



**City and County of Denver  
Deferred Compensation Plan  
Trust Fund**

Financial Statements and Independent  
Auditor's Report

December 31, 2018 and 2017



# City and County of Denver Deferred Compensation Plan Trust Fund

## Contents

---

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements:	
Statements of Fiduciary Net Position	6
Statements of Changes in Fiduciary Net Position	7
Notes to Financial Statements	8



## Independent Auditor's Report

Audit Committee  
City and County of Denver  
Denver, Colorado

### Report on Financial Statements

We have audited the accompanying financial statements of the City and County of Denver Deferred Compensation Plan Trust Fund (the "Plan"), an other employee benefit trust fund of the City and County of Denver (the "City"), which comprise the statements of fiduciary net position as of December 31, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinion*

In our opinion the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2018 and 2017 and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtain during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Emphasis of a Matter*

As discussed in Note 1, the financial statements of the Plan are intended to present the fiduciary net position and the changes in fiduciary net position for only that portion of the aggregate remaining fund information of the City that is attributable to the transactions of the Plan. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2018 and 2017, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**ACM LLP**

Denver, Colorado  
June 17, 2019

# City and County of Denver

## Deferred Compensation Plan Trust Fund

### Management's Discussion and Analysis (Unaudited) December 31, 2018 and 2017

---

The following is an analysis and overview of the financial activities of the City and County of Denver Deferred Compensation Plan Trust Fund (the "Plan") for the years ended December 31, 2018 and 2017. Please refer to the basic financial statements and accompanying notes to the financial statements for further information.

#### *Financial Highlights*

- Fiduciary net position available for benefits of the Plan decreased \$39,290,356 to \$676,923,565 and increased \$77,858,317 to \$716,213,921 as of December 31, 2018 and 2017, respectively. The decrease in 2018 and increase in 2017 were primarily due to growth in the financial markets in 2017 that slowed in 2018, which resulted in an overall decrease in investment earnings;
- Net investment losses in 2018 were \$22,986,619, compared to the gain of \$83,712,338 in 2017. However, the decrease from the beginning net position in 2017 to the ending net position in 2018 was only \$39,290,356. This is related to the slowed growth of the capital markets in 2018 vs. 2017. For example, in 2018, the S&P 500's annual total return dropped to -4.38%. In 2017, the S&P 500's annual total return was at 21.83% compared to the long-term average of 8.18%.

#### *Overview of the Financial Statements*

The financial statements consist of two parts: management's discussion and analysis ("MD&A") and the financial statements of the Plan, which include the following:

- Statements of Fiduciary Net Position;
- Statements of Changes in Fiduciary Net Position;
- Notes to Financial Statements.

The financial statements report information for all activities of the Plan. The statements of fiduciary net position include the Plan's assets and fiduciary net position available for benefits held in trust for compensation benefits. All of the additions and deductions of the Plan are accounted for in the statements of changes in fiduciary net position.

#### *Financial Analysis of the Plan*

In accordance with guidance prepared by the staff of the Governmental Accounting Standards Board, because the Plan presents comparative financial statements, its MD&A is required to address both years presented in the comparative financial statements. Therefore, the Plan's MD&A presents two years of comparative data-the current year and the prior year (*i.e.*, 2018 and 2017).

# City and County of Denver

## Deferred Compensation Plan Trust Fund

### Management's Discussion and Analysis (Unaudited) December 31, 2018 and 2017

On December 31, 2018, the Plan's fiduciary net position available for benefits totaled \$676,923,565. This represents a decrease of \$39,290,356, or (5.5)%, in fiduciary net position available for benefits from December 31, 2017. All of these funds are held in trust for the benefit of employees participating in the Plan.

On December 31, 2017, the Plan's fiduciary net position available for benefits totaled \$716,213,921. This represents an increase of \$77,858,317, or 12.2%, in fiduciary net position available for benefits from December 31, 2016. All of these funds are held in trust for the benefit of employees participating in the Plan.

Employee contributions in 2018 of \$43,602,521 were \$8,228,082 higher than in 2017. Benefits paid to participants and withdrawals were \$59,439,220 in 2018, reflecting an increase of \$18,792,152 from benefits paid during 2017.

Net investments loss in 2018 was \$22,986,619, which is a decrease in earnings of \$106,698,957 from 2017 net investment earnings of \$83,712,338. However, the decrease from the beginning net position in 2017 to the ending net position in 2018 was only \$39,290,356.

Administrative fees in 2018 and 2017 were \$467,038 and \$581,392, respectively.

	<b>2018</b>	<b>2017</b>
Total assets	<b>\$ 676,923,565</b>	\$ 716,213,921
Fiduciary net position	<b>676,923,565</b>	716,213,921
Employee contributions and rollovers	<b>43,602,521</b>	35,374,439
Net investment (losses) earnings	<b>(22,986,619)</b>	83,712,338
Total additions	<b>20,615,902</b>	119,086,777
Benefits paid to participants and withdrawals and transfers	<b>59,439,220</b>	40,647,068
Administrative fees	<b>467,038</b>	581,392
Total deductions	<b>59,906,258</b>	41,228,460
(Decrease) increase in fiduciary net position	<b>(39,290,356)</b>	77,858,317
Fiduciary net position, January 1	<b>716,213,921</b>	638,355,604
Fiduciary net position, December 31	<b>\$ 676,923,565</b>	\$ 716,213,921

# City and County of Denver Deferred Compensation Plan Trust Fund

Management's Discussion and Analysis (Unaudited)  
December 31, 2018 and 2017

---

## *Requests for Information*

This discussion and analysis is intended to provide an overview of the Plan's financial position as of December 31, 2018 and 2017. Questions about any of the information presented or request for additional information should be addressed to:

City and County of Denver  
Office of the Controller  
201 West Colfax Avenue, Department 1109  
Denver, Colorado 80202

# City and County of Denver Deferred Compensation Plan Trust Fund

## Statements of Fiduciary Net Position December 31, 2018 and 2017

---

Assets and Fiduciary Net Position	2018	2017
<b>Investments:</b>		
Mutual funds	\$ 440,842,783	\$ 474,226,016
Synthetic guaranteed investment contracts fund	216,521,575	223,859,562
Money market fund	3,976,032	1,716,234
Self-directed accounts	3,745,454	5,077,205
Total investments	<u>665,085,844</u>	<u>704,879,017</u>
<b>Other Assets:</b>		
Loans to participants	<u>11,837,721</u>	<u>11,334,904</u>
Total asset and fiduciary net position	<u>\$ 676,923,565</u>	<u>\$ 716,213,921</u>

See Notes to Financial Statements.

# City and County of Denver Deferred Compensation Plan Trust Fund

## Statements of Changes in Fiduciary Net Position Years Ended December 31, 2018 and 2017

	2018	2017
<b>Net investment (loss) earnings</b>	<b>\$ (22,986,619)</b>	<b>\$ 83,712,338</b>
<b>Additions:</b>		
Employee contributions and rollovers	43,602,521	35,374,439
Total additions	43,602,521	35,374,439
<b>Deductions:</b>		
Benefits paid to participants, withdrawals, and transfers	59,439,220	40,647,068
Administrative fees	467,038	581,392
Total deductions	59,906,258	41,228,460
(Decrease) Increase in fiduciary net position	(39,290,356)	77,858,317
Fiduciary net position, January 1	716,213,921	638,355,604
Fiduciary net position, December 31	\$ 676,923,565	\$ 716,213,921

See Notes to Financial Statements.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

Notes to Financial Statements  
December 31, 2018 and 2017

---

### 1. PLAN DESCRIPTION AND SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES

#### *Organization and Basis of Presentation*

The City and County of Denver Deferred Compensation Plan Trust Fund (the “Plan”) was established by the City and County of Denver (the “City”) on November 17, 1980, to enable public employees to defer a portion of their current income and related income taxes to future years. Under Section 457 of the Internal Revenue Code, amounts deferred and income earned on deferred earnings are not taxable to the participant until made available to the participant, except for Roth deferral contributions, which are made on an after-tax basis.

The City is the trustee of the Plan. The Plan is managed by the Deferred Compensation Committee (the “Committee”) of the City. The Committee, which is appointed by the Mayor and the City Council of the City, has designated a third-party administrator (the “Administrator”): Teachers Insurance and Annuity Association of America (“TIAA”), for the Plan to assist in the administration of the Plan, and to account for all deferred compensation, withdrawals, investment income credited, and the individual balance for each participant. In addition, the Administrator executes individual participant agreements, and provides Plan information and counseling to all eligible employees.

The Plan is accounted for as an other employee benefit trust fund in the City’s financial statements in accordance with Governmental Accounting Standard Board (“GASB”) Statement No. 34, *Basic Financial Statements – and Management’s Discussions and Analysis – for State and Local Governments*. The assets of the Plan are reserved solely for deferred compensation benefits.

Trust funds are used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. Trust funds are accounted for using the economic resources measurement focus, and the accompanying financial statements have been prepared on the accrual basis of accounting.

The accompanying financial statements present only the Plan’s financial statements and are not intended to present the financial position or the changes in the financial position of the aggregate remaining fund information of the City in conformity with accounting principles generally accepted in the United States of America.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and fiduciary net position at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

Notes to Financial Statements  
December 31, 2018 and 2017

---

### *Investments*

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments are reported at fair value in accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, synthetic guaranteed investment contracts are reported at contract value in the accompanying financial statements.

Net investment earnings (losses), as presented in the statements of changes in fiduciary net position represent the interest, dividends, realized gains or losses on Plan investments, and the unrealized appreciation or depreciation on Plan investments.

### *Employee Contributions*

Participation in the Plan is voluntary and is open to all eligible City employees. Employees are eligible upon date of hire and can enter into the Plan on the first day of each month. The City does not make contributions to the Plan. Elective pre-tax or after-tax Roth deferral contributions are allowed. The maximum deferral in any one year is generally limited to the lesser of 100% of the participant's pre-deferral taxable income, or \$18,500 and \$18,000 in 2018 and 2017, respectively. Those participants age 50 and older may defer an additional \$6,000 for 2018 and 2017. However, special provisions, applicable in the last three taxable years before a participant attains normal retirement age under the Plan, or any year thereafter prior to the participant's separation from service, may increase the maximum up to \$37,000 and \$36,000 in 2018 and 2017, respectively.

### *Benefits Paid to Participants*

Withdrawals from the Plan may be made upon retirement, termination of employment with the City, or in cases of unforeseeable emergencies. Upon death, amounts credited to the participant are paid to the beneficiary designated by the participant or they may elect to defer payments within the limits set by the Internal Revenue Code. The periodic distributions are accounted for as withdrawals in the year disbursed. Effective September 25, 2018 withdrawals from participant rollover accounts may be made at any time.

### *Administrative Fees*

For 2018 and 2017, the annual record keeping fee of 75 basis points is assessed quarterly from each participant's account. It is assessed against all funds in the core menu (excluding brokerage) on the 28<sup>th</sup> day of the last month of the quarter. The participant is sent a confirmation statement following the fee deduction. The transaction is also captured in the quarterly statement. Certain other fees for loans or self-directed brokerage account fees are also charged to participants. For years ended December 31, 2018 and 2017, compensation earned by the recordkeeper was approximately \$467,000 and \$581,000, respectively.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

Notes to Financial Statements  
December 31, 2018 and 2017

---

Certain other fees and expenses may be charged within the investments (as an expense ratio) and are reflected in net appreciation (depreciation) in fair value of investments. The expense ratios of the investments for the years ended December 31, 2018 and 2017 ranged from 14 to 118 basis points.

### *Tax Status*

The Plan is exempt from federal income taxes under 457(g)(2) of the Internal Revenue Code.

## **2. INVESTMENTS**

Investment decisions are made by the participants from a range of available mutual funds that include various domestic and international equity funds, fixed income funds (which invest in corporate debt, U.S. government and agency obligations) model portfolio/target date funds, a custom stable value fund managed exclusively for the Plan, or a self-directed brokerage account option at TIAA. Investments within the funds are primarily diversified by (1) geographic area primarily within the U.S., (2) industry group, and (3) sensitivity to general economic cycles, and generally uncollateralized ownership in, or lending to, publicly held corporations traded on the U.S. stock exchanges. Depending on the investments, there may be exposure to various risks, including interest rate risk, credit quality risk, and foreign currency risk. Participants investing in mutual funds receive a prospectus, which details the various types of risk to which the investment is exposed. All earnings (interest, dividend income, and capital gains or losses) are reinvested in the funds according to the participants' investment elections.

Plan investment assets of \$448,564,269 and \$481,019,455 are recorded within the Plan at fair value as of December 31, 2018 and 2017, respectively. Synthetic guaranteed investment contracts of \$216,521,575 and \$223,859,562 are recorded within the Plan at contract value as of December 31, 2018 and 2017, respectively.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the Plan. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

### Notes to Financial Statements December 31, 2018 and 2017

As of December 31, 2018, the Plan had the following investments in debt and equity instruments:

Investment Type	Fair Value	Rating (Moody's)
Bond and open-end equity mutual funds	\$ 440,842,783	Unrated
Synthetic guaranteed investment contracts fund	216,521,575	*
Money market funds	3,976,032	Unrated
Self-directed accounts	3,745,454	Unrated
Total Investments	<u>\$ 665,085,844</u>	

As of December 31, 2017, the Plan had the following investments in debt and equity instruments:

Investment Type	Fair Value	Rating (Moody's)
Bond and open-end equity mutual funds	\$ 474,226,016	Unrated
Synthetic guaranteed investment contracts fund	223,859,562	*
Money market funds	1,716,234	Unrated
Self-directed accounts	5,077,205	Unrated
Total Investments	<u>\$ 704,879,017</u>	

\*The synthetic guaranteed investment contract is reported at contract value and is comprised of the following wrap providers, as rated by Moody's: Transamerica Premier Life Insurance Company, A1; Mass Mutual Life Insurance Company, Aa2; New York Life Insurance Company Aaa; American General Life Insurance Company, A2; Prudential Insurance Company of America, A1; and Nationwide Life Insurance Company, A1.

Investments exceeding 5% of the Plan's fiduciary net position as of December 31, 2018 and 2017 are presented below:

Investment Type	2018	2017
Synthetic guaranteed investment contracts fund	\$ 216,521,575 *	\$ 223,859,562 *
Vanguard Institutional Index	87,387,330	92,048,284
The Hartford Capital Appreciation Fund	35,018,737	42,733,921
Dodge & Cox Stock Fund	<u>\$ 29,192,970 ^</u>	<u>\$ 36,162,069</u>

\*Synthetic guaranteed investment contract is reported at contract value.

^Below 5% in the current year. Shown for comparison purposes only.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

### Notes to Financial Statements December 31, 2018 and 2017

---

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. At December 31, 2018 and 2017 the Plan held \$44,657,200 and \$40,735,496, respectively, in bond mutual funds. The weighted average maturity of these funds were 7.94 years and 7.57 years, respectively.

The Plan's advisory committee regularly reviews the Plan's investment products' risk characteristics to ensure each is performing at an acceptable level.

### 3. FAIR VALUE MEASUREMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels.

Level 1- Investments reflect prices quoted in active markets;

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active;

Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Debt, equity and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

### Notes to Financial Statements December 31, 2018 and 2017

The following tables set forth by level, within the fair value hierarchy, the Plan's investments measured at fair value on a recurring basis:

Investments measured at fair value as of December 31, 2018:

<i>Investments by Fair Value Level</i>	Level 1	Level 2	Level 3	Total
Equity Securities:				
International equity funds	\$ 46,244,425	\$ -	\$ -	\$ 46,244,425
Domestic equity funds	253,145,473	-	-	253,145,473
Emerging markets funds	10,197,661	-	-	10,197,661
Socially responsible fund	623,273	-	-	623,273
Debt Securities:				
Fixed income funds	44,657,200	-	-	44,657,200
Other Securities:				
Model/target date funds	85,974,751	-	-	85,974,751
Self-directed brokerage account (a)	3,745,454	-	-	3,745,454
Money market fund	3,976,032	-	-	3,976,032
Total investments by fair value level	\$ 448,564,269	\$ -	\$ -	\$ 448,564,269

(a) Investments held in the self-directed brokerage account consist largely of common stock and mutual funds.

# City and County of Denver Deferred Compensation Plan Trust Fund

## Notes to Financial Statements December 31, 2018 and 2017

Investments measured at fair value as of December 31, 2017:

<i>Investments by Fair Value Level</i>	Level 1	Level 2	Level 3	Total
<b>Equity Securities:</b>				
International equity funds	\$ 52,697,562	\$ -	\$ -	\$ 52,697,562
Domestic equity funds	283,008,042	-	-	283,008,042
Emerging markets funds	12,280,388	-	-	12,280,388
Socially responsible fund	751,895	-	-	751,895
<b>Debt Securities:</b>				
Fixed income funds	40,735,496	-	-	40,735,496
<b>Other Securities:</b>				
Model/target date funds	84,752,633	-	-	84,752,633
Self-directed brokerage account (a)	5,077,205	-	-	5,077,205
Money market fund	1,716,234	-	-	1,716,234
<b>Total investments by fair value level</b>	<b>\$ 481,019,455</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 481,019,455</b>

(a) Investments held in the self-directed brokerage account consist largely of common stock and mutual funds.

#### 4. SYNTHETIC GUARANTEED INVESTMENT CONTRACTS

An option in the City's deferred compensation plan includes a custom stable value fund that includes synthetic guaranteed investment contracts ("SGIC's"). The contracts provide a stable rate of return to the participants. The fair value of these contracts at December 31, 2018 is \$216,986,799 and the contract value is \$216,521,575.

<u>SGIC Components</u>	<u>Fair Value</u>
Underlying investments	\$ 216,986,799
Wrapper	-
<b>Total</b>	<b>\$ 216,986,799</b>

The average yield based on actual earnings was 3.11% for the year ended December 31, 2018. Average yield based on interest rates credited to participants was 2.96% for the year ended December 31, 2018.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

### Notes to Financial Statements December 31, 2018 and 2017

The fair value of these contracts at December 31, 2017 is \$227,558,303 and the contract value is \$223,859,562.

<u>SGIC Components</u>		<u>Fair Value</u>
Underlying investments	\$	227,558,303
Wrapper		-
Total	\$	<u>227,558,303</u>

The average yield based on actual earnings was 2.42% for the year ended December 31, 2017. Average yield based on interest rates credited to participants was 2.80% for the year ended December 31, 2017.

#### 5. EMPLOYEE CONTRIBUTIONS AND ROLLOVERS

Employee contributions are recognized when withheld from the participants and include contributions and transfers of funds from other eligible deferred compensation plans to the Plan by City employees. Employee contributions totaled \$43,602,521 and \$35,374,439 for the years ended December 2018 and 2017, respectively.

#### 6. BENEFITS PAID TO PARTICIPANTS, WITHDRAWALS, AND TRANSFERS

Benefits paid to participants and withdrawals include amounts paid to participants, beneficiaries and transfers of funds to other eligible deferred compensation plans. Benefits paid to participants and transfers totaled \$59,439,220 and \$40,647,068 for the years ended December 31, 2018 and 2017, respectively.

#### 7. PLAN TERMINATION AND AMENDMENTS

The City can at any time elect to amend, modify or terminate the Plan. No amendments will deprive the participants of any benefits they were entitled to prior to the change. If the Plan is terminated, all amounts then credited to the participants are to be paid out by the administrators under the normal withdrawal requirements and procedures.

#### 8. LOAN PARTICIPATION PROGRAM

Loans from the Plan to a participant are permitted only as allowed by Section 72(p)(2) and Section 457 of the code and applicable U.S. Treasury Regulations, and only to the extent set forth in the Plans Participant Loan Program Document as approved by the Committee. Proceeds for participant loans and any loan fees are withdrawn from the participant's account under the Plan against all available investment choices (except the self-directed brokerage account) and from each contribution source on a pro-rata basis.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

### Notes to Financial Statements December 31, 2018 and 2017

---

Loan eligibility requirements for participants are as follows:

- a) The eligible borrower must be an active employee of the City who has completed a minimum of 12 months of service and is in good standing with no suspensions with the City in the 12 months immediately preceding the date of application;
- b) The eligible borrower does not currently have a loan outstanding and is not in default on any previous loan under the Plan;
- c) The eligible borrower has an account balance of at least \$2,000.

Loans may be granted for housing and non-housing purposes. The minimum loan amount that can be borrowed is \$1,000, and the maximum loan amount is the lesser of 50% of the vested account balance of the participant, or \$50,000 (reduced by the highest outstanding balance during the last 12 months of all loans made from the Plan). Interest rates for housing and non-housing are established by the Plan's product provider and as presented to the Committee as of the last business day of the previous business month. Interest rates are determined at the commencement of the loan and apply for the entire life of the loan. Non-housing and housing loans have a maximum term of five and twenty years, respectively. All loans are covered by demand notes and are payable through payroll withholding.

Loans are measured at their unpaid principal balance. As of December 31, 2018 and 2017, the total outstanding loan balances were \$11,837,721 and \$11,334,904, respectively. Interest rates ranged from 3.62% to 8.75% as of December 31, 2018 and 2017.

#### **9. RELATED PARTY TRANSACTIONS**

Certain eligible City employees can transfer amounts from this Plan to the Denver Employees Retirement Plan or the Fire & Police Association of Colorado defined benefit system if certain criteria are met. These entities are considered related parties to the City and County of Denver. Transfers to these plans for the years ended December 31, 2018 and 2017 were \$1,059,062 and \$2,329,965, respectively.

# City and County of Denver

## Deferred Compensation Plan Trust Fund

Notes to Financial Statements  
December 31, 2018 and 2017

---

### 10. SUBSEQUENT EVENTS

Effective January 1, 2019 the City elected Nationwide Retirement Solutions, Inc. (“Nationwide”) as the new third-party administrator and recordkeeper. In conjunction with the change the investments and loan balances were transferred in-kind from TIAA to Nationwide on January 16, 2019. In order to facilitate this transition, a blackout period was established and enforced. For the period from January 9, 2019 through January 19, 2019 (the blackout period), participants were unable to direct or diversify investments in their individual accounts or receive a distribution from the Plan.

Effective January 18, 2019 the City amended the Loan Participation Program (as described in Note 8) to exclude the 12 months of service requirement and in good standing with no suspensions with the City to be eligible for a loan. All other provisions described in Note 8 remained the same.