

GERP Administrative Staff

Thomas Connell Pension Plan Administrator
Aaron D. Kahn Benefit Administrator
Karen L. MacDonald Administrative Assistant

Professional Service Providers

Certified Public Accountants
CliftonLarsonAllen LLP Broomfield, CO

Custodian and Benefit Payment Provider
The Northern Trust Company Chicago, IL

Investment Consultant
Callan Associates, Inc. Denver, CO

Legal Advisor for Tax and Regulatory Issues
Reinhart Boerner Van Deuren SC Englewood, CO

Pension Actuary
Gabriel Roeder Smith & Company Denver, CO

Participant Education Consultant
Innovest Portfolio Solutions LLC Denver, CO



City of Aurora
General Employees' Retirement Plan
12100 East Iliff Avenue, Suite 108
Aurora, CO 80014

Phone: (303) 368-9160 Fax: (303) 368-9181
Email: auroragerp@qwestoffice.net
Website: www.auroragerp.qwestoffice.net

GERP | City of Aurora
General Employees'
Retirement Plan

Plan Overview

The General Employees' Retirement Plan ("GERP") is a defined benefit pension plan created by the Aurora City Council in 1967. The Plan is designed to provide lifetime retirement income to City employees and their families.

For 2016, employees participating in GERP will contribute 6.75% of their gross earnings to the Plan each pay period. The City of Aurora makes a matching employer contribution to the Plan. Contributions are held in trust and are invested under the direction of the Retirement Board.

In order to qualify for a monthly pension benefit, participants must earn at least five years of credited service, or work until their normal retirement age if sooner. Normal retirement age is 65 for employees who were hired before January 1, 2012, and 67 for those hired after that date.

Instead of a pension, participants may choose to receive a lump sum refund of their contributions, interest and their vested portion of the City's contributions when their employment ends. The interest rate credited on employee account balances is 4% for 2016.

GERP publishes a *Participant's Retirement Plan Benefit Guide* to help employees understand the many benefits and options available to them. Questions may be directed to GERP's administrative staff at the address below.

Retirement Board

The Plan is managed by seven voting trustees, with input from four non-voting representatives of the City administration. The Board has hired an administrative staff to carry out the day to day operations of the Plan. The Board also contracts with investment managers, professional advisors and consultants as needed.

The Retirement Board meets at 8:00 a.m. on the third Thursday of each month (second Thursday in December only) at the address below. Participants are invited to attend these meetings and may speak during the public comment session beginning at 9:00 a.m.

GERP's administrative office is located at

**12100 East Iliff Avenue, Suite 108
Aurora, CO 80014**

Phone: (303) 368-9160 Fax: (303) 368-9181

**Plan information is also available on the website
www.auroragerp.qwestoffice.net**

Trustees

Rebecca Bryant-Haight

- Senior Safety Specialist, City of Aurora Internal Services Department
- First elected by employees in 2004
- Current term expires 12/31/2016

Helen B. DiBartolomeo

- Chief Investment Officer, Colorado State Treasury
- First appointed by City Council in 2002
- Current term expires 12/31/2016

Joseph F. McCleary

- Stormwater Superintendent, Aurora Water
- Elected by employees in 2014
- Current term expires 12/31/2017

David L. McConico (*Chair*)

- Executive Director, The Financial Education and Economic Transformation Center
- First appointed by City Council in 1994
- Current term expires 12/31/2017

Michelle Reding

- Owner and CFO, Dry Dock Brewing Company and The Brew Hut
- Appointed by City Council in 2012
- Current term expires 12/31/2018

Sue Sandstrom (*Vice Chair*)

- Arapahoe County Treasurer
- Selected by the Board in December 2011
- Previously served as GERP trustee, 1997-2003
- Current term expires 12/31/2018

Trevor C. Vaughn

- Manager of Tax and Licensing, City of Aurora Finance Department
- Elected by employees in 2015
- Current term expires 12/31/2018

Non-Voting Board Members

City Manager - **George K. Noe**
(represented by **Janice Napper**)

Director of Finance - **Terri L. Velasquez**
(represented by **Jackie S. Ehmann**)

Director of Internal Services - **Daniel Quillen**

Assistant City Attorney - **Billy R. Stiggers**
is the Board's legal advisor

Investments

Investment Policy Statement

The Retirement Board has adopted an investment policy statement which requires that assets be invested and managed with consideration to the purposes, terms, distribution requirements and other circumstances of the Plan. The Board and its advisors must exercise the reasonable care, skill and caution of a prudent investor.

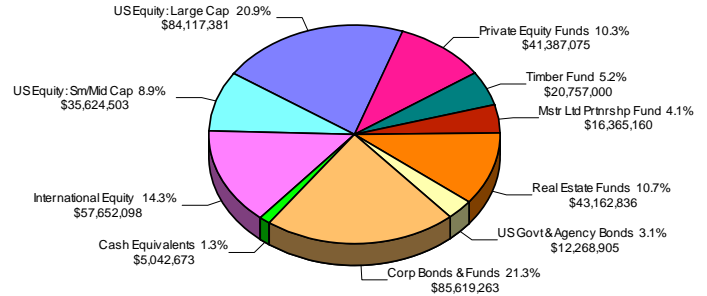
Assets are managed for the exclusive purpose of providing benefits to participants, retirees and beneficiaries, and to defray the reasonable costs of administering the Plan.

Investments are diversified so as to minimize the risk of large losses. The policy sets a strategic asset allocation for the Plan, with performance expectations and risk tolerances for each asset class.

The investment policy sets guidelines, performance benchmarks and peer groups for each investment manager. The Board reviews investment results and adherence to guidelines each calendar quarter and meets with each investment manager annually.

GERP earned 1.06% on its investments in 2015 and has exceeded its policy target return for the past 10 years.

Asset Allocation as of 12/31/2015



Market Value of Investments by Manager

U.S. Equity: Large Cap

BlackRock Institutional Trust Co. \$84,117,381

U.S. Equity: Small & Mid Cap

Smith, Graham & Company 35,624,503

Private Equity

Abbott Capital Management 20,364,715
 HarbourVest Partners 21,022,360
 41,387,075

International Equity

American Century Investments 12,324,600
 Capital Group 17,410,154
 Dodge & Cox 27,917,344
 57,652,098

Fixed Income

Denver Investments 48,702,623
 PIMCO 49,185,545
 97,888,168

Real Estate

Cohen & Steers Capital Management 8,139,594
 Heitman 21,491,536
 Morgan Stanley 13,531,706
 43,162,836

Real Return Assets

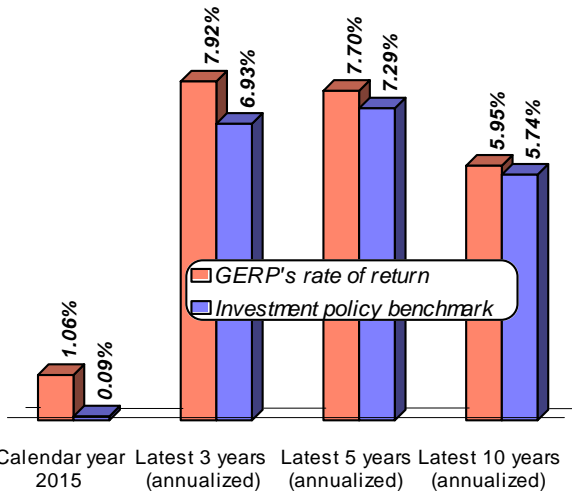
Harvest Fund Advisors 16,365,160
 Molpus Woodlands Group 20,757,000
 37,122,160

Cash Equivalents

..... 5,042,673

TOTAL..... \$401,996,894

Recent Investment Performance



GERP's returns are calculated by Callan Associates, an independent investment consulting firm.

Financial Statements

The condensed financial statements presented below were derived from the complete financial statements which were audited by CliftonLarsonAllen LLP. The condensed financial statements below do not contain important information, such as the summary of significant accounting policies and notes to the financial statements, which are included in the complete financial statements.

In their report dated April 14, 2016, CliftonLarsonAllen LLP expressed an unmodified opinion (which is the highest level opinion) on the complete 2015 and 2014 financial statements. A copy of the complete financial statements, including the Independent Auditors' Report, is available from the City of Aurora General Employees' Retirement Plan offices in Aurora, Colorado upon request.

STATEMENTS OF FIDUCIARY NET POSITION DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash	\$ 113,431	\$ 84,936
Receivables		
Contributions	198,532	568,355
Interest and dividends	913,402	963,207
Securities sold	<u>476,038</u>	<u>101,038</u>
Total receivables	1,587,972	1,632,600
Prepaid expenses and other	29,859	26,880
Investments, at fair value		
Short-term cash investments	5,042,673	4,740,436
Equity securities and funds	177,393,982	190,337,961
U.S. government and U.S. govt. agency obligations	12,268,905	15,291,268
Corporate bonds and funds	85,619,263	83,858,141
Real estate funds	43,162,836	39,416,405
Alternative investments	<u>78,509,235</u>	<u>73,137,385</u>
Total investments	401,996,894	406,781,596
Furniture and equipment, net	-	-
Total assets	<u>403,728,156</u>	<u>408,526,012</u>
LIABILITIES		
Accounts payable and accrued expenses	264,182	250,003
Benefits and refunds payable	318,723	52,817
Securities purchased	<u>628,679</u>	<u>277,533</u>
Total liabilities	<u>1,211,584</u>	<u>580,353</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$402,516,572</u>	<u>\$407,945,659</u>

Financial Statements (continued)

GERP also publishes a **Comprehensive Annual Financial Report**, which is prepared in accordance with Government Finance Officers Association guidelines. That report is also available upon request.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Contributions		
City of Aurora.....	\$ 6,135,777	\$ 5,536,583
Plan members	<u>6,137,147</u>	<u>5,531,417</u>
Total contributions	12,272,924	11,068,000
Investment income		
Net appreciation in fair value of investment.....	(4,667,981)	23,582,791
Interest	5,048,403	3,813,774
Dividends.....	<u>4,431,771</u>	<u>3,375,884</u>
	4,812,193	30,772,449
Less investment expenses	<u>(1,855,257)</u>	<u>(1,625,991)</u>
Net investment income	2,956,936	29,146,458
Other income	<u>13,592</u>	<u>21,156</u>
Total additions to net position.....	15,243,452	40,235,614
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:		
Benefits paid to participants.....	18,142,394	16,059,746
Refunds of contributions	1,981,332	1,567,690
Administrative expenses.....	<u>548,813</u>	<u>544,961</u>
Total deductions from net position.....	<u>20,672,539</u>	<u>18,172,397</u>
NET INCREASE IN NET POSITION	(5,429,087)	22,063,217
NET POSITION RESTRICTED FOR PENSION BENEFITS AT BEGINNING OF YEAR.....		
	<u>407,945,659</u>	<u>385,882,442</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS AT END OF YEAR		
	<u>\$402,516,572</u>	<u>\$407,945,659</u>

Actuarial Summary

Each year GERP's actuary, Gabriel Roeder Smith & Company, prepares a valuation report which measures the present value of benefits earned, the Plan's funded status and the contribution rate required to keep it actuarially sound.

The January 1, 2016 report showed an actuarial value of assets of \$422.1 million and an actuarial accrued liability of \$430.8 million. GERP's unfunded liability decreased to \$8.6 million and its funded ratio increased from 96.4% to 98.0%. Based on current assumptions, the Plan's normal cost was 10.99% of active member pay. The total required contribution necessary to cover normal cost and amortize the unfunded liability was 11.52% of pay. Employees and the City contributed a total of 13% of pay in 2015.

The Plan uses the entry age normal cost method for determining its benefit liability. The investment return assumption is 7.75% and 3.25% is the assumed inflation rate. A three-year smoothing formula is applied to investment gains and losses to determine the actuarial value of assets.

The long-term trend in the Plan's funded status is shown in the chart below. Investment losses in 2008 caused GERP's assets to fall below its liabilities for the first time in 25 years. In response, the Aurora City Council approved a plan to gradually increase the contribution rate for both employees and the City from 5.5% of pay to 7.0% by 2017. This and other changes are expected to eliminate the unfunded liability within the next few years.

Detailed actuarial information and analysis is presented in GERP's **2015 Comprehensive Annual Financial Report**.

GERP covers full and part-time career service and Council-appointed employees other than police officers, firefighters, elected officials, certain executive-level personnel and temporary employees. As of January 1, 2016, the Plan had 2,756 participants. Below is a breakdown of the number of participants by membership type for the last ten years.

