



Legislation Details (With Text)

File #: 18-1248 **Version:** 1

Type: Bill **Status:** Passed

File created: 10/23/2018 **In control:** Finance & Governance Committee

On agenda: 11/19/2018 **Final action:** 11/19/2018

Title: A bill for an ordinance amending the 1963 Retirement Plan with regard to establishment and management of trust fund, retirement board, contributions; payroll deductions, retirement categories, retirement benefits, joint and survivor benefits, monthly payment of benefits, denial of benefits; hearing procedures, and anti-alienation provision.
Amends Chapter 18 of the Denver Revised Municipal Code (DRMC) pertaining to the Denver Employees Retirement Plan (DERP) by increasing employee and employer contributions, specifying that benefit payments shall be issued on the first business day of the month, removing and clarifying obsolete language, and by allowing the retirement board to delegate the selection of trustees, custodians and investment managers to other fiduciaries. The Committee approved filing this item at its meeting on 10-30-18.

Sponsors:

Indexes: Jonathan Griffin

Code sections:

Attachments: 1. BR18 1248 DOF & DERP Draft Language, 2. BR18 1248 DOF & DERP Ord Change 2018, 3. CityCouncilPrestn2018, 4. 18-1248 Filed Bill_DERP.pdf, 5. 18-1248 Filed Bill_DERP.pdf, 6. 18-1248 - signed, 7. 18-1248 Filed for an ordinance amending the 1963 retirement plan with regard to establishment and mngmt trust fund

Date	Ver.	Action By	Action	Result
11/20/2018	1	Council President	signed	
11/20/2018	1	Mayor	signed	
11/19/2018	1	City Council	placed upon final consideration and do pass	Pass
11/13/2018	1	City Council	ordered published on first reading	
10/30/2018	1	Finance & Governance Committee	approved for filing	Pass

Other/Miscellaneous Request Template (Appointments; ROW; Code Changes; Zoning Action, etc.)

Date Submitted: 10-23-18

Requesting Agency: Finance & Denver Employee Retirement Plan
Division:

Subject Matter Experts: Stephanie Adams & Steve Hutt
Email Address: Stephanie.Adams@denvergov.org & shutt@derp.org

Item Title & Description:

*(Do not delete the following instructions)
These appear on the Council meeting agenda. Initially, the requesting agency will enter a 2-3 sentence*

*description. Upon bill filling, the City Attorney's Office should enter the title above the description (the title should be in **bold** font).*

*Both the title and description must be entered between the red "title" and "body" below. Do **not** at any time delete the red "title" or "body" markers from this template.*

A bill for an ordinance amending the 1963 Retirement Plan with regard to establishment and management of trust fund, retirement board, contributions; payroll deductions, retirement categories, retirement benefits, joint and survivor benefits, monthly payment of benefits, denial of benefits; hearing procedures, and anti-alienation provision.

Amends Chapter 18 of the Denver Revised Municipal Code (DRMC) pertaining to the Denver Employees Retirement Plan (DERP) by increasing employee and employer contributions, specifying that benefit payments shall be issued on the first business day of the month, removing and clarifying obsolete language, and by allowing the retirement board to delegate the selection of trustees, custodians and investment managers to other fiduciaries. The Committee approved filing this item at its meeting on 10-30-18.

Affected Council District(s) or citywide?

Executive Summary with Rationale and Impact:

Detailed description of the item and why we are doing it. This can be a separate attachment.

The following modifications to the Denver Employees Retirement Plan ("Plan" or "DERP") would result from the enactment of this bill.

1. Increase Employer and Employee Contributions.

Language regarding the percentage of an employee's gross salary the employer will be required to contribute to the Plan would be increased from 12.5% to 13.0%.

Language regarding the percentage of gross salary the employee will be required to contribute to the Plan would be increased from 8.0% to 8.5%.

This change, which totals an increase in the required contribution rate of one (1) percentage point, is being made in order to maintain the Plan on a sound actuarial basis. The impact of the increased life expectancy of Plan members on the actuarial value of Plan liabilities is the factor primarily responsible for the increase in the Actuarially Required Contribution as calculated by the Plan's actuary.

The new contribution rates would take effect with the first pay date in January, 2019.

2. Specify that Benefit Payments Shall Be Issued on the First Business Day of the Month

Language regarding the date each month that a member's benefit would either be automatically deposited by electronic transfer into a member's account, or placed in the US Mail, would be changed to specify that such payments will be made on the first business day of each month.

Current Ordinance language states that such payments are either placed in the mail before the first business day of the month, or deposited in an intermediary bank so as to be available to the payee on the first day of the month. When the first day of the month is on a weekend or holiday, or the first business day of the month follows a weekend or holiday, under the current language, this means that the payments must be made at the end of the month before the payments are owed. Depending on how the dates in the calendar year fall, this may cause more than 12 payments to be made in a calendar and taxable year. On occasion, when benefits have been paid at the end of the month prior to the month for which the benefit is owed, there has also been confusion with some benefit recipients as to which month the payment is actually to be applied to. The proposed amendment will simplify the Ordinance language to specify that such payments will consistently be made on the first business day of any month, which will also ensure that only 12 benefit payments are made each year, and will ensure that the benefits are paid in the month in which they are owed.

3. Remove obsolete language in the DRMC, clarify the precise intent of certain existing Code language, and bring existing Code language into precise conformance with various administrative practices of the Plan.

Examples of these types of changes are as follows:

a. Remove the requirement that a certified shorthand reporter record any proceedings arising from an appeal which has been set for hearing under Ordinance Section 18-417(b).

Currently, if a member or beneficiary is denied benefit payments, or questions the amount of benefit payments, there is a right to appeal that denial first to the Executive Director, and then to the Retirement Board. The Retirement Board, upon receiving an appeal, sets the matter to be heard either by the Retirement Board or an independent hearing officer. Those hearing proceedings are currently required to be recorded by a certified shorthand reporter. With the advancement of electronic recordings, and other means of ensuring that the proceedings are properly and fully recorded, the requirement that the recordings be made by a certified shorthand reporter is antiquated. The amendment will retain the requirement that the proceedings be recorded, without specifying the manner in which such a recording is performed, and will remove the requirement that a certified shorthand reporter is used.

b. Revise the requirement that the Retirement Board hold an annual meeting specifically in May or June, and move language regarding the annual report being made available to the membership to Ordinance Section 18-405(h) where all other required reports are listed.

The Code currently requires that the Retirement Board hold an annual meeting following the regular meeting during the month of May or June. Historically, the only agenda items presented during the annual meeting have been the presentation of the annual report to the Retirement Board, and the announcement of election results for the Advisory Committee. During the recent strategic planning sessions, the Retirement Board revised its meeting schedule, and there is no longer a regular board meeting scheduled for the month of June. Thus, under current language, with no meeting scheduled in June, the annual meeting would have to be held in May. However, the election results are normally not known by the board meeting in May, nor is the annual report completed by the board meeting in May, thus, specifying that the annual meeting occur in May or June is not warranted.

The amendment will remove the requirement that the Retirement Board hold its annual meeting in the specific months of May or June, while retaining the requirement that an annual meeting still be held, on a date to be announced and publicized in advance. The amendment will retain the requirement that an annual report be made available to all members, however that requirement will be moved to the Ordinance Code Section where the reports required to be made available by the Retirement Board are listed (Section 18-405(h)). The amendment will also specify the date on which Advisory Committee members will assume office, and will remove the requirement that this date coincide with the annual meeting.

c. Allow the Retirement Board to delegate the selection of trustees, custodians and investment managers, to other fiduciaries.

The Code currently requires that these entities be selected by the Retirement Board. The Retirement Board recently completed a strategic plan, and determined that although it still retains ultimate fiduciary duties over the selection of these entities, it was prudent to delegate the selection of these professionals to other fiduciaries, such as the Plan's Executive Director and/or the Chief Investment Officer. This amendment will only authorize, but not mandate, that the Retirement Board may make such a delegation.

Address/Location (if applicable):

Legal Description (if applicable):

Denver Revised Municipal Code (D.R.M.C.) Citation (if applicable):

Draft Bill Attached?