

# 2019 ANNUAL POPULAR REPORT

## 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

For Fiscal Year Ended December 31, 2019

**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**

Angela C. Bricmont, Chief Finance Officer

Julie Anderson, Chief of Staff

Kim Burgess, Director of HR

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 (DC Plans)

**INDEPENDENT AUDITOR**

CliftonLarsonAllen LLP

## **INVESTMENT MANAGERS – DB PLAN**

Aberdeen Asset Management Inc..  
Alliance Bernstein  
Barings LLC  
Blackrock Alternative Investors  
Blackrock Institutional Trust Company, N.A.  
Dimensional Fund Advisors LP  
Fidelity Institutional Asset Management  
Harbert Management Corporation  
Harding Loevner Funds, Inc.  
Horsley Bridge Partners  
Northern Trust Investments, N. A.  
Pantheon Ventures LLC  
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  
American Funds Washington Mutual  
Arrowstreet INTL Equity ACWI Ex US Class A  
Baron Growth Institutional  
Cohen & Streers Institutional Global Realty  
Fidelity Global Ex US Index  
Fidelity Total Market Index  
Fidelity US Bond Index  
Frost Total Return Bond Institutional  
Galliard Retirement Income  
Northern Global Sustainability Index  
PIMCO High Yield Institutional  
T. Rowe Price Growth Stock Fund I  
Vanguard Inflation-Protected Sec  
Vanguard Target Retirement 2015 Inv  
Vanguard Target Retirement 2020 Inv  
Vanguard Target Retirement 2025 Inv  
Vanguard Target Retirement 2030 Inv  
Vanguard Target Retirement 2035 Inv  
Vanguard Target Retirement 2040 Inv  
Vanguard Target Retirement 2045 Inv  
Vanguard Target Retirement 2050 Inv  
Vanguard Target Retirement 2055 Inv  
Vanguard Target Retirement 2060 Inv  
Vanguard Target Retirement 2065 Inv  
Vanguard Target Retirement Income Inv  
Vanguard Total Intl BD Idx Admiral  
Vanguard Treasury Money Market

*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, 2019. The Retirement Program includes three separate funds (“plans”) and two additional, unfunded benefits. The trustee 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 2019

- **DB Plan changes approved by the Board -**

In April 2019 the Board’s actuary completed an experience study for the Plan and recommended a number of assumption changes, which were subsequently approved by the Board. The changes include:

- Reducing the inflation assumption to 2.5%;
- Reducing the wage inflation assumption to 2.75%;
- Slightly increasing the age-based merit and promotion increases;
- Reducing the disability assumption;
- Increasing the assumption for normal retirement rates;
- Reducing the assumption for early retirement rates; and
- Reducing the lump-sum election assumption.

**Manager Changes in the DB Plan.** The Chief Finance Officer, with the assistance of the Investment Consultant for the DB Plan, approved addition of one new private equity manager, Pantheon L.P., and two new funds from existing private equity managers Aberdeen and Horsley Bridge.

### Market Environment

The U.S. real gross domestic product (GDP) increased at an annual rate of 2.1% in the fourth quarter of 2019, according to the Bureau of Economic Analysis (BEA), reflecting moderate slowing from 2018. Stocks bounced back from a volatile 2018, with the S&P 500 Index providing a total return of 31.5% and international stocks, as measured by the MSCI ACWI ex US, returning 21.5%, respectively. U.S. stocks were bolstered in large part by government spending, three rate cuts by the Fed, and a healthy macro-environment. International stocks performed well but lagged the U.S. as recession fears and manufacturing slowdowns in several countries created headwinds in international equity markets. Returns in the fixed income market were strong as interest rates declined measuredly throughout the period. The Bloomberg Barclays Multiverse Index, a broad-based measure of the global fixed income bond market returned 7.1% for the period. The U.S. unemployment rate ended the year at 3.5% matching a 50-year low. Nominal wages in the U.S. grew 3.3% and core CPI increased 2.3%, a slight tick up from the 2.2% reported in 2018.

### Investments

Denver Water’s Retirement Plan (the “Plan”) delivered a positive gain of 17.1% (16.9% net of fees) for the year, compared to the target benchmark return of 19.1% and the actuarial assumed rate of return of 7.0%.

A summary of the current investment objectives and guidelines for each fund, additional information concerning allocation of the DB Plan’s assets, and more detailed information about investment performance is included in the Investment Section of this report.

## Funding

As of January 1, 2020 the Funded Ratio of the DB Plan was 84.5%, compared to 82.6% the year before. Over the past ten years the Funded Ratio ranged from a low of 73.8% (01/01/11) to a high of 84.9% (01/01/16).


The Defined Contribution Plans are primarily funded by 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 2019

Thirty two (32) employees retired from Denver Water in 2019, of which eighteen (18) employees qualified for Special Early Retirement (Rule of 75).

As of Dec. 31, 2019, 702 retirees and beneficiaries were receiving monthly benefits from the Defined Benefit Plan. The average age of a benefit recipient was 70.8 and the average monthly benefit was \$2,678.

Sincerely,



James S. Lochhead, CEO/Manager



Angela Bricmont, Chief Finance Officer, RPC Co-Chair

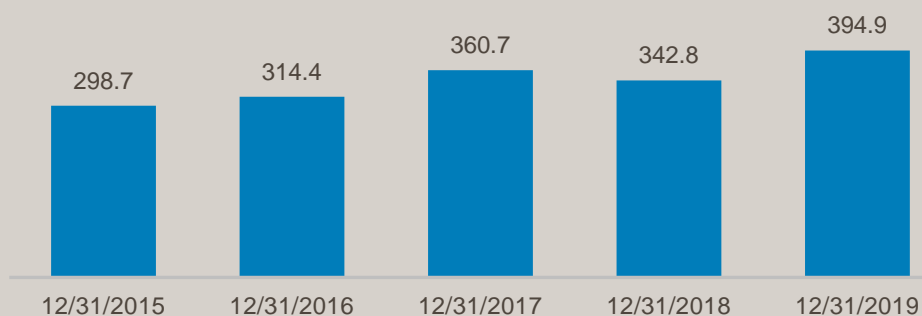


Kim Burgess, Director of Human Resources

## DEFINED BENEFIT PLAN

**Plan assets:** The fiduciary net position restricted for pension was \$394.9 million on Dec. 31, 2019 – This represents a \$52.1 million increase from the prior year.

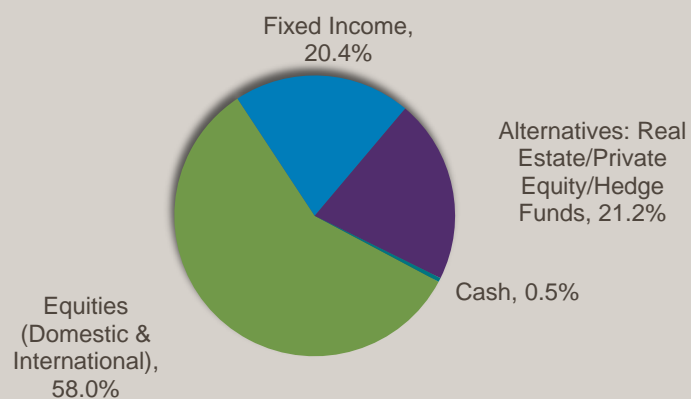
### DB Plan Assets 2014-2019 (in millions \$)



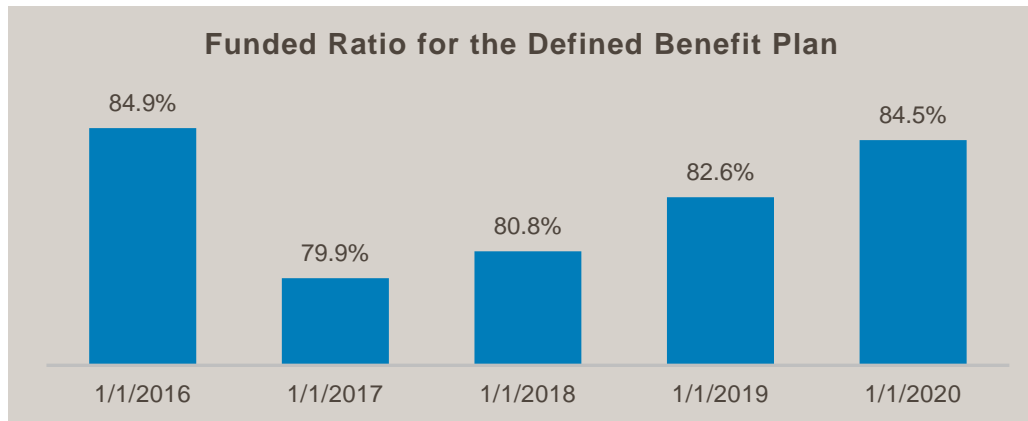
### Change in Defined Benefit Plan Net Assets

(in millions)	2017	2018	2019
Board Contributions	\$18.0	\$18.0	\$16.7
Employee Contributions	-	\$0.6	\$1.7
Investment Gains	\$48.2	(\$16.4)	\$58.6
<b>Total Additions</b>	\$66.3	\$3.7	\$77.1
Benefit Payments & Refunds	(\$19.9)	(\$22.2)	(\$24.7)
Administrative Fees	(\$0.1)	(\$0.1)	(\$0.1)
<b>Net Increase/(Decrease)</b>	\$46.3	(\$17.9)	\$52.1
<b>Net Position Restricted for Pension*</b>			
Beginning of Year	\$314.5	\$360.7	\$342.8
End of Year	\$360.7	\$342.8	\$394.9

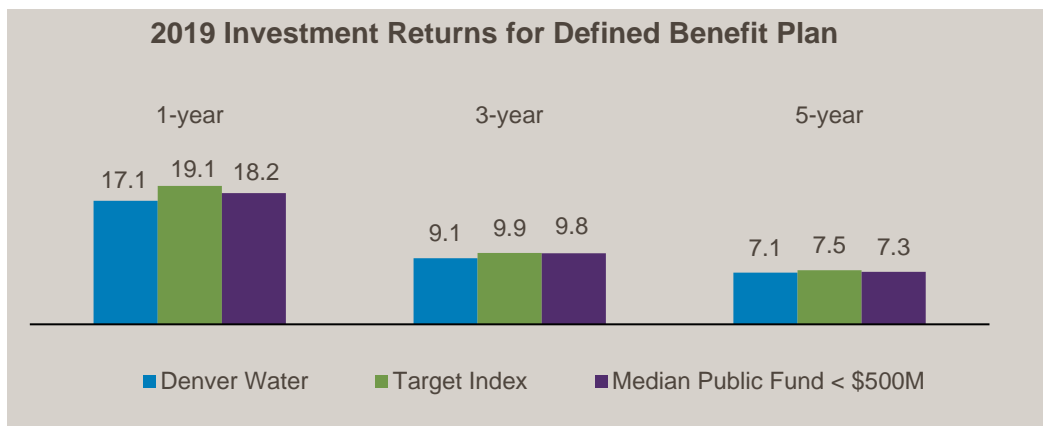
### Asset Allocation in Defined Benefit Plan on Dec. 31, 2019



**Funded ratio:** The Defined Benefit Plan was 84.5% funded at Jan. 1, 2020. The higher the funded ratio, the greater assurance that funds will be available to pay retirement benefits.

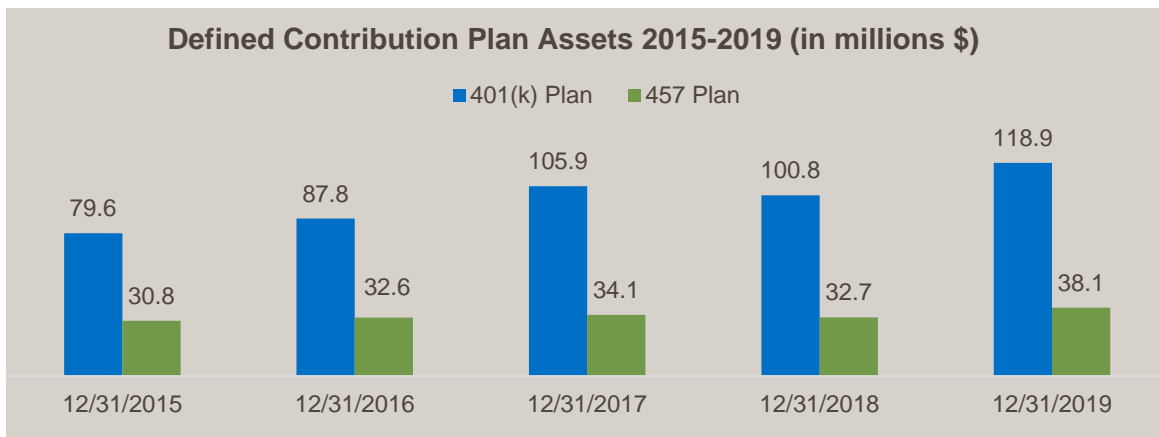


**Investment performance:** The Defined Benefit Plan’s assumed rate of return is 7.00%; actual return for 2019 was 17.1%.



**DEFINED CONTRIBUTION PLANS**

**Plan assets:** The fiduciary net position for the 401(k) Plan assets was \$118.9 million and the fiduciary net position for the 457 Plan assets was \$38.1 million at Dec. 31, 2019.

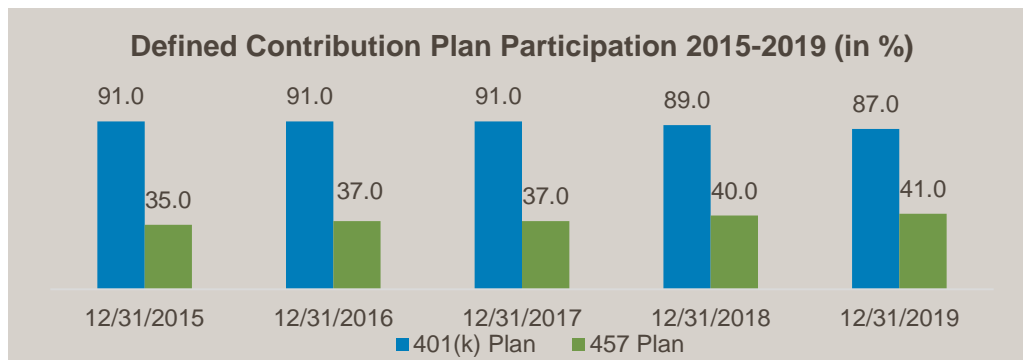


Change in Defined Contribution Plan Net Assets in 2019		
<i>(in millions)</i>	401(k)	457
Participant Contributions	\$4.4	\$2.1
Participant Rollovers	\$0.4	\$0.1
Participant Loans	(\$1.8)	(\$0.3)
Employer Contributions	\$2.1	\$0.03
Investment Gains/(Losses)	\$20.0	\$5.8
<b>Total Additions</b>	<b>\$27.0</b>	<b>\$8.1</b>
Benefits Paid to Participants	(\$8.8)	(\$2.6)
Administrative Fees & Participant Investment Advisory Fees	(\$0.1)	(\$0.0)
<b>Net Increase/(Decrease)</b>	<b>\$18.1</b>	<b>\$8.1</b>
Net Assets Available for Benefits*		
Beginning of 2019	\$100.8	\$32.7
End of 2018	\$118.9	\$38.1

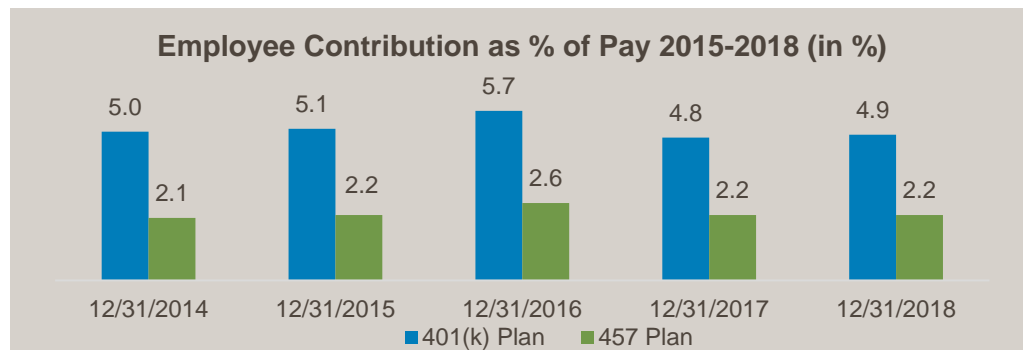
**Performance:** As of year-end, participants had access to 28 funds across all asset classes. Most funds in the lineup had rates of return above the median for their peer group over one, three, and five-year periods. Returns in Defined Contribution Plans vary depending on the choices made by each participant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

**Employee participation:** Eighty-seven percent (87%) of the eligible Denver Water employees participated in the 401(k) Plan at year-end, compared to 89% participation in 2018.

Forty-one percent (41%) of the eligible Denver Water employees participated in the 457 Plan at year-end, compared to a 40% participation rate in 2018.

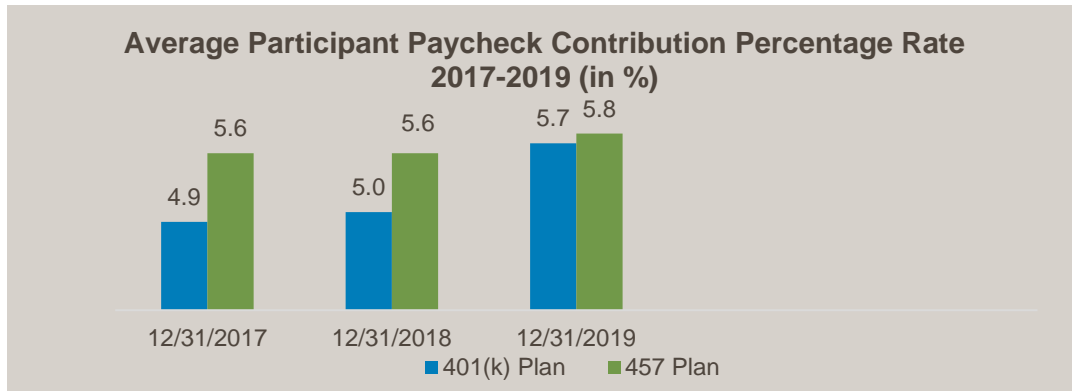


**Employee contributions:** Average year-end employee contribution as a percentage of pay was 5% in the 401(k) Plan and 2% in the 457 Plan. Denver Water matches 100% of employee contributions to the 401(k) plan up to 3% of published base pay.





**Employee contributions:** Average participant paycheck contribution percentage rate was 5.7% in the 401(k) Plan and 5.8% 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 the plan administrator, Empower Retirement (“Empower”) are disclosed to participants on Empower’s website, in the enrollment package and through the HR page on Inflow, and disclosed to the general public in the audited financial statements.

Empower Retirement is the custodian/trustee and the administrator for the Denver Water 401(k) and 457 Plans. The total fee for recordkeeping and communication services is 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, Baron Growth Institutional, Cohen & Steers Institutional, and Northern Global Sustainability Index) 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.

The assessed recordkeeping and communication fee for both plans in 2019 totaled \$113 thousand. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period for both plans was \$17 thousand.

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](http://inflow.denverwater.org) under the HR tab. For questions about the report, contact Jeff Bogner at 303-628-6018 or [jeff.bogner@denverwater.org](mailto:jeff.bogner@denverwater.org).

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