
THE PLAN



DENVER EMPLOYEES
RETIREMENT PLAN

777 PEARL STREET
DENVER, CO 80203

QUARTERLY FINANCIAL REPORT

For the period ending

March 31, 2019

Denver Employees Retirement Plan
Statement of Plan Net Position
as of March 31, 2019 and December 31, 2018

	As of 3/31/2019	As of 12/31/2018
Assets		
Cash and short-term investments:		
Cash and short-term investments	\$ 45,134,471.53	\$ 36,378,567.82
Securities lending collateral	233,293,919.78	129,463,950.47
Total cash and short-term investments	278,428,391.31	165,842,518.29
Receivables:		
Investment income	1,775,425.36	1,526,593.30
Unsettled securities sold	1,018,350.98	33,093.71
Total receivables	2,793,776.34	1,559,687.01
Investments, at fair value:		
U.S. government obligations	163,645,503.91	155,040,399.11
Domestic corporate and other fixed income	298,901,407.25	307,549,778.26
Domestic equity	468,293,800.87	420,939,186.57
International equity	485,451,892.57	446,647,935.51
Real estate	173,950,355.28	173,038,863.11
Alternative investments	509,807,796.65	484,324,501.27
Absolute return	109,571,083.64	104,602,461.76
Total investments	2,209,621,840.17	2,092,143,125.59
Prepaid Items:	32,519.93	32,519.93
Capital Assets:		
Property and equipment, net of accumulated depreciation	3,518,281.52	3,518,281.52
Total assets	2,494,394,809.27	2,263,096,132.34
Liabilities		
Unsettled securities purchased	439,548.67	1,488,131.92
Securities lending obligations	233,293,919.78	129,463,950.47
Accounts payable	770,808.18	2,101,241.82
Total liabilities	234,504,276.63	133,053,324.21
Net position restricted for benefits	\$2,259,890,532.64	\$2,130,042,808.13
Net position restricted for pension benefits	2,141,007,840.14	2,011,964,372.67
Net position restricted for DROP benefits	118,882,692.50	118,078,435.46
Net position restricted for benefits	\$ 2,259,890,532.64	\$ 2,130,042,808.13

**Denver Employees Retirement Plan
Quarterly Report
March 31, 2019
Changes in Plan Net Position**

	For the Period 1/1/2019 through 3/31/2019	For the Year Ended 2018
Additions:		
Contributions:		
Employer	\$ 24,633,206.96	\$ 86,672,498.21
Plan members	16,502,831.76	55,833,462.23
Total contributions	41,136,038.72	142,505,960.44
Investment income:		
Net appreciation/(depreciation) in fair value of investments	142,557,393.67	(120,309,086.97)
Earnings on investments	7,795,547.32	57,903,472.77
	150,352,940.99	(62,405,614.20)
Investment expenses	(1,535,855.99)	(13,916,856.05)
Net investment income from investing activities	148,817,085.00	(76,322,470.25)
Securities lending income	987,515.48	3,575,076.65
Securities lending borrower rebates	(831,502.63)	(2,492,567.60)
Securities lending agent fees	(38,960.35)	(270,443.72)
Net income from securities lending	117,052.50	812,065.33
Net investment income	148,934,137.50	(75,510,404.92)
Total additions	190,070,176.22	66,995,555.52
Deductions:		
Retired members benefits	56,804,514.65	220,422,029.62
DROP benefits	1,290,633.68	8,142,083.83
Refunds of contributions	1,128,339.25	4,492,781.07
Administrative expenses	998,964.13	4,149,416.25
Total deductions	60,222,451.71	237,206,310.77
Net change	129,847,724.51	(170,210,755.25)
Net position held in trust for benefits:		
Beginning of period	2,130,042,808.13	2,300,253,563.38
End of Period	\$ 2,259,890,532.64	\$ 2,130,042,808.13

Net Position Available for Benefits

Cost Value 3/31/2019	Market Value 3/31/2019	Unrealized gain/(loss)
\$ 1,856,559,622.34	\$ 2,259,890,532.64	\$ 403,330,910.30

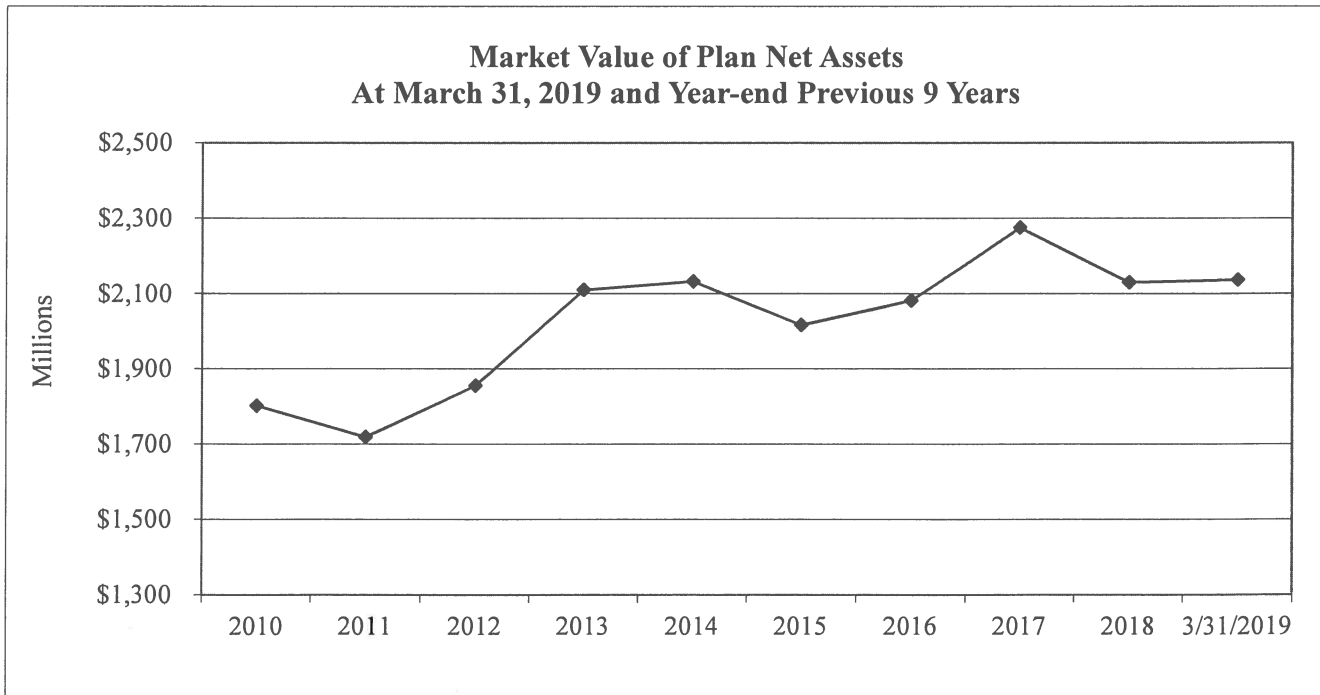
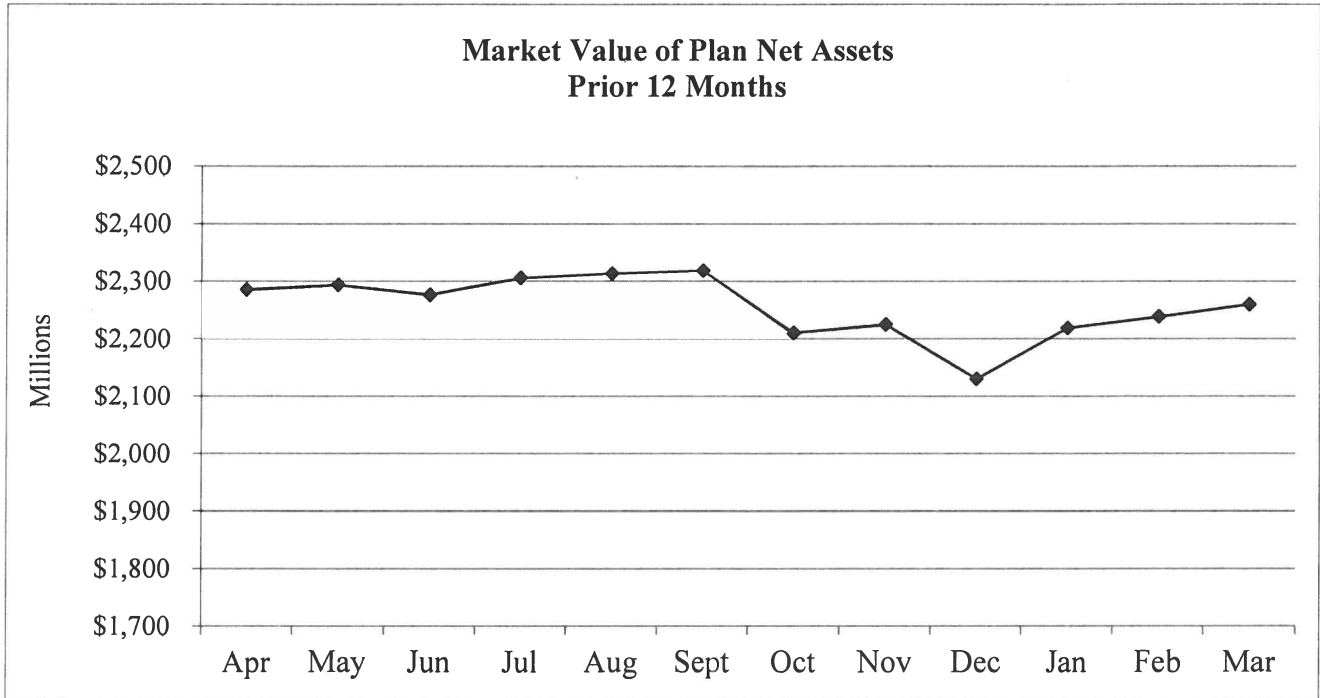
Estimated Funded and Unfunded Actuarial Accrued Liability

Funded actuarial accrued liability			
Pension benefits	\$	2,272,598,617	67.7%
Health benefits		77,858,073	48.0%
Total funded actuarial accrued liability 1/1/2018	\$	2,350,456,690	66.8%
Unfunded actuarial accrued liability			
Pension benefits	\$	1,085,623,065	32.3%
Health benefits		84,401,530	52.0%
Total unfunded actuarial accrued liability 1/1/2018	\$	1,170,024,595	33.2%

Total Returns from Investment (net of fees)

For the quarter ended 3/31/2019	6.30%
For the year to date ended 3/31/2019	6.30%
For the 1 year period ended 3/31/2019 (annualized)	3.40%
For the 3 year period ended 3/31/2019 (annualized)	8.80%
For the 5 year period ended 3/31/2019 (annualized)	5.40%
For the 10 year period ended 3/31/2019 (annualized)	9.60%
For the 25 year period ended 3/31/2019 (annualized)	7.70%
For the period beginning 1/1/1986 (annualized)	8.50%

**Denver Employees Retirement Plan
Change in Market Value of Plan Net Assets
March 31, 2019**



Analysis of Recent Investment Returns First Quarter 2019

The following discussion presents comparative data for DERP's Investment Returns for the most-recent Quarterly, 12-Month, Three-Year, and Five-Year Periods. Analysis and highlights of portfolio performance are presented below. All figures are net of fees.

After a challenging and disappointing fourth quarter, markets rallied strongly to start the year. Such was the strength of the rebound that it very nearly erased the prior quarter's losses. Driving the change was a reversal of sentiments: abating fears of trade frictions, a shift in the Fed's outlook for interest rates, and healthy economic data.

The Plan returned 6.3% for the quarter, nearly a mirror image of the -6.4% return of the fourth quarter. However, the return was 1.2% below the fund's benchmark return of 7.5% because our private debt positions failed to keep up with public markets. Additionally, the median large public fund experienced a return of 7.4% for the quarter, placing us in the bottom ten percent among our peers. This ranking is also nearly a mirror image of that of the fourth quarter, when we were top quartile performers. Since we are engaging in a bit of a reduction in our risk profile (mostly by reducing our equity exposure), it should be expected that we would fare better than our peers when equity markets fall or are flat, and fall behind when stocks advance strongly. Figures for the trailing 12 months show a 3.4% return from our portfolio, lagging the fund policy index return of 4.4% but slightly ahead of our peer group return of 3.1%. For the trailing three-year period, DERP's results were 8.8%, just slightly below our blended benchmark return of 9.0%, and ahead of the median plan of 8.1%. The five-year annualized numbers come in at 5.4% for the Plan, just 40 basis points behind the fund policy index, and 20 basis points behind the median public fund.

Portfolio Analysis

Unsurprisingly, most of the first quarter returns were driven by domestic equity, which rose 15.0%. These results were a full percentage point better than the broad US market return of 14.0%. Active management, particularly in large cap growth stocks, provided much of the outperformance.

The Plan's international equity results were not quite as strong on either a relative or absolute basis. Our non-US equities posted an 8.9% gain, which lagged their benchmark return of 10.2% primarily due to the value tilts of the portfolio.

Fixed income, helped by slight declines in interest rates, generated a positive return of 1.9% for the quarter. Nevertheless, this return was well behind the benchmark return of 3.5%, given the previously mentioned private debt positions that trailed the public high yield markets.

Real estate returns were 0.9% for the period, behind the overall market return of 1.4% as a consequence of an overweight to apartments and some sales of older properties.

The alternatives portfolio was up 3.3%, as strong results from energy infrastructure were largely offset by flat private equity returns and a decline in energy valuations.

The year is off to a great start, although fortunes can turn quickly. We remain vigilant on risks, and intend to continue our reduction in overall portfolio risk.

Denver Employees Retirement Plan

Investment Returns (Net of Fees) for Periods Ended March 31, 2019

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Years¹</u>	<u>5 Years¹</u>
TOTAL FUND	6.3%	3.4%	8.8%	5.4%
Fund Policy Index	7.5%	4.4%	9.0%	5.8%
InvestorForce Median Public Fund ²	7.4%	3.1%	8.1%	5.6%
Domestic Equity	15.0%	9.9%	14.3%	10.2%
Russell 3000 Index	14.0%	8.8%	13.5%	10.4%
Large Cap Equity	14.8%	10.3%	14.2%	10.6%
Russell 1000 Index	14.0%	9.3%	13.5%	10.6%
Small Cap Equity	16.4%	7.5%	14.8%	8.0%
Russell 2000 Index	14.6%	2.0%	12.9%	7.1%
International Equity	8.9%	-8.7%	7.3%	1.9%
International Equity Benchmark	10.2%	-6.1%	8.5%	3.2%
Fixed Income	1.9%	3.6%	4.7%	3.5%
Fixed Income Benchmark	3.5%	4.3%	4.2%	3.1%
Real Estate	0.9%	5.1%	6.6%	9.2%
ODCE Index	1.4%	7.5%	8.0%	10.2%
Alternative Investments	3.3%	9.0%	9.1%	4.5%

¹ Annualized return

² InvestorForce Public Fund > \$1 Billion database