

DENVER BOARD OF WATER COMMISSIONERS
Acting as Trustee of Retirement Plan or Sponsor of 401(k) Plan

Meeting Date: August 28, 2013

Board Item: 2-A-1

**Funding Policy
Employees' Retirement Plan**

Action

Information

In the past, standards issued by the Governmental Accounting Standards Board (GASB) provided guidance on how pension boards should calculate the actuarially determined annual required contribution (ARC) for funding pensions. GASB defined the ARC to include the normal cost of pensions for today's employees, plus a contribution to pay for any unfunded liabilities, amortized over a period no longer than 30 years. Employers were required to disclose their actuarially determined ARC and the percentage of the ARC actually paid each year.

Payment of the full ARC was considered to be an important measure of whether pension obligations were being appropriately funded. The Board has an excellent track record of paying the full ARC each year, and in the last several years has contributed an amount larger than the ARC to help recover funding after the financial collapse in 2008-2009.

Now, however, GASB has issued new standards that focus on accounting for pension liabilities on financial statements, without any guidance on how the costs of benefits should be funded or how an ARC should be calculated. Without the ability to rely on GASB, the Board needs to adopt a funding policy that describes how appropriate contributions will be calculated and how the pension plan will be funded. The attached proposed Funding Policy is based primarily on "Report from the Pension Funding Task Force 2013." The Task Force was comprised of 11 national state and local government organizations representing sponsors of the vast majority of public pension plans in the United States.

Recommendation:

It is recommended that the Board adopt the proposed Funding Policy for the Employees' Retirement Plan.

Approvals:



Angela C. Bricmont
Director of Finance

Respectfully submitted,



For James S. Lochhead
CEO/Manager