

2020 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, 2020

DENVER BOARD OF WATER COMMISSIONERS

Gary Reiff, President

Craig Jones, First Vice President

H. Gregory Austin, Vice President

Paula Herzmark, Vice President

John R. Lucero, First 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 Human Resources

Deb B. Engleman, Human Resources

Usha Sharma, Treasurer

Aneta M. Rettig, Treasury

Jeff Bogner, Treasury

Kris Bates, Office of General Counsel

ACTUARY

Gabriel, Roeder, Smith & Company

INVESTMENT ADVISORS

Callan Associates Inc. (Defined Benefit Plan)

Portfolio Evaluations, Inc (Defined Contribution Plans)*

ASSET CUSTODIANS

The Northern Trust Company (Defined Benefit Plan)

Empower Retirement (Defined Contribution Plans)

INDEPENDENT AUDITOR

CliftonLarsonAllen LLP

** Portfolio Evaluations replaced Ellwood Associates as an Investment Advisor for the DC Plans effective December 2021*

INVESTMENT MANAGERS – DEFINED BENEFIT PLAN

Aberdeen Asset Management Inc.
Alliance Bernstein L.P.
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
Winslow Capital Management, LLC

INVESTMENT OPTIONS – DEFINED CONTRIBUTION PLANS

American Beacon Small Cap Value Institutional
American Funds Washington Mutual R6
Arrowstreet INTL Equity ACWI Ex US Class A
Baird Aggregate Bond Institutional
Baron Growth Institutional
Cohen & Streers Institutional Global Realty
Fidelity Global Ex US Index Premium
Fidelity Total Market Index
Fidelity US Bond Index Premium
Galliard Retirement Income
Northern Global Sustainability Index
PIMCO High Yield Institutional
T. Rowe Price Growth Stock Fund I
Vanguard Inflation-Protected Sec Admin
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 Inv

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 December 31, 2020. The Retirement Program includes three separate funds (plans) and two additional, unfunded benefits. The trusted 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 2020

- **Manager changes in DB Plan.** The Chief Finance Officer, with the assistance of the Investment Consultant for the DB Plan, approved the addition of one new private real estate manager, Harbert Real Estate, fund VIII and the addition of RiverBridge Small Mid Capitalization (SMID) as a replacement for Pyramis Small Mid Cap Core Commingled fund.
- **Manager changes in the DC Plan.** Frost Total Return Bond Strategy was replaced due to underperformance of the fund and availability of a higher quality/lower fee alternatives. Baird Aggregate Bond fund was selected as the replacement.
- **Plan changes:**
 - The Board approved an amendment No. 7 to the Supplemental Retirement Plan 401(k) Plan to change and clarify the administration of Denver Water's employer contributions and to clarify that SEP-IRA funds are permitted to be "rolled-in" to employee participants' accounts.
 - The CEO/Manager approved changes to the 401(k) and 457 Loan policy to reflect recent federal legislation that modified certain IRS provisions related to 401(k) and 457 plans.
- **Other.** The Board approved a Voluntary Corrective Program filing for the DB Plan to the IRS and delegated authority to the CEO/Manager to facilitate the process. The I.R.S. provides a Voluntary Correction Program (VCP) in which Plan Sponsors may disclose errors and propose methods of corrective action, in an effort to maintain the Plan's tax qualified status. This corrective action will address the 117 calculation errors that were found after an operational audit dissected the data going back to 1995.
- **Vendor Changes.**
 - Defined Benefit Actuary Gabriel Roeder and Smith (GRS) was retained by the Board for another three-year period, effective August 2020.
 - Portfolio Evaluations Inc. was hired as the Defined Contributions investment consultant, effective December 2020.
 - Great West Life & Annuity Insurance Company d/b/a Empower Retirement (Empower Retirement) was retained by the Board for another five-year period to provide recordkeeping and communication services for the Plan, effective December 2020.
- **DB Plan actuarial assumption changes approved by the Board.** On July 14, 2021 the Board unanimously voted to approve the following assumption changes effective with the January 1, 2021 valuation:
 - Reduction of the long-term rate of return from 7.0% to 6.5%;
 - Reduction of the assumed long-term inflation rate from 2.50% to 2.25%.

Market Environment

Year 2020 was characterized by significant swings as the S&P 500 Index fell 33.8% from February 19 to its low on March 23. This precipitous fall was followed by a three-day trading session which saw the S&P 500 Index rise nearly 17.6%, marking one of the fastest snapbacks on record. Despite the numerous developments that were historically unprecedented, investors with government and central bank support resiliently pushed the S&P 500 Index to an 18.4% return for the year. International stocks continued their

multi-year trend of lagging U.S. stocks providing a 10.7% return as measured by the MSCI ACWI ex US Index. Global yield curves finished the year lower than the start as central banks around the world cut interest rates due to the pandemic. U.S. Treasury yields fell across the curve, with the short and intermediate portions of the curve dropping more than 100 basis points as the Federal Reserve lowered its target interest rate to near zero while stabilizing the credit markets through Treasury bond and mortgage-backed security purchases. The Fed continued to purchase bonds throughout 2020 and indicated that target rates would most likely remain near zero through 2023. Fixed income strategies with longer duration benefited most from the Fed's interest rate cuts which propelled the Bloomberg Barclays UST Duration: 10+ Years Index to rise 17.8% for the year. The Bloomberg Barclays U.S. Aggregate Bond Index, a proxy for intermediate term corporate bonds, returned 7.5%. Crude oil (WTI) ended the year just short of \$50, below the \$60 per barrel at the beginning of the year, but far better than the \$20 per barrel in April. U.S. unemployment ended the year at 6.7%, reaching a high of 14.7% in April as the country shut down due to the pandemic. Nominal wages increased 5.4% as lower wage earners fell out of the economy due to job losses. The Consumer Price Index rose 1.4% in 2020. This is the smallest increase since 2015 and is below the 1.7% average rate over the last 10 years. The U.S. real gross domestic product (GDP) increased at an annual rate of 4.1% in the fourth quarter of 2020. According to the Bureau of Economic Analysis (BEA) the increase reflects both the continued economic recovery from the sharp declines earlier in the year and the ongoing impact of the COVID-19 pandemic, including new restrictions and closures that took effect in some areas of the United States.

Investments

Denver Water's Retirement Plan (the Plan) delivered a positive gain of 10.5% (10.3% net of fees) for the year, compared to the target benchmark return of 13.2% and the actuarial assumed rate of return of 7%.

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

Funding

As of January 1, 2021 the Funded Ratio of the Defined Benefit Plan was 84.4%, compared to 84.5% the year before. This funded ratio reflects changes in actuarial assumptions effective with the January 1, 2021 valuation report., which include a reduction in the actuarial rate of return from 7.0% to 6.5%. Over the past 10 years the Funded Ratio ranged from a low of 76.5% (01/01/12) to a high of 84.9% (01/01/16). The Defined Benefit Plan is funded through employer and employee contributions, in addition to investment gains.

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 2020

Twenty-four employees retired from Denver Water in 2020, of which 13 employees qualified for Special Early Retirement (Rule of 75).

As of December 31, 2020, 703 retirees and beneficiaries were receiving monthly benefits from the Defined Benefit Plan. The average age of a benefit recipient was 71.1 and the average monthly benefit was \$2,711.

Sincerely,

A handwritten signature in black ink that reads "James S. Lochhead". The signature is written in a cursive style with a large, looping initial "J".

James S. Lochhead, CEO/Manager

A handwritten signature in black ink that reads "Angela Bricmont". The signature is written in a cursive style with a large, looping initial "A".

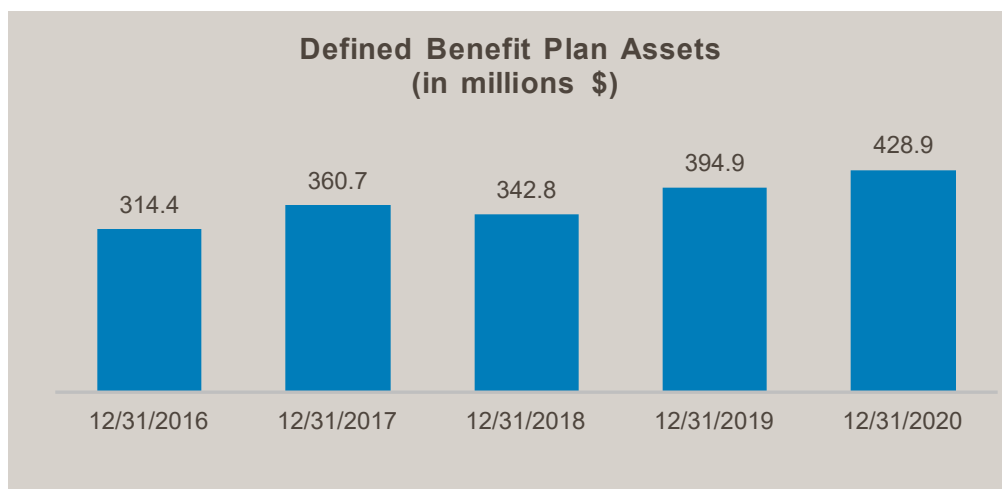
Angela Bricmont, Chief Finance Officer, RPC Co-Chair

A handwritten signature in black ink that reads "Julie Anderson". The signature is written in a cursive style with a large, looping initial "J".

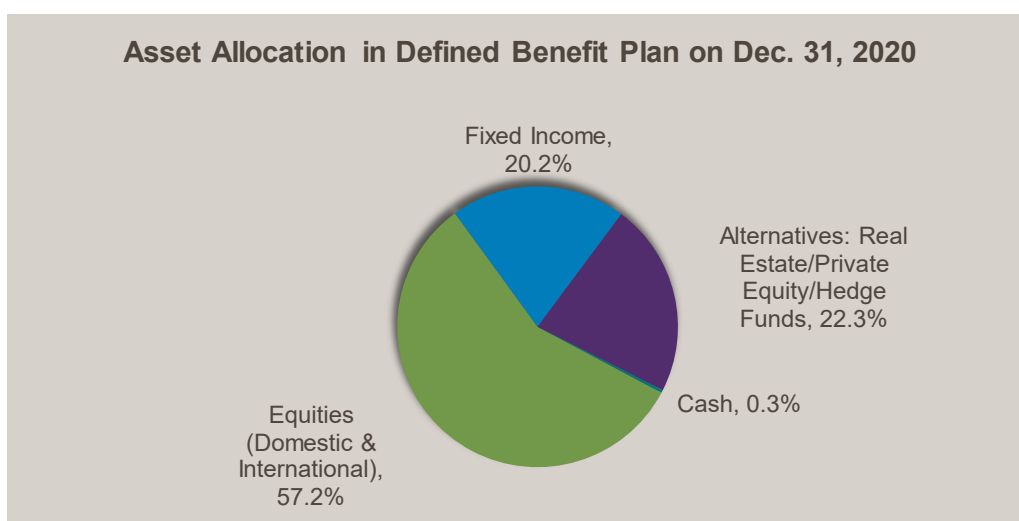
Julie Anderson, Chief of Staff

DEFINED BENEFIT PLAN

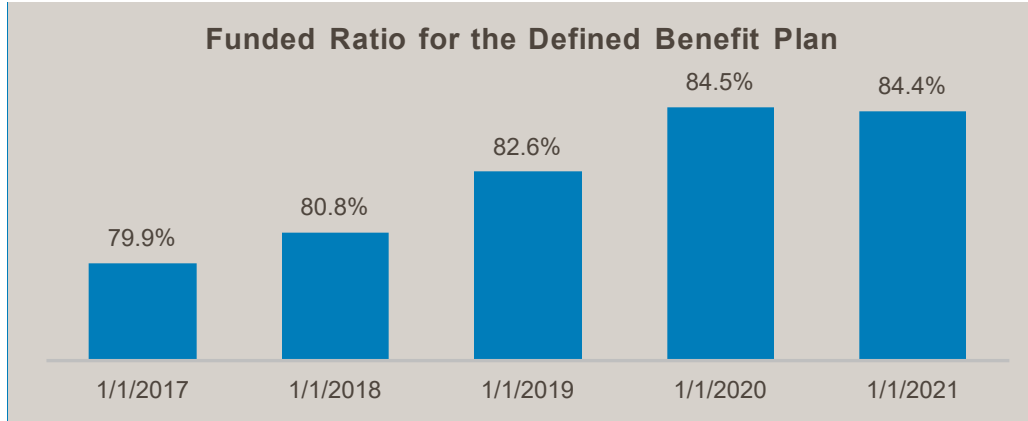
Plan assets: The fiduciary net position restricted for pension was \$428.9 million on December 31, 2020 – This represents a \$34 million increase from the prior year.



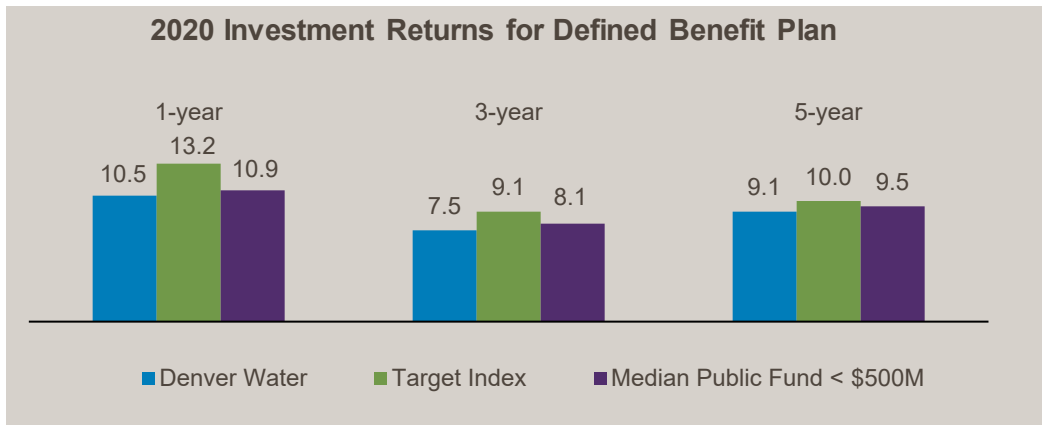
Change in Defined Benefit Plan Net Assets					
(in millions)	2016	2017	2018	2019	2020
Board Contributions	\$14.5	\$18.0	\$18.0	16.7	\$17.5
Employee Contributions	-	-	0.6	1.7	2.6
Investment Gains	21.3	48.2	(16.4)	58.6	39.0
Total Additions	35.8	66.3	3.7	77.1	59.1
Benefit Payments & Refunds	(19.9)	(19.9)	(22.2)	(24.7)	(24.9)
Administrative Fees	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Net Increase/(Decrease)	\$15.8	\$46.3	(\$17.9)	\$52.1	\$34.0
Net Position Restricted for Pension					
Beginning of Year	\$298.6	\$314.5	\$360.7	\$342.8	\$394.9
End of Year	\$314.5	\$360.7	\$342.8	\$394.9	\$428.9



Funded ratio: The Defined Benefit Plan was 84.4% funded at January 1, 2021. The higher the funded ratio, the greater assurance that funds will be available to pay retirement benefits.

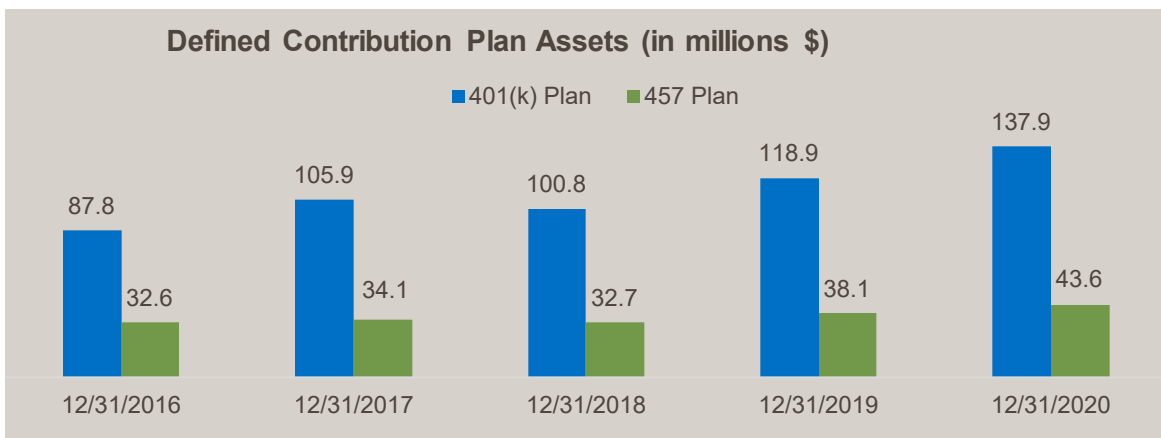


Investment performance: The Defined Benefit Plan's assumed rate of return is 7%; actual return for 2020 was 10.5%.



DEFINED CONTRIBUTION PLANS

Plan assets: The fiduciary net position for the 401(k) Plan assets was \$137.9 million and the fiduciary net position for the 457 Plan assets was \$43.6 million at December 31, 2020.

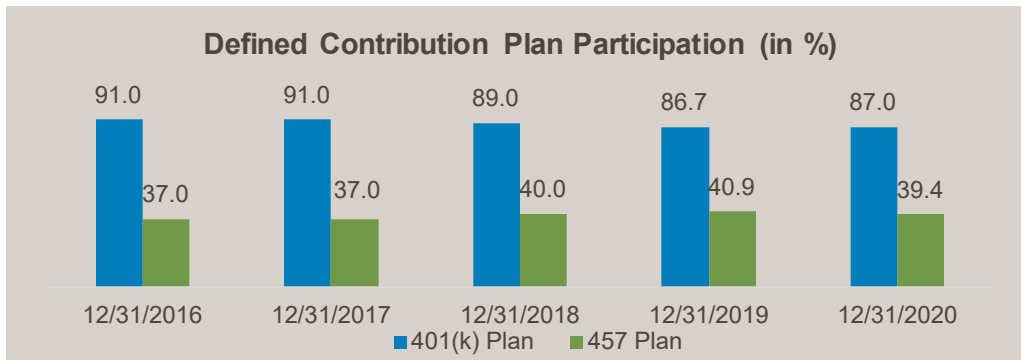


Change in Defined Contribution Plan Net Assets in 2020		
<i>(in millions)</i>	401(k)	457
Participant Contributions	\$4.9	\$2.3
Participant Rollovers	0.5	0.02
Other Additions	0.1	0.02
Employer Contributions	2.2	0.03
Investment Gains/(Losses)	16.5	4.8
Total Additions	24.2	7.2
Benefits Paid to Participants	(4.9)	(1.6)
Administrative Fees & Participant Investment Advisory Fees	(0.16)	(0.04)
Net Increase/(Decrease)	\$19.1	\$5.5
Net Assets Available for Benefits*		
Beginning of 2019	\$118.9	\$38.1
End of 2020	\$137.9	\$43.6

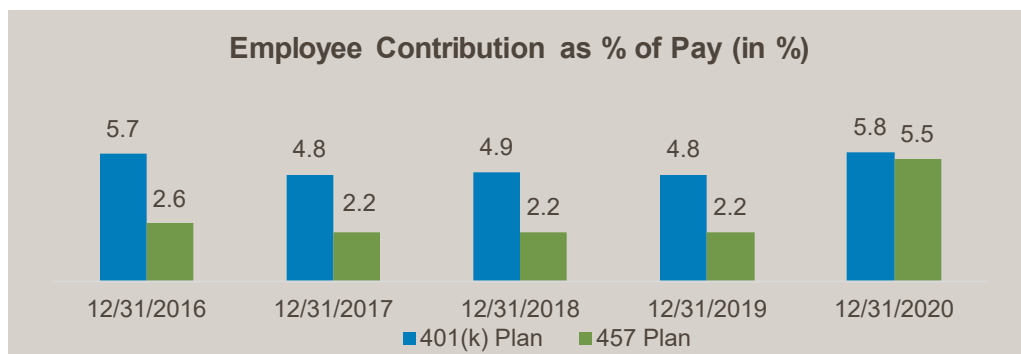
Performance: As of year-end, participants had access to 28 funds across all asset classes. Most funds in the lineup had rates of return above the median for their peer group over one-, three-, and five-year periods. Returns in Defined Contribution Plans vary depending on the choices made by each participant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

Employee participation: Eighty-seven percent of the eligible Denver Water employees participated in the 401(k) Plan at year-end, compared to 86.7% participation in 2018.

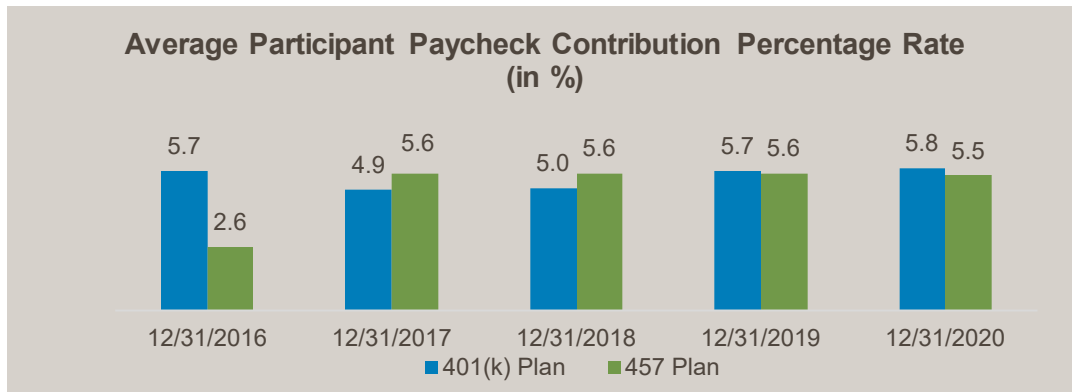
Thirty-nine percent of the eligible Denver Water employees participated in the 457 Plan at year-end, compared to a 41% participation rate in 2019.



Employee contributions: Average year-end employee contribution as a percentage of pay was 5.8% in the 401(k) Plan and 5.5% 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 5.8% in the 401(k) Plan and 5.5% 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 are disclosed to participants on Empower’s website, in the enrollment package and through the Human Resources 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 0.035% 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 2020 totaled \$93 thousand. Revenue sharing from 12(b) (1) fees reported by the recordkeeper for the same period for both plans was \$13 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 under the Human Resources 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.