

GERP Administrative Staff

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

Professional Service Providers

Certified Public Accountants
FORVIS Denver, CO

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

Investment Consultant
Callan Associates, Inc. Denver, CO

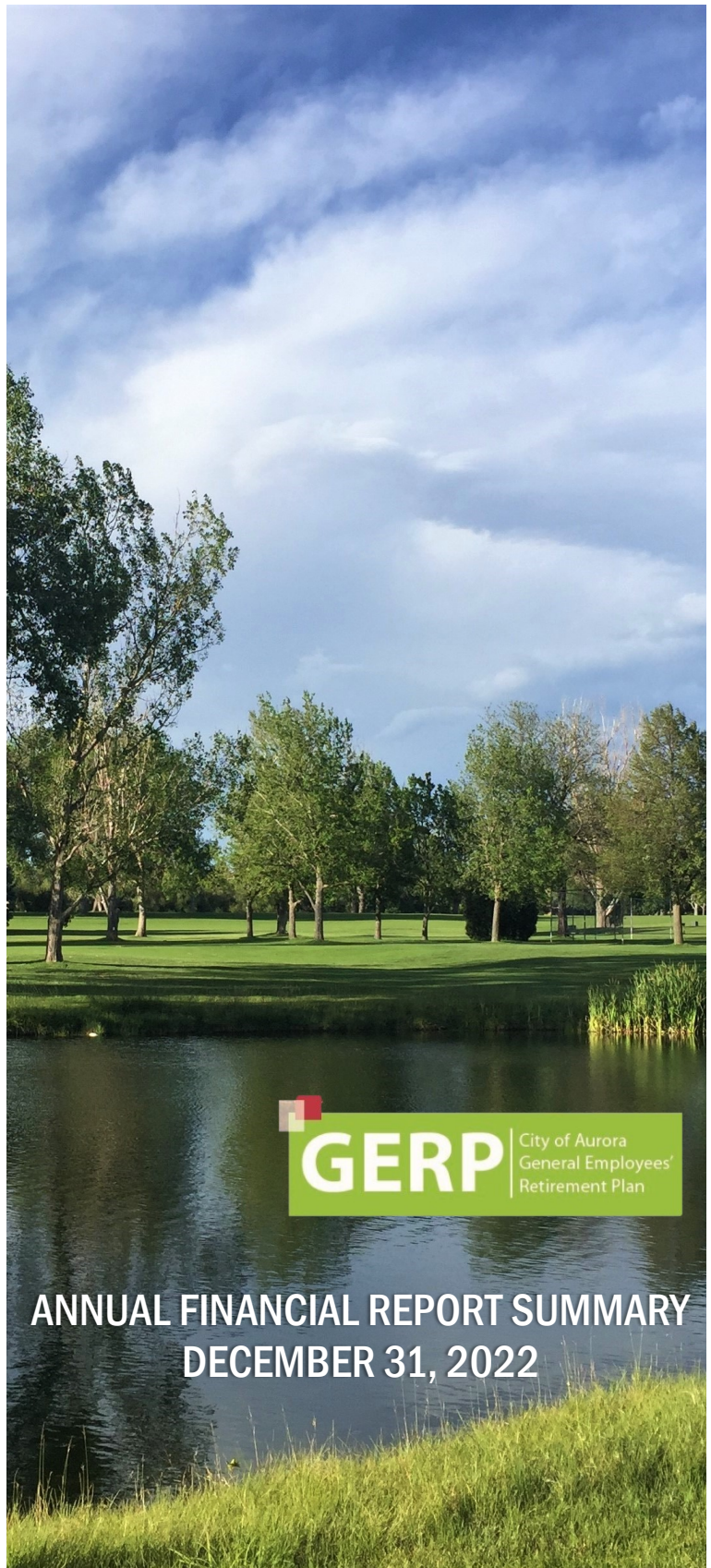
Legal Advisor for Tax and Regulatory Issues
Reinhart Boerner Van Deuren SC Milwaukee, WI

Pension Actuary
Milliman Denver, CO



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
Website: www.auroragerp.org



ANNUAL FINANCIAL REPORT SUMMARY
DECEMBER 31, 2022

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 2023, 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.

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 2023.

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

Cliff Haight

- Vehicle and Equipment Coordinator, Aurora Water
- Elected by employees in 2016
- Current term expires 12/31/2023

Andrew Jamison

- Senior Analyst - Debt, Treasury & Investments, City of Aurora Finance Department
- Elected by employees in 2019
- Current term expires 12/31/2025

David L. McConico (*Chair*)

- Executive Director, The Financial Education and Economic Transformation Center
- First appointed by City Council in 1994
- Current term expires 12/31/2023

Michelle Reding

- Owner and CFO, Dry Dock Brewing Company and The Brew Hut
- Appointed by City Council in 2012
- Current term expires 12/31/2024

Sue Sandstrom (*Vice Chair*)

- Arapahoe County Treasurer
- Selected by the Board in December 2011
- Previously served as GERP trustee, 1997-2003
- Current term expires 12/31/2024

Tom Tobiassen

- Systems Engineer, Cyber Security, Zeta Associates, Inc.
- Appointed by City Council in 2020
- Current term expires 12/31/2025

Trevor C. Vaughn

- Manager of Tax and Licensing, City of Aurora Finance Department
- Elected by employees in 2015
- Current term expires 12/31/2024

Non-Voting Board Members

City Manager - **Jim Twombly** (*represented by Sheree Van Buren*)

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

Director of Human Resources - **Ryan Lantz**

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.

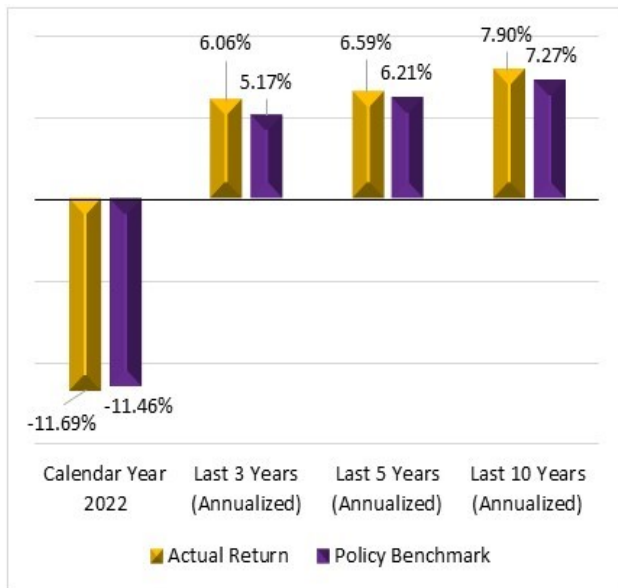
Assets are managed for the exclusive purpose of providing benefits to participants, retirees and beneficiaries, and to defray the reasonable costs of administering the Plan.

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.

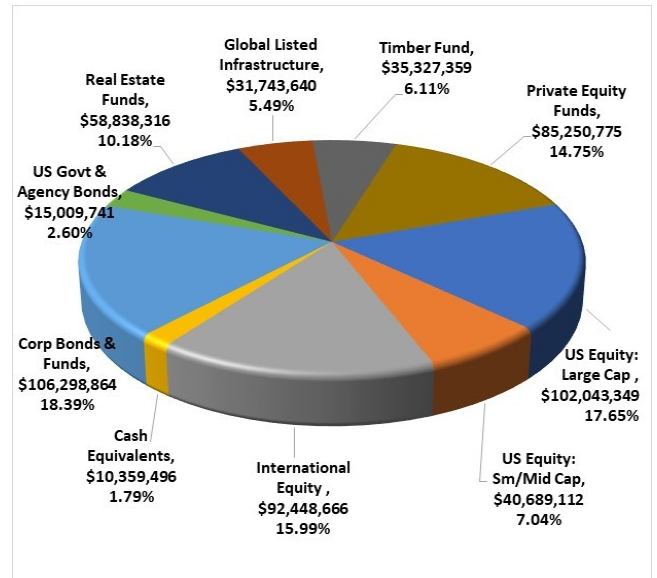
GERP's investment portfolio decreased by 11.69% in 2022, mostly due to the conflict in Europe and persistent inflation. The S&P 500 Index lost 18.11% in 2022.

Recent Investment Performance



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

Asset Allocation as of 12/31/2022



Market Value of Investments by Manager

<u>U.S. Equity: Large Cap</u>	
BlackRock Institutional Trust Co.	\$102,043,349
<u>U.S. Equity: Small & Mid Cap</u>	
Smith, Graham & Company.	40,689,112
<u>Private Equity</u>	
Abbott Capital Management	36,474,392
HarbourVest Partners	47,211,929
Pantheon.....	<u>1,564,454</u>
	85,250,775
<u>International Equity</u>	
American Century Investments	16,107,672
Capital Group	34,723,031
Dodge & Cox	<u>41,617,963</u>
	92,448,666
<u>Fixed Income</u>	
Segall Bryant & Hamill	60,775,444
Western Asset Management	<u>60,533,161</u>
	121,308,605
<u>Real Estate</u>	
Cohen & Steers Capital Management	10,231,109
Heitman	26,203,144
Morgan Stanley.....	<u>22,404,063</u>
	58,838,316
<u>Global Listed Infrastructure</u>	
Cohen & Steers Capital Management	31,743,640
<u>Timber</u>	
Molpus Woodlands Group	35,327,359
<u>Cash Equivalents</u>	
	<u>10,359,496</u>
TOTAL	<u>\$578,009,319</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 26, 2023, FORVIS, LLP expressed an unmodified opinion (which is the highest level opinion) on the complete 2022 and 2021 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, 2022 AND 2021

	2022	2021*
ASSETS		
Cash	\$ 153,568	\$ 124,027
Receivables		
Contributions	755,863	715,692
Interest and dividends	706,003	706,465
Securities sold	68,087	939,514
Other	22,661	14,647
Total receivables	1,552,614	2,376,318
Prepaid expenses	48,453	38,518
Investments, at fair value		
Short-term cash investments	10,359,496	13,409,023
Equity securities and funds	235,181,127	284,035,487
U.S. government and U.S. govt. agency obligations	15,009,741	11,585,657
Corporate and government bonds and funds	106,298,864	140,544,037
Real estate funds	58,838,316	52,753,799
Alternative investments	152,321,774	169,889,352
Total investments	578,009,318	672,217,355
Lease asset, net	96,226	137,465
Total assets	579,860,179	674,893,683
LIABILITIES		
Accounts payable and accrued expenses	233,012	214,434
Benefits and refunds payable	119,295	371,857
Securities purchased	344,687	533,379
Lease liability	99,300	139,698
Total liabilities	796,294	1,259,368
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$579,063,885	\$673,634,315

* Restated for Implementation of GASB 87

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, 2022 AND 2021

	2022	2021*
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Contributions		
City of Aurora	\$ 9,393,456	\$ 8,732,379
Plan members	<u>9,394,498</u>	<u>8,732,412</u>
Total contributions	18,787,954	17,464,791
Investment income		
Net appreciation (depreciation) in fair value of investment	(83,098,660)	102,310,979
Interest	2,247,318	2,041,760
Dividends	<u>5,029,934</u>	<u>10,208,406</u>
Less investment expenses	<u>(2,537,245)</u>	<u>(2,459,915)</u>
Net investment income (loss)	(78,358,653)	112,101,230
Other income	<u>3,531</u>	<u>5,104</u>
Total additions (reductions) to net position	(59,567,168)	129,571,125
DEDUCTIONS TO NET POSITION ATTRIBUTED TO:		
Benefits paid to participants	31,617,329	29,667,046
Refunds of contributions	2,774,106	2,463,308
Administrative expenses	<u>611,827</u>	<u>556,982</u>
Total deductions to net position	<u>35,003,262</u>	<u>32,687,336</u>
NET INCREASE (DECREASE) IN PLAN NET POSITION	(94,570,430)	96,883,789
NET POSITION RESTRICTED FOR PENSION BENEFITS AT BEGINNING OF YEAR	<u>673,634,315</u>	<u>576,750,526</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS AT END OF YEAR	<u>\$579,063,885</u>	<u>\$673,634,315</u>

* Restated for Implementation of GASB 87

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 Board has a fiduciary responsibility to use accurate and up to date actuarial assumptions. In 2019, the Board adopted new actuarial assumptions which included increasing life expectancy, decreasing the return assumption to 7%, and decreasing the inflation assumption to 2.5%. These assumption changes increased the actuarial accrued liability by \$36.1 million in 2019. There were no changes in assumptions for 2021 or 2022.

The January 1, 2023 report prepared by Milliman showed a three-year smoothed actuarial value of assets of \$638.3 million and an actuarial accrued liability of \$669.5 million. GERP's unfunded liability was \$31.2 million with a funded ratio of 95.0%. Based on current assumptions, the Plan's normal cost was 11.1% of eligible participant pay. The total required contribution necessary to cover normal cost and amortize the unfunded liability was 12.6% of eligible participant pay. The normal cost rate is projected to decrease over the next several years.

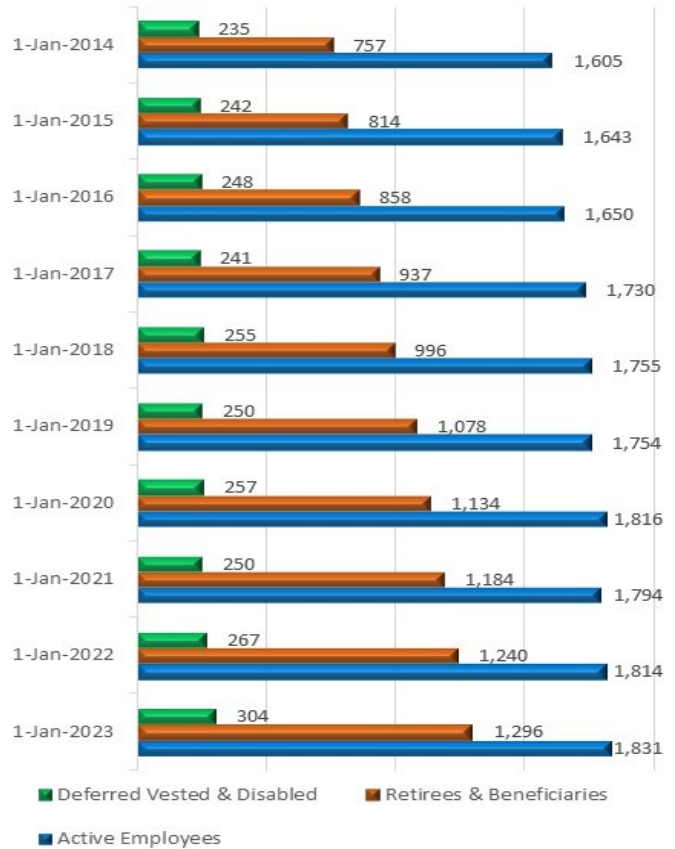
Detailed actuarial information and analysis is presented in GERP's **2022 Annual Comprehensive Financial Report**.

The chart below shows the long-term funded status of the Plan. Investment losses in 2008 caused GERP's assets to fall below its liabilities after which several Plan changes were implemented. Milliman's January 1, 2023 Actuarial Valuation projects that the current contribution rate would eventually fund the plan and pay off the unfunded liability.

GERP covers full and part-time career service and Council-appointed employees other than police officers, firefighters, elected officials, certain executive personnel and temporary employees.

As of January 1, 2023, the Plan had 3,431 participants, shown below by membership type for the last ten years.

Trend in GERP Membership by Category



(in \$Millions)

