

Denver Employees Retirement Plan

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

Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2008

Robert F. Strenski
Retirement Board Chairman

Steven E. Hutt
Executive Director

Prepared by the Plan Staff

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Introductory Section

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Primary Plan Sponsor

City and County of Denver, Colorado

Elected Officials

Mayor

Honorable John W. Hickenlooper

Auditor

Honorable Dennis J. Gallagher

City Council

District 1	Honorable Rick Garcia
District 2	Honorable Jeanne Faatz
District 3	Honorable Paul D. López
District 4	Honorable Peggy Lehmann
District 5	Honorable Marcia Johnson
District 6	Honorable Charlie Brown
District 7	Honorable Chris Nevitt
District 8	Honorable Carla Madison
District 9	Honorable Judy Montero
District 10	Honorable Jeanne Robb
District 11	Honorable Michael Hancock
Council at-Large	Honorable Carol Boigon
Council at-Large	Honorable Doug Linkhart

Clerk and Recorder

Honorable Stephanie Y. O'Malley

Introductory Section



Steven E. Hutt
Executive Director
777 Pearl Street
Denver, CO 80203
Ph. 303.839.5419
Fax 303.839-9525
www.derp.org

June 8, 2009

Dear Members of the Denver Employees Retirement Plan:

We are pleased to present the Comprehensive Annual Financial Report of the Denver Employees Retirement Plan (the Plan) of the City and County of Denver (the City) for the fiscal year ended December 31, 2008.

Comprehensive Annual Financial Report This report is an overview intended to give the reader reliable and useful information which describes the financial position of the Plan and provides assurance that the Plan is in compliance with all legal provisions. The Plan's management is responsible for the accuracy of the data contained in this report, and we believe the information included presents fairly the net assets of the Plan as of December 31, 2008, and the changes in net assets for the year then ended.

Internal Control The Plan's 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. The Retirement Board selected the accounting firm BKD, LLP to render an opinion as to the fairness of the Plan's 2008 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 Independent Accountants' Report 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 accountants in the Financial Section of this report.

Plan Profile The Plan was established on January 1, 1963, as a defined benefit plan. Most employees of the City, certain employees of the Denver Health and Hospital Authority (DHHA), and all of the Plan staff are covered by the Plan. Excluded from membership are the uniformed employees of the City's police and fire departments and the Denver Water Board. All active Plan members are required to contribute to Social Security while employed by the City. As of December 31, 2008, there were 9,324 active and 6,869 retired members of the Plan.

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

All Plan-related benefit and administrative provisions are detailed in Sections 18-401 through 18-430.7 of the Revised Municipal Code of the City. Any amendments to the Plan must be enacted into ordinance by the Denver City Council and approved by the Mayor of the City.

Introductory Section

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 Principal 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.

Investment Performance The Plan follows a strategic asset allocation policy so that investments are diversified. The goal of diversification is to offset, over time, weakness in one investment area with strength in another. During 2008, the global financial turmoil dramatically affected pension funds and other investors throughout the securities markets. The Plan's investment return for 2008 of -25.05% essentially matched the median return for 2008 of -25.00% for public pension funds around the country. Over the long term, the Plan's investment return for the past 20 years is in excess of 8.6%, including the negative results of 2008.

Funded Status The Plan's pension benefit fund began 2008 nearly fully-funded, with assets equaling 98.2% of liabilities. We ended the year at a still-healthy funded level of 91.8%, a funded status exceeding that of most of our peers. Although the 2008 investment results were very disappointing, the Plan has a long-term horizon and therefore a long-term investment perspective, with time to earn its way back toward full funding in future years. The Retirement Board, the Executive Director, and the Plan staff remain committed to maintaining the long-term financial soundness of the Plan and to having the funds needed to pay every dollar of benefits promised to every current and future retiree. A history of the Plan's funded status through January 1, 2008 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.

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, 2007. 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 for Excellence in Financial Reporting, 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 Plan has received a Certificate of Achievement for the last 19 years. We believe this current report continues to meet the Certificate of Achievement program requirements and will submit it to the GFOA for consideration again this year.

Conclusion We would like to express our appreciation to the Plan staff members who served the membership throughout 2008 and who prepared this report. We hope that readers will find this report easy to read and understand, and will recognize the contributions that the Retirement Board, Advisory Committee, and Plan staff make toward the continued successful operation of the Plan.

Sincerely,



Robert F. Strenski
Retirement Board Chairman



Steven E. Hutt
Executive Director

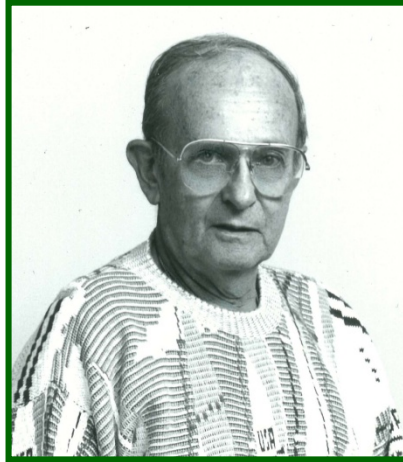
Retirement Board

Each member is appointed by the Mayor of Denver



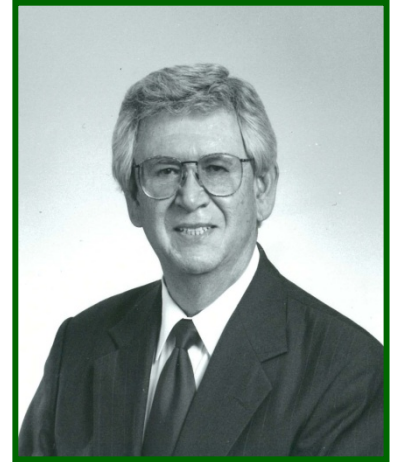
Cheryl Cohen-Vader

Term expires January 1, 2014



Irving S. Hook

Term expires January 1, 2011



Bonney A. Lopez, CPA

Term expires January 1, 2010



Thomas J. Migaki

Term expires January 1, 2015



Robert F. Strenski

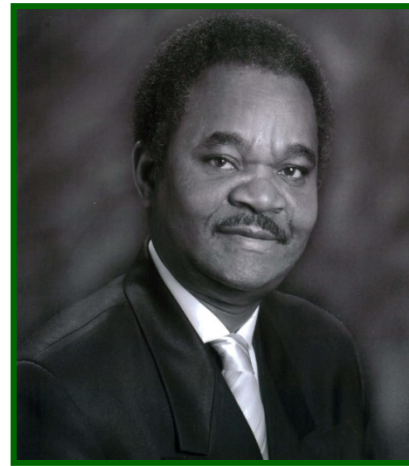
Term expires January 1, 2013

Advisory Committee

Each member is elected by the Plan membership



Michael F. Aleksick
Term expires May 31, 2009



Adeniyi Kelani, Ph.D.
Term expires May 31, 2011



Erma D. Zamora
Term expires May 31, 2010

Professional Services

Actuary

- Gabriel Roeder Smith & Co.

Independent Accountant

- BKD, LLP

Custodian Bank

- JPMorgan Chase Bank

Investment Consulting

Performance Evaluation and Investment Consultant

- Callan Associates, Inc.
- Summit Strategies Group

Real Estate Consultant

- The Townsend Group
- Summit Strategies Group

Investment Managers

Domestic Equity Managers

- Cadence Capital Management
- Franklin Global Advisors
- Independence Investments
- Neuberger Berman, LLC
- Northern Trust Global Investments
- NorthPointe Capital
- Sit Investment Associates, Inc.

International Equity Managers

- Northern Trust Global Investments
- Pyramis Global Advisors
- Templeton Investment Counsel, LLC

Domestic Fixed Income Managers

- Northern Trust Global Investments
- Lehman Brothers, LLC
- Loomis, Sayles & Company, L.P.
- Seix Advisors

Emerging Fixed Income Managers

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

Real Estate Managers

- Fidelity Real Estate Group
- JP Morgan Asset Management
- Prudential Real Estate Investors
- UBS Global Asset Management
- Walton Street Capital

Alternative Investments' Managers

- Adams Street Partners, LLC
- Hancock Timber Resource Group
- INVESCO Private Capital
- JP Morgan Asset Management
- TCW Energy Group

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, 2007

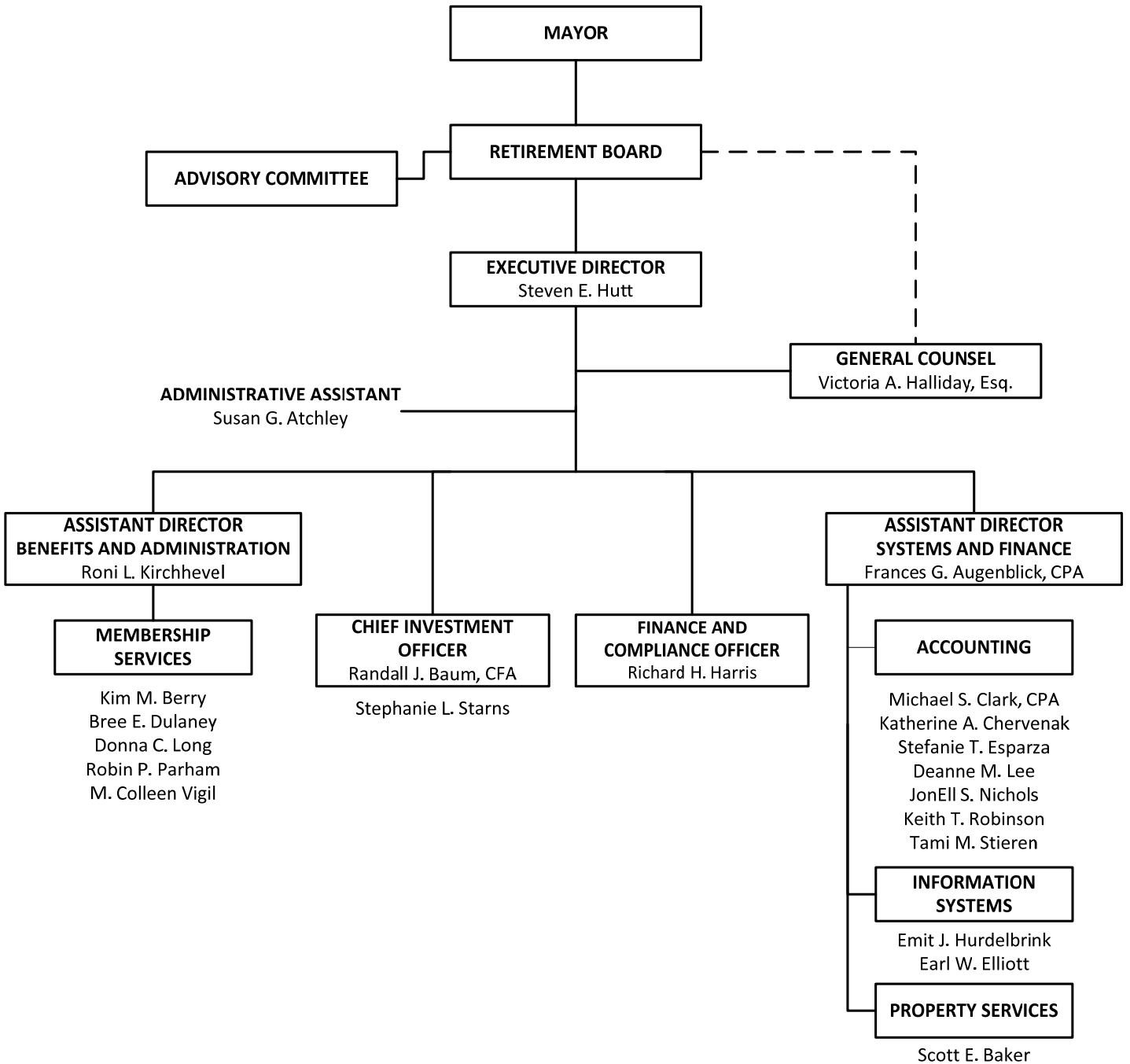
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Organizational Structure



Financial Section



Wells Fargo Center
1700 Lincoln Street, Suite 1400
Denver, CO 80203-4514
303.861.4545 Fax 303.832.5705 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

To the Retirement Board of the Denver Employees Retirement Plan

We have audited the accompanying statement of plan net assets of the Denver Employees Retirement Plan (the Plan), a component unit of the City and County of Denver, as of December 31, 2008, and the related 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. The prior year summarized comparative information has been derived from the Plan's 2007 financial statements and, in our report dated May 5, 2008, we expressed an unqualified opinion on the net assets of the Plan and the changes in its net assets.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of December 31, 2008, and the changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis, schedule of funding progress and schedule of employer contributions as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 financial statements taken as a whole. The introductory section, investment section, actuarial section, statistical section and supporting schedules (schedule of administrative expenses and schedule of investment expenses), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the Plan's basic financial statements. The supporting schedules have been subjected to the auditing procedures applied in the 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 section, investment section,

Financial Section

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

BKD, LLP

April 22, 2009

Financial Section

Management's Discussion and Analysis

This is an analysis and overview of the financial activities of the Denver Employees Retirement Plan (the Plan) for the year ended December 31, 2008. For additional information, please refer to the basic financial statements, notes to the financial statements, required supplementary information, and supporting schedules.

Financial Highlights

As of December 31, 2008, \$1,525,321,514 was held in trust for the payment of benefits and to meet the Plan's future obligations to its members and their beneficiaries.

For 2008, the Plan's total net assets held in trust decreased by \$615,583,115, a 28.8% decline from the amount of net assets reported at the end of 2007. The overall net decrease for 2008 is primarily the result of unfavorable financial markets.

Additions to the Plan net assets included contributions of \$41,313,138 from the City and County of Denver (the City) and \$7,303,190 from the Denver Health and Hospital Authority (DHHA). Active Plan members contributed \$13,988,227, including previously refunded contributions of \$286,230. The Plan had net investment loss of \$548,779,369 including net securities lending transaction income of \$1,894,183.

Deductions from the Plan net assets during 2008 totaled \$129,408,301. This amount is 9.2% higher than the total 2007 deductions. An increase in benefit payments, due to an overall increase in the number of retirements, DROP distributions, and higher benefits per retiree, contributed to the majority of the higher disbursement amount.

The Plan's funding objective is to meet its long-term benefit obligations through employer and employee contributions and investment returns. As of January 1, 2008, the date of the last actuarial valuation, the funded ratio for the pension and health benefits was 98.2% and 75.0%, respectively.

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 financial statements include:

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

The Statement of Plan Net Assets presents the Plan's assets and liabilities as of December 31, 2008, with summarized comparative totals for 2007. This statement reflects the net assets available for benefits in the retirement and the health benefits' funds as of December 31, 2008.

The Statement of Changes in Plan Net Assets shows the additions to and deductions from the Plan's net assets during 2008, with summarized comparative totals for 2007.

The Governmental Accounting Standards Board (GASB) promulgates the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The financial statements, notes to financial statements and required supplementary information presented in this report were prepared in compliance with applicable GASB pronouncements.

Financial Section

Management's Discussion and Analysis

The financial statements provide a snapshot of the Plan's assets and liabilities as of December 31 and the financial activities which occurred during the year. The financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Investment activities have been reported based on trade dates and were valued pursuant to independent outside sources. All capital assets, exclusive of land and construction in progress, are depreciated over their useful lives. 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 for 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 and the history of employer and employee contributions.

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 which takes into account the actuarial assets and actuarial liabilities of the Plan. As of January 1, 2008, the date of the last actuarial valuation, the pension benefits fund had a funded ratio of 98.2%, or for every dollar of pension benefits due participants, the Plan had approximately \$0.98 in actuarial assets available for payment. The health benefits account had a funded ratio of 75.0%, meaning the Plan had approximately \$0.75 in actuarial assets available for payment for every dollar of health benefits due.

On December 31, 2008, the Plan's net assets totaled \$1,525,321,514. Of this amount, \$96,801,380 represented funds reserved in the Deferred Retirement Option Plan (DROP) and the Amended Deferred Retirement Option Plan (DROP II) accounts.

The Plan's Board has an investment allocation strategy in place and with the help of an outside consultant continually monitors the Plan's investments. The financial markets, however, had a negative impact on the Plan during 2008. As of December 31, the Plan's net assets were:

	2008	2007	Amount of Change	Percentage Change
Assets				
Cash, short-term investments, and receivables	\$ 51,554,655	\$ 47,824,908	\$ 3,729,747	7.8%
Securities lending collateral	151,271,779	279,710,705	(128,438,926)	-45.9%
Investments, at fair value	1,482,922,796	2,099,915,679	(616,992,883)	-29.4%
Capital assets, net	<u>1,006,588</u>	<u>1,043,766</u>	<u>(37,178)</u>	-3.6%
Total assets	1,686,755,818	2,428,495,058	(741,739,240)	-30.5%
Liabilities				
Accounts payable and unsettled securities purchased	4,053,518	7,879,724	(3,826,206)	-48.6%
Securities lending obligations	<u>157,380,786</u>	<u>279,710,705</u>	<u>(122,329,919)</u>	-43.7%
Total liabilities	<u>161,434,304</u>	<u>287,590,429</u>	<u>(126,156,125)</u>	-43.9%
Plan net assets	<u>\$ 1,525,321,514</u>	<u>\$ 2,140,904,629</u>	<u>\$ (615,583,115)</u>	-28.8%

Financial Section

Management's Discussion and Analysis

Reserves

The Plan has established a reserve account for accumulated DROP benefits of \$96,801,380 as of December 31, 2008. These funds are reserved for individuals who elected to participate in the DROP programs. Upon retirement, the member could elect to receive distributions or keep the accumulated monies with the Plan. The remaining assets are available to pay retirement and health benefits.

Plan Activities

As a result of unfavorable market conditions and increased benefits, the sum of net investment earnings and contributions fell short of total Plan deductions, resulting in an overall 28.8% decrease in Plan net assets for the year. Benefit payments increased due to an overall larger retiree population. For the years ended December 31, the Plan's activities were:

	<u>2008</u>	<u>2007</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
Additions				
Contributions	\$ 62,604,555	\$ 58,736,665	\$ 3,867,890	6.6%
Net investment earnings (loss)	(548,779,369)	209,989,689	(758,769,058)	-361.3%
Total additions, net	(486,174,814)	268,726,354	(754,901,168)	-280.9%
Deductions				
Benefits	126,430,117	115,949,377	10,480,740	9.0%
Administrative expenses	2,978,184	2,592,567	385,617	14.9%
Total deductions	129,408,301	118,541,944	10,866,357	9.2%
Change in net assets	(615,583,115)	150,184,410	(765,767,525)	-509.9%
Beginning of year net assets	2,140,904,629	1,990,720,219	150,184,410	7.5%
End of year net assets	<u>\$ 1,525,321,514</u>	<u>\$ 2,140,904,629</u>	<u>\$ (615,583,115)</u>	-28.8%

Additions to Plan Net Assets

The monies needed to pay benefits are accumulated from the contributions made from employers, employees, and income generated from the Plan's investments. Earnings or losses on investments are reported net of investment management expenses. Employer contributions for 2008 totaled \$48,616,328, which is 6.9% higher than the 2007 amounts contributed, due primarily to higher covered payroll in 2008. During 2008, employees contributed a total of \$13,988,227; an increase of 5.4% over the 2007 amount, also due to higher covered payroll. The Plan's net investment return was approximately -25.3% in 2008 compared to 11.2% in 2007.

	<u>2008</u>	<u>2007</u>	<u>Amount of Change</u>	<u>Percentage Change</u>
Employer contributions	\$ 48,616,328	\$ 45,459,666	\$ 3,156,662	6.9%
Employee contributions	13,988,227	13,276,999	711,228	5.4%
Net appreciation (depreciation) in fair value of investments	(599,567,940)	156,156,053	(755,723,993)	-484.0%
Interest, dividends and real estate/alternative investments income	57,994,161	62,157,802	(4,163,641)	-6.7%
Securities lending transactions income, net	1,894,183	1,128,671	765,512	67.8%
Investment expenses	(9,099,773)	(9,452,837)	353,064	-3.7%
Total additions, net	<u>\$ (486,174,814)</u>	<u>\$ 268,726,354</u>	<u>\$ (754,901,168)</u>	-280.9%

Financial Section

Management's Discussion and Analysis

Deductions from Plan Net Assets

The Plan provides a lifetime pension benefit to its retired members, as well as survivor, disability, and retiree health, dental and vision benefits. Annual expenses of the Plan include retirement benefits, DROP distributions, refunds of employee contributions, and administrative expenses. For the year ended December 31, 2008, deductions totaled \$129,408,301, an increase of 9.2% over the amount of 2007 total deductions. The increase is attributed to higher benefit payments resulting from a larger number of retirements, increased DROP distributions, and relatively higher benefits per retiree.

	2008	2007	Amount of Change	Percentage Change
Benefits	\$ 125,913,420	\$ 115,539,730	\$ 10,373,690	9.0%
Employee refunds	516,697	409,647	107,050	26.1%
Administrative expenses	2,978,184	2,592,567	385,617	14.9%
Total deductions	\$ 129,408,301	\$ 118,541,944	\$ 10,866,357	9.2%

Requests for Information

This management's discussion and analysis is intended to provide the Plan's Board, participating employers, and the membership with an overview of the Plan's financial position as of December 31, 2008, and a summary of the Plan's activities for the year then ended.

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

Denver Employees Retirement Plan
777 Pearl Street
Denver, CO 80203
Phone: 303-839-5419
Fax: 303-839-9525
Website: www.derp.org

Financial Section

Statement of Plan Net Assets

December 31, 2008

(with Summarized Comparative Totals for December 31, 2007)

	Pension Benefits	Health Benefits	December 31,	
			2008	2007
Assets				
Cash and short-term investments	\$ 41,025,270	\$ 1,966,682	\$ 42,991,952	\$ 40,535,903
Securities lending collateral	144,351,797	6,919,982	151,271,779	279,710,705
Receivables				
Employer contributions	974,029	46,693	1,020,722	8,646
Unsettled securities sold	1,086,052	52,064	1,138,116	803,800
Interest and dividends	<u>6,110,918</u>	<u>292,947</u>	<u>6,403,865</u>	<u>6,476,559</u>
Total receivables	8,170,999	391,704	8,562,703	7,289,005
Investments, at fair value				
U.S. Government obligations	131,432,478	6,300,652	137,733,130	158,693,468
Domestic corporate bonds and other fixed income	302,385,751	14,495,864	316,881,615	383,142,724
Domestic stocks	526,756,121	25,251,801	552,007,922	862,220,102
International stocks	203,866,605	9,773,022	213,639,627	364,618,957
Real estate	168,445,201	8,074,979	176,520,180	238,387,388
Alternative investments	<u>82,199,802</u>	<u>3,940,520</u>	<u>86,140,322</u>	<u>92,853,040</u>
Total investments	1,415,085,958	67,836,838	1,482,922,796	2,099,915,679
Capital assets				
Land	410,369	19,672	430,041	430,041
Building and equipment, net of accumulated depreciation	530,398	25,426	555,824	-
Construction in progress	<u>19,775</u>	<u>948</u>	<u>20,723</u>	<u>613,725</u>
Total assets	1,609,594,566	77,161,252	1,686,755,818	2,428,495,058
Liabilities				
Unsettled securities purchased	1,705,509	81,759	1,787,268	5,568,322
Securities lending obligations	150,181,345	7,199,441	157,380,786	279,710,705
Accounts payable	<u>2,162,580</u>	<u>103,670</u>	<u>2,266,250</u>	<u>2,311,402</u>
Total liabilities	<u>154,049,434</u>	<u>7,384,870</u>	<u>161,434,304</u>	<u>287,590,429</u>
Net assets held in trust for benefits (see schedule of funding progress)	<u>\$ 1,455,545,132</u>	<u>\$ 69,776,382</u>	<u>\$ 1,525,321,514</u>	<u>\$ 2,140,904,629</u>
Net assets held in trust for pension and health benefits	\$ 1,358,743,752	\$ 69,776,382	\$ 1,428,520,134	\$ 2,044,837,846
Net assets held in reserve for DROP and DROP II benefits	<u>96,801,380</u>	<u>-</u>	<u>96,801,380</u>	<u>96,066,783</u>
Net assets held in trust for benefits (see schedule of funding progress)	<u>\$ 1,455,545,132</u>	<u>\$ 69,776,382</u>	<u>\$ 1,525,321,514</u>	<u>\$ 2,140,904,629</u>

See Notes to Financial Statements

Financial Section

Statement of Changes in Plan Net Assets

Year Ended December 31, 2008

(with Summarized Comparative Totals for the Year Ended December 31, 2007)

	Pension Benefits	Health Benefits	Year ended December 31,	
			2008	2007
Additions				
Contributions				
City and County of Denver, Colorado	\$ 37,601,932	\$ 3,711,206	\$ 41,313,138	\$ 38,861,910
Denver Health and Hospital Authority	6,760,613	542,577	7,303,190	6,597,756
Plan members	<u>12,804,873</u>	<u>1,183,354</u>	<u>13,988,227</u>	<u>13,276,999</u>
Total contributions	57,167,418	5,437,137	62,604,555	58,736,665
Investment earnings				
Net appreciation in fair value of investments	(571,797,833)	(27,770,107)	(599,567,940)	156,156,053
Interest	28,970,638	1,412,191	30,382,829	30,224,839
Dividends	15,965,167	778,904	16,744,071	18,685,817
Real estate/alternative investments income	<u>10,363,297</u>	<u>503,964</u>	<u>10,867,261</u>	<u>13,247,146</u>
	(516,498,731)	(25,075,048)	(541,573,779)	218,313,855
Investment expenses	<u>(8,678,096)</u>	<u>(421,677)</u>	<u>(9,099,773)</u>	<u>(9,452,837)</u>
	(525,176,827)	(25,496,725)	(550,673,552)	208,861,018
Securities lending transactions income	6,884,592	336,424	7,221,016	14,403,793
Securities lending transactions expenses				
Borrower rebates	(4,474,615)	(218,954)	(4,693,569)	(12,899,068)
Agent fees	<u>(603,831)</u>	<u>(29,433)</u>	<u>(633,264)</u>	<u>(376,054)</u>
	1,806,146	88,037	1,894,183	1,128,671
Net investment earnings	<u>(523,370,681)</u>	<u>(25,408,688)</u>	<u>(548,779,369)</u>	<u>209,989,689</u>
Total additions, net	(466,203,263)	(19,971,551)	(486,174,814)	268,726,354
Deductions				
Retired member benefits	108,049,331	10,822,553	118,871,884	109,480,404
DROP and DROP II benefits paid	7,041,536	-	7,041,536	6,059,326
Refunds of contributions	492,692	24,005	516,697	409,647
Administrative expenses	<u>2,839,820</u>	<u>138,364</u>	<u>2,978,184</u>	<u>2,592,567</u>
Total deductions	<u>118,423,379</u>	<u>10,984,922</u>	<u>129,408,301</u>	<u>118,541,944</u>
Change in net assets	(584,626,642)	(30,956,473)	(615,583,115)	150,184,410
Net assets held in trust for benefits				
Beginning of year	<u>2,040,171,774</u>	<u>100,732,855</u>	<u>2,140,904,629</u>	<u>1,990,720,219</u>
End of year	<u>\$ 1,455,545,132</u>	<u>\$ 69,776,382</u>	<u>\$ 1,525,321,514</u>	<u>\$ 2,140,904,629</u>

See Notes to Financial Statements

Financial Section

Notes to Financial Statements

Note 1 PLAN DESCRIPTION

The Denver Employees Retirement Plan (the Plan) administers a cost-sharing multiple-employer defined benefit plan providing pension and post-retirement health benefits to eligible members. The Plan was 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. In 2001, the Plan became closed to new entrants from DHHA. All risks and costs are shared by the City and County of Denver (the City) and DHHA. There is a single actuarial evaluation performed annually that covers both the pension and post-retirement health benefits. All assets of the Plan are funds held in trust by the Plan for its members for the exclusive purpose of paying pension and post-retirement health benefits.

Substantially all of the general employees of the City, certain employees of DHHA, and all employees of the Plan are covered under the Plan. The classified service employees of the Denver Police and Denver Fire Departments, and the employees of the Denver Water Board are covered by separate retirement systems. At December 31, 2008, the Plan membership consisted of the following:

	Pension Benefits	Health Benefits
Retirees and beneficiaries currently receiving benefits	6,869	4,981
Retirees and beneficiaries entitled to health benefits but not receiving any	-	1,888
Terminated employees entitled to benefits but not yet receiving them	3,338	3,338
Current employees:		
Vested	6,227	6,227
Non-vested	3,097	3,097
Total	<u>19,531</u>	<u>19,531</u>

The following brief description of the Plan is provided for general information purposes only. Sections 18-401 through 18-430.7 of the City's Revised Municipal Code should be referred to for complete details of the Plan.

The Plan provides retirement, death and disability benefits for its members and their beneficiaries. Members who retire at or after age 65 (or at age 55 if the sum of their age and credited service is at least 75) are entitled to an annual retirement benefit, in an amount equal to as much as 2.0% of their final average salary for each year of credited service, payable monthly for life. Effective for employees hired after September 1, 2004, the Plan formula multiplier was reduced to 1.5%. Final average salary is based on the member's highest salary during a 36 consecutive month period of credited service. Members 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 health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992, post-employment health care benefits in the form of a premium reduction to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2008, the monthly health insurance premium reduction was \$12.50 per year of service for retired participants under the age of 65, and \$6.25 per year of service for retirees aged 65 and older. The health insurance premium reduction can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

Financial Section

Notes to Financial Statements

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Plan has separate legal standing and is fiscally independent of the City. However, based upon the criterion of financial accountability as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, the Plan is reported as a component unit of the City's financial reporting entity.

Basis of Accounting and Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Plan is accounted for using the economic resources measurement focus and the accrual basis of accounting. Employer/employee contributions and investment earnings are recognized in the period in which they are due and earned, respectively. Expenses are recognized when incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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 the Plan's trustee are paid from the assets of the Plan accumulated from contributions and investment earnings. Such expenses totaled \$2,978,184 in 2008, and are reported as administrative expenses in the accompanying statement of changes in plan net assets.

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 securities' fair values are based on prices obtained from an approved independent pricing service. Fair values of real estate and alternative investments are determined by independent periodic appraisals of properties owned in the various investment funds. Short-term investments, with the exception of international funds, are recorded at amortized cost which approximates fair value. Investment earnings are recognized as earned. Gains and losses on sales and exchanges of securities are recognized on the trade date.

For 2008, the Plan realized net losses on the disposition of investments of \$(53,022,693). The calculation of realized gains and losses is independent of the calculation of the net appreciation or depreciation in the fair value of the Plan's 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 (depreciation) in the fair value of investments reported for 2008.

Investments of the Plan shall be in accordance with all applicable laws of the State of Colorado and the City, specifically:

- Investments shall be solely in the interest of the participants and their beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries.
- Investments shall be made 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 and with like aims.
- Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

Financial Section

Notes to Financial Statements

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include land, building, furniture and equipment, and construction in progress, are recorded at historical cost. The Plan's capitalization threshold for capital assets is \$500 of cost and a useful life in excess of one year. The costs of routine maintenance and repairs that do not add to the value of capital assets or materially extend assets' lives are not capitalized. Depreciation on capital assets, excluding land and construction in progress, is calculated using the straight-line method over the following estimated useful lives:

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

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. Earnings on the trust funds are 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.

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 certain 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.

Prior-Year Summarized Totals

The basic financial statements include certain prior year summarized comparative information in total, but do not present detail for the pension or health benefits' accounts. 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, 2007, from which the summarized information was derived.

Current Economic Conditions

The current economic environment presents public employee benefit plans such as the Plan with unprecedented circumstances and challenges, which have resulted in substantial declines in the fair value of investments. The accompanying financial statements have been prepared using values and information available to the Plan as of the date of the financial statements. Due to the volatility of economic conditions, the values of assets recorded in the financial statements could change materially in the future.

Financial Section

Notes to Financial Statements

Note 3 IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

Governmental Accounting Standards Board Statement No. 51

In 2008, the Plan implemented the provisions of GASB Statement No. 51 (GASB 51), *Accounting and Financial Reporting for Intangible Assets*, which establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Implementation of GASB 51 requires the Plan to capitalize the costs associated with the replacement of its benefits administration system which began late in 2008. There was no effect on net assets held in trust for benefits as of January 1, 2008, or 2007, or on the net increase (decrease) in net assets held in trust for benefits for the year ended December 31, 2007.

Note 4 CONTRIBUTIONS

The Plan's funding policy provides for annual 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 2008, the actuarially determined contribution rates for the pension and health benefits were 10.02% and 0.95%, respectively. The employers contributed a total of 8.50% of covered payroll and employees made a pre-tax contribution of 2.50% in accordance with Section 18-407 of the City's Revised Municipal Code. The employees' contribution was handled as a payroll deduction and was transmitted to the Plan with the employers' contribution. During 2008, the employers contributed \$44,362,545 for pension benefits and \$4,253,783 for health benefits while the employees contributed a total of \$12,804,873 for pension benefits and \$1,183,354 for health benefits.

An actuarial valuation is performed annually by an independent actuarial consultant to determine that contributions are sufficient to provide funds for future benefits and to evaluate the funded status of the Plan. For 2008, in accordance with the January 1, 2008, actuarially determined contribution requirements, the total required contribution was \$59,878,629 (\$49,370,700 of normal cost and \$5,297,384 amortization of the unfunded actuarial accrued liability for pension benefits; \$2,544,800 of normal cost and \$2,665,745 amortization of the unfunded actuarial accrued liability for health benefits) based on a rate of 10.97% of projected payroll. The actual contribution was \$62,318,326 using a rate of 11.00% of covered payroll, which when combined with the members' repayments of \$286,230, discussed below, resulted in total contributions of \$62,604,555. In accordance with a separate agreement between DHHA and the Plan, DHHA was to make a supplemental contribution in the amount of \$2,086,712, which is included in the total contributions amount. DHHA did not pay the entire supplemental contribution due, therefore \$1,020,722 is recorded in the accompanying financial statements as employer contributions receivable.

During 2008, employee contributions totaled \$13,988,227 and were allocated to pension and health benefits in the same manner as the employers' contributions. Regular employee contributions were not allowed between January 1, 1979, and September 30, 2003. However, City ordinance currently allows members to repay refunded contributions plus interest to reinstate service credits for periods prior to January 1, 1979. Any employee who made contributions after September 30, 2003, and was not vested upon leaving covered service could request a refund of those contributions. Eligible active members may also purchase permissive service credits in accordance with the Internal Revenue Code, which includes a maximum of five years of nonqualified service credits. Members paid \$286,230 under these provisions during 2008.

Note 5 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 years. After April 30, 2003, no active member with an actual and effective date of retirement after May 1, 2003, could enter or

Financial Section

Notes to Financial Statements

Note 5 DEFERRED RETIREMENT OPTION PLAN (DROP) (continued)

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 continued to work for the employer, earning a regular salary. The monthly retirement benefits were 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, currently eight percent per annum. Sections 18-422 through 18-429 of the City's Revised Municipal Code should be referred to for more complete information on DROP. Upon retirement, members have access to the funds accumulated during their participation in DROP. As of December 31, 2008, there were no remaining DROP participants. During 2008, a total of \$7,234,301 in interest was credited to members' DROP accounts. During 2008, a total of \$6,149,883 was distributed from the DROP accounts to members who had retired and exited DROP. As of December 31, 2008, the reserve for DROP payments was \$91,850,256.

Note 6 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 years. While participating in DROP II, the member continued to work for the employer, earning a regular salary. The member's monthly retirement benefits were 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 percent per annum and not more than the Plan's annual actuarial assumed rate of return, currently eight percent per annum. Sections 18-430 through 18-430.7 of the City's Revised Municipal Code should be referred to for more complete information on DROP II. Upon exiting DROP II, members have access to the funds accumulated during their participation in DROP II. During 2008, the last 24 participants exited the program. On December 31, 2008, there were no remaining DROP II participants. A total of \$541,832, representing \$380,986 in benefits and \$160,846 in interest, was credited to members' DROP II accounts during 2008. Also during 2008, a total of \$891,653 was distributed to members who had exited DROP II. As of December 31, 2008, the reserve for DROP II payments was \$4,951,124.

Note 7 FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of January 1, 2008, was as follows:

	Pension Benefits	Health Benefits
Actuarial accrued liability (AAL)	\$1,985,651,482	\$128,607,079
Actuarial value of Plan assets	1,950,010,815	96,457,419
Unfunded AAL	35,640,667	32,149,660
Funded ratio (actuarial value of Plan assets/AAL)	98.2%	75.0%
Covered payroll (active Plan members)	\$545,835,393	\$545,835,393
Unfunded AAL as a percentage of covered payroll	6.5%	5.9%

The actuarial valuation of the Plan's pension and health benefits involve estimates of the value of reported amounts and assumptions about the probability of certain events well into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multi-year trend information showing whether the actuarial value of the Plan's assets is increasing or decreasing over time.

Financial Section

Notes to Financial Statements

Note 8 DEPOSITS AND INVESTMENTS

The value of projected benefits for financial reporting purposes are based upon the substantive plan in effect at the time of each actuarial valuation, and the pattern of sharing costs between the employers and plan members to that point. Consistent with the long-term perspective of the actuarial calculations, the actuarial methods and assumptions used include techniques intended to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets.

For the January 1, 2008, actuarial valuation, the projected unit credit valuation method was used. The actuarial value of pension and health benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over approximately a five-year period. The actuarial assumptions included an 8.0% investment rate of return (net of administrative expenses), projected salary increases of 3.0% – 6.3%, including inflation of 3.0%, and no cost of living increases. The amortization period at December 31, 2008, was 30 years using a level dollar, open basis, amortization method.

It is the objective of the Plan in managing the trust as a whole to provide a net realized real rate of return in excess of three percent per year over a full market/economic cycle of three to seven years. The relative investment objective of the Plan is to exceed the rate of return that would have been achieved by a statically allocated and passively managed portfolio, at the same risk, in accordance with a long-term asset allocation strategy of the following approximate percentages (not intended to total 100%): equity 59%, fixed income 27%, real estate 10%, and alternative investments 4%.

At December 31, 2008, the Plan's deposit and investment balances were as follows:

	<u>Fair Value</u>
U.S. Treasury securities	\$ 121,555,884
U.S. agency securities	16,177,246
Corporate and mortgage bonds	316,881,615
Domestic stocks	552,007,922
International stocks	213,639,627
Real estate	176,520,180
Alternative Investments	86,140,322
Cash and short-term investments	<u>42,991,952</u>
Total	<u>\$ 1,525,914,748</u>

A portion of the Plan's assets are exposed to risks, including credit risk, concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk, that have the potential to result in losses.

Credit Risk

To mitigate the risk that issuers or other counterparties to an investment will not fulfill their obligations, the Plan's investment policy specifically states that the fixed income investment managers, excluding the Plan's high yield manager, invest only in securities that are rated at BBB- or higher by one of the three established rating agencies. The Plan's high yield investment manager is permitted to invest in securities rated B- or above. The high yield manager is also permitted to invest 5% of its portfolio temporarily in bonds rated CCC or lower.

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Notes to Financial Statements

Note 8 DEPOSITS AND INVESTMENTS (continued)

The following table provides information regarding Standard & Poor's (S&P) and Moody's credit ratings associated with the Plan's investment in debt securities as of December 31, 2008:

S&P	Moody's	Asset Backed	Corporate Bonds	Mortgage Bonds	Total
AAA	Aaa	\$ 5,467,583	\$ 8,842,960	\$ 89,231,329	\$ 103,541,872
AAA	A1 to Aa3	875,332	-	-	875,332
AAA	NR	110,114	-	4,484,683	4,594,797
AA+ to AA-	A1 to Aa3	-	11,910,372	-	11,910,372
A+ to A-	A1 to Baa2	851,969	64,036,375	1,911,876	66,800,220
BBB+ to BBB-	A3 to Baa3	1,100,096	40,247,225	1,196,905	42,544,226
BB+ to BB-	B1 to Ba3	604,627	35,337,536	1,304,664	37,246,827
B+ to B-	B1 to Caa1	35,602	43,482,859	361,816	43,880,277
CCC+ to CCC	B3	-	1,541,300	-	1,541,300
NR	Aaa to Baa2	4,850	-	3,941,542	3,946,392
		<u>\$ 9,050,173</u>	<u>\$ 205,398,627</u>	<u>\$ 102,432,815</u>	<u>\$ 316,881,615</u>

NR - no rating available.

Concentration of Credit Risk

The Plan's investment policy mandates that no managed account may invest more than 5% of managed assets in the securities of a single issuer. As of December 31, 2008, the Plan was in compliance with this policy.

Custodial Credit Risk

In the event of a failure of a financial institution or counterparty, custodial credit risk is the risk that the Plan would not be able to recover its deposits, investments or collateral securities in the possession of an outside party. The Plan has no formal policy for custodial credit risk for deposits and investments. At December 31, 2008, the Plan had \$4,441,030 in uninsured and uncollateralized deposits; there were no investments or collateral securities subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in financial market rates of interest will adversely affect the value of an investment. As a means of limiting the Plan's exposure to fair value losses due to rising interest rates, the Plan's Investment Manual provides for the use of duration as the primary measure of interest rate risk within some of the fixed income investments: intermediate – one to eight years, and high yield – between (+) or (-) 10% of the duration of the Merrill Lynch High Yield Cash Pay Index. The Plan manages interest rate risk through the constraints on duration specified in each manager's investment guidelines included in the Plan's Investment Manual. At December 31, 2008, the Plan's fixed income investments had the following maturities by investment type:

Investment Type	Fair Value	Less than 1			More than 10	
		Year	1-5 Years	6-10 Years	Years	
U.S. Treasury securities	\$ 121,555,884	\$ 3,051,906	\$ 48,161,622	\$ 51,774,665	\$ 18,567,691	
U.S. agency securities	16,177,246	1,236,883	6,800,810	3,704,721	4,434,832	
Asset backed	9,050,173	35,602	4,303,915	1,976,660	2,733,996	
Corporate bonds	205,398,627	4,391,982	84,502,593	89,668,106	26,835,946	
Mortgage backed	102,432,815	750,460	33,193,181	9,871,885	58,617,289	
Total	<u>\$ 454,614,745</u>	<u>\$ 9,466,833</u>	<u>\$ 176,962,121</u>	<u>\$ 156,996,037</u>	<u>\$ 111,189,754</u>	

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Notes to Financial Statements

Note 8 DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's investment policy allows 15% to 19% of total investments to be invested in international equities. The following positions represent the Plan's exposure to foreign currency risk as of December 31, 2008:

	<u>Foreign Currency</u>	<u>U.S. Dollars</u>
Equities:	Euro	\$ 80,476,169
	British Pound	34,380,957
	Brazilian Real	387,988
	Japanese Yen	42,842,069
	Swiss Franc	22,695,557
	Australian Dollar	10,445,524
	Hong Kong Dollar	5,107,763
	Swedish Krona	3,045,095
	Singapore Dollar	3,905,421
	Norwegian Krone	1,783,618
	Danish Krone	1,568,456
	Chinese Yuan	211,299
	New Zealand Dollar	53,035
		<u>206,902,951</u>
Cash:	British Pound	62,364
	Singapore Dollar	13,188
	Japanese Yen	90,564
	Euro	121,261
		<u>287,377</u>
Total		<u>\$ 207,190,328</u>

Note 9 SECURITIES LENDING TRANSACTIONS

Board policy permits the Plan to participate in a securities lending program to augment income. The program is administered by the Plan's custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. government securities, defined letters of credit, or other collateral approved by the Plan. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. The custodial agent bank determines daily that required collateral meets a minimum of 100% of the market value of securities on loan for domestic securities lent and 105% for international securities lent. The Plan continues to receive interest and dividends during the loan period as well as a fee from the borrower. There are no restrictions on the amount of securities that can be lent at one time. The duration of securities lending loans generally matches the maturation of the investments made with cash collateral. At December 31, 2008, the fair value of underlying securities lent was \$196,636,811. The fair value of associated collateral was \$194,564,337; of this amount, \$151,271,779 represents the fair value of cash collateral and \$43,292,558 is the fair value of non-cash collateral. The Plan does not have the ability to pledge or sell non-cash collateral unless the borrower defaults, therefore it is not reported on the financial statements.

Financial Section

Notes to Financial Statements

Note 9 SECURITIES LENDING TRANSACTIONS (continued)

During 2008, the value of certain securities for which cash collateral had been invested in became impaired because of the credit failure of the issuer. Accordingly, the carrying amount of the collateral reported was reduced by a total of \$6,109,007 to reflect the impairment and the net realizable value of the securities. Therefore, the Plan has credit risk exposure since the value of collateral held does not exceed the value of the securities lent.

The Plan reports securities loaned as assets on the Statement of Plan Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are recorded as an asset and liability. Investments purchased with cash collateral are recorded as Securities Lending Collateral with a corresponding liability as Securities Lending Obligations.

Note 10 CAPITAL ASSETS

The Plan's capital assets' activity for the year ended December 31, 2008, was as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
Capital assets, not being depreciated				
Land	\$ 430,041	\$ -	\$ -	\$ 430,041
Construction in progress	-	20,723	-	20,723
Capital assets, being depreciated				
Building	1,136,013	-	-	1,136,013
Furniture and equipment	<u>671,399</u>	<u>8,398</u>	<u>(3,391)</u>	<u>676,406</u>
Total capital assets, being depreciated	1,807,412	8,398	(3,391)	1,812,419
Accumulated depreciation				
Building	(610,117)	(38,114)	-	(648,231)
Furniture and equipment	<u>(583,570)</u>	<u>(28,185)</u>	<u>3,391</u>	<u>(608,364)</u>
Total accumulated depreciation	<u>(1,193,687)</u>	<u>(66,299)</u>	<u>3,391</u>	<u>(1,256,595)</u>
Total capital assets being depreciated, net	<u>613,725</u>	<u>(57,901)</u>	-	<u>555,824</u>
Capital assets, net	<u>\$ 1,043,766</u>	<u>\$ (37,178)</u>	<u>\$ -</u>	<u>\$ 1,006,588</u>

The 2008 depreciation expense for the pension and health benefit accounts was \$63,219 and \$3,080, respectively.

Financial Section

Required Supplementary Information

Schedule of Funding Progress

Pension Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL (Funding Excess) as a Percentage of Covered Payroll (b-a)/(c)
1/1/03	\$1,503,222,742	\$1,478,355,657	(\$24,867,085)	101.7%	\$521,897,995	(4.8)%
1/1/04	1,572,938,437	1,604,530,172	31,591,735	98.0	506,517,465	6.2
1/1/05	1,651,090,641	1,665,540,822	14,450,181	99.1	495,174,860	2.9
1/1/06	1,735,208,838	1,782,504,943	47,296,105	97.3	495,285,185	9.5
1/1/07	1,837,476,077	1,862,772,866	25,296,789	98.6	499,462,875	5.1
1/1/08	1,950,010,815	1,985,651,482	35,640,667	98.2	545,835,393	6.5

Health Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll (b-a)/(c)
1/1/03	\$85,029,257	\$96,437,491	\$11,408,234	88.2%	\$521,897,995	2.2%
1/1/04	87,110,400	105,478,904	18,368,504	82.6	506,517,465	3.6
1/1/05	88,527,589	116,567,764	28,040,175	75.9	495,174,860	5.7
1/1/06	90,227,891	123,775,074	33,547,183	72.9	495,285,185	6.8
1/1/07	93,089,297	127,133,068	34,043,771	73.2	499,462,875	6.8
1/1/08	96,457,419	128,607,079	32,149,660	75.0	545,835,393	5.9

Financial Section

Required Supplementary Information

Schedule of Employer Contributions

Pension Benefits

Year beginning January 1	Annual actuarially required contribution ⁽¹⁾	Percentage contributed
2003 ⁽²⁾	\$47,435,946	96.8%
2004	51,480,166	87.2
2005 ⁽³⁾	48,734,324	99.7
2006	53,427,749	92.2
2007	50,536,315	100.0
2008	54,668,084	100.0

Health Benefits

Year beginning January 1	Annual actuarially required contribution ⁽¹⁾	Percentage contributed
2003 ⁽²⁾	\$4,710,070	97.0%
2004	4,072,025	96.5
2005 ⁽³⁾	4,723,233	96.7
2006	5,292,244	99.5
2007	5,475,322	100.0
2008	5,210,545	100.0

- (1) Employers made contributions based on the legally required rates. As discussed in Note 4, DHHA did not pay the full amount of their required supplemental contribution in 2008.
- (2) The employers contributed 10.00% of covered payroll through September 30, 2003. Beginning on October 1, 2003, the employers contributed 8.00% and the employees contributed 2.00%.
- (3) Beginning on January 1, 2005, the employers and employees contributed 8.50% and 2.50%, respectively.

Financial Section

Supporting Schedules

Schedule of Administrative Expenses Year ended December 31, 2008

Personnel services:	
Salaries	\$ 1,476,111
Employee benefits	430,987
Total personnel services	<u>1,907,098</u>
Professional services:	
Actuarial	163,642
Legal	5,183
Retirement board	54,134
Audit	52,650
Consultation	49,924
Medical examination	1,545
Total professional services	<u>327,078</u>
Office operations:	
Plan insurance	43,726
Postage	48,344
Office forms and printing	20,035
Office equipment	44,176
Employee travel and conferences	22,903
Telephone	9,022
Membership education	5,265
Miscellaneous operating	16,854
Personnel services	34
Employee education	14,377
Office supplies	8,478
Publications	8,322
Automobile	5,595
Total office operations	<u>247,131</u>
Computer operations:	
Consultation	219,851
Maintenance	10,340
Computer and software leasing	46,030
Supplies	4,139
Other expenses	7,593
Total computer operations	<u>287,953</u>
Miscellaneous administrative expenses:	
Building operations	142,625
Depreciation expense	66,299
Total miscellaneous administrative expenses	<u>208,924</u>
Total	<u><u>\$ 2,978,184</u></u>

Financial Section

Supporting Schedules

Schedule of Investment Expenses Year ended December 31, 2008

Domestic equity portfolio management	\$ 2,842,329
Real estate portfolio management	2,507,788
International equity portfolio management	1,095,344
Fixed income portfolio management	1,061,327
Alternative investment portfolio management	1,004,885
Other investment related expenses	467,600
Custody	120,500
Total	\$ 9,099,773

Investment Section

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Summit Strategies Group

May 8, 2009

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, 2008.

The DERP investment portfolio suffered a significant negative return this past year, posting a loss of -25.05% gross of fees for the fiscal year ending December 31, 2008. DERP's performance essentially matched the -25.00% median return of the Russell-Mellon Public Fund Universe. Performance fell just short of DERP's strategic policy benchmark target return of -24.79%, but continues to outpace the benchmark for the trailing 3- and 5-year periods. 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 (21%); NCREIF Total Property (10%); Russell 2000 (8%), Merrill Lynch High Yield Bond Cash Pay (5%) and Alternative Investments (5%). The economic events of 2008 had a very significant negative impact on trailing period returns, significantly affecting the 3, 5, and 10 year figures. Over the trailing 3 years ended 12/31/08, DERP achieved an annualized return of -1.60%. The trailing 5-year return now stands at 3.23%, and DERP's trailing 10-year annualized return is 3.44%.

As DERP's investment consultant, Summit Strategies Group calculates performance statistics utilizing market values obtained from custodial records or other statements. Performance is determined using a time-weighted calculation methodology. Summit also uses its internal data sources to make comparisons with other public pension plans and to evaluate specific portfolio sector performance. Comparison between the portfolio returns and an investment policy benchmark is also done. The investment policy benchmark is comprised of a weighted average of the various passive indexes in the same proportions as the DERP investment allocation policy.

It is DERP's goal to seek appropriate returns by the prudent investment of assets. Such investment activities are in accordance with applicable law, modern portfolio theory, and prevailing industry practice, and seek to minimize risk while generating the growth that will assist in paying promised benefits to members and beneficiaries. A study of assets and liabilities is conducted periodically to ensure the mix of investments remains appropriate, and adjustments to the portfolio are made when changes in plan circumstances and/or current capital markets conditions dictate. It is the responsibility of the Retirement Board, with the assistance of Summit Strategies and DERP internal investment staff, to approve a target asset allocation policy, which reflects an appropriate balance between risk and return.

8182 Maryland Avenue, 6th Floor • St. Louis, Missouri 63105 • 314.727.7211, 314.727.6068 (fax)

The results for the past year did not achieve the fund's actuarial assumption for long-term investment results. Investment markets in 2008 started poorly, only to worsen following the Lehman Brothers bankruptcy, and experienced one of the fastest and deepest equity declines in history over the following six-week period. The deteriorating fundamentals were not confined to the U.S or the equity markets, but impacted nearly all asset classes and sectors globally. As a consequence, the public pension plans that are DERP's peers suffered investment losses of a similar magnitude to DERP's. The positive, if there is one after a year like 2008, is that expected returns are higher looking forward as investors expect to be rewarded for taking risk. This does not mean 2009 will be positive or that the loss will be recouped quickly, but it does mean a base for future growth should be established. The long-term results are positive and the hard work of the Board and staff over the past few years positioned the fund to prudently safeguard the assets in a difficult year. We believe that the fund is in a good position to capture consistent, quality results in the years to come.

Sincerely,



Timothy S. Sant, CFA
Senior Vice President

Investment Section

Mission Statement

The Denver Employees Retirement Plan (the Plan) was established on January 1, 1963, as a defined benefit pension plan. The Plan 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 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 Plan Board is responsible for formulating investment strategies, allocation of assets, and the contracting with investment management firms. To assist the Plan Board in overseeing these responsibilities, on February 8, 1989, they formally adopted a written investment manual. The investment manual includes a Statement of Investment Policy and Guidelines, establishes an asset allocation plan, and incorporates individual investment manager guidelines. Changes to the investment manual are formally adopted by the Plan 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 their 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.

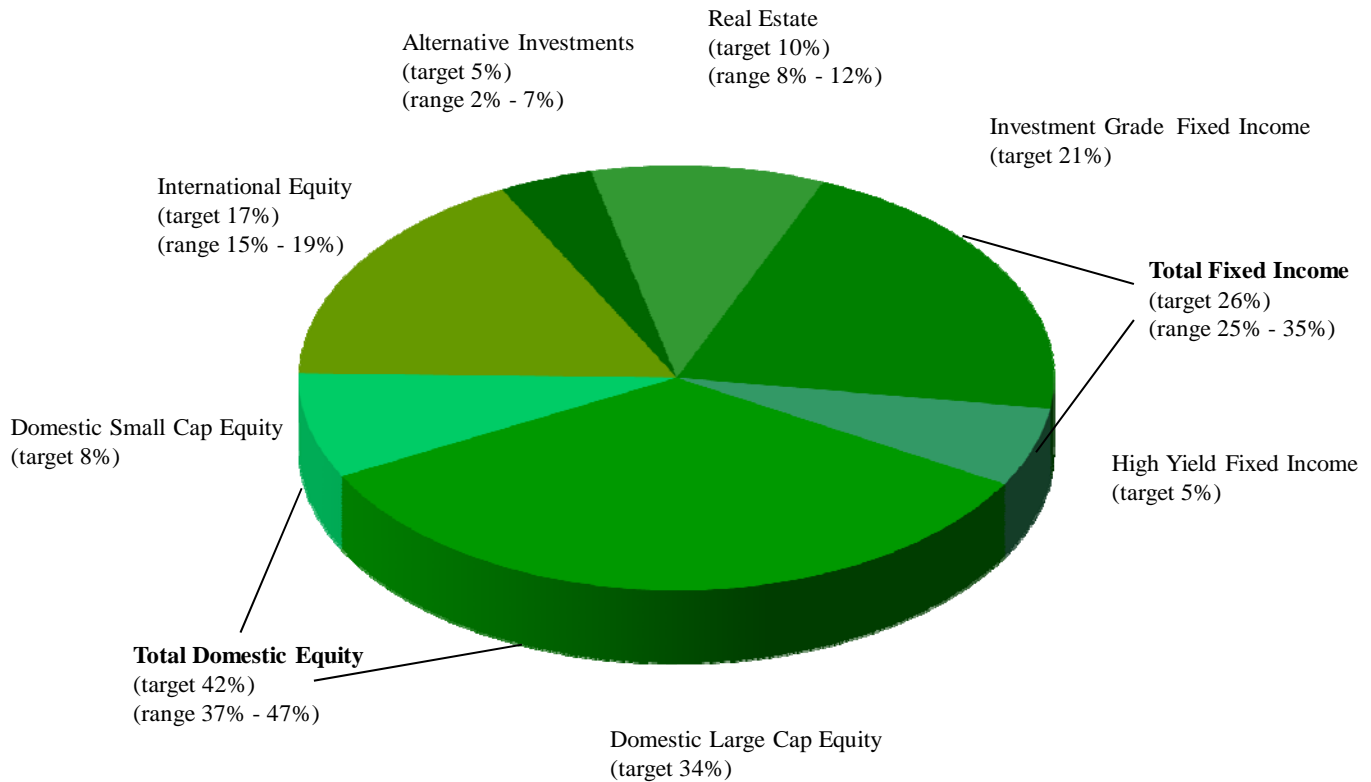
Investment Section

Asset Allocation Target

The Plan 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 Plan Board on April 7, 1989. There have been subsequent asset allocation plans adopted with the most recent being on April 25, 2008. The Plan's investment advisors assisted the Plan Board in developing the latest asset allocation.

The current asset allocation strategy is depicted in the chart below:

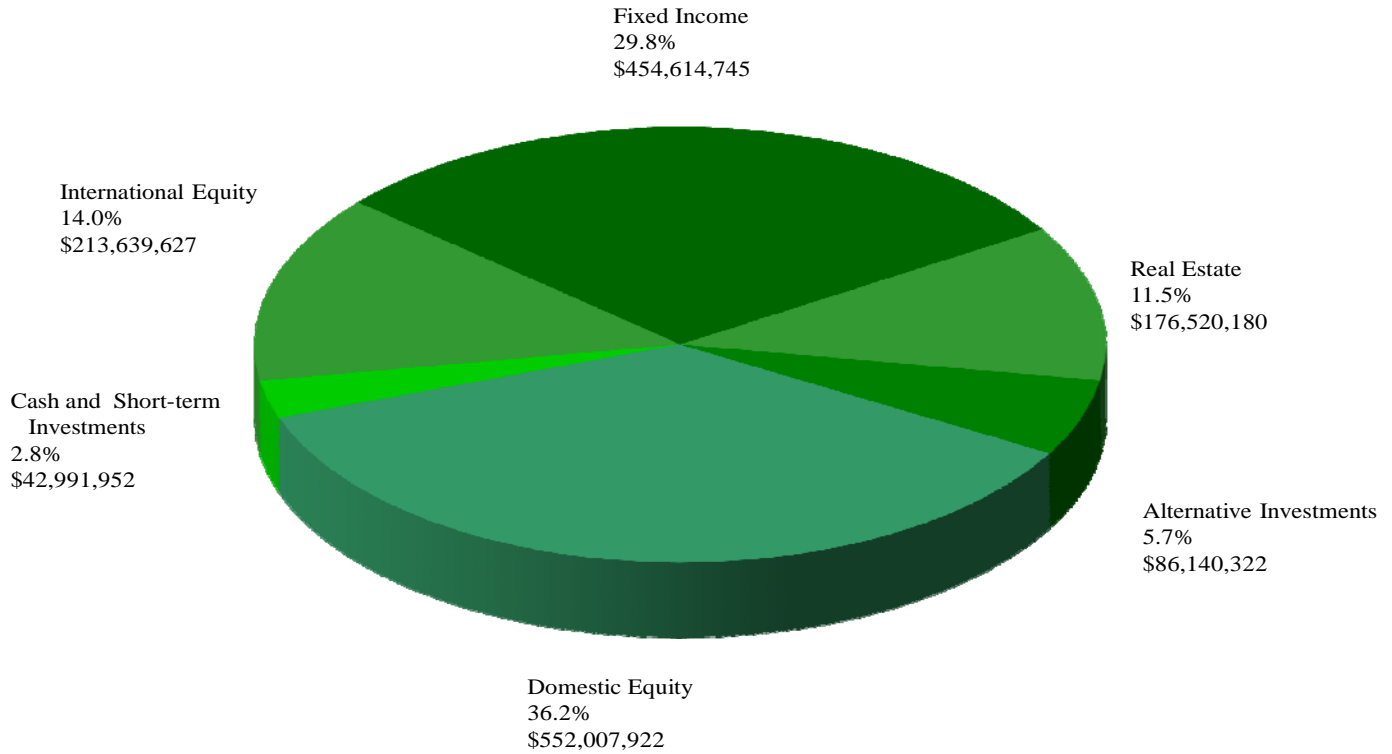


At target, a portfolio so allocated would be expected to achieve an 8.12% return with a standard deviation (risk) of 12.61%.

Investment Section

Asset Allocation by Asset Class

The total market value of the Plan on December 31, 2008, was \$1,525,321,514 including investments of \$1,525,914,748. At December 31, 2008, the Plan's investment assets were allocated as shown in the following chart:



Investment Section

Asset Target Allocation by Managed Account

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

<u>Managed Account</u>	<u>Target Allocation</u>	<u>Asset Style Group</u>	<u>Target Allocation Range</u>
Cadence Capital	5.5%	Large Cap Equity (Growth)	5.0% to 7.0%
Northern Trust Investments	12.0%	S&P 500 Index	11.0% to 13.0%
Independence Investments	11.0%	Large Cap Equity (Value)	10.0% to 12.0%
Sit Investment Assoc.	5.5%	Large Cap Equity (Growth)	5.0% to 7.0%
Franklin Global Advisors	2.0%	Small Cap Equity (Growth)	1.5% to 3.0%
NorthPointe Capital	2.0%	Small Cap Equity (Growth)	1.5% to 3.0%
Neuberger Berman	4.0%	Small Cap Equity (Value)	3.0% to 6.0%
Northern Trust Investments	5.0%	EAFE Index	4% to 7%
Templeton Investment Counsel	6.0%	Intl. Equity (Value)	5.0% to 8.0%
Pyramis Global Advisors	6.0%	Intl. Equity (Growth)	5.0% to 8.0%
Plan Staff	4.5%	Barclays Capital Gov. Index	4.5% to 7.0%
Loomis Sayles	4.5%	Barclays Capital Gov./Cr. Index	4.5% to 7.0%
NCM Capital Management	1.5%	Barclays Capital Gov./Cr. Index	1.0% to 3.0%
Seix Advisors	6.0%	Merrill Lynch High Yield	5.0% to 8.0%
Smith Graham	1.5%	Barclays Capital Gov./Cr. Index	1.0% to 3.0%
Lehman Brothers	4.5%	Barclays Capital Gov./Cr. Int. Index	4.5% to 7.0%
Northern Trust Investments	4.5%	Barclays Capital Gov./Cr. Index	4.5% to 7.0%
Real Estate	10.0%	Real Estate	8.0% to 12.0%
Alternative Investments	4.0%	Energy, Timber, Private Equity	2.0% to 7.0%

Investment Section

The Plan 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, 2008, are shown in the following tables:

Top Ten Stock Holdings December 31 2008

<u>Shares</u>	<u>Stocks</u>	<u>Market Value</u>
97,800	Exxon Mobil Corp.	\$7,807,374
51,400	International Business Machines	4,325,824
127,500	J.P. Morgan Chase & Co.	4,020,075
135,400	AT&T Inc.	3,858,900
109,200	Merck & Co.	3,319,680
52,800	General Mills	3,207,600
55,500	Wal-Mart Stores	3,111,330
131,300	Bristol-Myers Squibb	3,052,725
40,100	Chevrontexaco Corp.	2,966,197
34,300	Apple Computer	2,927,505

Top Ten Bond Holdings December 31 2008

<u>Par</u>	<u>Bonds</u>			<u>Market Value</u>
6,700,000	U.S. Treasury Bond	8.125%	due 8/15/2019	\$9,902,399
5,500,000	U.S. Treasury Bond	7.500	due 11/15/2016	7,509,205
6,641,693	FNMA Bond	5.500	due 2/1/2038	6,815,307
5,420,000	U.S. Treasury Note	4.750	due 5/15/2014	6,378,256
4,773,504	FNMA Bond	5.500	due 4/1/2036	4,898,999
4,170,000	U.S. Treasury Note	2.625	due 7/15/2007	4,466,854
2,910,000	U.S. Treasury Bond	8.750	due 5/15/2007	4,282,240
3,975,000	U.S. Treasury Note	2.375	due 4/15/2011	4,237,286
2,500,000	FNMA Bond	6.625	due 11/15/2030	3,609,375
3,000,000	U.S. Treasury Note	3.875	due 5/15/2018	3,420,930

Complete listings of stock and bond holdings are available at the Plan's office.

Investment Section

Investment Performance

The Plan contracts with Summit Strategies 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. Returns are reported gross of fees unless otherwise stated. The estimated annualized return from the inception of the Plan on January 1, 1963, to December 31, 2008, is 7.7%. Annualized investment results compared with benchmarks for the year ending December 31, 2008, are as follows:

	Last Year	Last 3 Years	Last 5 Years
Domestic Equity Russell 3000	-38.09% -37.31	-8.10% -8.63	-0.82% -1.95
International Equity MSCI EAFE Index	-42.15 -43.38	-5.28 -7.35	3.06 1.66
Fixed Income Barclays Capital Aggregate Index	-1.78 5.24	3.13 5.51	3.38 4.65
Real Estate NCREIF Index	-12.64 -6.46	5.42 8.11	10.35 11.67
Total Portfolio (net of fees)	-25.31	-1.96	2.89
Total Portfolio (gross of fees)	-25.05	-1.60	3.23
Total Fund Policy Index (gross of fees)	-24.79	-2.15	2.19
Change in Consumer Price Index (CPI-U)	3.84	10.24	17.01

Investment Section

Schedule of Investment Commissions

December 31, 2008

<u>BROKER</u>	<u>QUANTITY (UNITS)</u>	<u>BROKER COMMISSION</u>	<u>COMMISSION PER/SHARE</u>
EXECUTION SERVICES	4,301,300	\$169,654	\$0.039
LYNCH JONES	2,667,294	73,531	0.027
GOLDMAN SACHS	1,371,707	52,325	0.038
MERRILL LYNCH	1,453,338	47,160	0.033
LIQUIDNET	1,618,428	45,705	0.028
GERSON LEHRMAN	678,700	24,994	0.037
CHASE SECURITIES	421,095	17,778	0.042
MORGAN STANLEY	483,223	17,644	0.037
WILLIAM BLAIR	373,003	16,520	0.044
CITIGROUP	415,135	15,927	0.039
OTA LIMITED	412,750	15,641	0.038
JEFFERIES & CO.	445,984	14,805	0.033
SALOMON/SMITH	481,760	13,198	0.040
THOMAS WEISEL	294,974	12,273	0.042
BERNSTEIN	281,320	10,849	0.039
CHAPDELAINE	273,110	10,830	0.040
NEEDHAM	307,640	10,802	0.035
STIFEL NICHOLAS	267,001	10,524	0.039
BARCLAYS	252,004	10,311	0.041
KEEFE BRUYETTE	250,209	9,727	0.039
RBC CAPITAL MARKET	218,367	9,658	0.044
INSTINET CORP.	329,420	9,360	0.028
CIBC WORLD MARKET	212,530	9,292	0.044
BAIRD (ROBERT)	225,265	8,184	0.036
PIPER JAFFRAY	232,946	8,116	0.035
BANK OF NEW YORK	351,890	7,932	0.023
COWEN & CO.	174,304	7,364	0.042
CANTOR FITZGER	250,208	6,848	0.028
BANK OF AMERICA	223,783	6,373	0.031
SANDLER ONEILL	150,600	6,030	0.040
PERSHING & CO.	182,785	5,983	0.033
WEEDEN	309,447	5,926	0.019
CREDIT SUISSE	264,907	5,655	0.021
ESI & CO.	139,500	5,540	0.040
FOX PITT KELTON	130,890	5,384	0.041
ITG SECURITIES	411,363	5,326	0.013
FIRST BOSTON	179,354	5,075	0.038
BEAR STEARNS	146,350	5,029	0.034
LEHMAN BROTHERS	124,753	4,909	0.041
W.J BLUM & CO.	126,570	4,357	0.034
SIDOTI & COMPANY	111,363	4,319	0.039
SCOTT & STRINGF	120,030	4,303	0.036
STEPHENS INC.	113,077	4,278	0.038

Investment Section

Schedule of Investment Commissions (continued)

December 31, 2008

<u>BROKER</u>	<u>QUANTITY (UNITS)</u>	<u>BROKER COMMISSION</u>	<u>COMMISSION PER/SHARE</u>
CRAIG-HALLUM	113,737	\$4,249	\$0.037
SUNTRUST BANK	107,402	4,118	0.038
WACHOVIA	96,323	3,866	0.040
KEYBANC CAPITAL	102,098	3,517	0.035
UBS SECURITIES	146,583	3,436	0.023
MIDWEST RESEARCH	84,926	3,421	0.040
COMPASS POINT RES.	165,840	3,317	0.020
ISI GROUP	79,968	3,196	0.040
BLOOMBERG TRADE	212,186	3,193	0.015
BAYPINT TRADING	118,682	3,132	0.026
STANFORD GROUP	66,748	2,833	0.042
PORTWARE	225,563	2,708	0.012
MORGAN KEEGAN	67,446	2,567	0.038
KAUFMAN BROTHERS	71,560	2,545	0.036
ROTH CAPITAL	68,073	2,419	0.036
D. DAVIDSON & CO.	59,231	2,404	0.041
BUCKINGHAM	57,167	2,212	0.039
ADAMS HARKNESS	52,939	2,118	0.040
CANACCORD ADAMS	58,648	2,115	0.036
DEUTSCHE BANK	93,560	2,079	0.037
KNIGHT SECS	50,053	1,920	0.038
BASS TRADING	77,580	1,852	0.024
OPPENHEIMER	44,467	1,808	0.041
FRIEDMAN BILLINGS RAMSEY	49,222	1,792	0.036
BMO CAPITAL	48,784	1,784	0.037
PIPELINE	52,276	1,762	0.034
RAYMOND JAMES	48,497	1,713	0.035
AQUA	84,520	1,690	0.020
LEERINK SWANN	36,474	1,562	0.043
All other brokers (\$1,500 or less)	<u>1,013,320</u>	<u>29,448</u>	0.029
TOTAL	<u>25,333,550</u>	<u>\$850,216</u>	0.034

Total recaptured commissions for 2008 were \$133,201.

Investment Section

Schedule of Investment Fees

December 31, 2008

<u>Externally Managed Portfolios</u>	<u>Assets under Management</u>	<u>Fees</u>
U.S. Equities:		
Actively Managed :		
Large Cap	\$ 281,766,879	\$ 1,413,806
Small Cap	102,475,591	1,365,382
Passively Managed	167,765,452	63,141
International Equities:		
Actively Managed	154,712,181	997,617
Passively Managed	58,927,446	63,709
Fixed Income:		
Actively Managed	294,684,786	1,066,393
Passively Managed	78,290,807	28,951
Real Estate:		
Fees netted with earnings	50,426,504	820,871
Fees paid separately	126,093,676	1,596,916
Alternative Investments:		
Fees netted with earnings	29,542,993	630,768
Fees paid separately	56,597,329	374,117
	<u>\$ 1,401,283,644</u>	<u>\$ 8,421,671</u>
<u>Other Investment Services</u>		
Custody Fees		\$ 120,500
Other investment related expenses (net of commission recapture)		557,602

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Actuarial Section

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April 23, 2009

Board of Trustees
Denver Employees Retirement Plan
777 Pearl St
Denver, CO 80203

Re: Denver Employees Retirement Plan Actuarial Valuation as of January 1, 2008

Dear Board Members:

The results of the January 1, 2008 Annual Actuarial Valuation of the Denver Employees Retirement Plan (DERP) are presented in this report. The purpose of the valuation was to measure the Plan's funding progress and to determine the employer contribution rate, as a percent of active member payroll, for the next fiscal year. This meets the financial and funding objective of the Retirement Board to ensure that the Plan provides adequate funding as a percent of active member payroll.

The valuation was based upon information, furnished by DERP, concerning Plan benefits, financial transactions, active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events for the Pension Plan, Retiree Medical Plan, and Denver Health and Hospital Authority (DHHA). Certain assumptions were changed in this valuation based on the findings of the 2008 experience study. We believe that the assumptions and methods used in this report are reasonable and appropriate for the purpose for which they have been used. However, other assumptions and methods could also be reasonable and could result in materially different results. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.

If there is other information that you need in order to make an informed decision regarding the matters discussed in this report, please contact us.

We certify that the information contained in this report is accurate and fairly presents the actuarial position of DERP as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

The combined member and employer contributions are intended to be sufficient to pay the normal cost (NC) and to amortize the Unfunded Actuarial Accrued Liability (UAAL) over a period of 30 years from the valuation date. The contribution rate as of January 1, 2008, as a percent of active member payroll, is sufficient to pay the NC and UAAL over the scheduled time period.

Gabriel Roeder Smith & Company

Board of Trustees
April 23, 2009
Page 2

We believe the assumptions are internally consistent and are reasonable, based on the actual experience of DERP. These actuarial assumptions and methods comply with the parameter disclosure in GASB Numbers 25 and 43.

GRS 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

In determining costs and liabilities, actuaries use assumptions about the future, such as rates of salary increase, probabilities of retirement, termination, death and disability, and an investment return assumption. The Retirement Board sets the actuarial assumptions and methods taking into account recommendations made by the plan's actuary and other advisors. These assumptions and procedures were revised in 2008 following an analysis of plan experience for the five-year period ending December 31, 2007.

In addition to the actuarial assumptions, the actuary also makes use of an Actuarial Cost Method to allocate costs to particular years. DERP uses the Projected Unit Credit method. This method determines an accrued liability based on projected compensation, and uses service to the valuation date. The unfunded accrued liability is then "paid off" over an open period of 30 years. Gains and loss are reflected in the unfunded actuarial accrued liability.

The undersigned actuaries are independent of the plan sponsor and meet the Qualification Standards of the American Academy of Actuaries.

Respectfully submitted,



Leslie L. Thompson, FSA, FCA, EA, MAAA
Senior Consultant



Susan M. Hogarth, EA, MAAA
Consultant

Valuation Methods

Actuarial Cost Method - The Projected Unit Credit (PUC) Cost Method was used in the valuation.

The Projected Unit Credit Cost Method develops a normal cost and an accrued liability based on the benefit accrued as of the valuation date.

The normal cost is the value of the benefit that accrued during the year. The benefit accrued during the year is the retirement benefit based on pay projected to a member's retirement date, based on service accrued as of the valuation date.

The accrued liability could be viewed as the sum of all past normal costs. Thus, the accrued liability grows in proportion to the growth in the projected-pay accrued benefit.

Finally, for all funding methods, the present value of benefits is equal to the accrued liability plus the present value of future normal costs.

Financing of Unfunded Actuarial Accrued Liabilities - Unfunded Actuarial Accrued Liabilities (full funding credit if assets exceed liabilities) were amortized by level (principal & interest combined) dollar contributions over a reasonable period of future years.

Deferred Retirement Option Plan (DROP) and DROP II – The DROPs are closed and no new members are assumed to enter either of the two DROPs. For members who were in DROP and remain employed upon the termination of their DROP participation, their accrued liability is calculated as the value of their deferred benefit based on compensation and service earned before their DROP participation plus the value of their additional benefit earned based on compensation and service accrued after their DROP participation ended, as well as their accrued DROP balance. For members currently in DROP II, they are valued as retirees with an accrued liability based on their current benefit plus the value of their accrued DROP II balances. Further detail describing the DROPs can be found in the Plan Provisions, Section G of this report.

Actuarial Value of Assets – The Actuarial Value of Assets recognizes 20% of the difference between the projected actuarial value and the market value at the valuation date. This value is constrained to a range of 80% to 120% of the market value of assets as of the valuation date. This method has the effect of smoothing volatility in investment returns. Returns are measured net of all administrative and investment expenses.

Development of Amortization Payment

Determination of UAAL Contribution Rate

The unfunded accrued liability as of January 1, 2008 is projected to the beginning of the fiscal year for which employer contributions are being calculated. This allows the 2008 valuation to take into account the expected future contributions that are based on past valuations.

The projected unfunded accrued liability is amortized over the appropriate period to determine the amortization payment. This payment is divided by the projected fiscal year payroll to determine the amortization payment as a percentage of active member payroll.

Valuation Assumptions

The actuarial assumptions used in the valuation are shown in this Section. Both the economic and decrement assumptions were established following the January 1, 2008 actuarial valuation.

Changes to Actuarial Assumptions

At the completion of the 2008 experience study the Board approved a number of changes. These are summarized as follows:

- New rate structure for Early, Normal and Rule of 75 retirement
- New rates for duty and non-duty disability
- Use of ten-year select period and ultimate age-based schedule for withdrawal rates
- Active mortality rates (non-disabled) are reduced
- Decrement timing is changed from beginning of the year to middle of the year
- Change to terminal pay assumption

Economic Assumptions

The investment return rate assumed in the valuations is 8.00% per year, compounded annually (net of investment and administrative expenses).

The **Wage Inflation Rate** assumed in this valuation was 3.00% per year. The Wage Inflation Rate is defined to be the portion of total pay increases for an individual that are due to macroeconomic forces including productivity and labor market conditions. The wage inflation rate does not include pay changes rated to individual merit and seniority effects.

The assumed **real rate of return** over wage inflation is defined to be the portion of total investment return that is more than the assumed total wage growth rate. Considering other economic assumptions, the 8.00% investment return rate translates to an assumed real rate of return over wage inflation of 5.00%.

Actuarial Section

Denver Employees Retirement Plan

Pay increase assumptions for individual active members are shown for sample ages on the following page. Part of the assumption for each age is for merit and/or seniority increase, and the other 3.00% recognizes wage inflation, productivity increases, and other macroeconomic forces.

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.

Sample Ages	% Increase in Salary for the Year		
	Merit and Seniority	Base (Economic)*	Increase for the Year
20	3.30%	3.00%	6.30%
25	3.30%	3.00%	6.30%
30	3.00%	3.00%	6.00%
35	2.20%	3.00%	5.20%
40	1.70%	3.00%	4.70%
45	1.20%	3.00%	4.20%
50	0.70%	3.00%	3.70%
55	0.00%	3.00%	3.00%
60	0.00%	3.00%	3.00%
65	0.00%	3.00%	3.00%

* Includes 3.00% for price inflation

Demographic Assumptions

The post-employment and beneficiary mortality table was 100% of the 1994 Group Annuity Mortality Table. This assumption is used to measure the probabilities of dying after leaving employment as a vested terminated member/retiree or beneficiary.

Ages	% Dying Within Next Year Non-Disabled	
	Men	Women
50	0.26%	0.14%
55	0.44%	0.23%
60	0.80%	0.44%
65	1.45%	0.86%
70	2.37%	1.37%
75	3.72%	2.27%
80	6.20%	3.94%

GRS

Actuarial Section

Denver Employees Retirement Plan

The active mortality table was 65% of the 1994 Group Annuity Mortality Table. This assumption is used for active members to measure the probability of dying before retirement or termination of employment.

Ages	% Dying Within Next Year Non-Disabled	
	Men	Women
20	0.03%	0.02%
25	0.04%	0.02%
30	0.05%	0.02%
35	0.06%	0.03%
40	0.07%	0.05%
45	0.10%	0.06%
50	0.17%	0.09%

The disabled mortality table for disabled retirees, the probabilities of dying at sample attained ages were as follows:

Ages	% Dying Within Next Year Disabled	
	Men	Women
50	3.16%	3.16%
55	3.78%	3.78%
60	4.25%	4.25%
65	5.12%	5.12%
70	6.75%	6.75%
75	8.28%	8.28%
80	10.77%	10.77%

GRS

Actuarial Section

Denver Employees Retirement Plan

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

Ages	Percent of Eligible Active Members Retiring Within Next Year	
	Early Retirement	Normal Retirement
55	2.50%	N/A
56	3.00%	N/A
57	3.50%	N/A
58	4.00%	N/A
59	4.50%	N/A
60	5.00%	N/A
61	7.50%	N/A
62	10.00%	N/A
63	12.50%	N/A
64	12.50%	N/A
65	N/A	20.00%
66	N/A	15.00%
67	N/A	15.00%
68	N/A	15.00%
69	N/A	15.00%
70	N/A	100.00%

Ages	Percent of Eligible Active Members Retiring Within Next Year
	Rule of 75 Retirement
NAR*	20.00%
NAR+1	10.00%
NAR+2	10.00%
NAR+3	10.00%
NAR+4	10.00%
NAR+5	10.00%
NAR+6	10.00%
NAR+7	10.00%
NAR+8	40.00%
NAR+9	40.00%
NAR+10	40.00%

*NAR is defined as the first age at which a member is eligible to retire under the Rule of 75 (Refer to Section G). Rates continue at 40.00% until member reaches age 70, then retirement rate assumption is 100.00% at age 70.

GRS

Actuarial Section

Denver Employees Retirement Plan

Rates of separation from active membership are shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability).

Years of Service	Select Period	
	% of Active Members Separating Within Next Year	
	Men	Women
1	17.75%	20.89%
2	15.26%	18.01%
3	13.12%	15.53%
4	11.28%	13.39%
5	9.70%	11.55%
6	8.34%	9.96%
7	7.17%	8.59%
8	6.17%	7.41%
9	5.30%	6.39%

Ages	Ultimate Rates	
	% of Active Members Separating Within Next Year*	
	Men	Women
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%

*Members with 10 or more years of service

For inactive members, the assumed age at retirement is age 65. If an inactive member is not vested, the liability valued is their employee contributions with interest.

Rates are not applied after the member is eligible for reduced or unreduced retirement benefits.

GRS

Actuarial Section

Denver Employees Retirement Plan

Rates of disability among active members are shown below for selected ages (10% of the disabilities are assumed to be duty-related and 90% are assumed to be non-duty related):

Ages	% Becoming Disabled Within Next Year	
	Men	Women
20	0.00%	0.02%
25	0.00%	0.02%
30	0.00%	0.02%
35	0.00%	0.03%
40	0.01%	0.06%
45	0.01%	0.12%
50	0.03%	0.24%
55	0.04%	0.40%
60	0.07%	0.60%
65	0.10%	0.90%

Miscellaneous and Technical Assumptions

Administrative & Investment Expenses The investment return assumption is intended to be the return net of investment and administrative expenses.

Benefit Service Exact Fractional service is used to determine the amount of benefit payable.

COLA None assumed.

Decrement Operation All decrements other than withdrawal are in force during retirement eligibility.

Decrement Timing Decrement of all types are assumed to occur mid-year.

Eligibility Testing Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Forfeitures For vested separations from service, it is assumed that none of the members separating will withdraw their contributions and forfeit an employer financed benefit.

Incidence of Contributions Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

GRS

Actuarial Section

Denver Employees Retirement Plan

<i>Marriage Assumption</i>	75.00% of males and 60.00% of females are assumed to be married for purposes of death-in-service benefits and 75.00% of males and 60.00% of females are assumed to be married for purposes of retiree medical benefits. Male spouses are assumed to be 3 years older than female spouses for active member valuation purposes.
<i>Normal Form of Benefit</i>	A straight life benefit is the normal form of benefit.
<i>Pay Increase Timing</i>	Beginning of year. This is equivalent to assuming that reported pays represent annualized rates of pay on the valuation date.
<i>Service Credit Accruals</i>	It is assumed that members accrue one year of service credit per year.
<i>Terminal Pay</i>	Members may convert a portion of unused sick and vacation hours into pay at retirement, death, disability or termination. That converted amount is included in the Final Average Compensation (FAC). The valuation accounts for this by assuming the FAC will be increased by 5.00% for active retirement benefits and increase by 2.25% for active ordinary death and termination benefits.

GRS

Actuarial Section

Analysis of Financial Experience

Composite Gain (Loss) for the Years Ending December 31, 2003 through 2007

Retirement Benefits					
Type of Activity:	2007	2006	2005	2004	2003
1. Retirement, Disability, Death, Withdrawal, Pay Increases, etc.	\$ (33,977,800)	\$ (12,590,978)	\$ (15,368,607)	\$ 13,450,464	\$ (20,733,277)
2. New Entrants	(2,162,300)	(1,231,666)	(1,032,441)	(3,888,285)	(1,719,033)
3. Investment Income	<u>22,982,500</u>	<u>14,392,526</u>	<u>(6,314,252)</u>	<u>(12,573,490)</u>	<u>(25,508,132)</u>
Gain (Loss)	(13,157,600)	569,882	(22,715,300)	(3,011,311)	(47,960,442)
Non-recurring Items:					
Changes in Actuarial Assumptions and Methods	3,146,800	30,179,431	(5,576,536)	31,146,213	-
Changes in Plan Provisions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-recurring Items	<u>3,146,800</u>	<u>30,179,431</u>	<u>(5,576,536)</u>	<u>31,146,213</u>	<u>-</u>
Composite Gain (Loss) During Year	<u>\$ (10,010,800)</u>	<u>\$ 30,749,313</u>	<u>\$ (28,291,836)</u>	<u>\$ 28,134,902</u>	<u>\$ (47,960,442)</u>

Health Benefits					
Type of Activity:	2007	2006	2005	2004	2003
1. Retirement, Disability, Death, Withdrawal, Pay Increases, etc.	\$ 1,883,600	\$ (1,039,996)	\$ (4,381,953)	\$ (8,153,114)	\$ (3,239,830)
2. New Entrants	(111,300)	(69,997)	(62,118)	(82,262)	(156,035)
3. Investment Income	<u>1,113,000</u>	<u>646,185</u>	<u>(423,884)</u>	<u>(759,338)</u>	<u>(1,460,200)</u>
Gain (Loss)	2,885,300	(463,808)	(4,867,955)	(8,994,714)	(4,856,065)
Non-recurring Items:					
Changes in Actuarial Assumptions and Methods	(1,549,200)	-	(420,884)	(398,966)	-
Changes in Plan Provisions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,920,945)</u>
Total Non-recurring Items	<u>(1,549,200)</u>	<u>-</u>	<u>(420,884)</u>	<u>(398,966)</u>	<u>-</u>
Composite Gain (Loss) During Year	<u>\$ 1,336,100</u>	<u>\$ (463,808)</u>	<u>\$ (5,288,839)</u>	<u>\$ (9,393,680)</u>	<u>\$ (7,777,010)</u>

Actuarial Section

Schedule of Retirees and Beneficiaries⁽¹⁾

Valuation Date	Number	Allowances for Additional Retirees and Beneficiaries	Number	Allowances for Retirees and Beneficiaries Removed	Number	Pension Benefit Amount	Average Annual Benefit	Percent Increase in Average Benefit
	Added Since Last Valuation Date		Removed Since Last Valuation Date					
1/1/03	459	\$9,431,583	192	\$1,220,623	5,714	\$77,063,227	\$13,487	6.7%
1/1/04	547	11,847,545	241	1,904,103	6,019	87,006,673	14,455	7.2
1/1/05	313	5,270,864	132	978,089	6,200	91,229,518	14,714	1.8
1/1/06	321	5,228,193	216	3,632,153	6,305	93,261,687	14,792	0.5
1/1/07	404	8,143,129	313	4,219,485	6,396	97,109,973	15,183	2.6
1/1/08	477	9,023,888	259	4,376,599	6,614	101,802,055	15,392	1.4

⁽¹⁾Includes DROP participants.

Schedule of Active Members⁽²⁾

Valuation Date	Number	Annual Payroll	Average Annual Earnings	Percent Increase in Average Earnings
1/1/03	9,537	\$491,635,701	\$51,550	3.3%
1/1/04	8,868	467,911,855	52,764	2.4
1/1/05	8,634	460,341,857	53,317	1.0
1/1/06	8,732	475,500,445	54,455	2.1
1/1/07	8,988	489,447,759	54,456	0.0
1/1/08	9,304	543,728,238	58,440	7.3

⁽²⁾This schedule does not include DROP participants.

Actuarial Section

Solvency Test

Valuation Date	Actuarial Accrued Liabilities				Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	(1) Retirees and Beneficiaries	(2) Terminated Vested Members	(3) Active Members			(1)	(2)	(3)
1/1/03	\$743,348,834	\$73,130,260	\$661,876,563	(a)	\$1,503,222,742	100%	100%	100%
1/1/04	864,664,959	82,061,381	657,803,832	(b)	1,572,938,437	100	100	95
1/1/05	928,598,346	90,906,316	646,036,160	(c)	1,651,090,641	100	100	98
1/1/06	971,604,541	100,574,234	710,326,168	(d)	1,735,208,838	100	100	93
1/1/07	1,017,987,597	105,533,885	739,251,384	(e)	1,837,476,077	100	100	97
1/1/08	1,068,882,528	112,973,265	803,795,689	(f)	1,950,010,815	100	100	96

(a) Includes DROP accounts of \$25,296,434.

(b) Includes DROP accounts of \$48,012,526.

(c) Includes DROP accounts of \$69,867,672.

(d) Includes DROP accounts of \$83,953,779.

(e) Includes DROP accounts of \$92,848,939.

(f) Includes DROP accounts of \$96,066,783.

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 of 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 a plan has been using level percent of payroll financing, the funded portion of liability 3 will increase over time.

Actuarial Section

Summary of Principal Plan Provisions⁽¹⁾

Retirement Program

The Plan is a defined benefit plan that was 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 a member's Social Security benefits and/or other retirement investments.

Contributions

In 2008, the City, the Plan for its staff, and DHHA contributed amounts equal to 8.5% of each member employee's gross salary to the trust fund. The employees contributed 2.5% of their 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, the Plan, and DHHA prior to September 1, 2004, the retirement benefit calculation is 2.0% of the member's average monthly salary (AMS), based upon the highest 36 consecutive months' salary with an employer 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 AMS 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 in the form of a life annuity.

Normal Retirement

Normal retirement becomes effective the first day of any month after the member reaches 65 and terminates employment with the City, the Plan, or 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 equals or exceeds 75.

Early Retirement

A member may retire early upon reaching age 55 and 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, reduced by 3.0% 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 that has terminated employment with the City, the Plan, or 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 an employee of one of the respective employers. If a member should die prior to receiving a monthly deferred retirement benefit, a spouse may be eligible for a benefit.

⁽¹⁾ This summary is provided for general information purposes only and does not constitute legal advice. For detailed information about the Plan, refer to the Plan's Retirement Handbook.

Actuarial Section

Summary of Principal Plan Provisions

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 at the time the selection is made.

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 City 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 75.0% of the benefit calculated for an On-the-Job disability. The member must be vested and meet all City ordinance requirements.

Death Benefit before Retirement

If an active member should die while employed with the City, the Plan, 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 5 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 75.0% of the On-the-Job death benefit. There are no service requirements for this benefit.

Actuarial Section

Summary of Principal Plan Provisions

Death Benefit 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 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, dental and vision insurance options for retired members and the member's family. The Plan contributes a portion of the monthly health, dental and vision insurance premiums based on the member's years of credited service and age. For members under age 65, the benefit is \$12.50 per year of credited service and for members over age 65, the benefit is \$6.50 per year of credited service.

Statistical Section

This section of the Plan's comprehensive annual financial report presents detailed information to assist the reader in understanding what the information in the financial statements, note disclosures, and required supplementary information indicate about the Plan's overall financial health.

Statistical Section

Changes in Net Assets Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Pension Benefits					
Additions:					
Member contributions ⁽¹⁾	\$ 99,096	\$ 182,408	\$ 92,495	\$ 93,905	\$ 2,457,661 ⁽²⁾
Employer contributions ⁽¹⁾	37,407,039	41,655,778	43,898,497	47,244,972	43,441,450
Investment earnings (net of expenses)	<u>199,730,987</u>	<u>(20,894,287)</u>	<u>(85,618,821)</u>	<u>(117,388,491)</u>	<u>242,309,261</u>
Total additions to Plan net assets	237,237,122	20,943,899	(41,627,829)	(70,049,614)	288,208,372
Deductions:					
Benefit payments	47,083,403	52,989,910	67,208,148	62,319,926	67,869,193
Refunds	10,345	18,271	23,853	14,325	20,800
Administrative expenses	<u>1,922,442</u>	<u>1,982,906</u>	<u>1,918,365</u>	<u>1,955,993</u>	<u>2,098,088</u>
Total deductions from Plan net assets	<u>49,016,190</u>	<u>54,991,087</u>	<u>69,150,366</u>	<u>64,290,244</u>	<u>69,988,081</u>
Change in net assets	<u>\$ 188,220,932</u>	<u>\$ (34,047,188)</u>	<u>\$ (110,778,195)</u>	<u>\$ (134,339,858)</u>	<u>\$ 218,220,291</u>
Health Benefits					
Additions:					
Member contributions ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 218,967
Employer contributions ⁽¹⁾	6,497,936	5,788,300	6,213,943	3,556,073	4,348,924
Investment earnings (net of expenses)	<u>11,072,630</u>	<u>(1,199,938)</u>	<u>(4,910,543)</u>	<u>(6,766,350)</u>	<u>13,503,048</u>
Total additions to Plan net assets	17,570,566	4,588,362	1,303,400	(3,210,277)	18,070,939
Deductions:					
Benefit payments	3,668,079	4,866,777	5,672,171	6,561,307	7,588,370
Refunds	-	-	-	-	-
Administrative expenses	<u>105,570</u>	<u>112,410</u>	<u>110,628</u>	<u>112,517</u>	<u>117,418</u>
Total deductions from Plan net assets	<u>3,773,649</u>	<u>4,979,187</u>	<u>5,782,799</u>	<u>6,673,824</u>	<u>7,705,788</u>
Change in net assets	<u>\$ 13,796,917</u>	<u>\$ (390,825)</u>	<u>\$ (4,479,399)</u>	<u>\$ (9,884,101)</u>	<u>\$ 10,365,151</u>

(1) Employer and employee 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 liability when due.

(2) The employers contributed amounts equal to 10% of covered payroll through September 30, 2003. Beginning on October 1, 2003, the employers reduced their contribution to 8.0% and employees began making a 2.0% contribution.

(3) Effective January 1, 2005, the employer and employee contributions increased to 8.5% and 2.5%, respectively.

Statistical Section

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 9,197,797	\$ 11,248,020 ⁽³⁾	\$ 11,436,362	\$ 11,979,390	\$ 12,804,873
35,666,583	37,437,133	37,809,048	40,955,026	44,362,545
<u>163,674,788</u>	<u>149,237,500</u>	<u>234,113,308</u>	<u>199,977,322</u>	<u>(523,370,681)</u>
208,539,168	197,922,653	283,358,718	252,911,738	(466,203,263)
76,355,138	86,053,631	95,436,244	104,926,801	115,090,867
81,937	159,000	209,412	390,158	492,692
<u>2,211,322</u>	<u>2,464,874</u>	<u>2,618,710</u>	<u>2,469,185</u>	<u>2,839,820</u>
<u>78,648,397</u>	<u>88,677,505</u>	<u>98,264,366</u>	<u>107,786,144</u>	<u>118,423,379</u>
<u>\$ 129,890,771</u>	<u>\$ 109,245,148</u>	<u>\$ 185,094,352</u>	<u>\$ 145,125,594</u>	<u>\$ (584,626,642)</u>
\$ 784,899	\$ 1,038,456	\$ 1,187,939	\$ 1,297,609	\$ 1,183,354
3,143,627	3,530,326	4,075,768	4,504,640	4,253,783
<u>8,832,033</u>	<u>7,812,975</u>	<u>11,955,835</u>	<u>10,012,367</u>	<u>(25,408,688)</u>
12,760,559	12,381,757	17,219,542	15,814,616	(19,971,551)
8,415,219	9,201,577	9,933,174	10,612,929	10,822,553
4,428	8,352	10,705	19,489	24,005
<u>120,277</u>	<u>129,711</u>	<u>133,977</u>	<u>123,382</u>	<u>138,364</u>
<u>8,539,924</u>	<u>9,339,640</u>	<u>10,077,856</u>	<u>10,755,800</u>	<u>10,984,922</u>
<u>\$ 4,220,635</u>	<u>\$ 3,042,117</u>	<u>\$ 7,141,686</u>	<u>\$ 5,058,816</u>	<u>\$ (30,956,473)</u>

Statistical Section

Schedule of Benefit Expenses by Type Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Age and Service Benefits:					
Retirees	\$ 39,332,776	\$ 44,433,446	\$ 48,762,123	\$ 52,217,021	\$ 55,940,266
Survivor	2,176,884	2,440,347	2,726,821	3,055,528	3,303,251
Death in Service Benefits	1,751,794	1,879,220	2,003,243	2,147,646	2,328,352
Disability Benefits:					
Retirees:					
On-the-Job	351,956	395,915	443,733	587,789	514,618
Off-the-Job	1,900,456	2,002,129	2,165,980	2,347,540	2,639,992
Survivors	418,616	466,857	550,044	582,711	586,217
Lump Sum Death Benefits	1,150,921	1,371,996	1,020,755	946,180	893,150
Pension Benefits' Refunds	10,345	18,271	23,853	14,325	20,800
Health Benefits' Refunds	-	-	-	-	-
DROP Benefits ⁽¹⁾	-	-	74,353	435,511	1,653,347
Pension Benefits	47,083,403	52,989,910	57,672,699	61,884,415	66,205,846
Health Benefits	3,668,079	4,866,777	5,672,171	6,561,307	7,588,370

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

Statistical Section

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	62,377,101	\$ 69,452,844	\$ 77,386,468	\$ 85,768,809	\$ 94,138,108
	3,487,000	3,723,260	4,057,908	4,342,907	4,772,142
	2,504,738	2,766,450	2,802,956	2,905,886	3,118,334
	604,324	571,189	581,664	607,662	695,022
	2,868,523	2,871,960	2,986,632	3,115,834	3,257,205
	653,459	797,577	874,519	927,141	1,012,571
	1,555,635	1,275,203	996,348	1,199,236	1,055,949
	81,937	159,000	209,412	390,158	492,692
	4,428	8,352	10,705	19,489	24,005
	2,304,358	4,595,148	5,749,749	6,059,326	7,041,536
	74,050,780	81,458,483	89,686,495	98,867,475	108,049,331
	8,415,219	9,201,577	9,933,174	10,612,929	10,822,553

Statistical Section

Schedule of Retired Members by Type of Benefit - Pension

December 31, 2008

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	128	42	86							125	1		2
51- 100	130	17	97			1	15			98	24	3	5
101- 150	201	23	145	1		4	28			128	51	10	12
151- 200	202	15	151			10	24	2		128	50	6	18
201- 250	216	25	163			6	17	5		136	61	4	15
251- 300	218	23	143	2	2	17	30	1		136	61	3	18
301- 350	227	35	131		3	23	23	12		147	51	12	17
351- 400	184	27	115	1	8	16	13	4		116	49	1	18
401- 450	182	27	113	1	6	11	20	4		108	38	10	26
451- 500	189	44	92	1	12	14	20	6		116	45	6	22
501- 600	369	100	169	3	24	18	37	18		230	77	18	44
601- 700	324	129	100	2	29	15	37	12		191	72	23	38
701- 800	298	121	85	3	26	14	36	13		168	79	24	27
801- 900	293	142	68	3	20	17	37	6		171	66	18	38
901- 1,000	245	155	30	2	20	12	19	7		138	56	19	32
1,001-1,100	273	180	40	2	11	7	22	11		139	70	27	37
1,101-1,200	254	158	34	1	19	9	22	11		137	76	14	27
1,201-1,300	232	171	16	1	12	10	19	3		116	64	14	38
1,301-1,400	214	163	17	3	11	1	14	5		121	48	13	32
1,401-1,500	211	163	14	2	9	7	12	4		111	49	16	35
1,501-1,600	177	149	9	2	4	5	8			94	39	22	22
1,601-1,700	160	136	7		4	6	5	2		84	30	21	25
1,701-1,800	151	135	3	1	2	1	7	2		81	32	19	19
1,801-1,900	146	133	4		3	2	3	1		81	24	14	27
1,901-2,000	128	117	2		3	1	4	1		57	30	11	30
2,001-2,500	561	493	10	4	15	9	24	6		260	158	57	86
2,501-3,000	369	346	4	5	5	3	4	2		155	105	35	74
3,001-3,500	242	225	4	1		6	6			116	61	21	44
3,501-4,000	133	129	1		1		1	1		61	35	11	26
4,001-4,500	80	77				3				34	17	5	24
\$4,501- over	132	130			1		1			55	33	17	27
Totals	6,869	3,830	1,853	41	250	248	508	139		3,838	1,652	474	905

*** Type of Retirement:**

1. Normal Retirement for Age and 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

Statistical Section

Schedule of Retired Members by Type of Benefit - Health Insurance Reduction

December 31, 2008

(1) Over 65 years of age		(2) Under 65 years of age	
Amount of Reduction	Number of Retirees	Amount of Reduction	Number of Retirees
Eligible to Receive		Eligible to Receive	
\$6.25 - 50.00	227	\$12.50 - 50.00	-
51.00 - 100.00	622	51.00 - 100.00	147
101.00 - 150.00	836	101.00 - 150.00	172
151.00 - 200.00	771	151.00 - 200.00	185
201.00 - 250.00	247	201.00 - 250.00	318
251.00 - 300.00	45	251.00 - 300.00	314
301.00 - 350.00	14	301.00 - 350.00	347
351.00 - 400.00	9	351.00 - 400.00	419
401.00 - 450.00	2	401.00 - 450.00	219
451.00 - 500.00	2	451.00 - 500.00	38
501.00 - 550.00	1	501.00 - 550.00	12
551.00 - 600.00	2	551.00 - 600.00	5
\$601.00 - over	2	601.00 - 650.00	10
		651.00 - 700.00	5
		701.00 - 750.00	4
		751.00 - 800.00	2
		\$801.00 - over	4
Totals	2,780		2,201

Type of Benefit:

(1) Over 65 years of age participants are eligible for health insurance reduction equal to \$6.25 for each year of service.

(2) Under 65 years of age participants are eligible for health insurance reduction equal to \$12.50 for each year of service.

Note: In some instances, the years of service of spouses may have been combined when determining the amount of benefit.

Statistical Section

Schedule of Retired Members by Attained Age and Type of Pension Benefit

December 31, 2008

Age	Number of Retirees/ Beneficiary	Type of Retirement*						
		1	2	3	4	5	6	7
01-24	23					16	2	5
25-29	5							5
30-34	5					1		4
35-39	16				2	6	3	5
40-44	27	1			6	11	7	2
45-49	37	1	1		12	12	6	5
50-54	101	2	1	4	39	22	17	16
55-59	1,154	534	467	12	57	34	30	20
60-64	1,441	811	468	4	55	33	50	20
65-69	1,190	768	272	6	41	22	59	22
70-74	934	589	194	6	20	32	77	16
75-79	763	522	120	4	9	18	84	6
80-84	607	328	142	3	7	22	96	9
85-89	398	188	139	2	2	15	50	2
90-94	138	66	41			4	25	2
95 and up	30	19	9				2	
Totals	6,869	3,829	1,854	41	250	248	508	139

***Type of Retirement:**

1. Normal Retirement for Age and 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

Statistical Section

Average Monthly Benefit Payment – Pension Last Ten Fiscal Years

Retirement Effective Date for the Years Ended December 31	Years of Credited Service							Total
	0-5	6-10	11-15	16-20	21-25	26-30	31+	
1999								
Average Monthly Benefit	\$116.21	\$326.61	\$599.31	\$846.68	\$1,348.41	\$1,827.64	\$2,447.32	\$1,275.31
Mean Final Avg. 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	51	40	72	51	52	319
2000								
Average Monthly Benefit	\$11.03	\$273.70	\$640.40	\$999.39	\$1,710.15	\$2,455.01	\$2,662.21	\$1,575.32
Mean Final Avg. 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 Benefit	\$136.18	\$375.02	\$738.20	\$1,381.98	\$2,191.11	\$3,014.21	\$3,033.24	\$2,210.50
Mean Final Avg. 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 Benefit	\$5.31	\$330.93	\$743.84	\$1,237.29	\$1,927.91	\$2,615.87	\$3,255.39	\$1,754.06
Mean Final Avg. 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 Benefit	\$340.96	\$414.46	\$850.92	\$1,656.35	\$2,208.37	\$2,762.79	\$3,316.91	\$1,932.89
Mean Final Avg. 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 Benefit	\$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
2005								
Average Monthly Benefit	\$157.05	\$413.42	\$723.78	\$1,299.63	\$1,531.58	\$2,327.17	\$3,307.38	\$1,367.83
Mean Final Avg. Monthly Salary	\$2,787.43	\$3,991.64	\$3,993.72	\$4,294.89	\$4,161.50	\$4,599.48	\$5,446.68	\$4,305.44
Number of Retirees	7	81	52	48	40	36	42	306
2006								
Average Monthly Benefit	\$241.12	\$380.82	\$798.58	\$1,640.94	\$2,061.07	\$2,498.79	\$3,358.99	\$1,612.03
Mean Final Avg. Monthly Salary	\$1,116.33	\$3,672.48	\$4,061.86	\$5,301.29	\$5,103.43	\$7,480.71	\$5,453.33	\$4,562.89
Number of Retirees	7	86	71	59	50	44	63	380
2007								
Average Monthly Benefit	\$52.26	\$406.89	\$668.51	\$1,306.00	\$1,802.38	\$2,500.82	\$3,146.99	\$1,525.70
Mean Final Avg. Monthly Salary	\$2,936.27	\$3,784.99	\$3,637.37	\$4,493.97	\$4,707.83	\$4,897.62	\$5,052.79	\$4,372.90
Number of Retirees	1	88	56	68	55	50	61	379
2008								
Average Monthly Benefit	\$758.53	\$444.21	\$844.40	\$1,584.03	\$2,316.39	\$2,603.67	\$3,369.03	\$1,621.69
Mean Final Avg. Monthly Salary	\$2,053.60	\$3,781.87	\$4,450.86	\$4,998.35	\$5,568.83	\$5,209.11	\$5,532.95	\$4,742.67
Number of Retirees	3	94	63	72	44	55	46	377

Statistical Section

Average Monthly Benefit Payment – Health Benefits Reduction Last Three Fiscal Years

As of December 31:	Years of Credited Service							Total
	1-5	6-10	11-15	16-20	21-25	26-30	31+	
2006								
Total Eligible Reduction Amount	\$3,531	\$30,738	\$68,931	\$125,975	\$183,056	\$230,344	\$296,069	\$938,644
Average Monthly Benefit Paid	\$36.36	\$62.47	\$95.70	\$145.35	\$191.33	\$245.71	\$292.40	\$186.00
Number of Retirees	89	423	608	780	876	872	897	4,545
2007								
Total Eligible Reduction Amount	\$3,775	\$30,788	\$66,525	\$127,688	\$189,438	\$239,006	\$317,100	\$974,320
Average Monthly Benefit Paid	\$37.58	\$62.76	\$97.04	\$145.41	\$191.21	\$246.67	\$303.49	\$190.26
Number of Retirees	96	432	599	794	915	910	957	4,703
2008								
Total Eligible Reduction Amount	\$3,263	\$33,463	\$69,656	\$139,150	\$191,944	\$245,413	\$330,750	\$1,013,638
Average Monthly Benefit Paid	\$36.25	\$71.05	\$190.18	\$161.05	\$201.83	\$256.98	\$326.83	\$190.26
Number of Retirees	90	471	638	864	951	955	1,012	4,981

Note: Only three years of data are available because 2006 is the first year the information was captured.

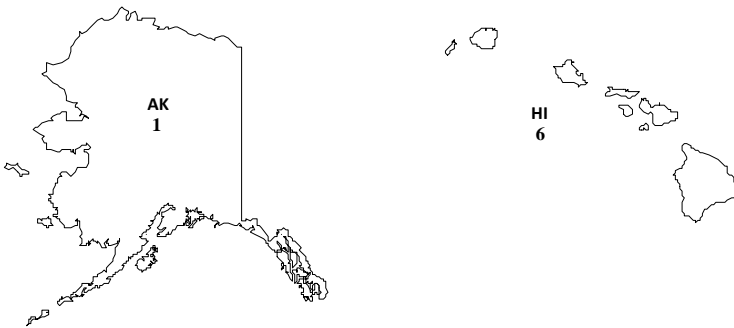
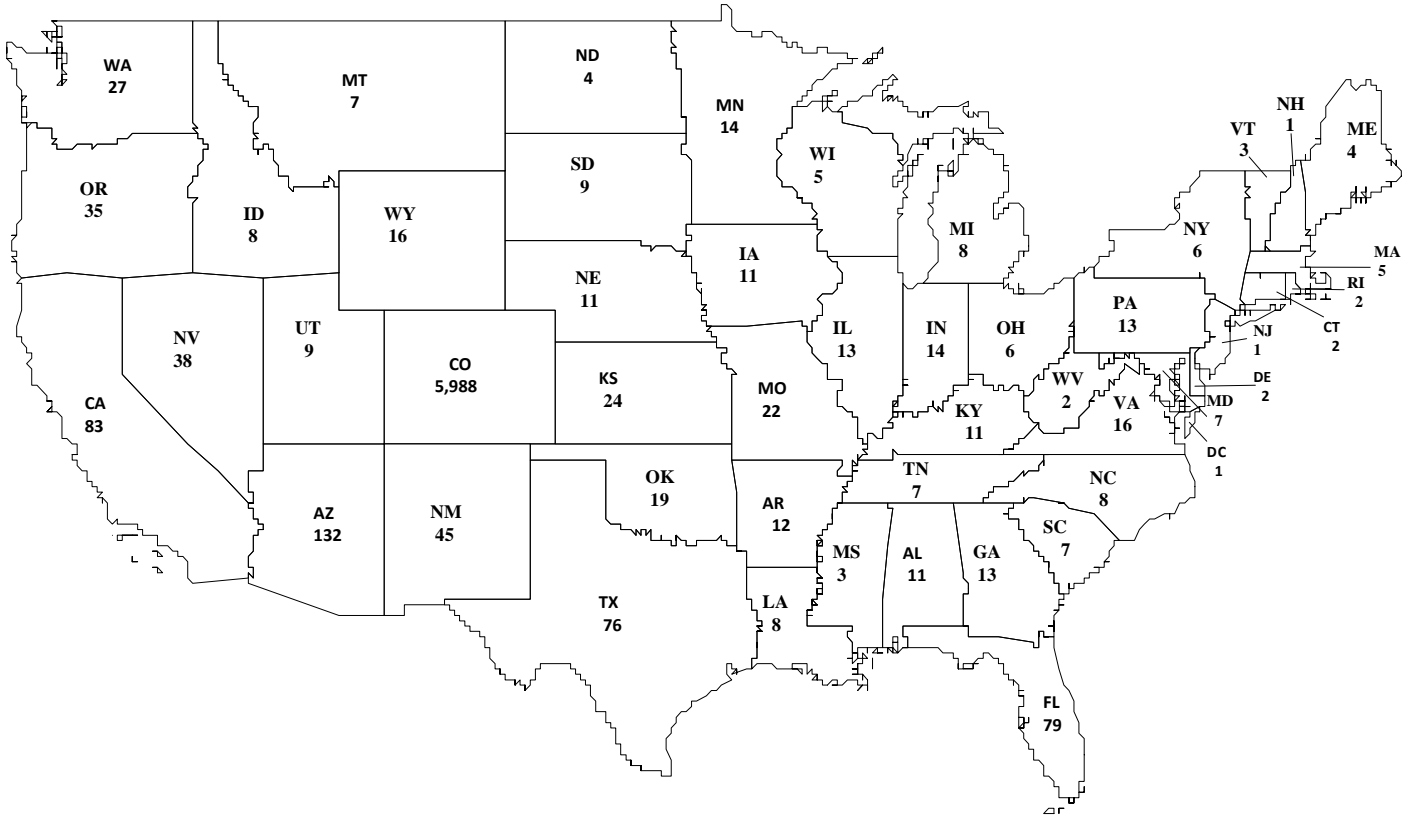
Principal Participating Employers Current Year and Nine Years Ago

	2008			1999		
	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
Pension Benefits						
Participating Government:						
City and County of Denver	17,878	1	91.5%	15,528	1	86.0%
Denver Health and Hospital Authority	1,653	2	8.5%	2,528	2	14.0%
Total	<u>19,531</u>		<u>100.0%</u>	<u>18,056</u>		<u>100.0%</u>
Health Benefits						
Participating Government:						
City and County of Denver	17,878	1	91.5%	15,528	1	86.0%
Denver Health and Hospital Authority	1,653	2	8.5%	2,528	2	14.0%
Total	<u>19,531</u>		<u>100.0%</u>	<u>18,056</u>		<u>100.0%</u>

Statistical Section

Location of Plan Retirees

Total Number of Retirees – 6,869



Other Countries

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

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