

EXECUTIVE SUMMARY

Re-Setting Actuarially Required Contribution (ARC) for 2013

The following modifications to the Denver Employees Retirement Plan would result from the enactment of this bill.

Employer and Employee Contributions:

Language regarding the percentage of an employee's gross salary an employer would be required to contribute to the Denver Employees Retirement Plan would be increased from 10.25% to 11.0%.

Language regarding the percentage of gross salary an employee would be required to contribute to the Denver Employees Retirement Plan would be increased from 6.25% to 7.0%.

This change is being made in order to maintain the Retirement Plan on a sound actuarial basis. The impact of the market events of 2008 resulted in a significant decrease in the Market Value of Assets of the Plan and resulted in a significant increase to the Unfunded Actuarial Accrued Liability. These results are "smoothed in" over time by the Actuary, and caused the total Actuarially Required Contribution to increase from 16.51% to 18.08%. This contribution increase, in the amount of 1.5% in the total contributions required to be submitted to the Plan, has been determined by the Plan's actuary to be actuarially necessary to maintain the Plan on a sound actuarial basis.

Current Ordinance language states that the employer shall transfer to the Plan the amounts which are set forth in the Ordinance and which have been determined, on an actuarial basis, to be sufficient to provide for the benefits of eligible members. Current Ordinance language also states that employees shall contribute an amount which, in the judgment of the city, is required to assist in maintaining the plan on a sound actuarial basis. Thus, the employers and the employees can be required by the City to each pay an additional 0.75% of the required contribution increase so that the entire 1.5% of the required contribution increase is submitted to the Plan.