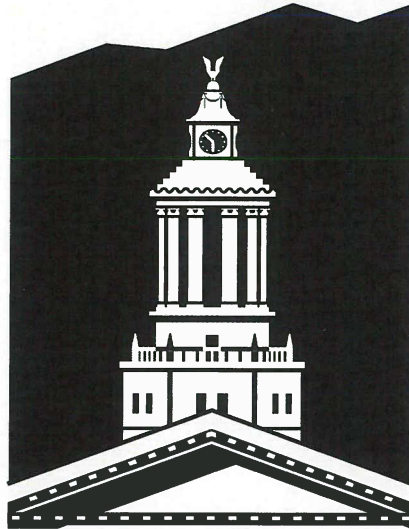


THE PLAN



DENVER EMPLOYEES
RETIREMENT PLAN

777 PEARL STREET
DENVER, CO 80203

QUARTERLY FINANCIAL REPORT

For the period ending

December 31, 2019

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

	<u>As of</u> <u>12/31/2019 (u)</u>	<u>As of</u> <u>12/31/2018</u>
Assets		
Cash and short-term investments:		
Cash and short-term investments	\$ 109,604,391.66	\$ 36,378,567.82
Securities lending collateral	81,271,522.56	129,463,950.47
Total cash and short-term investments	<u>190,875,914.22</u>	<u>165,842,518.29</u>
Receivables:		
Investment income	1,848,515.51	1,526,593.30
Unsettled securities sold	198,859.49	33,093.71
Total receivables	<u>2,047,375.00</u>	<u>1,559,687.01</u>
Investments, at fair value:		
U.S. government obligations	285,840,125.55	155,040,399.11
Domestic corporate and other fixed income	252,888,620.13	307,549,778.26
Domestic equity	461,851,339.04	420,939,186.57
International equity	401,302,287.19	446,647,935.51
Real estate	175,605,981.02	173,038,863.11
Alternative investments	514,975,280.77	484,324,501.27
Absolute return	113,282,945.66	104,602,461.76
Total investments	<u>2,205,746,579.36</u>	<u>2,092,143,125.59</u>
Prepaid Items:	34,679.79	32,519.93
Capital Assets:		
Property and equipment, net of accumulated depreciation	3,168,691.63	3,518,281.52
Total assets	<u>2,401,873,240.00</u>	<u>2,263,096,132.34</u>
Liabilities		
Unsettled securities purchased	490,771.96	1,488,131.92
Securities lending obligations	81,271,522.56	129,463,950.47
Accounts payable	1,261,226.33	2,101,241.82
Total liabilities	<u>83,023,520.85</u>	<u>133,053,324.21</u>
Net position restricted for benefits	<u>\$2,318,849,719.15</u>	<u>\$2,130,042,808.13</u>
Net position restricted for pension benefits	2,200,529,266.21	2,011,964,372.67
Net position restricted for DROP benefits	<u>118,320,452.94</u>	<u>118,078,435.46</u>
Net position restricted for benefits	<u>\$ 2,318,849,719.15</u>	<u>\$ 2,130,042,808.13</u>

(u) Unaudited

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

	For the Period 1/1/2019 through 12/31/2019 (u)	For the Year Ended 2018
Additions:		
Contributions:		
Employer	\$ 92,549,620.55	\$ 86,672,498.21
Plan members	63,385,303.43	55,833,462.23
Total contributions	<u>155,934,923.98</u>	<u>142,505,960.44</u>
Investment income:		
Net appreciation/(depreciation) in fair value of investments	251,477,541.19	(120,309,086.97)
Earnings on investments	43,122,458.74	57,903,472.77
	<u>294,599,999.93</u>	<u>(62,405,614.20)</u>
Investment expenses	(13,095,776.89)	(13,916,856.05)
Net investment income from investing activities	<u>281,504,223.04</u>	<u>(76,322,470.25)</u>
Securities lending income	3,378,469.30	3,575,076.65
Securities lending borrower rebates	(2,752,923.71)	(2,492,567.60)
Securities lending agent fees	(156,264.03)	(270,443.72)
Net income from securities lending	<u>469,281.56</u>	<u>812,065.33</u>
Net investment income	<u>281,973,504.60</u>	<u>(75,510,404.92)</u>
Total additions	<u>437,908,428.58</u>	<u>66,995,555.52</u>
Deductions:		
Retired members benefits	231,074,579.77	220,422,029.62
DROP benefits	8,289,670.69	8,142,083.83
Refunds of contributions	5,480,764.76	4,492,781.07
Administrative expenses	4,256,502.34	4,149,416.25
Total deductions	<u>249,101,517.56</u>	<u>237,206,310.77</u>
Net change	188,806,911.02	(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	<u>\$ 2,318,849,719.15</u>	<u>\$ 2,130,042,808.13</u>

Net Position Available for Benefits

Cost Value 12/31/2019	Market Value 12/31/2019	Unrealized gain/(loss)
<u>\$ 1,916,953,590.30</u>	<u>\$ 2,318,849,719.15</u>	<u>\$ 401,896,128.85</u>

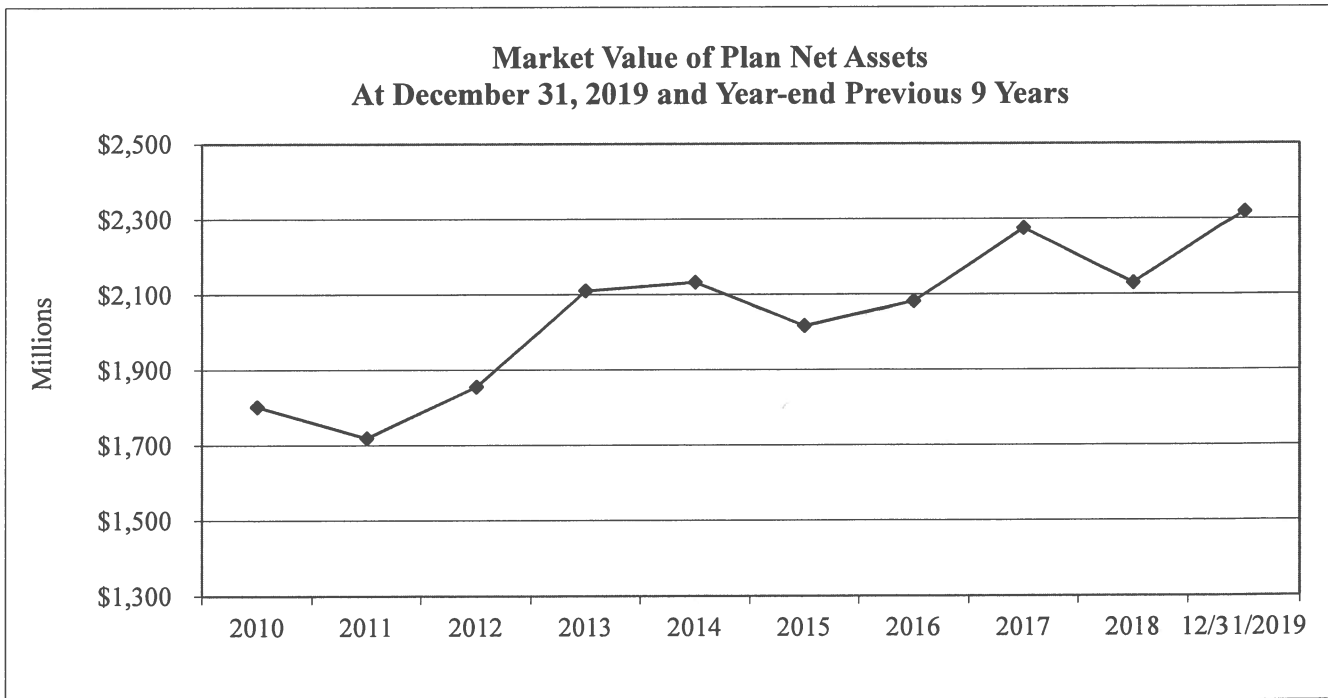
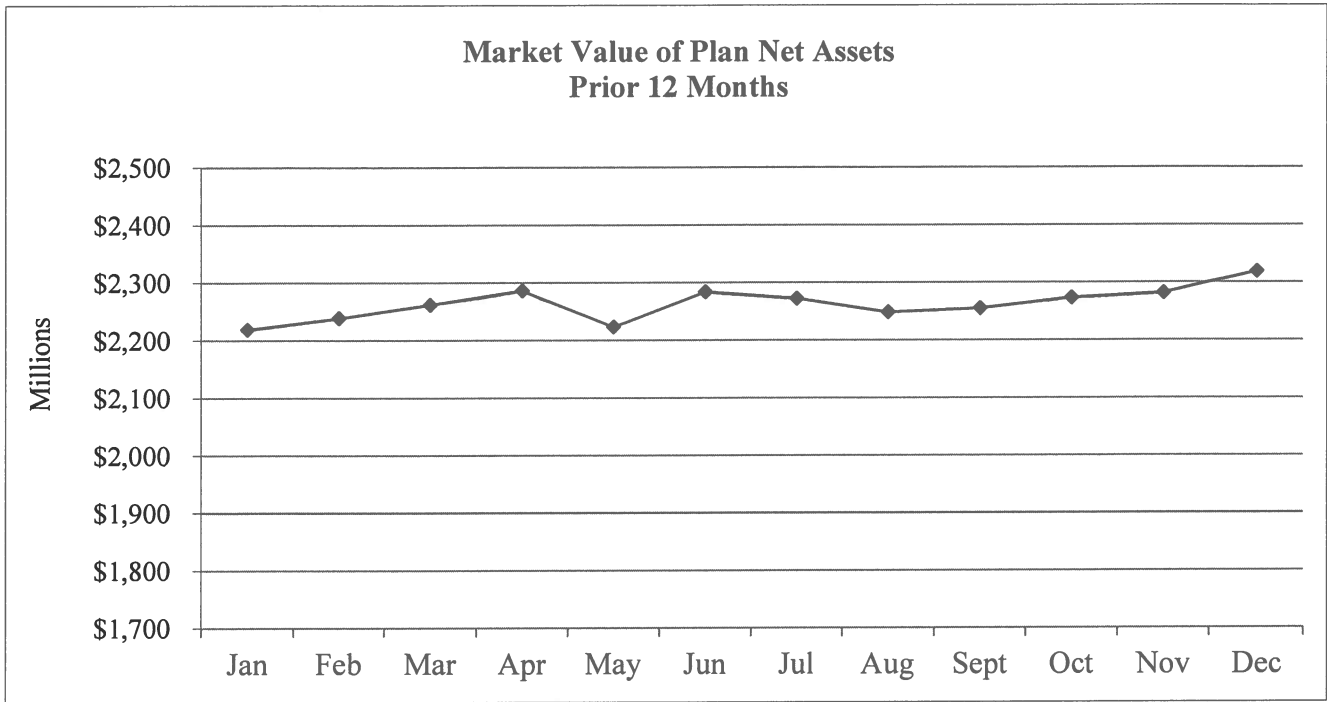
Estimated Funded and Unfunded Actuarial Accrued Liability

Funded actuarial accrued liability			
Pension benefits	\$	2,255,412,003	62.2%
Health benefits		73,706,458	43.7%
Total funded actuarial accrued liability 1/1/2019	\$	2,329,118,461	61.4%
Unfunded actuarial accrued liability			
Pension benefits	\$	1,368,258,168	37.8%
Health benefits		95,130,618	56.3%
Total unfunded actuarial accrued liability 1/1/2019	\$	1,463,388,786	38.6%

Total Returns from Investment (net of fees)

For the quarter ended 12/31/2019	3.80%
For the year to date ended 12/31/2019	12.60%
For the 1 year period ended 12/31/2019 (annualized)	12.60%
For the 3 year period ended 12/31/2019 (annualized)	8.20%
For the 5 year period ended 12/31/2019 (annualized)	6.00%
For the 10 year period ended 12/31/2019 (annualized)	7.90%
For the 25 year period ended 12/31/2019 (annualized)	7.80%
For the period beginning 1/1/1986 (annualized)	8.50%

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



Analysis of Recent Investment Returns Fourth 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.

The final quarter of 2019 delivered a strong finish to the year after the pause of the third quarter. Domestic and international equities were the strongest performers, as a Federal Reserve rate cut and a verbal agreement between the US and China on trade each had a positive impact on investor sentiment.

Our quarterly return was a robust 3.8%, but fell short of our blended benchmark return of 5.0%, due in large part to underperformance in MLPs and energy investments. It is worth noting that some changes to our fund policy index were made in the fourth quarter which had the effect of raising the bar. In particular, we added a private equity benchmark consisting of public equities plus 2%. In periods where the public equity markets rise by more than 9% in a quarter and 31% in a year, as the Russell 3000 did, it is reasonable to expect our private markets investments to underperform significantly. Similarly, for natural resource investments, we now benchmark a return of inflation plus 3%. While both of these changes are valid over longer periods, short-term comparisons will include a lot of noise.

For the year, the Plan returned a relatively large 12.6%, but trailed our fund policy index return of 16.2% and the median public fund return of 17.0%. This underperformance was severe enough to impact the results for the 3-year and 5-year periods, where we now lag the composite benchmark by 0.7%.

Portfolio Analysis

The domestic equity portfolio was up 9.0% in the quarter, which was just shy of the Russell 3000 stock index return of 9.1%. For the year, our US equity portfolio generated an impressive 32.7%, exceeding the broad market return of 31.0% on the strength of active management.

Our international equity portfolio advanced 10% in the quarter, which beat the international equity benchmark of 9.6%. For the year, the non-US portfolio was up 17.9%, which nonetheless lagged the 20.9% return of the benchmark. Two managers in the space have now been terminated and replacements hired.

Fixed income was a positive 0.7% in the quarter, despite a slight loss of 0.2% experienced by our policy benchmark. However, for the full year our return of 6.7% trailed the 8.7% return of the benchmark due to our positioning for flat or rising rates in an environment that actually saw interest rates decline.

MLPs generated just 0.6% for the quarter and were behind the benchmark return of 2.2%. For the year, we attained a return of 11.1%, an outcome that in a normal year would be quite acceptable. It is only in comparison to the overall space (up 13.5%) and the powerful equity markets that we experience some dissatisfaction.

Real estate returns matched the property benchmark for the fourth quarter, but because of the write-downs in some retail properties earlier in the year, trailed the overall market return of 5.4% for the year.

The alternatives portfolio lost 2.4% in the final quarter, and ended the year with an unimpressive 1.1% return. Declining energy prices provided a significant headwind during the year. Comparison to the benchmark is not currently meaningful due to the previously mentioned inclusion of public equity markets.

We delivered returns for the year well above our annual assumed rate of 7.5%. Still, there is always plenty to cause worry. Foremost in our minds at the moment is the coronavirus outbreak and the potential disruption to the global economy it may cause. Most analysis currently expects only moderate impact to global GDP and a quick snap-back, even if the virus turns into a full-fledged pandemic. However, much remains unknown at this time. As previous communications have noted, we have de-risked the portfolio over the past year. While we are not immune to losing money in a downturn, we have taken steps to moderate our outcomes in such an environment.

Denver Employees Retirement Plan

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

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Years¹</u>	<u>5 Years¹</u>
TOTAL FUND	3.8%	12.6%	8.2%	6.0%
Fund Policy Index	5.0%	16.2%	8.9%	6.7%
InvMetrics Median Public Fund ²	5.1%	17.0%	8.9%	6.8%
Domestic Equity	9.0%	32.7%	16.6%	11.7%
Russell 3000 Index	9.1%	31.0%	14.6%	11.2%
Large Cap Equity	9.4%	33.3%	17.3%	11.9%
Russell 1000 Index	9.0%	31.4%	15.0%	11.5%
Small Cap Equity	7.5%	30.7%	13.3%	10.3%
Russell 2000 Index	9.9%	25.5%	8.6%	8.2%
International Equity	10.0%	17.9%	7.7%	4.7%
International Equity Benchmark	9.6%	20.9%	10.3%	6.2%
Fixed Income	0.7%	6.7%	5.1%	4.0%
Fixed Income Benchmark	-0.2%	8.7%	4.3%	3.5%
Real Estate	1.5%	2.1%	4.7%	7.5%
ODCE Index	1.5%	5.4%	7.1%	9.0%
MLPs	0.6%	11.1%	-2.3%	-4.8%
MLP Benchmark	2.2%	13.5%	-2.4%	-5.8%
Alternatives ex MLPs	-2.4%	1.1%	10.2%	9.1%
Alternatives ex MLPs Benchmark	5.9%	9.7%		

¹ Annualized return

² InvMetrics Public Fund > \$1 Billion database