447

The 2004 depreciation expense for the retirement fund and the health insurance account was $103,369 and $5,534, respectively

9) HEALTH BENEFITS

A health benefits account was established by City ordinance in 1991 to provide, beginning January 1, 1992, post-employment 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 2004, 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 year 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

Funding commenced January 1, 1991 For 2004, the percentage of the employer contributions allocated to the health benefits account was 0 81% of gross compensation of all active members

There were 8,634 active employees at December 31, 2004, for whom the employer made contributions to the health benefits account The actuarially determined contribution during 2004 was $4,072,025 and the actual contribution was $3,928,526

(9) HEALTH BENEFITS (continued)

At December 31, 2004, the Health Benefits account membership consisted of the following

Retirees and beneficiaries currently receiving health insurance premium reductions	3,956
Retirees and beneficiaries entitled to health insurance premium reductions but not receiving any reductions	1,722
Terminated employees who will be eligible for health insurance premium reduction upon retirement	3,055
Deferred Retirement Option Plan (DROP and DROP II) participants	522
Current employees	
Vested	6,283
Non-vested	2,351
Total	17,889

Required Supplementary Information

Schedule of Funding Progress

Retirement Fund

	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/(c)
	1-1-99	$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)	1-1-03	1,503,222 742	1 478,355,657	(24.867,085)	101.7	508,010,450	0.0
	1-1-04	1 572 938.437	1 604.530,172	31 591 735	98.0	501 966 050	6.3

Health Benefits Account

	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/(c)
	1-1-99	$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)	1-1-03	85 029 257	96 437 491	11.408.234	88 2	508.010 450	2 2
	1-1-04	87 110 400	105 478 904	18 368.504	82.6	501 966 050	3.7

(1) Effective 1-1-03 the method to calculate the actuarial accrued liability was changed from entry age to projected unit credit

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)
1999	$35 287 732	100.0%
2000	40 438 762	100.0
2001	43 724.717	100 0
2002	49 066 955	96.3
(3) 2003	47 435 946	96.2
2004	51,480 166	86.6

Health Benefits Account		
Year ended December 31	Annual actuarially required contribution (1)	Percentage contributed (2)
1999	$6.327,279	100 0%
2000	5,683.070	100 0
2001	6 008,557	100 0
2002	3 660 585	97 1
(3) 2003	4.710 070	97 0
2004	4,072,025	96 5

(1) Employers made contributions based on the legally required rates
(2) Contributions in excess of annual required contribution are presented as 100%
(3) The employers contributed 10% of covered payroll through September 30 2003 Beginning on October 1 2003 the employers contributed 8 00% and the employees contributed 2 00% of covered salary

See accompanying notes to required supplementary information

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	01-01-04
Actuarial cost method	Projected unit credit
Remaining amortization period	30 years
Amortization method	Level dollar open basis
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, 2004

Operating Expenses	
Personnel services	
Salaries	$1 333 821
Employee benefits	325.417
Total personnel services	1.659 238
Professional services	
Actuarial	68 645
Retirement board	31 638
Audit	25,200
Legal	17,721
Consultation	6,347
Medical examination	5,440
Total professional services	154,991
Office operations	
Plan insurance	44,790
Office forms and printing	36,443
Postage	31,995
Office equipment	18.796
Employee travel and conference	17.169
Telephone	12,958
Personnel services	10.719
Miscellaneous operating	9,036
Office supplies	8,123
Publications	7,644
Employee education	5.054
Auto	3,329
Total office operations	206,054
Computer operations	
Computer and software leasing	44,882
Computer supplies	5.884
Other computer expenses	5,547
Total computer operations	56,312
Total operating expenses	2,076,595
Miscellaneous administrative expenses	
Building operations	146 100
Depreciation expense	108,903
Total miscellaneous administrative expenses	255,003
Total administrative expenses	$2,331.598

Supporting Schedules
Schedule of Investment Expenses
Year ended December 31, 2004

Domestic equity portfolio management	$2,768,306
Real estate portfolio management	1,374,344
International equity portfolio management	1,251,526
Fixed income portfolio management	994,832
Other investment related expenses	463,122
Alternative investment portfolio management	461,839
Custody	291,811
Total investment expenses	$7,605,780

Investment Section

CALLAN

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

May 9, 2005

CAI

SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

Steven E. Hutt
Executive Director
Denver Employees' Retirement Plan
777 Pearl Street
Denver, Colorado 80203

Dear Mr. Hutt:

This letter reviews the performance for the Denver Employees Retirement Plan (DERP) for the year ended December 31, 2004.

Callan Associates Inc. (Callan) 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 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.

DERP'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 DERP'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.

<u>Market Environment</u>

The equity markets had rebounded strongly in 2003 and continued to advance at a more moderate pace in 2004. The S&P 500 rose 10.88%, the Dow was up 5.27% and the NASDAQ advanced 9.14%. High quality, very large companies enjoyed attractive gains but lagged small cap stock indexes.

The year was volatile as Iraq and political uncertainty troubled investors However, the economy continued to advance, fueled by tax cuts, lean inventories and the low level of interest rates. The economic rebound and a weak dollar provided a supportive environment for strong corporate profit growth.

Within the fixed income market, the Lehman Aggregate posted a return of 4.34% for the year. Corporate bonds (5.24%) led all sectors in 2004 while Treasurys lagged as investors sought higher yields. Interest rates on Treasury instruments were volatile during the year but ended near the same levels as those at the end of 2003.

The resurgence in the overseas stock markets that began in 2003 continued through 2004. Measured in U.S. dollar terms, international stocks outperformed domestic stock indices by a wide margin The MSCI EAFE Index advanced 20.25% for the year. It is important to note that much of the gain was attributable to the continued weakness in the dollar. Measured in local currency terms, the EAFE index gained only 12 67%, a healthy return but one much more similar to the U.S stock market.

DERP Performance

For the calendar year, DERP's total fund had a time-weighted total return of positive 11 88%. DERP's performance exceeded the return of the Callan Public Fund Database median of 11.02%. It modestly lagged the Plan's strategic policy benchmark target return of 12.22%. The policy benchmark at year-end was comprised of the following indices in the percentages as indicated: S&P 500 (34%); MSCI EAFE (17%), Lehman Brothers Aggregate Bond (22%); NCREIF Total Property (9%); Russell 2000 (8%); Merrill Lynch High Yield Bond (6%) and Alternative Investments (4%). Over the trailing three years ended 12/31/04, DERP achieved a positive annualized return of 7.28%. The trailing 5-year return now stands at 2.99% despite experiencing the worst bear market in modern history. DERP's trailing 8-year annualized return was 8.36% while the 10-year annualized return was a very attractive and competitive 10.32%.

In total, DERP's U S. equity composite advanced 12.72% in 2004. This was better than both the S&P 500 and Russell 3000 stock indices (up 10 88% and 11.94% respectively for the year). DERP uses both passive (index portfolios) and active managers. DERP diversifies assets by the investment style utilized by the active managers and also diversifies by capitalization (size). On balance, calendar 2004 was a good year for the equity component of the portfolio. DERP's large cap actively managed portfolios outperformed their benchmarks DERP's value oriented small cap manager also registered better than benchmark returns, while the small cap growth oriented manager under-performed its benchmark. Stock index portfolios (both domestic and international) met their objectives.

DERP's broad diversification was a primary driver in the achievement of strong absolute performance results for calendar 2004. DERP's meaningful commitment to international equities helped performance. Since international equities outpaced domestic equities, the inclusion of international helped total fund performance. Specifically, DERP's international equity composite posted a full year return of 20%. This was close to the MSCI EAFE Index return of 20.25% and well above the return of the domestic equity market. During 2004, the Plan replaced one of the two actively managed international portfolios while maintaining an index portfolio for diversification purposes.

DERP's fixed income composite registered a positive total return of 4.78% for the year This return compares favorably with the Lehman Aggregate Bond Index (4 34%), a broad measure of the investment-grade bond market. This result was largely attributable to DERP's diversification into the high yield sector of the bond market. While more volatile than investment grade bonds, the use of high yield instruments helped returns in both 2003 and 2004.

In summary, calendar 2004 was another strong year that, combined with 2003, offset the well below historic average returns of the three preceding challenging years.

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

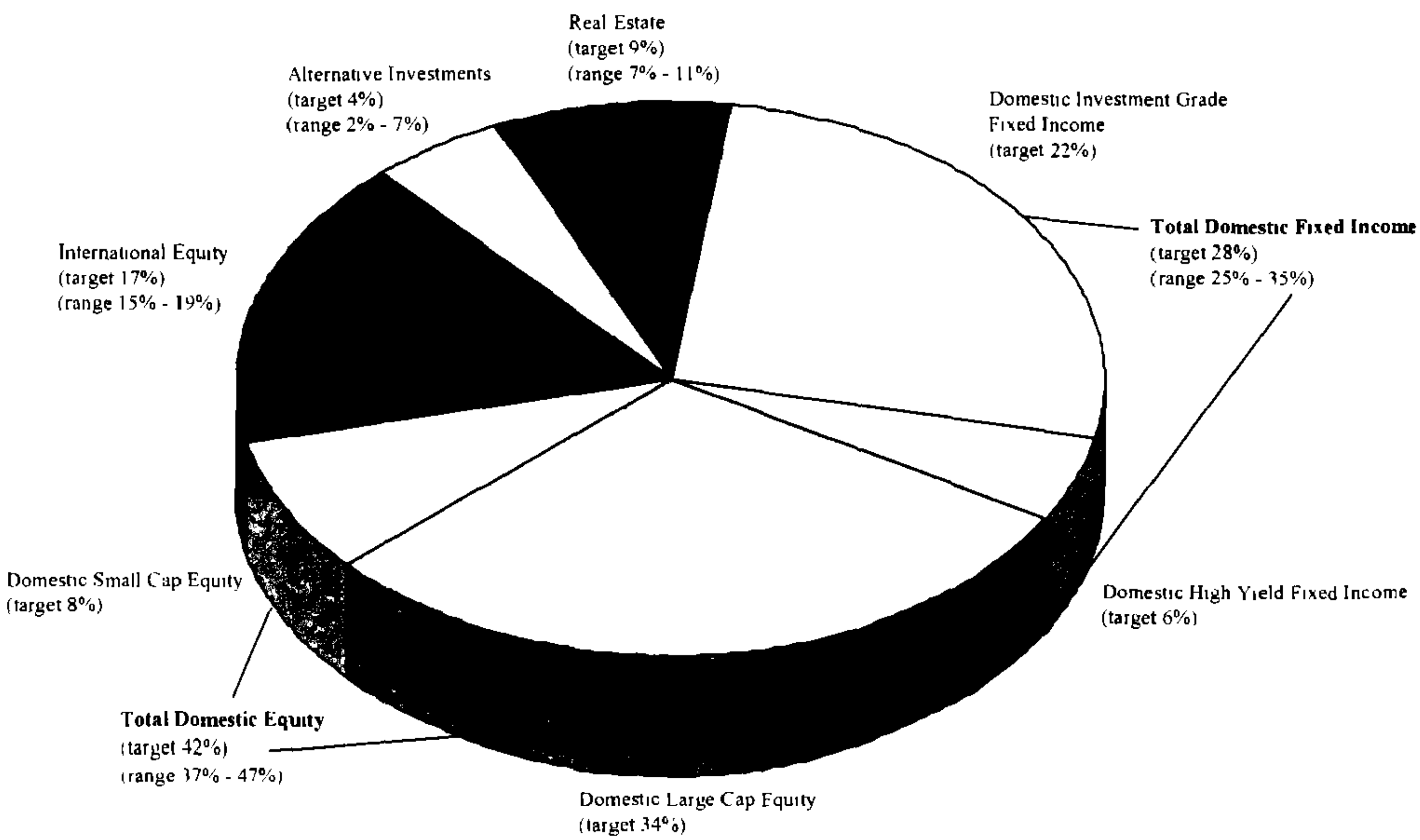
(a) providing a net realized real rate of return in excess of three percent, annualized, over a full market/ economic cycle of three to seven years,
(b) maintaining an efficient portfolio determined by the risk and return concepts of the Capital Market Line, and
(c) exceeding the rate of return of that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

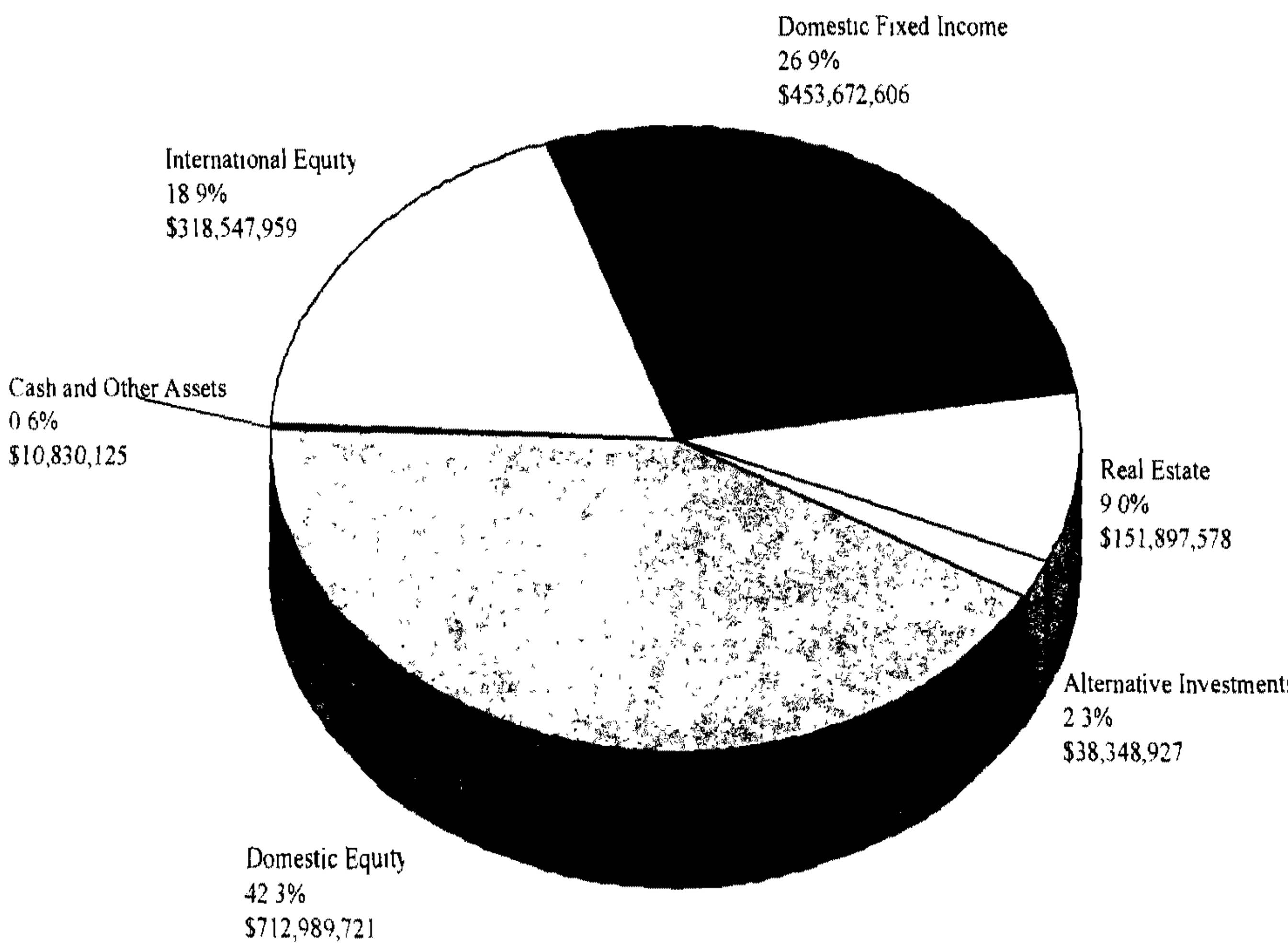
The first formal asset allocation plan was adopted by the Board on April 7, 1989 There have been subsequent asset allocation plans adopted with the most recent being on March 12, 2004 Callan Associates Inc assisted the Board in developing the latest asset allocation

The current asset allocation strategy is shown below

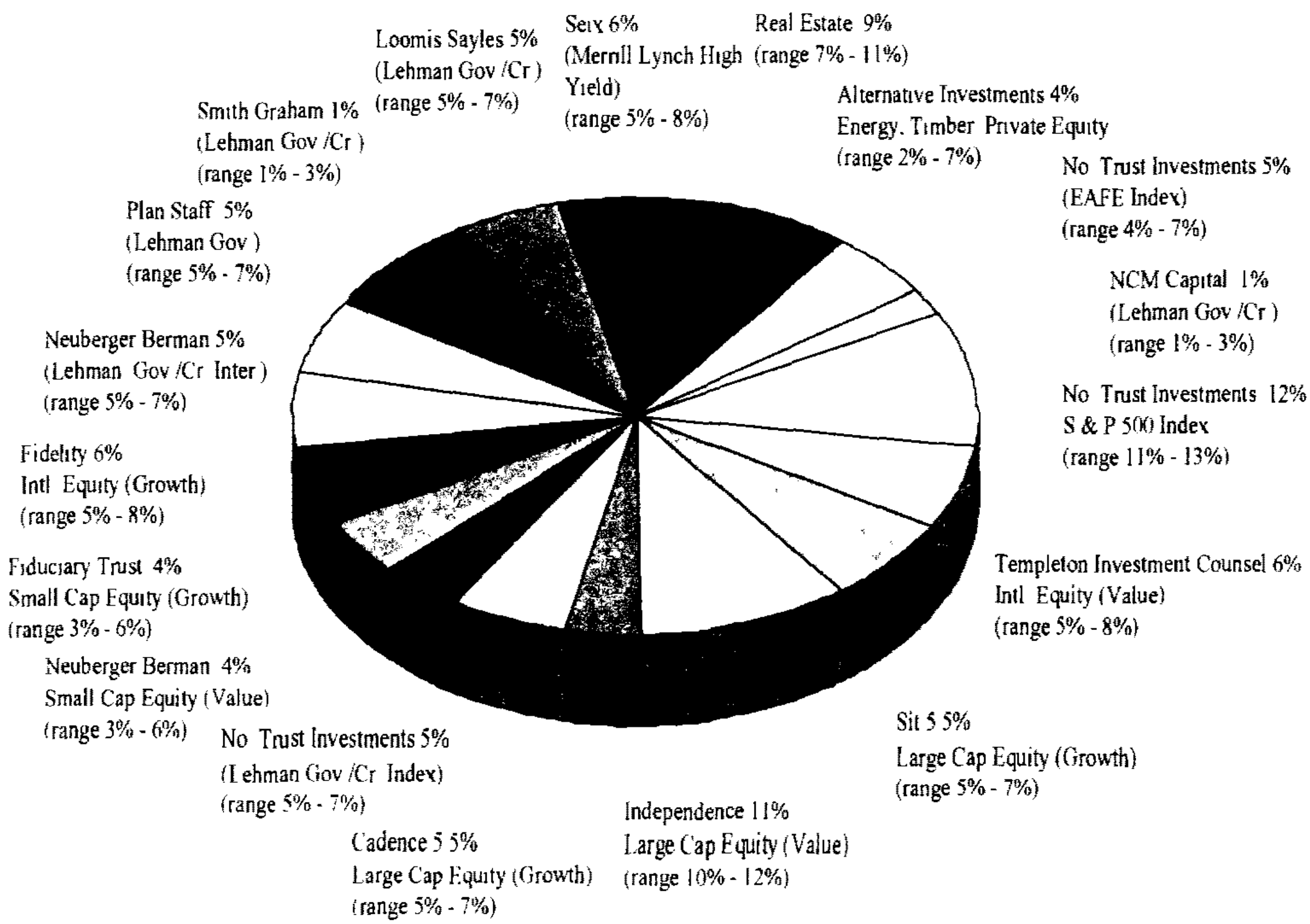


At target, a portfolio so allocated would be expected to achieve a 8 00% return with a standard deviation (risk) of 12 68%

The total market value of the Plan on December 31, 2004, was $1,686,286,916 At December 31, 2004, 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, 2004, are shown below:

Top Ten Stock Holdings
December 31, 2004

Shares	Stocks	Market Value
298,100	General Electric Co	$10,880,650
207 516	CitiGroup	9,998,121
299,800	Microsoft Corporation	8,007,658
138,000	Exxon Mobile Corporation	7,073,880
107,600	Johnson & Johnson	6,823,992
140,246	Bank of America	6,590,160
70,350	ConocoPhillips	6,108,491
278,200	Cisco Systems, Inc	5,369,260
82,000	Altria Group, Inc	5,010,200
136,375	XTO Energy, Inc	4,824,948
54,202	UnitedHealth Group	4,771,402

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

Top Ten Bond Holdings
December 31, 2004

Par	Bonds			Market Value
$26,415,000	U S. Treasury Note	5 625%	due 02/15/06	$27,232,280
15,200,000	U S Treasury Note	1 875%	due 01/31/06	15,053,928
6,700,000	U S Treasury Bond	8 125%	due 08/15/19	9,144,964
9,140,000	U S Treasury Note	2 000%	due 05/15/06	9,032,148
5,500,000	U S Treasury Bond	7 500%	due 11/15/16	7,028,615
5,850,000	U S Treasury Bond	5 375%	due 02/15/31	6,325,781
5,550,000	U S Treasury Note	6 500%	due 08/15/05	5,685,087
5,135,000	U S Treasury Note	3 375%	due 12/15/08	5,118,773
4,000,000	FNMA	5 750%	due 02/15/08	4,261,240
2,910 000	U S Treasury Bond	8 750%	due 05/15/17	4,077,521

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, 2004, is 9 49% Annualized investment results for the year ending December 31, 2004, are as follows

	Last year	Last 3 years	Last 5 years
Domestic Equity	12 72%	4 33%	-1 17%
S & P 500 Index	10 88	3 59	-2 30
International Equity	20 00	10 37	-4 15
MSCI EAFE Index	20 25	11 89	-1 14
Fixed Income	4 78	6 92	8 14
Lehman Aggregate Index	4 34	6 20	7 71
Real Estate	13 06	10 38	10 39
NCREIF Index	14 52	10 04	9 92
Cash	1 36	1 44	3 00
T-Bills	1 33	1 42	2 95
Total Portfolio	11 88	7 28	2 99
Median Callan Public Fund	11 02	7 30	4 15
Consumer Price Index	3 30	2 53	2 52

Schedule of Investment Commissions

December 31, 2004

BROKER	QUANTITY (UNITS)	BROKER COMMISSION	COMMISSION PER/SHARE
ABEL NOSER	857,500	42,875	0.050
ADAMS HARKNESS	151,800	7,590	0.050
ADVEST INC	165,400	8,270	0.050
AMERIC GROWTH	36,500	1,825	0.050
ARCHIPELAGO	461,200	4,973	0.011
ARNOLD & BLEICHROEDER	119,400	5,970	0.050
BAIRD (ROBERT)	151,100	7,012	0.046
BANC OF AMERICA	175,500	8,056	0.046
BEAR STEARNS	1,243,580	60,509	0.049
BERNSTEIN	306,400	13,654	0.045
BNY-ESI & CO	320,400	14,164	0.044
BRIDGE TRADING	286,198	14,310	0.050
BROADCORT ML	1,256,700	62,653	0.050
BUCKINGHAM	112,500	5,625	0.050
CANTOR FITZGERALD	289,200	11,361	0.039
CIBC WORLD MARKET	214,100	10,646	0.050
CITIGROUP	62,100	2,960	0.048
COMPASS POINT RESEARCH	287,880	12,424	0.043
COWEN & CO	491,600	23,109	0.047
CRAIG-HALLUM CAPITAL GROUP	63,600	2,676	0.042
DEUTSCHE BANK	322,200	10,978	0.034
DILLON REED	151,700	7,585	0.050
DOUGHERTY & CO	102,600	3,920	0.038
EDWARDS (AG)	99,000	4,950	0.050
EXECUTION SERVICES	247,500	11,675	0.047
FAGENSON	44,900	2,245	0.050
FAHNESTOCK	47,900	2,395	0.050
FIDELITY CAPITAL	310,650	15,533	0.050
FIRST ALBANY	41,600	2,080	0.050
FIRST ANALYSIS	73,400	3,670	0.050
FIRST BOSTON	900,200	40,902	0.045
FIRST UNION	77,400	3,870	0.050
FOX PITT KELTON	33,200	1,660	0.050
FULCRUM GLOBAL	242,500	12,003	0.050
GERARD/KLAUER	58,500	2,925	0.050
GERSON LEHRMAN	134,900	5,995	0.044
GOLDMAN SACHS	599,452	24,126	0.040
HAGGERTY LLC	85,300	2,935	0.034
HAMBRECHT	63,000	2,726	0.043
HARRIS NESBITT	121,800	5,025	0.041
HOEFER & ARNETT	38,000	1,900	0.050
HOWARD WEIL	157,100	7,684	0.049
INSTINET CORP	2,268,100	76,775	0.034
INTL STRATEGY	46,500	2,325	0.050
ISI GROUP	45,750	2,288	0.050
IVY SECURITIES	39,500	1,975	0.050
J W WILSON	151,300	5,595	0.037
JANNEY MONTGOMERY	263,700	12,415	0.047
JEFFERIES & CO	610,400	25,012	0.041
JMP SECURITIES	36,500	1,825	0.050
KEEFE BRUYETTE	471,297	20,412	0.043
LAZARD FRERES	251,343	12,567	0.050
LEERINK SWANN	235,900	11,763	0.050

Schedule of Investment Commissions (continued)

BROKER	QUANTITY (UNITS)	BROKER COMMISSION	COMMISSION PER/SHARE
LEGG MASON WOOD	194 400	9 720	0 050
LEHMAN BROTHERS	270 000	11.901	0 044
LIQUIDNET	202 942	6 306	0 031
LYNCH JONES	64 900	3 245	0 050
MCDONALD & CO	69.800	3,478	0 050
MERRILL LYNCH	335.300	15,975	0 048
MIDWEST RESEARCH	231.200	10,914	0 047
MOORS & CABOT	32.300	1.615	0 050
MORGAN J P	130 200	6 492	0 050
MORGAN KEEGAN	57,900	2,895	0 050
MORGAN STANLEY	154 700	7,176	0 046
NED DAVIS	102.300	5,115	0 050
NEEDHAM	190,500	8 115	0 043
OPPENHEIMER	82 156	4,108	0 050
OTA LIMITED	240,200	10 968	0 046
PACIFIC CREST	102,500	4,788	0 047
PATRICK J COLLINS	82.400	3 090	0 038
PERSHING & CO	473.290	21,980	0 046
PIPER JAFFRAY	299,300	13.569	0 045
PORTALES PARTNER	61 000	3.041	0 050
PRUDENTIAL SECURITIES	250 100	12,446	0 050
PULSE TRADING	237,700	7 932	0 033
RAMSEY KING	48.800	2,440	0 050
RAYMOND JAMES	573,500	19,122	0 033
RBC CAPITAL MARKET	278,256	12.728	0 046
ROBINSON-HUMPHREY	129.200	6 460	0 050
SALOMON/SMITH BARNEY	172,200	8,098	0 047
SANDLER ONEILL	183,450	8 008	0 044
SCHWAB, CHARLES	252,900	9,841	0 039
SCOTT & STRINGF	35,100	1,755	0 050
SHILLING	62,100	3,105	0 050
SIDOTI & COMPAN	310,000	14 891	0 048
SMITH BARNEY	134 700	6,735	0 050
SOUTHWEST SECURITIES	233,000	10,584	0 045
STANDARD & POOR'S	79.000	3,950	0 050
STEPHENS INC	237,000	11.850	0 050
THINKEQUITY	275,700	12.523	0 045
THOMAS WEISEL	121.200	5,385	0 044
UBS WARBURG	486,900	20 026	0 041
UNTERBERG HARRIS	208,500	7.587	0 036
W J BLUM & CO	135,500	4 689	0 035
WACHOVIA	880,700	39.413	0 045
WEEDEN	235.000	10,697	0 046
WELLS FARGO SECURITIES	100.310	5,016	0 050
WESTMINSTER	223,700	11,185	0 050
WHITAKER	43 300	2.165	0 050
WILLIAM BLAIR	430,700	16 242	0 038
WILSHIRE ASSOCIATES	696 200	33 515	0 048
All other brokers ($1 500 or less)	596 521	24 418	0 041
TOTAL	**26,454,275**	**1,157,689**	**0.044**

Schedule of Investment Management Fees
December 31, 2004

Fees on Externally Managed Portfolios

	Assets under Management	Fees
U S Equities		
Actively Managed		
Large Cap	$ 363 233,633	$ 1 278 633
Small Cap	167 257,643	1 437 513
Passively Managed	171 931,781	52 160
International Equities		
Actively Managed	115,716 007	636 624
Passively Managed	195 342 178	614 902
U S Fixed Income		
Actively Managed	371,536 368	946 834
Passively Managed	76 165 431	47 998
Real Estate		
Fees are netted with earnings	44,792,594	404 043
Fees are paid separately	107 104,984	878 601
Alternative Investments		
Fees are netted with earnings	18 919 705	126 532
Fees are paid separately	19,429 222	335 307
	$ 1 651 429 546	$ 6 759 147

Other Investment Service Fees

Custodial Fees	$ 291 811
Investment Consultant Fees	132,700
Performance Measurement	87 000

Actuarial Section

TOWERS PERRIN
HR SERVICES

May 18, 2005

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, 2004.

The actuarial cost method used to determine the contribution requirements was the projected unit credit actuarial cost method. The required contribution was determined as the amount sufficient to fund the normal cost and amortize the unfunded actuarial accrued liability over thirty 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, 2004, valuation indicates that the current contribution rate is sufficient to pay the Plan's normal cost and amortize the unfunded actuarial liability within 30 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 1% cost of living increase to retirees effective January 1, 2002. For 2002, retiree medical benefits were increased from $12.00 to $12.50 a month per year of service for members while under age 65, and from $6.00 to $6.25 a month per year of service for participants after age 65. Effective January 1, 2005, out-of-network retirees will be eligible for retiree medical benefits, however, this plan change has been reflected in the 2004 actuarial valuation. In addition, the plan formula multiplier for employees hired on or after September 1, 2004, has decreased from 2.0% to 1.5% and will be recognized beginning with the 2005 actuarial valuation

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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 18, 2005
Page 2

TOWERS PERRIN
HR SERVICES

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, 2004 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

Summary of Actuarial Methods and Assumptions

A. Actuarial Methods

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 This method was adopted effective 01-01-03

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.

B. Actuarial Assumptions

- Investment return year — 8 00% per net of expenses (changed effective 01-01-02)
- Salary increases — Rates set forth in Exhibit A
- Mortality
  - preretirement healthy — 1983 Group Annuity Mortality Table (Exhibit B)
  - postretirement healthy — 1983 Group Annuity Mortality Table (Exhibit B)
  - disabled — Life expectancies of disabled pensioners correspond to the 1983 Railroad Board Disabled Mortality Table Sample mortality rates are as follows

Per 100 Participants

Age	20	30	10	50	60
Rate	1 06	1 06	1 35	3 16	1 25

- Termination — Rates set forth in Exhibit B

Summary of Actuarial Assumptions and Methods
(Adopted as of January 1, 1998)

Actuarial Assumptions (continued)

◆ Disability	Rates set forth in Exhibit C
◆ Retirement	Rates set forth in Exhibit C
◆ 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 "Covered compensation" for the 2003 plan year is equal to the sum of the individual participants' (including DROP participants) valuation earnings
◆ Retiree Medical Plan Participation	
- current retirees without coverage	0%
- actives	80% from disability or death 85% from retirement 30% from termination
- terminated vested	30%
- DROP participants	85%

Sources of Valuation Data

Participant Data: The primary source of participant data for the current valuation is a census of all participants as of December 31 2003 supplied by the Executive Director
Asset Data: The audit report as of December 31, 2003 was relied upon by Towers Perrin in the preparation of actuarial value of assets
Benefits Valued: The benefits valued included all of those summarized in the Plan Provisions

Changes in Actuarial Methods and Assumptions Since Prior Year

› amortization period used to amortize the unfunded actuarial accrued liability was changed from 7 years as January 1 2003 to 30 years as of January 1 2004

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	3.49
45	5 7	2 61
50	5 3	1 99
55	4 9	1 55
60	4 4	1 23
65	4.0	1 00

Summary of Actuarial Assumptions and Methods

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

Terminations Assumptions
Annual Rate per 100 Participants

Age	Male	Female
20	18.50	16.32
25	13 89	14.26
30	10.33	11.75
35	7.69	9.30
40	5 67	7 17
45	4.07	5.35
50	2.78	3.81
55	1.72	2.49
60	0 83	1.37
64	0.22	0 58

Summary of Actuarial Assumptions and Methods

Exhibit C

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

Retirement Assumptions		
Annual Rate of Disability per 1,000 Participants		
Age	Duty	Non-Duty
Under 50	0.20	1.00
50 and Over	2 00	4.00

Analysis of Financial Experience
Gain (or Loss) for Years Ending December 31, 2000 thru December 31, 2003

Type of Activity	Retirement Benefits			
	2003	2002	2001	2000
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	($20,733,277)	($23,203 884)	($38,479,799)	($7,563,191)
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	(1,719,033)	(1,430,213)	(4,244,670)	(3,618,178)
3 Investment Income If there is greater investment income than assumed, there is a gain If less income a loss	(25,508,132)	(65,377,209)	(20,423,336)	22,712,750
Gain (or Loss) During Year From Financial Experience	(47 960,442)	(90,011,306)	(63,147,805)	11 531,381
Non-Recurring Items				
-Changes in Actuarial Assumptions	-	125,372,422	18,642,112	-
-Changes in Plan Provisions	-	-	(4,738,532)	(8,556,684)
-Total Non Recurring Items	-	125,372,422	13,903,580	(8,556,684)
Composite Gain (or Loss) During Year	($47,960,442)	$35,361,116	($49,244,225)	$2,974,697

Type of Activity:	Health Benefits			
	2003	2002	2001	2000
1 Retirement, Disability Death, Withdrawal, Pay Increases Gains result when participants retire later than expected or become disabled less often than assumed Gains also result if survivor claims are lower than expected Higher turnover than assumed also results in actuarial gains Smaller salary increases than assumed creates gains	($3 239,830)	($1,452,235)	$3,101,234	($2,881,929)
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	(156,035)	(89,998)	(320,585)	(341,801)
3 Investment Income If there is greater investment income than assumed there is a gain If less income, a loss	(1,460 200)	(3,531,202)	(1,052,983)	1,454,824
Gain (or Loss) During Year From Financial Experience	(4,856,065)	(5,073,435)	1,727,666	(1,768,906)
Non-Recurring Items				
-Changes in Actuarial Assumptions	-	8 317,091	17 677,169	-
-Changes in Plan Provisions	(2,920,945)	-	(3 988,643)	-
-Total Non Recurring Items	-	8 317 091	13,688 526	-
Composite Gain (or Loss) During Year	($7,777 010)	$3,243,656	$15,416 192	($1 768 906)

Schedule of Retirees and Beneficiaries

	Number Added Since Last Valuation Date		Number Removed Since Last Valuation Date					
aluation Date	No	Annual Allowances	No	Annual Allowances	No	Annual Allowances	%Increase in Annual Allowances	Average Annual Allowances
1-01-99	292	$4 404 360	187	$1 152 599	4 520	$42 280 614	6 2%	$9 354
1-01-00	289	4 950 412	117	1.136.503	4 692	47.083 403	7 3	10.035
1-01-01	421	6,199 225	137	1 293.978	4 976	52 989.910	6 1	10 649
1-01-02	656	14.557 573	185	1 304 784	5.447	68.852 267	18.7	12 640
1-01-03	459	9 431 583	192	1 220 623	5 714	77.063.227	6 7	13.487
1-01-04	547	11.847 545	241	1 904.103	6 019	87.006 673	7 2	14.455

Schedule of Active Members

Valuation Date	Number	Annual Payroll	Average Annual Earnings	% Increase in Average Earnings
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
01-01-04	8.868	467 911 855	52.764	2 4

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)
01-01-99		$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	(a)	743.348 834	73 130 260	661 876 563	1 503 222,742	100	100	100
01-01-04	(b)	864,664,959	82.061 381	657 803.832	1 572,938 437	100	100	95

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

(a)Includes DROP accounts of $25,296,434
(b)Includes DROP accounts of $48,012,526

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

In 2004, the City and County of Denver and Denver Health and Hospital Authority (DHHA) contributed 8% of the employee's total gross salary to the trust fund. The employee contributed 2% of his or her total gross salary, on a pretax basis through payroll deductions The employer and employee contributions, plus income from investments, fund the retirement benefits for employees and their beneficiaries.

Retirement Benefits

Calculation of Retirement Benefits

For active members employed by the City and County of Denver/DHHA prior to September 1, 2004, 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 For members who were originally hired or re-hired on or after September 1, 2004, the retirement benefit is based on 1.5% of the average monthly salary times years of credited service. The vesting requirement is five years of credited service. Active, vested members may purchase additional service Retirement benefits from the Plan are payable for life.

Normal Retirement

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 and 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.

Summary of Principal Plan Provisions

Joint and Survivor Options

The Plan also provides a Joint and Survivor benefit option Under this benefit option the member will receive a reduced lifetime monthly benefit in order to provide a lifetime monthly benefit for a beneficiary. If the member is married, the spouse must be the designated beneficiary unless the spouse formally forfeits these rights and consents to the designation of another beneficiary.

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 $5,000.

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 based on the member's years of credited service

This summary is intended for general information purposes only and does not constitute legal advice. For detailed information please refer to the Plan's Retirement Handbook

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
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
2004	38,810.210	8 0	9 982.696	172 506.821	221 299 727

(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
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
2004	84 770.357	86.365	2 331 599	87.188 321

Schedule of Benefit Expenses by Type

Year Ending	Age & Services Benefits		Death in Service Benefits	Disability Benefits			Lump Sum Death Benefits	Refunds	DROP Benefits (1)	Total Pension Benefits	Health Benefits (2)
	Retirees	Survivor		Retirees		Survivors					
				On the Job	Off-the Job						
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	586 217	893 150	20 800	1 653 347	67 889 993	7 588 370
2004	62 377 101	3 487 000	2 504 738	604 324	2 868 523	653 459	1 555 635	86 365	2 304 358	76 441 503	8.415 219

(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, 2004

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	210	59	151						210			
51- 100	139	20	103			2	14		109	23	3	4
101- 150	206	32	141			7	26		139	48	8	11
151- 200	172	18	128		1	6	18	1	107	45	8	12
201- 250	197	34	140			8	12	3	135	47	4	11
251- 300	182	26	102	3	3	18	30		117	43	2	20
301- 350	213	45	104		4	26	22	12	138	51	8	16
351- 400	163	35	87		9	21	8	3	111	33	3	16
401- 450	166	29	90	2	6	15	20	4	106	30	9	21
451- 500	196	57	87	1	14	15	15	7	132	40	4	20
501- 600	345	126	125	6	29	18	27	14	222	63	13	47
601- 700	303	140	70	2	36	15	32	8	187	62	18	36
701- 800	304	153	70	4	25	15	28	9	181	67	22	34
801- 900	266	161	36	4	18	16	26	5	161	59	19	27
901- 1000	234	159	17	2	21	12	18	5	142	49	13	30
1001-1100	262	193	23	3	11	5	18	9	145	59	24	34
1101-1200	227	157	20	2	14	9	17	8	125	61	17	24
1201-1300	210	165	15	1	7	9	12	1	117	49	12	32
1301-1400	191	162	7	3	7	2	7	3	111	38	14	28
1401-1500	173	138	7	2	6	5	12	3	87	38	19	29
1501-1600	149	127	6		4	4	8		88	26	20	15
1601-1700	128	117	4			5	1	1	74	20	14	20
1701-1800	142	132	3		2	1	4		84	27	13	18
1801-1900	120	110	3	1	3	1	1	1	73	19	11	17
1901-2000	111	102	1		1	2	4	1	60	24	9	18
2001-2500	446	402	6	3	8	8	15	4	261	97	37	51
2501-3000	298	289		3	3	1	2		179	44	24	51
3001-3500	179	174		1		2	2		117	32	15	15
3501-4000	103	101			1		1		75	17	6	5
4001-4500	69	67				2			42	11	5	11
4501- over	96	94			1		1		64	10	7	15
Totals	6200	3624	1546	43	234	250	401	102	3899	1232	381	688

Totals include 522 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, 2004

		Type of Retirement *						
Age	Number of Retirees	1	2	3	4	5	6	7
01-24	22					19	2	1
25-29	6					1		5
30-34	10				1	4	1	4
35-39	11	1			1	6	2	1
40-44	23				3	12	3	5
45-49	60			3	25	14	9	9
50-54	104			7	43	28	14	12
55-59	1141	673	345	4	52	29	24	14
60-64	1126	704	295	5	47	24	34	17
65-69	1042	663	247	10	25	31	52	14
70-74	884	614	146	6	19	24	69	6
75-79	745	473	148	5	11	27	74	7
80-84	621	282	241	2	5	19	66	6
85-89	290	149	88	1	2	9	40	1
90-94	95	53	32			2	8	
95 and up	20	12	4			1	3	
Totals	6200	3624	1546	43	234	250	401	102

Totals include 522 DROP participants

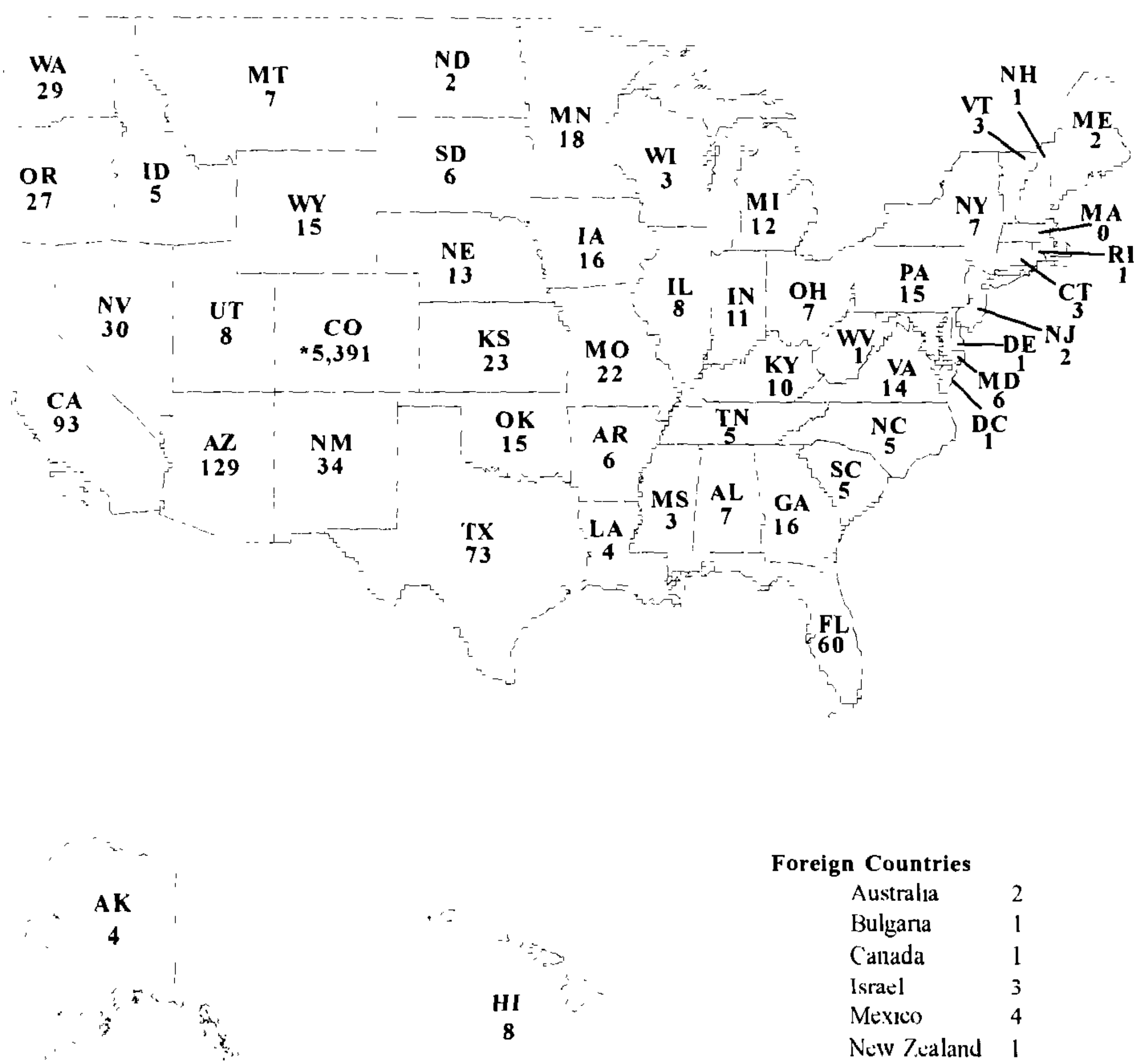
*** Type of Retirement**

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
1999								
Average Monthly Benefits	$ 116.21	$ 326.61	$ 509.31	$ 816.68	$ 1,348.41	$ 1,827.64	$ 2,447.32	$ 1,275.31
Mean Final Avg. Monthly 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 Benefits	$ 11.03	$ 273.70	$ 640.40	$ 909.39	$ 1,710.15	$ 2,455.01	$ 2,662.21	$ 1,575.32
Mean Final Avg. Monthly 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 Benefits	$ 136.18	$ 375.02	$ 738.20	$ 1,381.98	$ 2,191.11	$ 3,014.21	$ 3,033.24	$ 2,210.50
Mean Final Avg. Monthly 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 Benefits	$ 5.31	$ 330.93	$ 743.84	$ 1,237.29	$ 1,927.91	$ 2,615.87	$ 3,255.39	$ 1,754.06
Mean Final Avg. Monthly 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 Benefits	$ 340.96	$ 414.46	$ 850.92	$ 1,656.35	$ 2,208.37	$ 2,762.79	$ 3,316.91	$ 1,932.89
Mean Final Avg. Monthly 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
2004								
Average Monthly Benefits	$ 235.47	$ 408.91	$ 809.39	$ 1,274.68	$ 2,083.56	$ 2,325.80	$ 3,084.75	$ 1,487.81
Mean Final Avg. Monthly Salary	$ 2,883.01	3,821.80	4,337.81	4,537.74	4,952.69	4,511.64	5,025.66	4,434.07
Number of Retirees	1	75	39	43	41	39	38	276
From January 1, 1999 - December 31, 2004								
Average Monthly Benefits	$ 121.93	$ 363.94	$ 742.05	$ 1,305.88	$ 1,919.00	$ 2,629.77	$ 3,005.76	$ 1,782.05
Mean Final Avg. Monthly Salary	$ 1,905.00	3,469.62	3,817.52	4,238.70	4,565.86	4,992.55	4,841.35	4,369.69
Number of Retirees	27	324	312	340	395	461	446	2305

Location of Plan Retirees
Total Number of Retirees - 6,200



Foreign Countries

Australia	2
Bulgaria	1
Canada	1
Israel	3
Mexico	4
New Zealand	1
Puerto Rico	1

***Includes 522 DROP participants.**

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