

**BY AUTHORITY**

ORDINANCE NO. \_\_\_\_\_  
SERIES OF 2010

COUNCIL BILL NO. 10-0933  
COMMITTEE OF REFERENCE:  
Government Affairs & Finance

**A BILL**

**For an ordinance amending the 1963 Retirement Plan with regard to the actuarially required contribution.**

**WHEREAS**, the actuary for the Denver Employees Retirement Plan (the "Plan") has determined that due to the continuing negative impact of the market events of 2008 causing a decrease in the actuarial value of plan assets and a resulting increase in the Unfunded Actuarial Accrued Liabilities of the Plan, the total computed actuarially required contribution rate for the entire plan has increased from 13.04% to 15.03%; and,

**WHEREAS**, the Plan's actuary has further determined that receiving this increased contribution is actuarially necessary to help stabilize and improve the funded status of both the Pension and Retiree Medical Plans and to strengthen their actuarial soundness; and,

**WHEREAS**, under Section 18-405(g) of the Code, the Retirement Board is responsible for making recommendations to the City for amendments to the Plan when, in the judgment of the Board such changes are necessary; provided that such recommendations be accompanied by a report of the Plan's actuary setting forth the effect of such amendments; and,

**WHEREAS**, the Retirement Board has duly considered the reports and recommendations of its actuary, finding, that to strengthen and maintain the actuarial soundness of the Plan, an increase in the contribution rate is both desirable and necessary; and

**WHEREAS**, Section 18-407(a) of the Revised Municipal Code of the City and County of Denver states that the employer intends to continue the plan and to contribute regularly to the trust each payroll period for each member such amounts as are necessary to maintain or assist in maintaining the plan on a sound actuarial basis as prescribed by applicable law and, particularly, the Internal Revenue Code for defined benefit pension plans qualified under section 401(a) thereof, and that employees shall contribute regularly to the trust each payroll period in such amounts as are necessary, in the judgment of the city, to assist in maintaining the plan on a sound actuarial basis; and,

**WHEREAS**, it is in the judgment of the City that, in order to maintain the Plan on a sound actuarial basis, both the sponsoring employers and their respective employees shall each have their contributions to the Plan increased by one (1) percentage point for an overall increase in

1 contributions to the Plan of two (2) percentage points:

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3 **NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE CITY AND COUNTY OF**  
4 **DENVER:**

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6 **Section 1.** That Section 18-407(e) and Section 18-407(f) (sometimes known and cited as  
7 Section 407, Subsections (e) and (f), Chapter 18) of the Revised Municipal Code, relating to  
8 contributions and payroll deductions be amended by deleting the language stricken and by adding  
9 the language underlined as follows:

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**Sec. 18-407. Contributions; payroll deductions.**

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(e) *Employer contributions.* From and after the date a person first becomes an active member, and until the actual retirement date or prior termination of employment, the manager of finance and each contractual entity shall transfer into the trust fund each payroll period from such sources as shall, in the case of the city, be designated by ordinance, the amounts listed in this section which have been determined, on an actuarial basis, to be sufficient to provide for the benefits of eligible members.

(1) For each active member, including each elected official ~~and each participant of the deferred retirement option plans (DROP and DROP II) under divisions 3 and 4 of this article~~, the employer shall contribute ~~eight~~ nine and one-half (~~8.5~~ 9.5) percent of the member's gross salary. In the case of a contractual entity, the employer shall, as a condition necessary to becoming or remaining a contractual entity, also make any actuarially determined supplemental contributions necessary to fund the current cost of benefits available under the plan payable to current and future employees of the contractual entity.

(2) For accounting, reporting, and record-keeping purposes, a portion of said contributions shall be identified by the manager of finance (and each contractual entity) and contributed so that it can be, as an ascertainable amount, allocated and apportioned to the health benefits account created by section 18-412 based upon the determination made, from time to time, by the plan's actuary of the amount necessary for the actuarial soundness of the health benefits account, such portion not to exceed, however, two (2) percent of said total gross salary. Expenses relating to the administration and investment of the health benefits account shall be charged thereto with the same limitations imposed thereon as are set forth in section 18-403 regarding the administration of pension benefits.

(f) *Employee contributions.* Each active member shall contribute to the trust fund, by means of payroll deductions which shall be withheld by the manager of finance or contractual entity and transferred each payroll period directly to the trust, the following amounts:

(1) For each active member, including each elected official ~~and each participant of the deferred retirement option plans (DROP and DROP II) under divisions 3 and 4 of this article~~, the employee shall, contribute ~~four~~ five and one-half (~~4.5~~ 5.5) percent of his or her gross salary to the trust fund.

(2) For the employee contributions required under paragraph (1) above and subject to the requirements of section 414(h) of the Internal Revenue Code the employer shall pick-up the designated employee contributions as an employer pick-up of the contributions. If an active member terminates employment prior to being vested, the plan shall refund to the

1 terminated employee in a lump sum the employee contribution plus three (3) percent per  
2 annum simple interest attributable to the employee's contributions to the trust fund.  
3 Employee contributions attributable to an employee who is vested or eligible to receive a  
4 retirement benefit from the plan, shall not be considered "accumulated contributions" as that  
5 term is defined in this division, and shall not be refunded to the employee at any time but  
6 shall remain a part of the trust fund and used to fund, but not increase, retirement benefits.  
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8 **Section 2.** The effective date of the amendments set forth herein shall be the first full pay period  
9 following January 1, 2011.

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11 COMMITTEE APPROVAL DATE: November 3, 2010

12 MAYOR-COUNCIL DATE: November 9, 2010

13 PASSED BY THE COUNCIL: \_\_\_\_\_, 2010

14 \_\_\_\_\_ - PRESIDENT

15 APPROVED: \_\_\_\_\_ - MAYOR \_\_\_\_\_, 2010

16 ATTEST: \_\_\_\_\_ - CLERK AND RECORDER,  
17 EX-OFFICIO CLERK OF THE  
18 CITY AND COUNTY OF DENVER

19 NOTICE PUBLISHED IN THE DAILY JOURNAL: \_\_\_\_\_, 2010; \_\_\_\_\_, 2010

20 PREPARED BY: Victoria A. Halliday, GENERAL COUNSEL,  
21 DENVER EMPLOYEES RETIREMENT PLAN,  
22 October 18, 2010  
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24 Pursuant to section 13-12, D.R.M.C., this proposed ordinance has been reviewed by the office of  
25 the City Attorney. We find no irregularity as to form, and have no legal objection to the proposed  
26 ordinance. The proposed ordinance is not submitted to the City Council for approval pursuant to  
27 §3.2.6 of the Charter.  
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29 David R. Fine, City Attorney

30 BY: \_\_\_\_\_, Assistant City Attorney      DATE: \_\_\_\_\_, 2010