2017 Annual Popular Report

For Fiscal Year Ended December 31, 2017

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
Paula Herzmark, President
John R. Lucero, First Vice President
Gary Reiff, Vice President
Craig Jones, Vice President
H. Gregory Austin, Vice President

CEO/MANAGER
James S. Lochhead

RETIREMENT PROGRAM COMMITTEE
Gail Cagle, Chief Human Resources Officer
Angela C. Bricmont, Chief Finance Officer
Deb B. Engleman, HR
Usha Sharma, Treasury
Aneta M. Rettig, Treasury
Jeff Bogner, Treasury
Kris Bates, Office of General Council

ACTUARY
Gabriel, Roeder, Smith & Company

INVESTMENT ADVISORS
Callan Associates Inc. (DB Plan)
Ellwood Associates (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
Northern Trust Investments, N. A.
Principal Global Investors LLC
RREEF America LLC
UBS Realty Investors, LLC
Vanguard Group, 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
Fidelity Global Ex US Index Premium
Fidelity Total Market Index Institutional
Fidelity US Bond Index Premium
Frost Total Return Bond Institutional
Galliard Retirement Income
Harbor International
Northern Global Sustainability Index
PIMCO High Yield Instl
T. Rowe Price Growth Stock Fund I
Vanguard Inflation Protected Bond
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 Total Intl BD Index Admiral
Vanguard Treasury Money Market Investor

DENVER WATER

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June 01, 2018

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, 2017. 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 2017

- **DB Plan changes approved by the Board -** In 2017 the Board approved needed changes to the Plan Document in response to the Plan changes that were made in December of 2016. The major change included:
    - Addition of tier two Plan with the retirement formula for Tier two members to 1.75% times their average final compensation times their years of service and removal of social security integration.
    - Tier two members to be eligible for early retirement at age 60 with 5 years of service with reduced benefit.
    - Tier two average final compensation changed to the highest 60 consecutive months in 10 years.
    - A previously vested employee reemployed within two years after receiving a lump sum payment may have previous credited service restored if the employee repays the lump sum within 60 days with 8% interest.
    - Addition of an election to receive a refund of accumulated contributions for non-vested members. The interest rate credited on refunds of employee contributions made on or after January 1, 2018 will be 2.5% compounded annually.
    - Elimination of mandatory distributions except for required minimum distributions.
    - Addition of a requirement that a person rehired on or after January 1, 2018 be placed in Tier two.
    - Addition of a time limit on restoration of credited service for reemployed non-vested members who took a refund of contributions.
    - Clarification of the actuarial table used for actuarial equivalence for the level income option,
    - Clarification of the Plan language regarding the partial lump sum calculation.
    - Addition of definitions of exempt, non-exempt, and part-time employees to clarify the calculation of the 1,000 hours worked for purposes of determining credited services.

- **DC Plans' document changes made in 2017.** 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 December 6, 2017, both plans were amended to revise the definition of compensation and the definition of spouse and permitted deferral of compensation as a percentage or a dollar amount.
    - On April 2017 the 457 Plan was amended to allow employees to defer their paid time off (PTO) and any back pay in accordance with the IRS 457(b) requirements.

- **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:
    - Domestic Equity Manager Advisory Research was terminated in the fourth quarter of 2017 in response to fund underperformance over the five-year period and possible changes in the treatment of UBTI for tax exempt institutions.

- **DC Plan Fund Changes:**
    - Global Sustainability Index (NSRIX) be selected as a replacement for Domini Impact Equity fund. Factors considered in selecting the alternative option for the Plan's sustainability investment included (but were not limited to): the fund's

investment philosophy, sustainable investing approach, portfolio diversification, performance track record, and risk/return profile.

- T. Rowe Price Growth Stock fund (PRGFX) was mapped to a lower share class of the same fund, T. Rowe Price Growth Stock I (PRUFX) and a new target retirement fund, Vanguard Target Retirement 2065 Inv (VLXVX) was added to the lineup effective 11/15/2017.

Market Environment

The year opened with enthusiasm over the pro-business agenda of the new Trump administration, but uncertainty surrounding trade and immigration policies loomed. Failed attempts at travel bans and healthcare reform, and a war of words with North Korea pre-occupied President Trump and media outfits, as did the frequent White House personnel turnover. Washington politicians eventually pivoted to tax reform in the latter stages of the year and policymakers passed the highly anticipated legislation just before the Christmas holiday. Emerging markets benefited from both the synchronized global growth environment and the secular growth trade. Stock market volatility was historically low, especially in the U.S. The S&P 500 avoided a 3% drawdown for the first time since 1995. The VIX Index, which measures expected S&P 500 market volatility, hit an all-time low of 8.54%, averaged 11.1 over the year, and never once spiked above its long-term average of 19.4. Outside of the U.S., equity markets exhibited similarly lower-than-normal levels of volatility. In addition to the on-again, off-again reflation trade views, an overriding theme for North American bond markets was a flattening yield curve. The Federal Reserve (Fed) hiked rates three times, and both central banks pushed short term yields higher. Longer term bond yields failed the get the same lift as inflation remained moderate, effectively flattening the yield curve. The 106 month bull market was now the second longest on record and the S&P 500 racked up an impressive 62 new all-time highs in 2017. Measures of business and consumer confidence hit record high levels during the year.

Investments

The investments in the Defined Benefit Plan returned 15.61% (gross of fees) during 2017, compared to the target benchmark return of 15.71% and the actuarial assumed rate of return of 7.00%. The annualized rate of return on assets of the Defined Benefit Plan was 7.89% over the last three years and 9.18% over the last five years. Returns on Defined Contribution Plans vary depending on the choices made by each participant.

Funding

As of January 1, 2018, the Funded Ratio of the DB Plan was 84.9%, compared to 78.3% the year before. Over the past ten years the Funded Ratio ranged from a low of 72.7% (01/01/09) to a high of 93.4% (01/01/07).

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

Employee Retirements in 2017

Fourty five (45) employees retired from Denver Water in 2017, of which thirty three (33) employees qualified for Special Early Retirement (Rule of 75).

As of Dec. 31, 2017, 658 retirees and beneficiaries were receiving monthly benefits from the Defined Benefit Plan. The average age of a benefit recipient was 70 and the average monthly benefit was $2,566.

Sincerely,

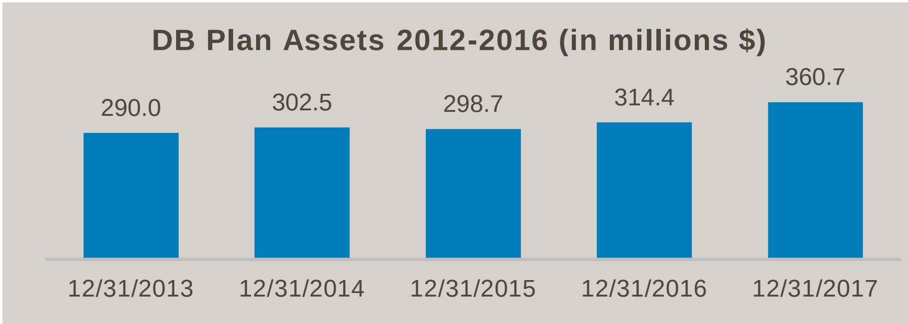
James S. Lochhead, CEO/Manager

Angela Bricmont, Chief Finance Officer, RPC Co-Chair

Gail Cagle, Chief Human Resources Officer, RPC Co-Chair

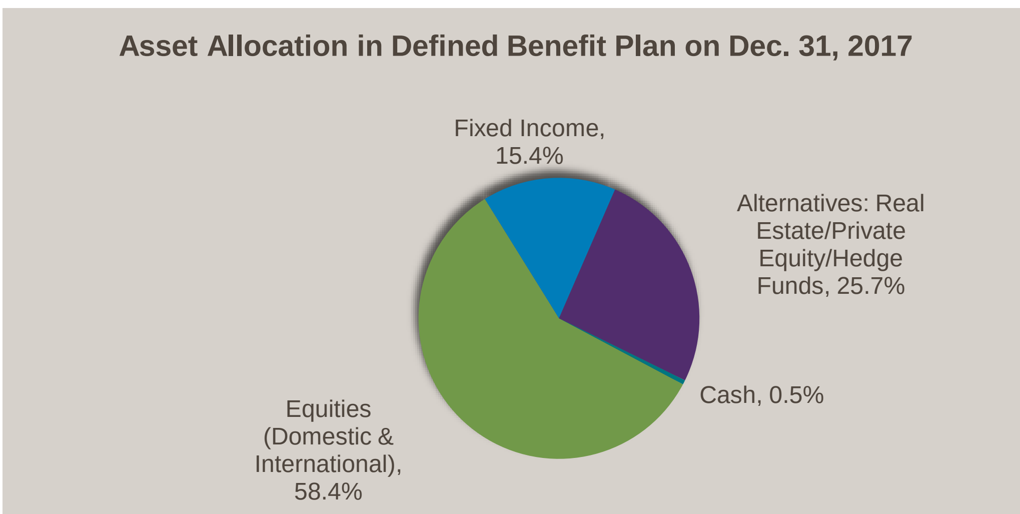
DEFINED BENEFIT PLAN

Plan assets: The fiduciary net position restricted for pension was $360.7 million on Dec. 31, 2017 – This represents a $46.2 million increase from the prior year.

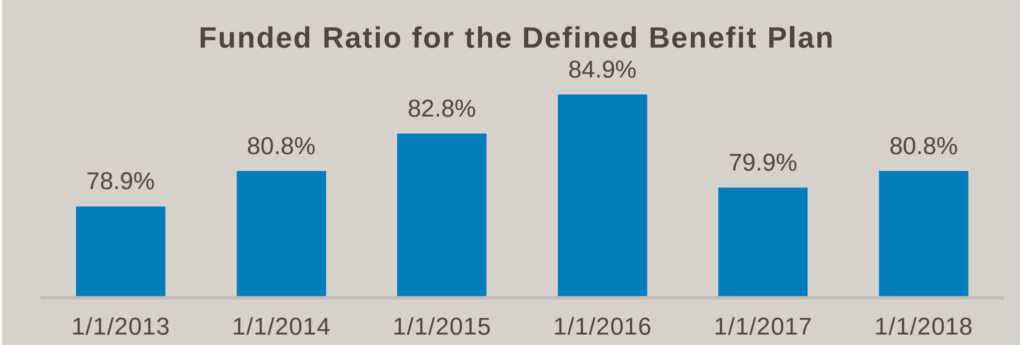


Change in Defined Benefit Plan Net Assets

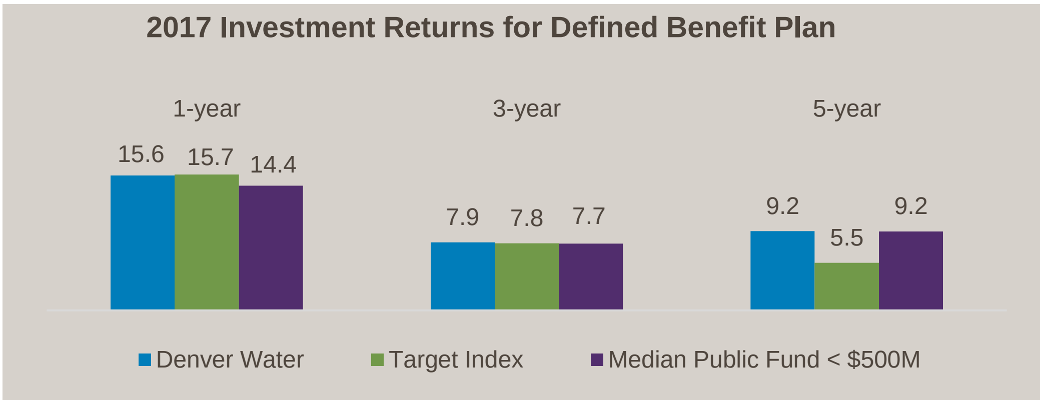
(in millions)	2015	2016	2017
Board Contributions	$14.5	$14.5	$18.0
Investment Gains	$2.5	$21.3	$48.2
Total Additions	$17.0	$35.8	$66.3
Benefit Payments & Refunds	($20.6)	($19.9)	($19.9)
Administrative Fees	($0.1)	($0.1)	($0.1)
Net Increase/(Decrease)	($3.7)	$15.8	$46.3
Net Position Restricted for Pension*			
Beginning of Year	$302.3	$298.6	$314.5
End of Year	$298.6	$314.5	$360.7



Funded ratio: The Defined Benefit Plan was 80.8% funded at Jan. 1, 2018. The higher the funded ratio, the greater assurance that retirement benefits are secure.

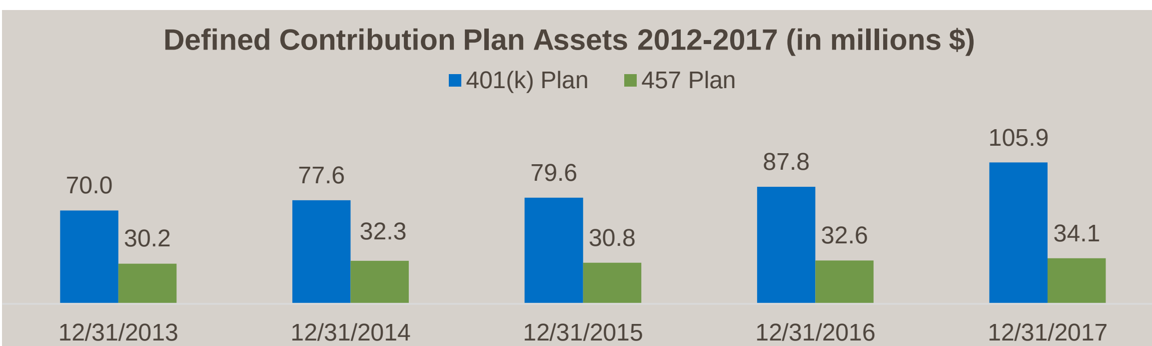


Investment performance: The Defined Benefit Plan's assumed rate of return is 7.00%; actual return for 2017 was 15.6%.



DEFINED CONTRIBUTION PLANS

Plan assets: The fiduciary net position for the 401(k) Plan assets was $105.9 million, and the fiduciary net position for the 457 Plan assets was $34.1 million at Dec. 31, 2017.

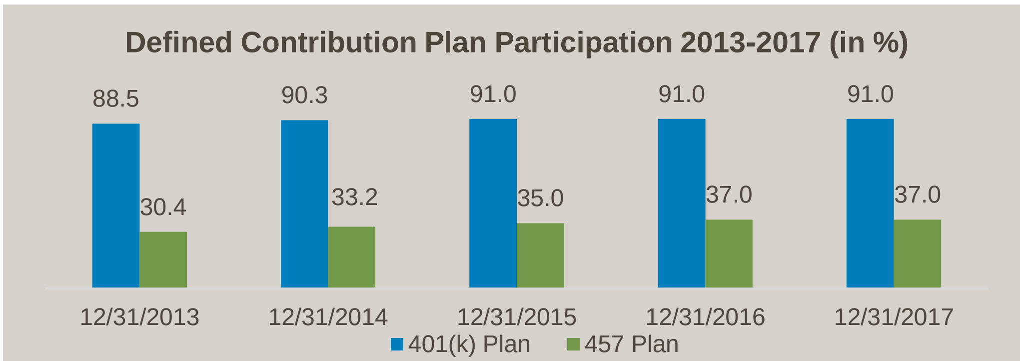


Change in Defined Contribution Plan Net Assets in 2017		
(in millions)	401(k)	457
Participant Contributions	$4.3	$2.1
Participant Rollovers	$1.0	$0.1
Participant Loans	($1.9)	($0.2)
Employer Contributions	$6.8	$0
Investment Gains/(Losses)	$14.3	$4.4
Total Additions	**$24.5**	**$6.4**
Benefits Paid to Participants	($8.1)	($4.8)
Administrative Fees & Participant Investment Advisory Fees	($0.1)	($0.0)
Net Increase/(Decrease)	**$16.3**	**$1.6**
Net Assets Available for Benefits*		
Beginning of 2017	$87.8	32.5
End of 2017	$105.9	$34.1

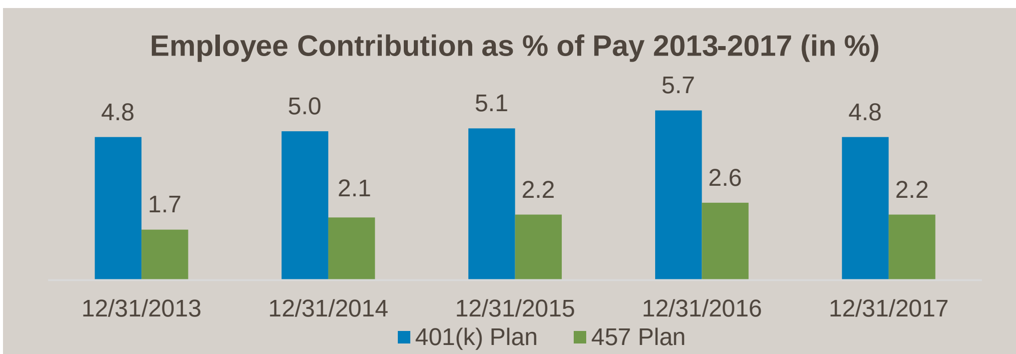
Performance: As of year-end, participants had access to 28 funds across all asset classes. Most funds in the lineup had rates of return above the median for their peer group over one, three, and five-year periods. Returns in Defined Contribution Plans vary depending on the choices made by each participant 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 2016.

More than 39% of the eligible Denver Water employees participated in the 457 Plan at year-end, compared to a 37% participation rate in 2016.



Employee contributions: Average year-end employee contribution as percentage of pay was 5% in the 401(k) Plan and 2% 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 and Northern Global Sustainability) 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 2017 totaled $876,900. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period for both plans was $24,000.

This Popular Report summarizes financial information from the Annual Report for the Retirement Program. The Annual Report contains audited financial statements. The report is available at inflow.denverwater.org under the HR tab. For questions about the report, contact Jeff Bogner at 303-628-6018 or jeff.bogner@denverwater.org.

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