

GERP NEWS

City of Aurora General Employees' Retirement Plan

September, 2019



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COMING SOON FOR RETIREES...

ONLINE ACCESS TO YOUR RETIREMENT ACCOUNT!

If you currently receive a pension check from the City of Aurora General Employees' Retirement Plan, you will soon be able to manage your account by logging into the Northern Trust Participant Portal.

Options available:

- Change your address
- Update tax withholding
- Download tax forms
- Update Direct Deposits
- Opt out of paper statements

You will receive instructions with your October Earnings Statement from Northern Trust on how to set up your online account.

Watch your mailbox for more information!

Retirement Board Election Set for October 23rd

Have you ever thought about taking an active role in overseeing your pension plan? Next month GERP will hold an election for an employee representative on its Board of Trustees. Every City employee who participates in GERP is eligible to run for this position and to vote in the election. The winner will begin a 3-year term on the Board in January 2020.

The GERP Board is comprised of eleven members who represent employees, management and citizens of the City of Aurora. It administers a defined benefit pension plan with assets of approximately \$475 million. The Board normally meets 16 times per year to oversee investments, set policy, authorize benefits and supervise the administration of the plan.

Board members are fiduciaries, meaning that they must act solely in the interest of plan participants. They are often required to make decisions on complex financial and legal issues.

Are you interested in serving on the GERP Board?

Prospective candidates should notify GERP's Plan Administrator Steve Shanks in writing either by email to steve@auroragerp.org, or US mail sent to 12100 E. Iliff Ave, Suite 108, Aurora, CO 80014. Notification must be no later than 5:00 p.m. on Friday, September 13th and should include name, division and/or department, home address and phone and email contact information.

Each candidate will also be asked to submit an informational profile of not more than 150 words by Thursday, September 26th. The profile should describe the candidate's background, experience, achievements, interests and/or reasons for wanting to serve on the Board. Each candidate's statement will be distributed to employees prior to the election.

Ballots will be distributed by payroll clerks to their work groups beginning Monday, October 21st and will be collected on Election Day, Wednesday, October 23rd. Employees who do not expect to be at their regular workplace on those days (including those on paid or unpaid leave) may request an **absentee ballot** from the GERP Plan Administrator prior to the election.

How Does GERP Work?

Defined Benefit Retirement Plans are not as common as they once were, so we get a lot of questions. Below are some of them. Every person's situation is a little different, so if you have questions, please feel free to call our office anytime!

Q: *What is GERP?*

A: GERP is a defined benefit pension plan providing guaranteed lifetime pension benefits based on a formula.

Q: *What are the age and service requirements to qualify for a pension?*

A: You qualify for a pension at age 65 if you were hired before 2012 and at age 67 if you were hired in 2012 or after. If you have more than 5 years of service, you qualify for an unreduced pension starting at the ages above. If you have more than 10 years of service, you qualify for a potentially reduced pension at age 50.

Q: *What is the formula used to determine my benefit at retirement?*

A: The unreduced defined benefit formula is: ***1.75% X (Final Average Monthly Pay) X (Years of Service) = Monthly Benefit for Life***. You will get an unreduced pension if you are 65 or 67, depending on your hire date, or if your age and service total 80. Another calculation based on annuity factors is made for each retiree, but only used if it is higher.

Q: *Do I have to meet the Rule of 80 to start my benefits?*

A: No. You can start a pension as early as age 50 with 10 years of service.

Q: *Do I have to have 15 years of service to have an unreduced pension benefit?*

A: No. You are vested in your monthly benefits at 5 years of service and qualify for early retirement at 10 years of service. The Vested City contribution percentage does not impact your defined benefit pension amounts.

Q: *When would I receive a reduced pension?*

A: If you qualify for early retirement and start collecting your benefit before normal retirement age or before you reach the rule of 80 (years worked + age = 80).

Q: *Does my GERP benefit affect how much Social Security I receive?*

A: No, all members of GERP are paying into Social Security while working at the City of Aurora, so your GERP benefit will not reduce your Social Security benefit. The Windfall Elimination Provision does not apply to GERP participants.

Q: *Can I take a loan against my GERP benefit?*

A: No. Defined benefit plans rarely provide a loan option. Your benefits from the Plan are not simply a cash value and your assets are pooled with other participants, so a loan option is inappropriate for this type of plan.

Q: *What is the cash value?*

A: You always have the option of taking a cash value instead of a pension benefit. Your cash value is equal to your contributions, interest, and Vested City contributions. The cash value is usually worth significantly less than the expected value of your lifetime pension benefits. At 5 years of service, the Vested City contribution is 50% of your contributions and interest. Each year the percentage goes up by 5% until you are 100% Vested at 15 years of service.

Q: *How does it work? How can the Plan pay these promised benefits?*

A: GERP collects contributions from employees and the City of Aurora and invests them. The combination of contributions and the income generated by the investments are held in one large pool and are available to pay all benefits. Since the pool of investments continues to receive contributions even after you retire, there will continue to be assets to pay your promised benefits. Also, if the investments in the pool suffer a loss, the pool continues to receive contributions and investment earnings to make up for the loss over time.

Q: *How does GERP know the pool of investments will be enough to pay the benefits promised to members?*

A: Each year actuaries are engaged to measure the current cost of benefits promised to members and compare that to the value of the Plan's assets (pool of investments). As of January 1, 2019 the actuaries estimate that GERP is 93.2% funded and the contribution level will bring GERP to a fully funded status over time. According to the Milliman 100 Public Pension Funding Index, as of the end of 2018 only eight of the 100 largest defined benefit plans sponsored by U.S. governments remained above 90% funded. This means GERP is one of the best funded pension plans in the country.

Who Participates in GERP?

GERP was created by the Aurora City Council to provide retirement benefits for the City’s career service employees and their beneficiaries. Police officers, firefighters, elected officials, the city manager and department directors participate in other retirement plans sponsored by the City.

Membership has grown significantly over the past 50 years and now includes more than 3,000 participants. The tables below show how member characteristics have changed over the most recent year.

Active Employees

	1/1/2018	1/1/2019
Total employees	1,755	1,754
<i>Tier 1*</i>	856	758
<i>Tier 2*</i>	899	996
Average age	46.3 years	45.8 years
<i>Tier 1</i>	52.6 years	52.9 years
<i>Tier 2</i>	40.2 years	40.5 years
Average service	9.5 years	9.1 years
<i>Tier 1</i>	16.9 years	17.5 years
<i>Tier 2</i>	2.4 years	2.7 years
Average annual salary	\$61,183	\$63,815
<i>Tier 1</i>	\$67,337	\$71,606
<i>Tier 2</i>	\$55,324	\$57,885

250 new employees were hired in 2018, while 251 GERP members left the active workforce.

The new employees hired in 2018 reduced the overall average age and average years of service slightly.

Average compensation for all members grew by 4.3% between 2018 and 2019.

* Employees who were hired before 2012 are referred to as Tier 1 members. Their normal retirement age is 65.

* Tier 2 includes all members who were hired in 2012 or after. Their normal retirement age is 67.

Both groups may be eligible for early retirement or the “Rule of 80” once they reach age 50.

Retirees and Beneficiaries

	1/1/2018	1/1/2019
Total retired members	996	1,078
Average age	70.7 years	70.7 years
Average annual benefit	\$21,432	\$22,236

94 new retirees and beneficiaries were added to the monthly pension rolls last year while 17 pensioners passed away.

Deferred Vested and Disabled Members

	1/1/2018	1/1/2019
Total retired members	255	250
Average age	50.8 years	51.0 years

This group consists of 231 former employees, 3 beneficiaries of deceased employees & 16 disabled members, all of whom can start collecting monthly benefits upon reaching retirement age. Any participant who leaves employment after 5 or more years of service has the option to leave contributions in the plan and become a deferred vested member.

Will you be Ready for Retirement?

This coming May, GERP will again offer its acclaimed “Retirement Ready” workshop to help employees prepare for life once their working careers end. Our two-part program is designed to offer objective, factual information without trying to sell you anything. The material is presented by an independent employee benefit communications firm, so you won’t be hearing a financial services sales pitch disguised as education.



Topics will include:

- An explanation of your GERP benefits
- Overview of Social Security and Medicare benefits
- Budgeting for retirement
- Investing fundamentals
- Estate planning overview
- How to avoid being taken advantage of by financial services predators

If you are age 50 or older and haven’t attended in the past, you’ll be receiving a personal invitation in the mail to attend this very valuable program.

In Memoriam . . .

Retirees

<u>Retirees</u>	<u>Date of Death</u>
<i>Simon O. Adams</i>	<i>April, 2019</i>
<i>Wayne L. Bentzinger</i>	<i>April, 2019</i>
<i>Donnie R. Blackwell</i>	<i>September, 2018</i>
<i>Mary G. Bleecker</i>	<i>June, 2019</i>
<i>Jose Cadena</i>	<i>October, 2018</i>
<i>Charles E. Chenoweth</i>	<i>November, 2018</i>
<i>Darlene M. Daly</i>	<i>March, 2019</i>
<i>Marshall G. Darnell</i>	<i>January, 2019</i>
<i>Antonino E. Giardina</i>	<i>January, 2019</i>
<i>Shahid Husain</i>	<i>February, 2019</i>
<i>Eric S. Johnson</i>	<i>April, 2019</i>
<i>Richard P. Madrid</i>	<i>February, 2019</i>
<i>Carolee M. Pearson</i>	<i>July, 2019</i>
<i>Jennine Regas</i>	<i>February, 2019</i>
<i>Nancy Stafford</i>	<i>October, 2018</i>
<i>Robert L. Stover</i>	<i>May, 2019</i>
<i>Wendell Stubblefield</i>	<i>April, 2019</i>
<i>Lola M. Wallace</i>	<i>December, 2018</i>
<i>Joan M. Wilkes</i>	<i>February, 2019</i>

Beneficiaries

<i>Timothy C. Armagost</i>	<i>February, 2019</i>
<i>Anna Grossman</i>	<i>April, 2019</i>
<i>Helen M. Ladouceur</i>	<i>May, 2019</i>
<i>Geraldine Purto</i>	<i>August, 2019</i>
<i>G. Janice Spagnola</i>	<i>December, 2018</i>

Active Employees

<i>Anthoni M. Readus</i>	<i>August, 2018</i>
<i>Thomas D. Neubert</i>	<i>August, 2019</i>

Find copies of the Participant’s Benefit Guide, audited financial statements, tax information, forms and much more at GERP’s website: <http://www.auroragerp.org>

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