

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
Strategies LLC Denver, CO



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

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GERP City of Aurora
General Employees'
Retirement Plan

ANNUAL FINANCIAL REPORT SUMMARY
DECEMBER 31, 2018

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 2019, 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 2019.

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**

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

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 12/31/2021

Sue Sandstrom (*Vice Chair*)

- Arapahoe County Treasurer
- Selected by the Board in December 2011
- Previously served as GERP trustee, 1997-2003
- Current term expires 12/31/2021

Trevor C. Vaughn

- Manager of Tax and Licensing, City of Aurora Finance Department
- Elected by employees in 2015
- Current term expires 12/31/2021

Steve Wasiecko

- Operations Manager, Library & Cultural Services
- Elected by employees in 2019
- Current term expires 12/31/2020

Non-Voting Board Members

City Manager - **Jim Twombly** (*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.

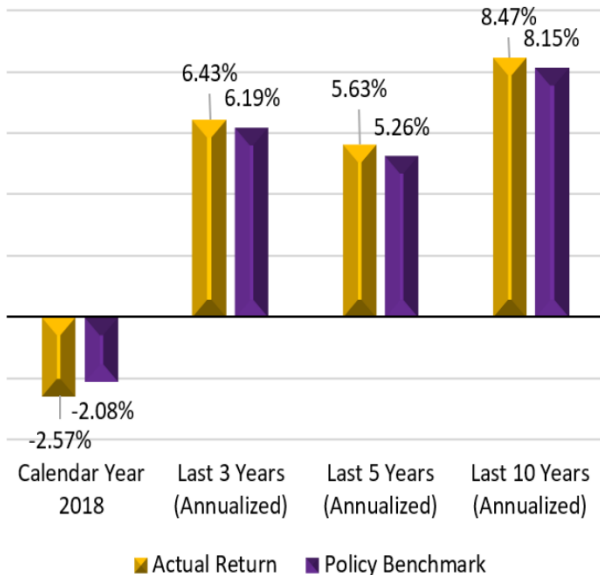
Assets are managed for the exclusive purpose of providing benefits to participants, retirees and beneficiaries, and to defray the reasonable costs of administering the Plan.

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.

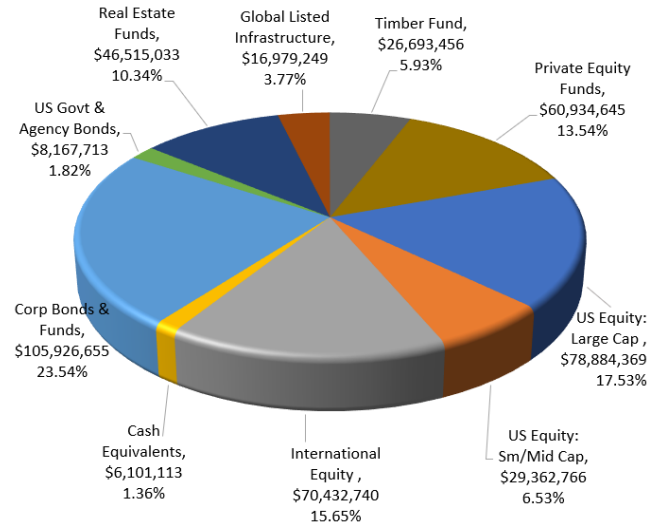
GERP's investment portfolio declined by 2.57% in 2018, mostly due to the fourth quarter decline of global equities by more than 13%. The S&P 500 Index lost 4.38% in 2018.

Recent Investment Performance



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

Asset Allocation as of 12/31/2018



Market Value of Investments by Manager

<u>U.S. Equity: Large Cap</u>	
BlackRock Institutional Trust Co.	\$78,884,369
<u>U.S. Equity: Small & Mid Cap</u>	
Smith, Graham & Company.	29,362,766
<u>Private Equity</u>	
Abbott Capital Management	29,246,294
HarbourVest Partners	<u>31,688,351</u>
	60,934,645
<u>International Equity</u>	
American Century Investments	13,388,673
Capital Group	26,320,139
Dodge & Cox	<u>30,723,928</u>
	70,432,740
<u>Fixed Income</u>	
Segall Bryant & Hamill	57,901,788
Western Asset Management	<u>56,192,580</u>
	114,094,368
<u>Real Estate</u>	
Cohen & Steers Capital Management	9,209,826
Heitman	21,859,608
Morgan Stanley.....	<u>15,445,599</u>
	46,515,033
<u>Global Listed Infrastructure</u>	
Cohen & Steers Capital Management.....	16,979,249
<u>Timber</u>	
Molpus Woodlands Group	26,693,456
<u>Cash Equivalents</u>	
	<u>6,101,113</u>
TOTAL	<u>\$449,997,739</u>

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 17, 2019, BKD LLP expressed an unmodified opinion (which is the highest level opinion) on the complete 2018 and 2017 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, 2018 AND 2017

	2018	2017
ASSETS		
Cash	\$ 91,499	\$ 120,605
Receivables		
Contributions	363,643	289,904
Interest and dividends	804,199	974,340
Securities sold	36,124	54,799
Other	3,208	1,863
Total receivables	<u>1,207,174</u>	<u>1,320,906</u>
Prepaid expenses	36,617	29,886
Investments, at fair value		
Short-term cash investments	6,101,113	10,547,072
Equity securities and funds	178,679,875	219,960,626
U.S. government and U.S. govt. agency obligations	8,167,713	7,040,053
Corporate bonds and funds	105,926,655	95,328,300
Real estate funds	46,515,033	45,585,572
Alternative investments	<u>104,607,350</u>	<u>96,588,892</u>
Total investments	<u>449,997,739</u>	<u>475,050,515</u>
Furniture and equipment, net	-	-
Total assets	<u>451,333,029</u>	<u>476,521,912</u>
LIABILITIES		
Accounts payable and accrued expenses	252,955	265,059
Benefits and refunds payable	86,500	108,031
Securities purchased	<u>625,499</u>	<u>592,356</u>
Total liabilities	<u>964,954</u>	<u>965,446</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$450,368,075</u>	<u>\$475,556,466</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, 2018 AND 2017

	2018	2017
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Contributions		
City of Aurora	\$ 7,632,330	\$ 7,321,152
Plan members	<u>7,638,089</u>	<u>7,326,872</u>
Total contributions	15,270,419	14,648,024
Investment income		
Net appreciation (depreciation) in fair value of investment	(21,636,658)	52,764,310
Interest	2,263,238	2,088,738
Dividends	<u>5,943,842</u>	<u>5,853,853</u>
Less investment expenses	<u>(2,255,844)</u>	<u>(2,320,219)</u>
Net investment income (loss)	(15,685,422)	58,386,682
Other income	<u>10,148</u>	<u>20,306</u>
Total additions (reductions) to net position	(404,855)	73,055,012
DEDUCTIONS TO NET POSITION ATTRIBUTED TO:		
Benefits paid to participants	22,256,553	20,590,653
Refunds of contributions	1,971,763	1,564,295
Administrative expenses	<u>555,220</u>	<u>574,824</u>
Total deductions to net position	<u>24,783,536</u>	<u>22,729,772</u>
NET INCREASE (DECREASE) IN PLAN NET POSITION	(25,188,391)	50,325,240
NET POSITION RESTRICTED FOR PENSION BENEFITS AT BEGINNING OF YEAR	475,556,466	425,231,226
NET POSITION RESTRICTED FOR PENSION BENEFITS AT END OF YEAR	<u>\$450,368,075</u>	<u>\$475,556,466</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, 2019 report prepared by Milliman showed an actuarial value of assets of \$474.3 million and an actuarial accrued liability of \$508.9 million. GERP's unfunded actuarial liability was \$34.6 million, with a funded ratio of 93.2%. Based on current assumptions, the Plan's normal cost was 11.0% of active member pay. The total required contribution necessary to cover normal cost and amortize the unfunded liability was 13.5% of pay. Employees and the City contribute a total of 14.0% of pay for 2018 and 2017.

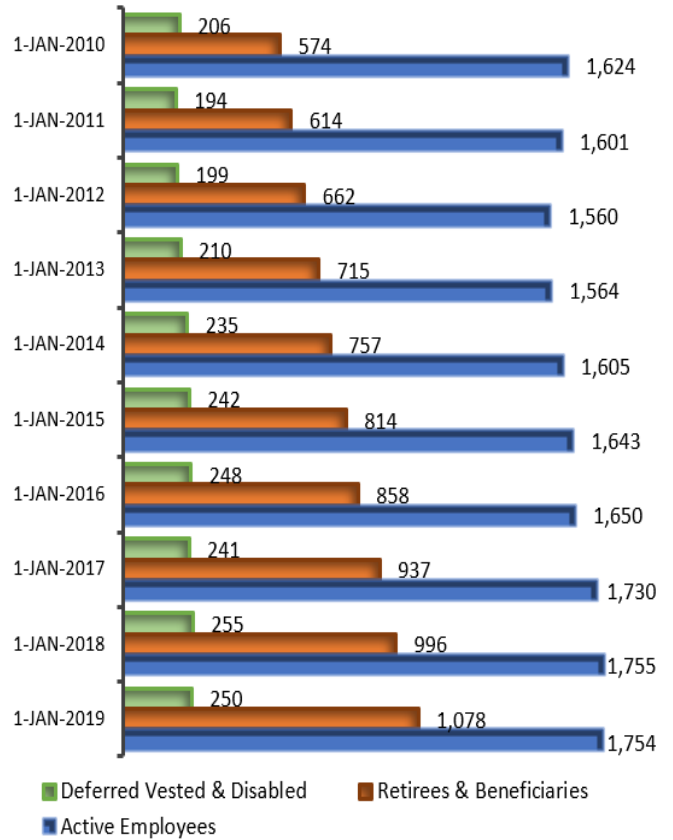
The Plan uses the entry age normal cost method for determining its benefit liability. The investment return assumption and the projected inflation rate remain at 7.25% and 2.75% respectively. Last year the Retirement Board reduced both by 0.50% each. A three-year smoothing formula is applied to investment 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 in the future.

Detailed actuarial information and analysis is presented in GERP's **2018 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, 2019, the Plan had 3,082 participants. Below is a breakdown of the number of participants by membership type for the last ten years.

Trend in GERP membership by category



(in \$Millions)

