

EXECUTIVE SUMMARY

2021 Bill Modifying the 1963 Retirement Plan

The City & County of Denver controls the terms of the 1963 Retirement Plan (DERP) by ordinance. See Denver Revised Municipal Code (D.R.M.C.) Chapter 18, Article XII).

The city is responsible to make necessary changes to DERP to ensure actuarial soundness of the plan.

Since its creation as a political subdivision of the State of Colorado in 1997, Denver Health Hospital Authority (DHHA) has participated in DERP as a contractual entity. As of January 1, 2001, DHHA closed the DERP plan to new DHHA members.

Pursuant to D.R.M.C. § 18-407, DERP contributions are calculated as a percentage of the gross payroll attributable to the employee members of the DERP plan (i.e. pensionable payroll). There are approximately 240 DHHA employees whose gross payroll is used to make DERP contributions (pensionable payroll shrinks approx. 10% per year). Though DHHA has fully and timely paid the current cost of pension promises, DHHA has not made payments toward the growing unfunded actuarial liability attributable to DHHA members of DERP.

With minimal changes to the DERP law, this bill proposes to add a framework of funding requirements, actuarial analysis, and payment timelines that address the growing DHHA unfunded actuarial liability in a manner that maintains the actuarial soundness of the DHHA pension promises.

Specifically, this bill requires DERP actuaries to prepare a separate annual actuarial valuation (including UAL calculation) for each DERP employer. This bill also creates a contribution beyond the current framework by:

- Calculating a separate actuarially determined contribution (ADC) for each DERP plan employer that is designed to fund normal cost + UAL to maintain actuarial soundness.
- This bill does not have a mandated minimum contribution amount.
- This bill allows DHHA, DERP board, and the actuary some flexibility with how achieve actuarial soundness, and payment amounts.

The draft bill will delay implementation until January 2022. Thus, the first payment under the proposed structure will be due within 180 days of the end of the 2022 plan year.