2016 ANNUAL POPULAR REPORT

For Fiscal Year Ended December 31, 2016

Denver Board of Water Commissioners
Employees' Retirement Program

Employees' Retirement Plan

Denver Water 401(k) Supplemental Retirement Savings Plan

Denver Water 457 Deferred Compensation Plan

Trust Funds of the Denver Board of Water Commissioners

TREASURY DEPARTMENT
DENVER BOARD OF WATER COMMISSIONERS
1600 WEST 12TH AVENUE DENVER, COLORADO 80204-3412
303-628-6410

DENVER BOARD OF WATER COMMISSIONERS
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John R. Lucero, First Vice President
Penfield W. Tate III, Vice President
Thomas A. Gougeon, Vice President
H. Gregory Austin, Vice President

CEO/MANAGER
James S. Lochhead

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Angela C. Bricmont, Chief Finance Officer
Liz Martinez, HR
Deb B. Engleman, HR
Usha Sharma, Treasury
Aneta M. Rettig, Treasury
Jeff Bogner, Treasury
Kris Bates, Legal

ACTUARY
Gabriel, Roeder, Smith & Company

INVESTMENT ADVISORS
Callan Associates Inc. (DB Plan)
Cook Street Consulting (DC Plans)

ASSET CUSTODIANS
The Northern Trust Company (DB Plan)
Empower Retirement (formerly Great-West Retirement Services) (DC Plans)

INDEPENDENT AUDITOR
CliftonLarsonAllen LLP

INVESTMENT MANAGERS – DB PLAN

Aberdeen Asset Management Inc.
Advisory Research Inc.
Babson Capital Management LLC
Blackrock Alternative Investors
Blackrock Intstitutional Trust Company, N.A.
Dimensional Fund Advisors LP
Fidelity Institutional Asset Management
Harbert Management Corporation
Harding Loevner Funds, Inc.
Horsley Bridge Venture
JP Morgan Investment Management, Inc.
Northern Trust Investments, N. A.
RREEF America LLC
UBS Realty Investors, LLC
Vanguard Group, INC.
Vontobel Asset Management Inc.
Winslow Capital Management, LLC

INVESTMENT OPTIONS – DC PLANS

American Beacon Small Cap Value Institutional
American Funds Washington Mutual
Baron Growth Institutional
Cohen & Streers Institutional Global Realty
Domini Social Equity
Frost Total Return Bond Institutional
Galliard Retirement Income
Harbor International
PIMCO High Yield Instl
T. Rowe Price Growth Stock
Vanguard Inflation Protected Bond
Vanguard Institutional Index Fund
Vanguard Mid Cap Index
Vanguard Target Retirement 2010
Vanguard Target Retirement 2015
Vanguard Target Retirement 2020
Vanguard Target Retirement 2025
Vanguard Target Retirement 2030
Vanguard Target Retirement 2035
Vanguard Target Retirement 2040
Vanguard Target Retirement 2045
Vanguard Target Retirement 2050
Vanguard Target Retirement 2055
Vanguard Target Retirement 2060
Vanguard Target Retirement Income
Vanguard Treasury Money Market Investor

DENVER WATER

1600 West 12th Ave
Denver, CO 80204-3412
303.628.6000
denverwater.org

July 31, 2017

To the Participants in the Plans of the Denver Water Retirement Program:

It is a pleasure to present the Annual Popular Report for the Denver Water Retirement Program for the fiscal year ended Dec. 31, 2016. The Retirement Program includes three separate funds ("plans") and two additional, unfunded benefits. The trusteed funds are the Employees' Retirement Plan of the Denver Board of Water Commissioners ("Defined Benefit Plan"), the Denver Water Supplemental Retirement Savings Plan ("401(k) Plan") and the Denver Water 457 Deferred Compensation Plan ("457 Plan"). The 401(k) Plan and the 457 Plan are collectively referred to as the "Defined Contribution Plans" or "DC Plans." The two unfunded benefits are a Retiree Medical Coverage Program and a Retirement Financial Planning Reimbursement Program. This report provides an overview of financial, investment and statistical information about the program in a simple, easy-to-understand format. The information herein is derived from the Annual Report for the Retirement Program. This Popular Report is intended to supplement the Annual Report, not replace it.

Major Actions in 2016

- **DB Plan changes approved by the Board.** On 12/7/2016 the Board approved 3% employee contributions for legacy members, to be phased in over 3 years beginning in 2018 and creation of a second tier of the plan for employees hired 1/1/18 or later, with a 1.75% multiplier, 3% employee contribution immediately upon hire, a "special early retirement" under a rule of 85, no COLA and minimum a retirement age of 60.

- **Board approval of actuarial assumption changes to the DB plan**. Actuarial assumptions play a key role in determining the funded status and contribution requirements for the DB Plan. On August 10, 2016, the Board approved the recommended changes to the following actuarial assumptions:
  - A change in the investment return assumption from 7.25% to 7.0% for the 2017 year; and
  - A change in the mortality assumption to reflect generational differences in life expectancy.

- **Plan document changes made in 2016**. The following Plan document changes were made throughout the year based on the recommendations made by the Board's Legal Counsel for retirement plans:
  - On 12/21/2016 CEO/Manager approved amending the 457 Plan document to reflect earlier changes in the definition of compensation to include accumulated sick pay, accumulated vacation pay, and back pay.
  - On 12/16/2016 the Board amended the 457 Plan document to permit full vesting of a portion of a Qualifying Participant's Discretionary Employer Contribution Account on that day.
  - On 12/14/2016 CEO/Manager approved amendments to Plan documents for all three retirement plans to comply with PATH Act of 2015, which permits rollovers of plan distributiona to simple IRA's.
  - On 11/16/2016 the Board approved the Plan documents for all 3 retirement plans to reflect the final rule issued by IRS effective September 2, 2016, defining "spouse," "husband," and "wife," and providing, in general, that a marriage of two individuals is recognized for federal tax purposes if the marriage is recognized by the state in which the marriage occurred, regardless of where the individuals are domiciled. The plans will continue to also recognize parties to a Colorado civil union as "spouses" for non-federal tax law purposes. The 401(k) Plan document was also amended to establish the monetary contribution limits for the non-elective contributions to employees' 401(k) accounts as part of the buy-down of accrued PTO leave balances.

- **Manager Changes in the DB Plan.** The Chief Finance Officer, with the assistance of the Investment Consultant for the DB Plan approved the following changes in the investment manager lineup for the DB Plan:

  - Real Estate Managers, PRISA and JPMorgan Startegic Property Fund, were terminated in the first quarter of 2016 in response to target asset allocation changes recommended by the Investment Consultant, which included lowering target real estate allocation to 15% and increase in target fixed income allocation to 17%.

- Hedge Fund manager Visium was terminated in April due to headline risk following the Manager's disclosure of the ongoing investigation by the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ).

- Fixed income Manager, PIMCO Total Return Fund, was terminated in April and proceeds were reinvested in the BlackRock Barclay's Aggregate Index Fund.

- Emerging Market manager Vontobel was terminated in April following the departure of the portfolio manager. The proceeds were reinvested with the remaining International Equity managers.

- Fixed income Manager, Denver Investments, was terminated in May in response to a number of key personnel changes. Proceeds from the termination were reinvested with the BlackRock Barclay's Aggregate Index Fund.

- **DC Plan Fund Changes:**
  - Vanguard Treasury Money Market Inv. Fund replaced Dreyfus Cash Management fund in May in response to the changes to SEC regulations regarding money market funds.

Market Environment

Year 2016 was marked by a series of drawdowns and recoveries, driven by a number of political events such as Brexit, the U.S. election, and the Chinese currency devaluation. Despite highly volatile markets, a year-end rally pushed U.S. stocks to double digit gains driven largely by the energy, telecom and financial sectors. For U.S.-based investors, international equity markets disappointed as a strengthening U.S. Dollar and poor results from emerging markets led to underperformance relative to U.S. markets during the year, particularly in the period immediately following the 2016 presidential election. After declining over the first half of 2016 to multi-year lows, interest rates moved upward beginning in July to finish the year slightly higher. The fourth quarter increase was particularly sharp and led to the worst quarterly return for the Barclays U.S. Aggregate Bond Index in 35 years. The Federal Reserve unanimously voted to raise their benchmark Fed Funds Rate at their December meeting. Forward guidance from the Federal Open Market Committee (FOMC) suggested a possibility of three additional upward adjustments in 2017, an increase from prior releases that suggested two hikes. FOMC actions and forward looking statements were supported by positive economic data as the unemployment rate reached a nine-year low, initial jobless claims remained close to multi-year lows and wage growth signaled a tightening labor market.

Investments

Assets of all plans are held in trust for the exclusive benefit of participants and beneficiaries. The investments in the Defined Benefit Plan gained 7.47% during 2016 (7.19% net of fee return), compared to the target benchmark index return of 7.08% and the actuarial assumed rate of return of 7.25%. The annualized rate of return on assets of the Defined Benefit Plan was 5.05% over the last three years and 8.62% over the last five years. Returns on Defined Contribution Plans vary depending on the choices made by each participant.

Funding

As of Jan. 1, 2017, the funded ratio of the Defined Benefit Plan was 79.9%, compared to 84.9% the year before.

Funding of the Defined Contribution Plans is primarily from employee contributions, but Denver Water currently matches 100% of employee contributions to the 401(k) plan up to 3% of published base pay.

Employee Retirements in 2016

Fifty Six (56) employees retired from Denver Water in 2016, of which twenty one (21) employees qualified for Special Early Retirement (Rule of 75). The average retiree was 60.4 years of age and had 26 years of service.

As of Dec. 31, 2016, 632 retirees and beneficiaries were receiving monthly benefits from the Defined Benefit Plan. The average age of a benefit recipient was 70.2 and the average monthly benefit was $2,446.

Sincerely,

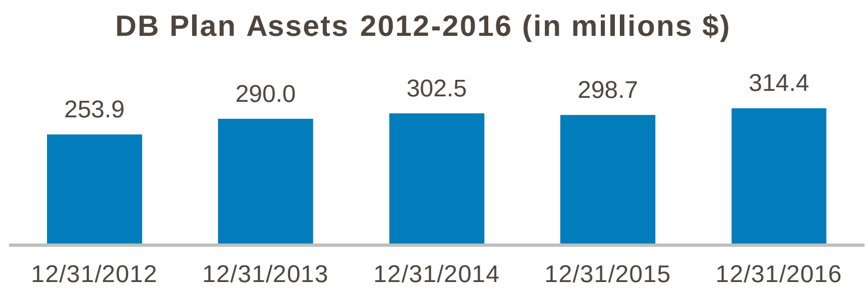
James S. Lochhead, CEO/Manager

Angela Bricmont, Director of Finance, RPC Co-Chair

Gail Cagle, Director of Human Resources, RPC Co-Chair

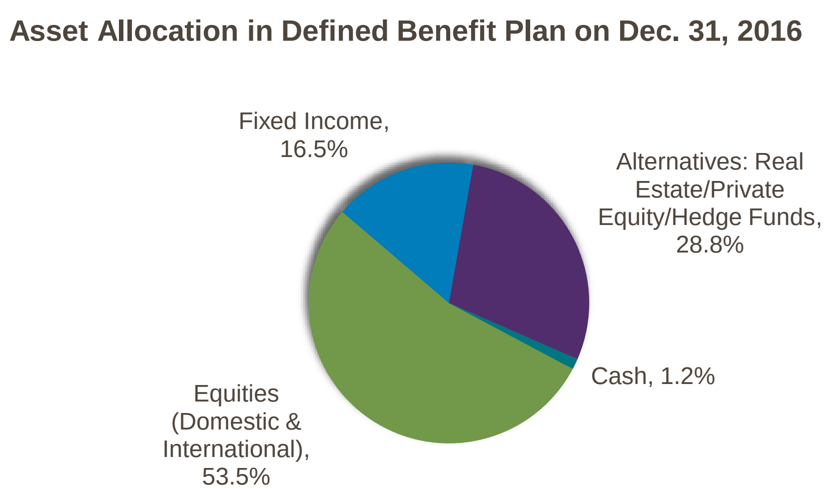
DEFINED BENEFIT PLAN

Plan assets: Market value of the Defined Benefit Plan assets was $314.5 million on Dec. 31, 2016 – This represents a $15.8 million increase from the prior year.

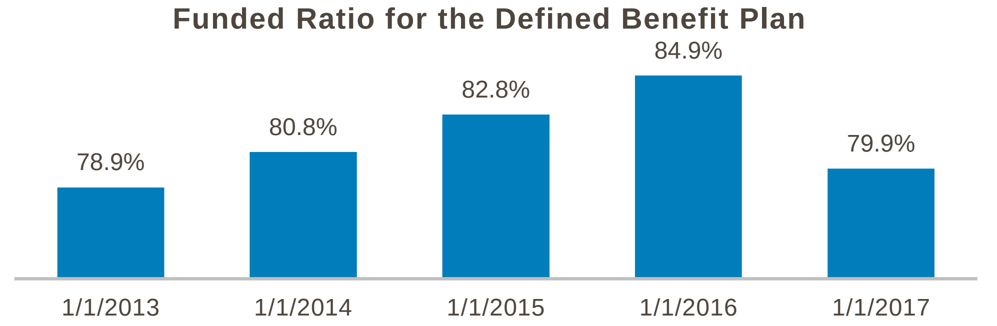


Change in Defined Benefit Plan Net Assets			
(in millions)	2014	2015	2016
Board Contributions	$14.5	$14.5	$14.5
Investment Gains	$18.5	$2.5	$21.3
Total Additions	$33.0	$17.0	$35.8
Benefit Payments & Refunds	($20.4)	($20.6)	($19.9)
Administrative Fees	($0.1)	($0.1)	($0.1)
Net Increase/(Decrease)	$12.5	($3.7)	$15.8
Net Position Restricted for Pension*			
Beginning of Year	$289.8	$302.3	$298.6
End of Year	$302.3	$298.6	$314.5

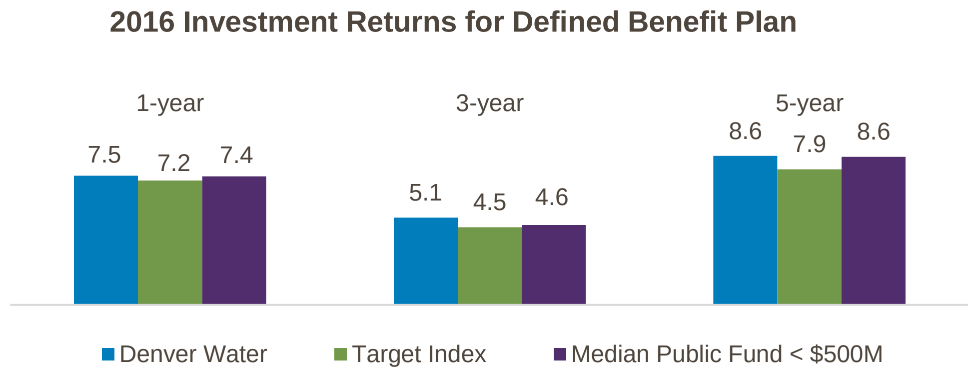
**Net position restricted for pension may not equal the market value of plan assets because of certain expenses and liabilities not recorded by the plan custodian.*



Funded ratio: The Defined Benefit Plan was 79.9% funded at Jan. 1, 2017. The higher the funded ratio, the greater assurance that retirement benefits are secure.

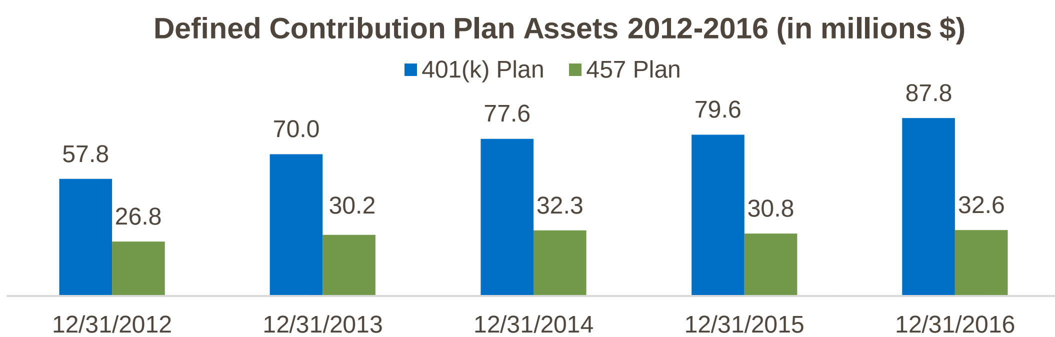


Investment performance: The Defined Benefit Plan's assumed rate of return is 7.25%; actual return for 2016 was 7.47%.



DEFINED CONTRIBUTION PLANS

Plan assets: Market value of the 401(k) Plan assets was $87.8million, and market value of the 457 Plan assets was $32.5 million at Dec. 31, 2016.



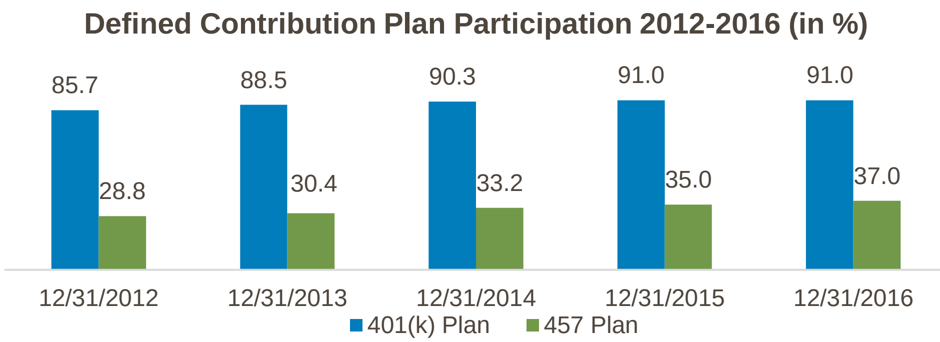
Change in Defined Contribution Plan Net Assets in 2016		
(in millions)	401(k)	457
Participant Contributions	$4.5	$2.1
Participant Rollovers	$1.2	$0.0
Participant Loans	$1.5	$0.2
Employer Contributions	$1.9	$0.0
Investment Gains/(Losses)	$5.9	$1.9
Total Additions	**$15**	**$4.2**
Benefits Paid to Participants	($5.4)	($2.3
Administrative Fees & Participant Investment Advisory Fees	($0.0)	($0.0)
Net Increase/(Decrease)	**$9.6**	**$1.9**
Net Assets Available for Benefits*		
Beginning of 2016	$79.6	$30.8
End of 2016	$87.8	$32.5

**Net assets available for benefits may not equal the market value of plan assets because of timing differences of certain transactions.*

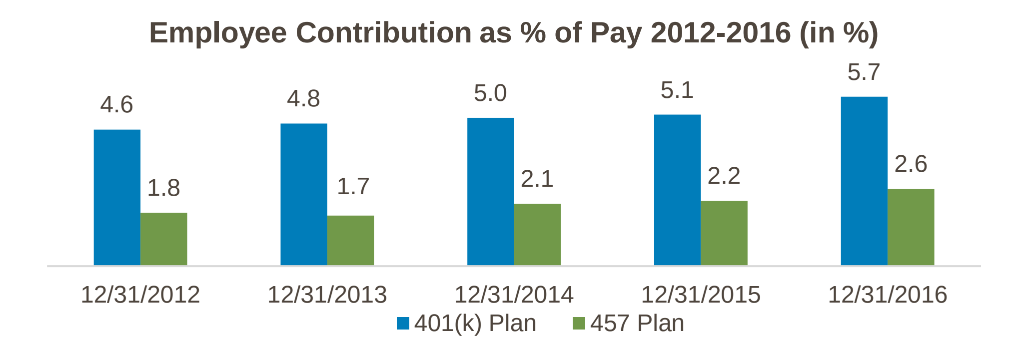
Performance: As of year-end, participants had access to 26 funds across all asset classes. Most funds in the lineup had rates of return above the median for their peer group over one-, three-, and five-year periods. Returns in Defined Contribution Plans vary depending on the choices made by each participant and timing of contributions.

Employee participation: Over 91% of the eligible Denver Water employees participated in the 401(k) Plan at year-end, comparable to the 91% participation rate in 2015.

More than 37% of the eligible Denver Water employees participated in the 457 Plan at year-end, compared to a 35% participation rate in 2015.



Employee contributions: Average year-end employee contribution as percentage of pay was 5.7% in the 401(k) Plan and 2.6% in the 457 Plan. Denver Water matches 100% of employee contributions to the 401(k) plan up to 3% of published base pay.



Plan fees and expenses: Expense ratios for all funds in the lineup, as well as the revenue sharing amounts received by Empower Retirement (formerly Great-West Retirement Services), which is the plan administrator, are disclosed to participants on Empower's website, in the enrollment package and though the HR page on Inflow, and disclosed to the general public in the audited financial statements.

Empower Retirement (formerly Great-West Retirement Services) ("Empower") is the custodian/trustee and the administrator for the Denver Water 401(k) and 457 Plans. Effective in January 2016, the total fee for recordkeeping and communication services was reduced from 0.09% to 0.075% annually. The fee is being calculated and withdrawn from all participant accounts on a monthly basis and any revenue sharing is credited to participants with account balances in a revenue-paying fund which generated the revenue, based on the average daily balance of the participant's investment in such fund(s) for the prior month.

Revenue generated from the funds which had revenue sharing arrangements with the recordkeeper (Frost Total Return Bond Institutional, Harbor International Institutional Fund, T. Rowe Price Growth Stock Fund, Baron Growth Institutional and Cohen & Steers Institutional Global Realty) were credited to participants with account balances in the revenue-paying fund, based on the average daily balance of the participant's investment in such fund(s) for the month. In 2015, the unallocated account was used to accumulate any recordkeeping and communication fees withdrawn from participant accounts, any fund credits received and any income received on excess balances. Any remaining balance in the unallocated account was reclassified as other receivables and was disbursed to the SRSP participants after year-end at the discretion of the Board.

Effective 2016, the unallocated account was no longer used to accumulate fees and fund credits. Any fees or fund credits were directly debited or credited to the participant's account based on their account balance. The assessed recordkeeping and communication fee for 2016 for both plans totaled $85,000. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period for both plans was $29,500. Effective in January 2016, the total fee for recordkeeping and communication services was reduced to 0.075% annually, the fee is being calculated and withdrawn from all participant accounts on a monthly basis and any revenue sharing is credited to participants with account balances in a revenue-paying fund which generated the revenue, based on the average daily balance of the participant's investment in such fund(s) for the prior month.

This Popular Report summarizes financial information from the Annual Report for the Retirement Program. The Annual Report contain
audited financial statements. The report is available at inflow.denverwater.org under the HR tab. For questions about the report, contac
Aneta Rettig at 303-628-6404 or aneta.rettig@denverwater.org.

For benefit-related questions, call Deb Engleman at 303-628-6387.