

1 **BY AUTHORITY**

2 ORDINANCE NO.
3 SERIES OF 2014

COUNCIL BILL NO.
COMMITTEE OF REFERENCE:

4
5 **A BILL**

6 **For an ordinance amending the 1963 Retirement Plan with regard to**
7 **employer and employee contributions**
8

9 **WHEREAS**, the implementation dates for the actuarially required contribution
10 (“ARC”) increases approved by the City and County of Denver (the “City”) for the
11 Denver Employees Retirement Plan (the “Plan”) in each of the years 2009-2012 were
12 delayed until January of the year following enactment of the Ordinance authorizing the
13 contribution increases; and,

14 **WHEREAS**, the resulting consequence of the delayed payments is an
15 approximately \$15 million dollar funding gap between what was owed to the Plan for the
16 ARC and what has been paid to the Plan; and,

17 **WHEREAS**, the City has determined that the most practical manner in which to
18 close that funding gap and ensure payment to the Plan of the entire ARC is by a
19 contribution increase; and,

20 **WHEREAS**, the enacted contribution increases from 2009-2012 were divided
21 between the sponsoring employers and their employees in a manner whereby the
22 sponsoring employers paid approximately 30% of the increases and the employees paid
23 approximately 70% of the increases; and

24 **WHEREAS**, the City has determined that any contribution increase approved to
25 remedy the funding gap created by the delayed payments shall be divided between
26 sponsoring employers and the employees in the same approximate proportion as the
27 original contribution increases were implemented, resulting in the sponsoring employers
28 paying 30% of any contribution increase and the employees paying 70% of any
29 contribution increase; and

30 **WHEREAS**, under Section 18-405(g) of the Code, the Retirement Board is
31 responsible for making recommendations to the City for amendments to the Plan when,

1 in the judgment of the Board such changes are necessary; provided that such
2 recommendations be accompanied by a report of the Plan's actuary setting forth the
3 effect of such amendments; and,

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

13 **WHEREAS**, it is in the judgment of the City that, in order to maintain the Plan on
14 a sound actuarial basis, the sponsoring employers shall each have their contributions to
15 the Plan increased by three tenths of one percentage point (0.3) and their respective
16 employees shall each have their contributions to the Plan increased by seven tenths of
17 one percentage point (0.7) for an overall increase in contributions to the Plan of one
18 (1.0) percentage point:

19
20 **NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE CITY AND**
21 **COUNTY OF DENVER:**

22
23 **Section 1.** That Section 18-407(e) and Section 18-407(f) (sometimes known and
24 cited as Section 407, Subsections (e) and (f), Chapter 18) of the Revised Municipal
25 Code, relating to contributions and payroll deductions be amended by deleting the
26 language stricken and by adding the language underlined as follows:

27
28 **Sec. 18-407. Contributions; payroll deductions.**

29
30 (e) *Employer contributions.* From and after the date a person first becomes an active
31 member, and until the actual retirement date or prior termination of employment, the
32 manager of finance and each contractual entity shall transfer into the trust fund each
33 payroll period from such sources as shall, in the case of the city, be designated by

1 ordinance, the amounts listed in this section which have been determined, on an
2 actuarial basis, to be sufficient to provide for the benefits of eligible members.
3

4 (1) For each active member, including each elected official, the employer shall
5 contribute eleven and ~~two-tenths~~ one-half (11.211.5) percent of the member's
6 gross salary. In the case of a contractual entity, the employer shall, as a
7 condition necessary to becoming or remaining a contractual entity, also make
8 any actuarially determined supplemental contributions necessary to fund the
9 current cost of benefits available under the plan payable to current and future
10 employees of the contractual entity.

11 (2) For accounting, reporting, and record-keeping purposes, a portion of said
12 contributions shall be contributed so that it can be allocated and apportioned to
13 the health benefits account created by section 18-412 based upon the
14 determination made, from time to time, by the plan's actuary of the amount
15 necessary for the actuarial soundness of the health benefits account, such
16 portion not to exceed, however, two (2) percent of said total gross salary.
17 Expenses relating to the administration and investment of the health benefits
18 account shall be charged thereto with the same limitations imposed thereon as
19 are set forth in section 18-403 regarding the administration of pension benefits.
20

21 (f) *Employee contributions.* Each active member shall contribute to the trust fund, by
22 means of payroll deductions which shall be withheld by the manager of finance or
23 contractual entity and transferred each payroll period directly to the trust, the
24 following amounts:
25

26 (1) For each active member, including each elected official, the employee shall,
27 contribute ~~seven and three tenths~~ eight (7.38.0) percent of his or her gross salary
28 to the trust fund.

29 (2) For the employee contributions required under paragraph (1) above and subject
30 to the requirements of section 414(h) of the Internal Revenue Code the employer
31 shall pick-up the designated employee contributions as an employer pick-up of
32 the contributions. If an active member terminates employment prior to being
33 vested, the plan shall refund to the terminated employee in a lump sum the
34 employee contribution plus three (3) percent per annum simple interest
35 attributable to the employee's contributions to the trust fund. Employee
36 contributions attributable to an employee who is vested or eligible to receive a
37 retirement benefit from the plan, shall not be considered "accumulated
38 contributions" as that term is defined in this division, and shall not be refunded to
39 the employee at any time but shall remain a part of the trust fund and used to
40 fund, but not increase, retirement benefits.
41
42

43 **Section 2.** The amendments set forth herein shall be effective with the first employee
44 paychecks issued in January, 2015.
45

1 COMMITTEE APPROVAL DATE:

2 MAYOR-COUNCIL DATE:

3
4 PASSED BY THE COUNCIL

5 _____ 2014

6 _____ -PRESIDENT

7 APPROVED: _____ -MAYOR _____ 2014

8 ATTEST: _____ -CLERK AND RECORDER,
9 EX-OFFICIO CLERK OF THE
10 CITY AND COUNTY OF
11 DENVER

12
13 NOTICE PUBLISHED IN THE DAILY JOURNAL _____ 2014 _____ 2014

14
15 PREPARED BY: Victoria A. Hale, GENERAL COUNSEL,
16 DENVER EMPLOYEES RETIREMENT PLAN,
17 October 7, 2014

18
19 Pursuant to section 13-12, D.R.M.C., this proposed ordinance has been reviewed by the
20 office of the City Attorney. We find no irregularity as to form, and have no legal objection
21 to the proposed ordinance. The proposed ordinance is not submitted to the City Council
22 for approval pursuant to §3.2.6 of the Charter.

23
24 David Broadwell _____, City Attorney

25 BY: _____, _____ City Attorney

26 DATE: _____