

## GERP Administrative Staff

**Steven Shanks** Pension Plan Administrator  
**Aaron D. Kahn** Benefit Administrator  
**Laura P. Steege** Administrative Coordinator

## Professional Service Providers

Certified Public Accountants  
**BKD LLP** Denver, 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** Milwaukee, WI

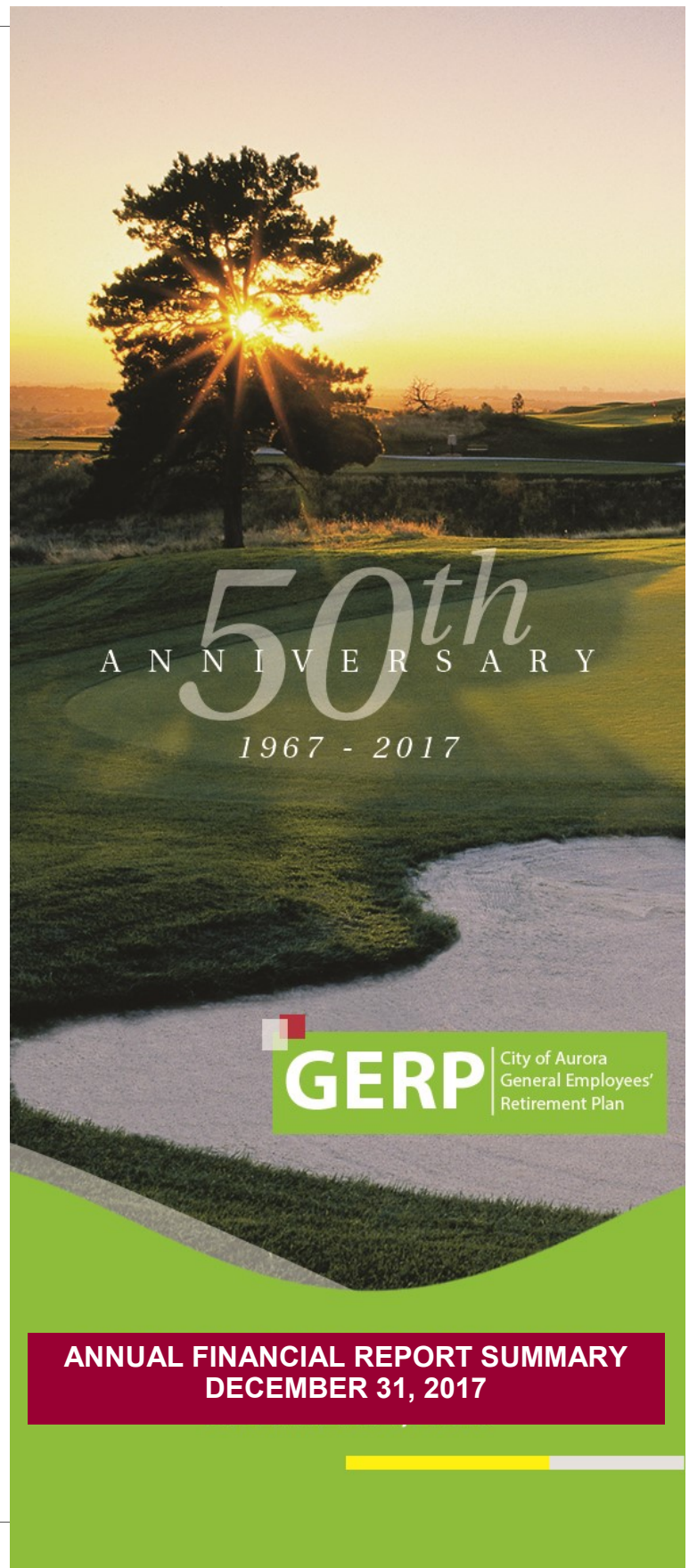
Pension Actuary  
**Milliman** Denver, CO

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: [info@auroragerp.org](mailto:info@auroragerp.org)  
Website: [www.auroragerp.org](http://www.auroragerp.org)



## 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 2018, employees participating in GERP will continue to contribute 7% 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 2018.

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.org](http://www.auroragerp.org)**

## Trustees

### **Helen B. DiBartolomeo**

- Former Chief Investment Officer, Colorado State Treasury
- First appointed by City Council in 2002
- Current term expires 12/31/2019

### **Cliff Haight**

- Vehicle and Equipment Coordinator, Aurora Water
- Elected by employees in 2016
- Current term expires 12/31/2019

### **Joseph F. McCleary**

- Stormwater Superintendent, Aurora Water
- Elected by employees in 2017
- Current term expires 12/31/2020

### **David L. McConico (Chair)**

- Executive Director, The Financial Education and Economic Transformation Center
- First appointed by City Council in 1994
- Current term expires 12/31/2020

### **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

Interim City Manager - **Jason Batchelor**  
(represented by **Janice Napper**)

Director of Finance - **Terri L. Velasquez**

Director of Human Resources - **Dianna Giordano**

Assistant City Attorney **Hanosky Hernandez**  
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.

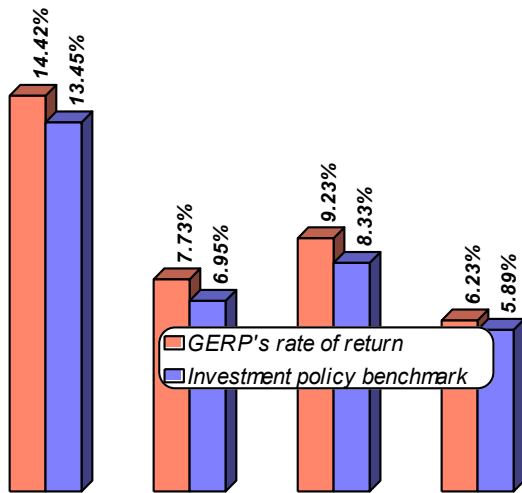
Assets are managed for the exclusive purpose of providing benefits to participants, retirees and beneficiaries, and to defray the reasonable costs of administering the Plan.

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 14.42% on its investment portfolio in 2017 and has exceeded its policy target return for the past 11 years.

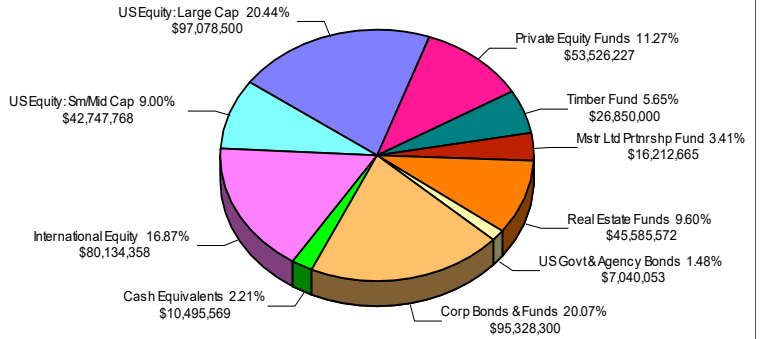
### Recent Investment Performance



Calendar year 2017 Latest 3 years (annualized) Latest 5 years (annualized) Latest 10 years (annualized)

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

## Asset Allocation as of 12/31/2017



### Market Value of Investments by Manager

<u>U.S. Equity: Large Cap</u>	
BlackRock Institutional Trust Co. ....	\$97,078,500
<u>U.S. Equity: Small &amp; Mid Cap</u>	
Smith, Graham & Company.....	42,747,768
<u>Private Equity</u>	
Abbott Capital Management .....	26,515,104
HarbourVest Partners .....	<u>27,011,123</u>
	53,526,227
<u>International Equity</u>	
American Century Investments.....	17,075,352
Capital Group .....	25,598,008
Dodge & Cox .....	<u>37,460,998</u>
	80,134,358
<u>Fixed Income</u>	
Denver Investments.....	49,176,536
Western Asset Management .....	<u>53,191,817</u>
	102,368,353
<u>Real Estate</u>	
Cohen & Steers Capital Management .....	9,543,208
Heitman .....	21,169,095
Morgan Stanley.....	<u>14,873,269</u>
	45,585,572
<u>Real Return Assets</u>	
Harvest Fund Advisors .....	16,212,665
Molpus Woodlands Group .....	<u>26,850,000</u>
	43,062,665
<u>Cash Equivalents</u> .....	10,495,569
<b>TOTAL.....</b>	<b><u>\$474,999,012</u></b>

## Financial Statements

The condensed financial statements presented below were derived from the complete financial statements which were audited by BKD 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 18, 2018, BKD LLP expressed an unmodified opinion (which is the highest level opinion) on the complete 2017 and 2016 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, 2017 AND 2016

	2017	2016
<b>ASSETS</b>		
Cash .....	\$ 172,108	\$ 126,417
Receivables		
Contributions .....	289,904	277,733
Interest and dividends .....	974,340	957,447
Securities sold .....	54,799	49,292
Other .....	1,863	5,190
Total receivables .....	<u>1,320,906</u>	<u>1,289,662</u>
Prepaid expenses .....	29,886	29,056
Investments, at fair value		
Short-term cash investments .....	10,495,569	6,882,214
Equity securities and funds .....	219,960,626	185,387,159
U.S. government and U.S. govt. agency obligations .....	7,040,053	7,340,563
Corporate bonds and funds .....	95,328,300	89,873,751
Real estate funds .....	45,585,572	43,281,914
Alternative investments .....	<u>96,588,892</u>	<u>91,628,612</u>
Total investments .....	<u>474,999,012</u>	<u>424,394,213</u>
Furniture and equipment, net .....	-	-
Total assets .....	<u>476,521,912</u>	<u>425,839,348</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses .....	265,059	240,260
Benefits and refunds payable .....	108,031	90,703
Securities purchased .....	<u>592,356</u>	<u>277,159</u>
Total liabilities .....	<u>965,446</u>	<u>608,122</u>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS .....</b>	<b><u>\$475,556,466</u></b>	<b><u>\$425,231,226</u></b>

## 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, 2017 AND 2016

	2017	2016
<b>ADDITIONS TO NET POSITION ATTRIBUTED TO:</b>		
Contributions		
City of Aurora.....	\$ 7,321,152	\$ 6,703,676
Plan members .....	<u>7,326,872</u>	<u>6,709,396</u>
Total contributions .....	14,648,024	13,413,072
Investment income		
Net appreciation in fair value of investment.....	52,764,310	24,281,596
Interest .....	2,088,738	3,390,350
Dividends.....	<u>5,853,853</u>	<u>5,367,706</u>
Less investment expenses .....	<u>(2,320,219)</u>	<u>(2,028,915)</u>
Net investment income .....	58,386,682	31,010,737
Other income .....	<u>20,306</u>	<u>13,392</u>
Total additions to net position.....	73,055,012	44,437,201
<b>DEDUCTIONS TO NET POSITION ATTRIBUTED TO:</b>		
Benefits paid to participants.....	20,590,653	19,272,014
Refunds of contributions .....	1,564,295	1,891,573
Administrative expenses.....	<u>574,824</u>	<u>558,960</u>
Total deductions to net position.....	<u>22,729,772</u>	<u>21,722,547</u>
NET INCREASE (DECREASE) IN PLAN NET POSITION .....	50,325,240	22,714,654
NET POSITION RESTRICTED FOR PENSION BENEFITS AT BEGINNING OF YEAR.....	425,231,226	402,516,572
NET POSITION RESTRICTED FOR PENSION BENEFITS AT END OF YEAR .....	<u>\$475,556,466</u>	<u>\$425,231,226</u>

## Actuarial Summary

Each year GERP's actuary 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, 2018 report prepared by Milliman showed an actuarial value of assets of \$457.1 million and an actuarial accrued liability of \$480.0 million. GERP's unfunded liability was \$22.9 million, with a funded ratio of 95.2%. Based on current assumptions, the Plan's normal cost was 11.2% of active member pay. The total required contribution necessary to cover normal cost and amortize the unfunded liability was 13.1% of pay. Employees and the City contribute a total of 14.0% of pay for 2018 and 2017.

The Plan uses the entry age normal cost method for determining its benefit liability. The investment return assumption and the projected inflation rate remain at 7.25% and 2.75% respectively. Last year the Retirement Board reduced both by 0.50% each. 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 combined contribution rate from 11.0% of pay to 14.0%. 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 **2017 Comprehensive Annual Financial Report**.

GERP covers the City's 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, 2018, the Plan had 3,006 participants. Below is a breakdown of the number of participants by membership type for the last ten years.

**Trend in GERP membership by category**

