

2021 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, 2021

DENVER BOARD OF WATER COMMISSIONERS

Gary Reiff, President

Craig Jones, First Vice President

Stephanie Donner, Vice President

Dominique Gómez, Vice President

Tyrone Gant, 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

Paula Jensen – Total Rewards Manager

Deb B. Engleman, Total Rewards Sr. Administrator

Usha Sharma, Treasurer

Aneta M. Rettig, Treasury

Jeff Bogner, Treasury

Kris Bates, Office of General Counsel

ACTUARY

Gabriel, Roeder, Smith & Company

INVESTMENT ADVISORS

Segal Marco (Defined Benefit Plan)

CAPTRUST (Defined Contribution Plans)*

ASSET CUSTODIANS

The Northern Trust Company (Defined Benefit Plan)

Empower Retirement (Defined Contribution Plans)

INDEPENDENT AUDITOR

CliftonLarsonAllen LLP

** Portfolio Evaluations, Inc. was purchased by CAPTRUST in March of 2022*

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
Harbert Management Corporation
Harding Loevner Funds, Inc.
Horsley Bridge Partners
Northern Trust Investments, N. A.
Pantheon Ventures, LLC
Principal Global Investors, LLC
RiverBridge CIT
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, 2021. 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 2021

- **Manager changes in Defined Benefit Plan.** A new private real estate manager, Harbert Real Estate Fund VIII was added to the portfolio and tRiverBridge Small Mid Capitalization Growth fund replaced Pyramis Small Mid Cap Core commingled fund.
- **Plan changes:**
 - The 401(k) Plan document was amended 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 401(k) and 457 Loan policy was amended to reflect recent federal legislation that modified certain IRS provisions related to 401(k) and 457 plans.
 - The DB Plan document was amended to comply with the IRS deadline for the Voluntary Corrective Program.
- **Vendor Changes:**
 - A new DB Plan Investment Consultant, Segal Marco, was hired for a three-year period, effective November 2021.
 - The Northern Trust Company was retained for custody and related services for the DB Plan from August 1, 2021, through June 30, 2026.
 - DC Plans Investment Consultant, Portfolio Evaluations Inc was acquired by CAPTRUST. There were no changes to the consulting team or contract terms as a result of the acquisition.
 - **DB Plan actuarial assumption changes approved by the Board.** In July 2021, the Board 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

Financial markets in 2021 were characterized by a Federal Reserve that continued to add money into the markets, which pushed investors towards higher returning assets like stocks. Consumer attitudes were mixed throughout the year, as consumer confidence remained below pre-pandemic levels, yet the economy grew 5.7% as measured by GDP. The S&P 500 Index gained 26.9% for the year as investors looked past the Covid-19 pandemic, presidential transition, supply chain disruptions, labor shortages, and inflation fears. The U.S. labor market started the year with an unemployment rate of 6.7% with nearly 11 million Americans unemployed, the year finished with a rate of 3.9% and just under 7 million unemployed. With unemployment nearing pre-pandemic levels, the Federal Reserve has turned its attention to slowing the rapid rise in inflation by tapering bond purchases and possible increases in the federal fund's rate in 2022. It was a difficult year for the bond market. The Bloomberg Global Aggregate Bond Index returned -1.4% and intermediate-term U.S. Treasuries returned -1.7%. U.S. Treasury yields rose across the board, with larger increases in the intermediate portion of the curve. Loosening pandemic-related restrictions resulted in global oil demand increases that outpaced supply. Brent crude started the year at \$50 per barrel and increased to a high of \$86 in late October and settling at \$77 per barrel at year end.

Investments

Denver Water's Retirement Plan (the Plan) delivered a positive gain of 19.0% (18.9% net of fees) for the year, compared to the target benchmark return of 14.5% and the actuarial assumed rate of return of 6.5%.

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, 2022 the Funded Ratio of the Defined Benefit Plan was 92.0%, compared to 84.4% the year before. Over the past ten years the funded ratio ranged from a low of 76.5% (01/01/12) to a high of 92.0% (01/01/22). 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 2021

Thirty-six employees retired from Denver Water in 2021, of which 19 employees qualified for Special Early Retirement (Rule of 75).

As of December 31, 2021, 724 retirees and beneficiaries were receiving monthly benefits from the DB Plan. The average age of a benefit recipient was 71.3 and the average monthly benefit was \$2,794.

Sincerely,



James S. Lochhead, CEO/Manager



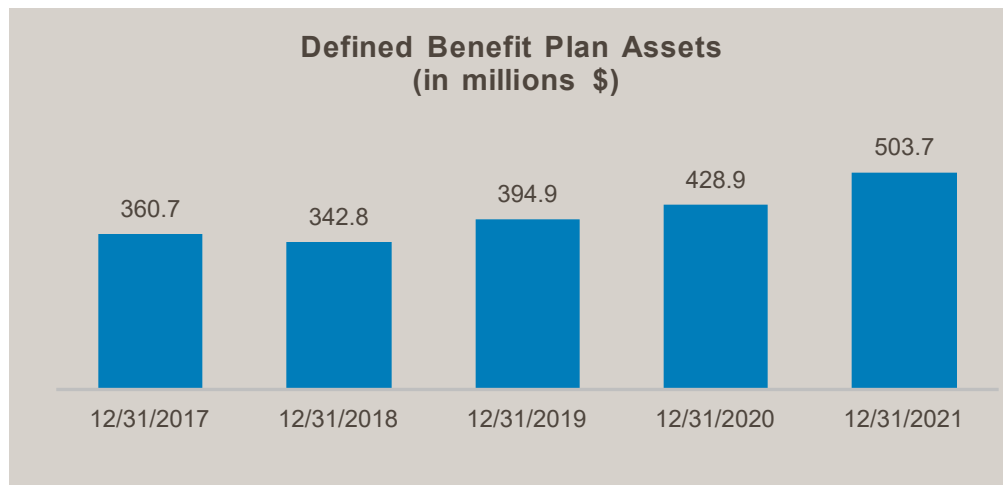
Angela Bricmont, Chief Finance Officer, RPC Co-Chair



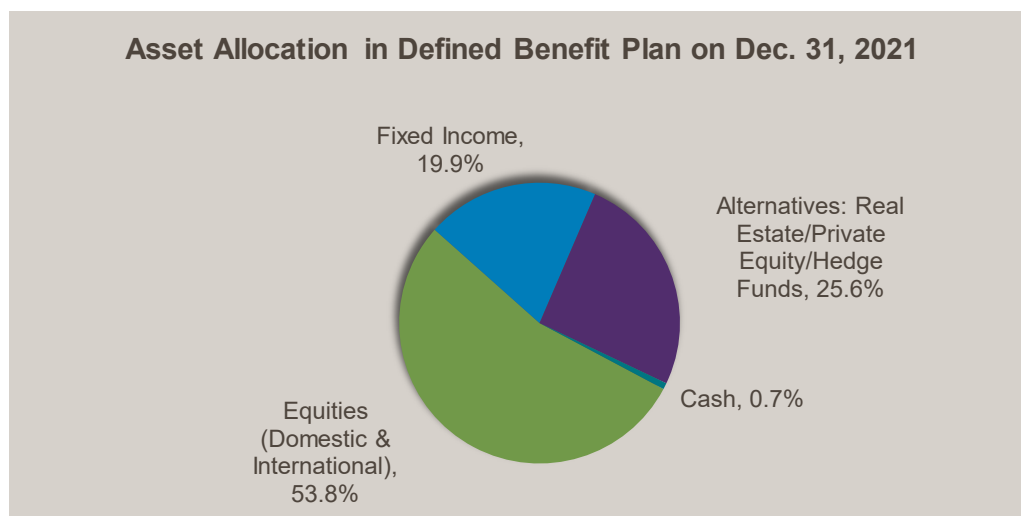
Julie Anderson, Chief of Staff

DEFINED BENEFIT PLAN

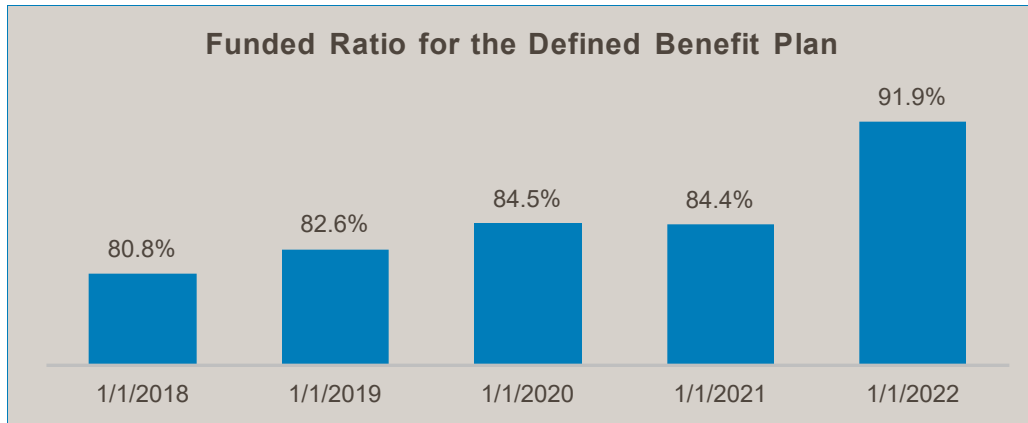
Plan assets: The fiduciary net position restricted for pension was \$503.7 million on December 31, 2021 – This represents a \$74.8 million increase from the prior year.



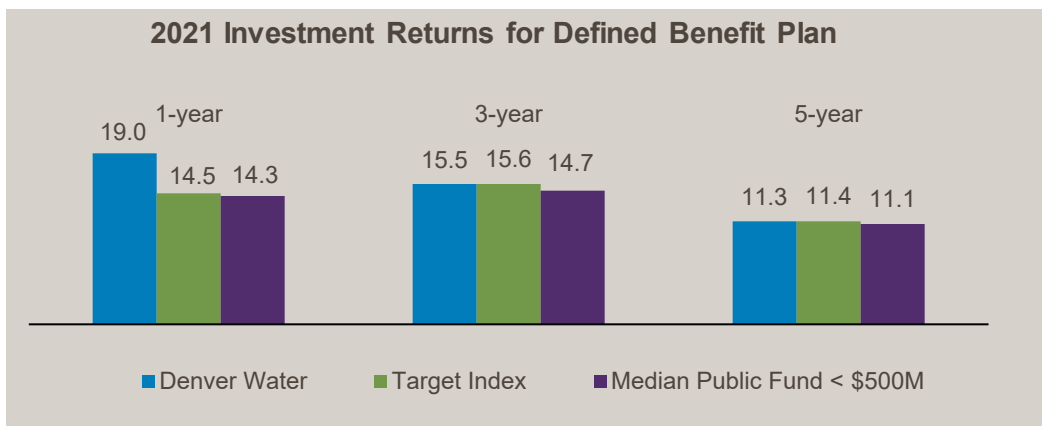
| Change in Defined Benefit Plan Net Assets | | | | | |
|--|---------|----------|---------|---------|---------|
| <i>(in millions)</i> | 2017 | 2018 | 2019 | 2020 | 2021 |
| Board Contributions | \$18.0 | \$18.0 | 16.7 | \$17.5 | \$17.5 |
| Employee Contributions | - | 0.6 | 1.7 | 2.6 | 2.8 |
| Investment Gains | 48.2 | (16.4) | 58.6 | 39.0 | 80.7 |
| Total Additions | 66.3 | 3.7 | 77.1 | 59.1 | 100.9 |
| Benefit Payments & Refunds | (19.9) | (22.2) | (24.7) | (24.9) | (27.0) |
| Administrative Fees | (0.1) | (0.1) | (0.1) | (0.2) | (0.2) |
| Net Increase/(Decrease) | \$46.3 | (\$17.9) | \$52.1 | \$34.0 | \$74.8 |
| Net Position Restricted for Pension | | | | | |
| Beginning of Year | \$314.5 | \$360.7 | \$342.8 | \$394.9 | \$428.9 |
| End of Year | \$360.7 | \$342.8 | \$394.9 | \$428.9 | \$503.7 |



Funded ratio: The Defined Benefit Plan was 92.0% funded at January 1, 2022. The higher the funded ratio, the greater assurance that funds will be available to pay retirement benefits.

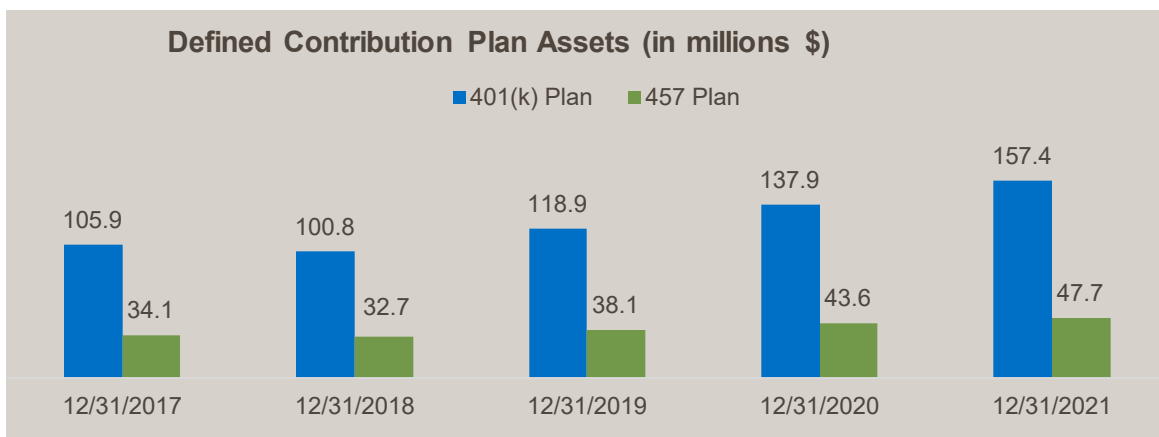


Investment performance: The Defined Benefit Plan's assumed rate of return is 6.5%; actual return for 2021 was 19.0%.



DEFINED CONTRIBUTION PLANS

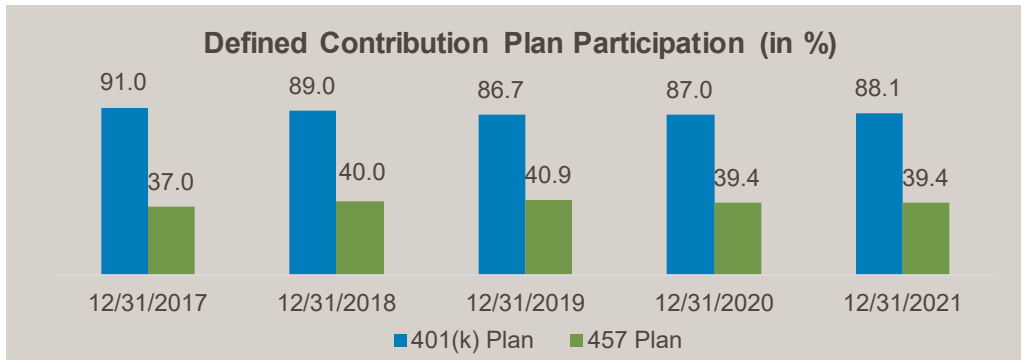
Plan assets: The fiduciary net position for the 401(k) Plan assets was \$157.4 million and the fiduciary net position for the 457 Plan assets was \$47.7 million at December 31, 2021.



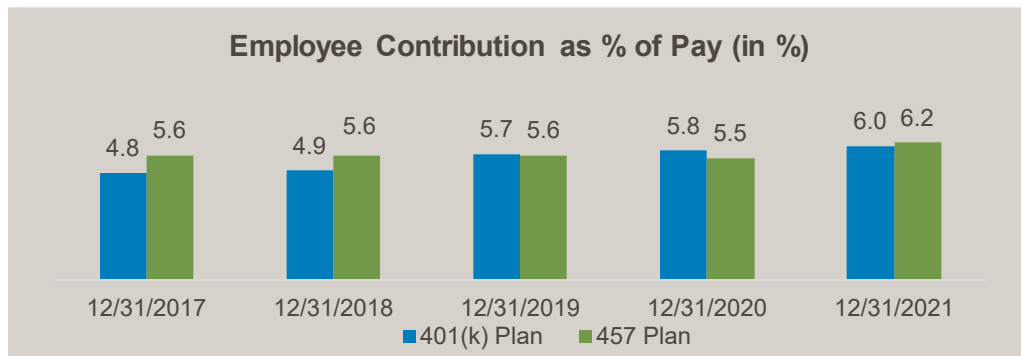
| Change in Defined Contribution Plan Net Assets in 2021 | | |
|--|---------------|--------------|
| (in millions) | 401(k) | 457 |
| Participant Contributions | \$5.2 | \$2.4 |
| Participant Rollovers | 0.7 | 0.02 |
| Other Additions | 0.1 | 0.02 |
| Employer Contributions | 2.3 | 0.03 |
| Investment Gains/(Losses) | 19.2 | 5.3 |
| Total Additions | 27.5 | 7.8 |
| Benefits Paid to Participants | (7.9) | (3.6) |
| Administrative Fees & Participant Investment Advisory Fees | (0.16) | (0.02) |
| Net Increase/(Decrease) | \$19.4 | \$4.2 |
| Net Assets Available for Benefits* | | |
| Beginning of 2021 | \$137.9 | \$43.6 |
| End of 2021 | \$157.4 | \$47.7 |

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-eight percent of the eligible Denver Water employees participated in the 401(k) Plan at year-end, compared to 87% participation in 2020. Thirty-nine percent of the eligible Denver Water employees participated in the 457 Plan at year-end.



Employee contributions: Average year-end employee contribution as a percentage of pay was 6.0% in the 401(k) Plan and 6.2% 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 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.

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.