



# **Comprehensive Annual Financial Report**

**For the year ended December 31, 2012**

## **City of Aurora General Employees' Retirement Plan**

***A component unit of the City of Aurora, Colorado***

**GERP**

City of Aurora  
General Employees'  
Retirement Plan

Certificate of Achievement  
for Excellence  
in Financial Reporting

Presented to

City of Aurora  
General Employees' Retirement Plan  
Colorado

For its Comprehensive Annual Financial Report  
for the Fiscal Year Ended  
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting  
is presented by the Government Finance Officers Association  
of the United States and Canada to government units and  
public employee retirement systems whose  
comprehensive annual financial reports (CAFRs)  
achieve the highest standards in government  
accounting and financial reporting.



*Christopher P. Morrell*

President

*Jeffrey R. Emer*

Executive Director

# City of Aurora General Employees' Retirement Plan

A component unit of the City of Aurora, Colorado

## Comprehensive Annual Financial Report

For the year ended December 31, 2012

Prepared by the General Employees' Retirement Board

Thomas Connell, Pension Plan Administrator

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12100 East Iliff Avenue, Suite 108  
Aurora, Colorado 80014  
(303) 368-9160  
[www.auroragerp.qwestoffice.net](http://www.auroragerp.qwestoffice.net)

May 31, 2013

To the Honorable Mayor, City Council and citizens of the City of Aurora, Colorado:

The comprehensive annual financial report of the City of Aurora General Employees' Retirement Plan ("GERP") for the year ended December 31, 2012 is hereby submitted for your information and review. The Plan is a component unit of the municipal government of the City of Aurora, Colorado.

This report is prepared under the authority of Aurora City Code section 102-145(g), which requires the Retirement Board to submit a financial report to City Council and to Plan participants each year. Responsibility for the accuracy, completeness and fairness of this presentation, including all disclosures, rests with the Retirement Plan administration. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Plan. All disclosures necessary to enable the reader to gain an understanding of the Plan's financial activities have been included.

This comprehensive annual financial report is presented in five sections:

- The **introductory** section, which is unaudited, includes this letter of transmittal, the Plan's organizational chart and a listing of trustees, staff and service providers.
- The **financial** section includes the independent auditors' report, management's discussion and analysis, the basic financial statements and notes, required supplementary information and additional information.
- The **investment, actuarial** and **statistical** sections, which are unaudited, include selected financial and demographic information presented on a multi-year basis.

## **Plan Background**

The City of Aurora General Employees' Retirement Plan is a defined benefit pension plan created by the Aurora City Council in 1967 for the exclusive benefit of participants and their beneficiaries. Participation in the Plan is mandatory for the City's career service employees, for Council-appointed employees hired after 1997 and for the Plan's administrative staff members; the City's executive personnel have the option to participate. The Plan is intended to qualify under section 401(a) of the Internal Revenue Code and the trust created under the Plan is intended to be exempt under section 501(a).

In 2012 participating employees contributed 5.75% of their gross compensation to GERP. The City of Aurora contributed an equal amount, for a total contribution of 11.5% of pay. Under the plan changes approved by City Council in 2011, the employee contribution rate and the City's matching contribution will both increase by one-quarter percent each year until 2017, when the combined rate reaches 14.0% of pay. Thereafter, the contribution rate will be automatically adjusted based on the Plan's funded status.

Contributions received by GERP are held in trust, under the supervision of its Board of Trustees. The trustees have designated a custodian for Plan assets and have delegated investment authority to several registered investment advisors. A Pension Plan Administrator and support staff are employed by the Board to carry out administrative functions. The Board also contracts with consultants and advisors as needed.

Upon termination of employment, retirement, or death, a participant (or beneficiary) may qualify for a monthly pension, determined by the participant's age, final average pay and length of service. Alternatively, they may choose to receive a lump sum distribution of their contribution account balance and vested City contributions. Those who elect to retire and collect a regular pension benefit may also receive a supplemental benefit, which is an additional cash payment intended to assist retirees with health care expenses. Both the regular and supplemental benefits are subject to annual cost of living adjustments. A \$6,250 lump sum death benefit is payable to the designated beneficiary upon the death of a retired employee who had been receiving a monthly pension.

### **Major Initiatives in 2012**

The Plan continued to make progress in reducing its unfunded liability, helped by both stronger than expected investment performance and by actuarial liability gains. The Retirement Board intends to conduct a comprehensive review of each of its economic and demographic assumptions over the coming year in preparation for the new financial reporting standards that will go into effect in 2014. A comprehensive review of the Board's fiduciary practices is also planned.

Through its website, newsletters and workshops for employees, GERP has continued to promote understanding of Plan benefits, financial literacy and "retirement readiness."

### **Financial Information**

The Board of Trustees is vested with the responsibility for the general administration, management and proper operation of the Plan, including the determination of eligibility for benefits and the supervision of trust fund investments. As the Board's chief administrative officer, the Pension Plan Administrator has established an internal control structure. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements and that Plan assets are protected from loss, theft or misuse. The Pension Plan Administrator also serves as secretary and treasurer of the Board and is

charged with maintaining records, compiling accounting data and preparing financial statements in conformity with accounting principles generally accepted in the United States of America. The Plan's financial statements are audited and its internal control structure is evaluated annually by the independent auditor.

An annual expense budget is prepared by the Pension Plan Administrator and approved by the Board. The Board's authorization (through either the budget or a special appropriation) is required for the expenditure of any funds from the retirement trust. As demonstrated by the statements, schedules and report of the independent auditor included in the financial section of this report, the Board continues to meet its responsibility for sound operational and financial management.

### **Funded Status**

GERP's funded ratio (based on the actuarial value of assets) was 92.2% on January 1, 2013, an increase from 90.6% in the previous year. The unfunded liability declined from \$33.4 million at the start of 2012 to \$28.8 million at year end. Due to the Plan's 3-year smoothing of investment gains and losses, 2008's abnormally large loss has been fully recognized in the actuarial valuation.

*Normal cost* (the cost of anticipated benefits for active participants that is allocated to the current year) was 12.44% of payroll at the start of 2013. While normal cost has trended downward in recent years, it still exceeds the Plan's current contribution rate. The *total required contribution* (which includes normal cost and an amortized portion of the unfunded liability) was 14.53% of payroll.

The changes adopted by Council in 2011 have put the Plan on course to fully cover the normal cost by the next year and will eventually lead to the elimination of the remaining unfunded liability.

### **Investment Activities**

Last year the Retirement Board made a new investment in a U.S. core real estate fund and approved an additional commitment to one of its private equity "fund of funds" managers.

GERP's investment portfolio earned 12.27% in 2012, compared with a 12.89% median return for mid-sized U.S. public funds. The Plan's more conservative asset allocation, which has helped to dampen losses in down market years, limits gains during rising market periods such as last year. Over the past ten years encompassing both rising and falling markets, GERP's performance has ranked within the top half of its peer group. Callan Associates Inc. prepared the analysis of investment results which is included in Section III of this report, pages 43 to 60.

All invested assets are held in trust by State Street Bank & Trust Company, the Plan's custodian, or in the case of commingled funds and partnerships, by other independent custodians.

## **Independent Audit**

Section 102-145(g) of the Aurora City Code requires the Board to engage a certified public accountant to conduct an independent audit of the Plan each year. CliftonLarsonAllen LLP performed the calendar year 2012 audit in accordance with auditing standards generally accepted in the United States of America, and with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Their opinion on the Plan's financial statements is included in the financial section of this report. Plan management's discussion and analysis of the financial statements also appears in the financial section.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Aurora General Employees' Retirement Plan for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the thirteenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgment**

The Board wishes to thank the Mayor and the members of the Aurora City Council for their continued interest in and support of the Plan.

Respectfully submitted,



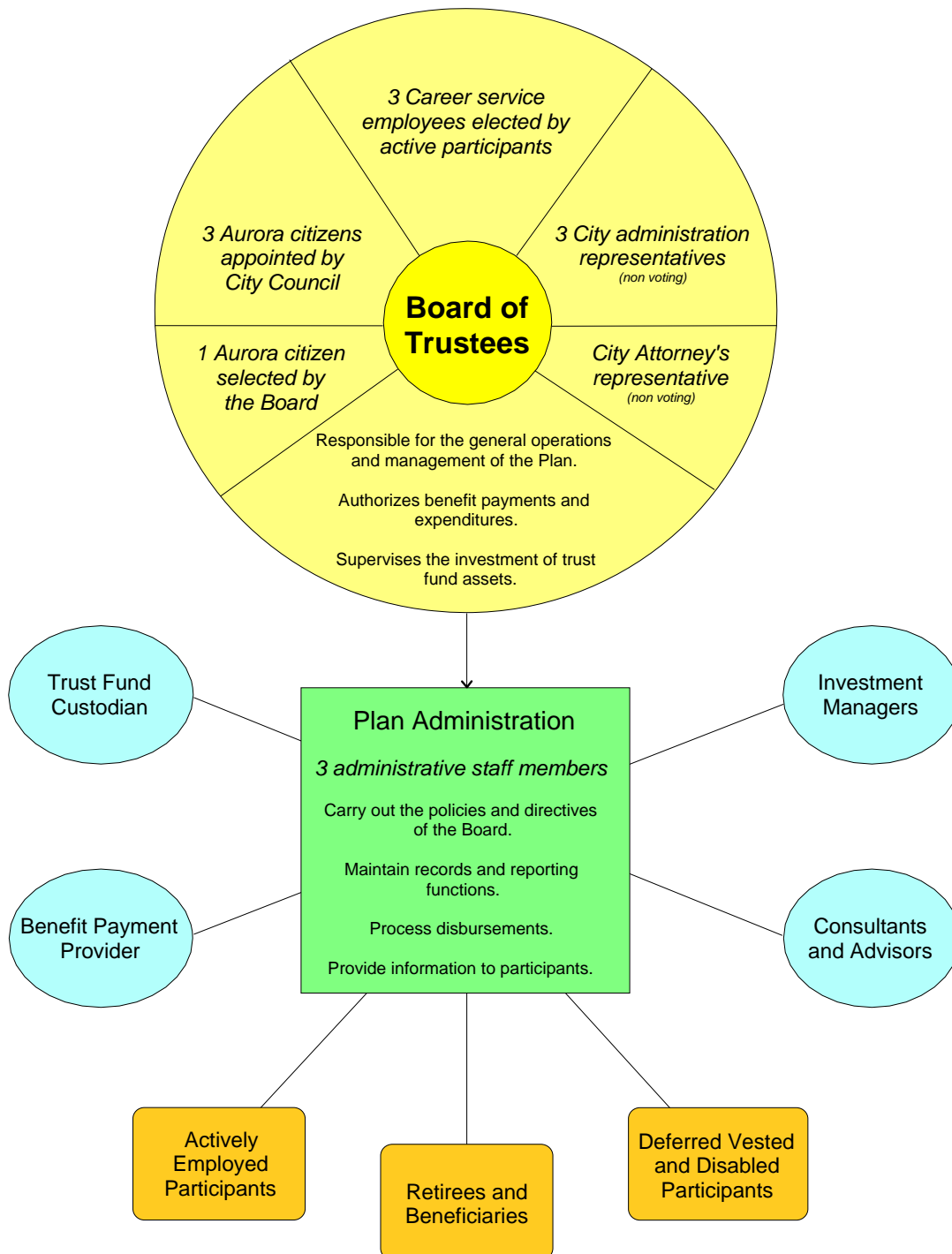
John M. Lichtner  
Chairperson, Board of Trustees



Thomas Connell  
Pension Plan Administrator



## City of Aurora General Employees' Retirement Plan Organizational Chart



**Retirement Board Trustees and Staff Members  
Plan Year 2012**

**Voting Trustees**

Rebecca Bryant-Haight	<i>Employee Elected</i>
Helen B. DiBartolomeo	<i>Council Appointed</i>
Robert B. Gray*	<i>Council Appointed</i>
Dawn M. Jewell	<i>Employee Elected</i>
John M. Lichtner	<i>Employee Elected</i>
David L. McConico	<i>Council Appointed</i>
Sue Sandstrom	<i>Board Selected</i>

\* Mr. Gray completed his term in December 2012 and was replaced by Michelle Reding DeLange.

***Ex Officio* Members of the Board**

Jason P. Batchelor (represented by Ted Frost)	<i>Director of Finance</i>
George K. Noe (represented by Janice Napper)	<i>City Manager</i>
Kin P. Shuman☒	<i>Director of Internal Services</i>

☒ Mr. Shuman retired from City employment in August 2012 and was replaced by Daniel Quillen.

**City Attorney's Representative**

Stacie G. Evans	<i>Assistant City Attorney</i>
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**Administrative Staff**

Thomas Connell	<i>Pension Plan Administrator</i>
Aaron D. Kahn	<i>Benefit Administrator</i>
Karen L. MacDonald	<i>Administrative Assistant</i>





City of Aurora  
General Employees' Retirement Plan



## INDEPENDENT AUDITORS' REPORT

The Retirement Board  
City of Aurora General Employees' Retirement Plan

### Report on the Financial Statements

We have audited the accompanying financial statements of the City of Aurora General Employees' Retirement Plan (the Plan), a component unit of the City of Aurora, Colorado, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2012 and 2011, and the changes in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and schedule of employer contributions on pages 11 – 18 and 34 – 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the City of Aurora General Employees' Retirement Plan City of Aurora General Employees Retirement Plan's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, investment section, actuarial section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of the City of Aurora General Employees' Retirement Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Aurora General Employees' Retirement Plan's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
April 18, 2013

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2012 and 2011**

This section presents an overview and analysis of the financial statements of the City of Aurora General Employees' Retirement Plan ("GERP" or the "Plan") for the years ended December 31, 2012 and 2011, and was prepared by GERP's management. It should be read in conjunction with the Plan's financial statements, the notes to the financial statements and the required supplementary information.

**Financial highlights:**

- The net position of the Plan held in trust for pension benefits was valued at \$342.1 million as of December 31, 2012, an increase of \$28.8 million from the prior year.
- The GERP portfolio earned a return of 12.27% for the year. International equity, U.S. equity and real estate investments led performance, followed by smaller gains from private equity funds and fixed income. The Plan's latest 3, 5 and 10-year annualized rates of return were 9.16%, 3.30% and 7.15% respectively.
- As of January 1, 2012 (the date of the most recent actuarial valuation report) GERP's funded ratio<sup>1</sup> was 90.6%, compared with 88.7% in the January 1, 2011 report. The Plan uses a three-year smoothing method to determine the actuarial value of assets, which delays the recognition of gains or losses experienced in the most recent two years. On a market value basis, assets were \$41.1 million below the actuarial accrued liability at the start of 2012.

**Overview of the financial statements:**

GERP's financial presentation is composed of four parts: (1) the financial statements; (2) notes to the financial statements; (3) required supplementary information and (4) additional supplementary information. Below is a summary of the information provided in each of these sections.

**Financial statements:**

The *Statements of Plan Net Position* present information on the Plan's assets and liabilities and the resulting net position held in trust for pension benefits. They indicate the fair value of GERP's investments, cash deposits and accounts payable and receivable on the last day of calendar years 2012 and 2011.

The *Statements of Changes in Plan Net Position* present the Plan's transactions under the categories of *Additions* and *Deductions*. *Additions* include contributions to GERP by the City of Aurora and by participating employees, net appreciation in the fair value of investments, dividend and interest income and other miscellaneous sources of income. Investment income is reduced by investment-related expenses such as asset management fees, custody charges and consulting fees. *Deductions* include outlays for monthly pension benefits, death benefits, refunds of contributions to employees and fees paid for professional services and administrative expenses.

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<sup>1</sup> The *funded ratio* is the actuarial value of assets divided by the actuarial accrued liability.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2012 and 2011**

**Overview of the financial statements (continued):**

**Notes to financial statements:**

The *Notes to Financial Statements* provide detailed information and explanations that are essential to a more complete understanding of the Plan's financial statements.

**Required supplementary information:**

This section consists of two historical trend exhibits concerning the funding status of GERP, a *Schedule of Funding Progress* and a *Schedule of Employer Contributions*. These exhibits are accompanied by the *Notes to Required Supplementary Information*, and the actuarial assumptions and methods used by the Plan are summarized at Note 7 within the notes to the financial statements.

**Additional supplementary information:**

The information in this section is not a required part of the basic financial statements, but is provided by the Plan for purposes of additional analysis. A *Schedule of Administrative Expenses* and a *Schedule of Investment Expenses* offer a more detailed accounting of GERP expenditures.

**Financial analysis:**

GERP's total assets were \$345.2 million as of December 31, 2012 compared with \$313.8 million as of December 31, 2011 and \$311.3 million at the end of 2010. Investment returns rebounded last year, following the subdued performance of 2011.

Total liabilities represent amounts owed to vendors, benefit payments due and payments for securities purchased. Liabilities were \$3.1 million as of December 31, 2012, boosted by a high payable amount for securities purchased at year-end.

A summary of GERP's net position for the years ended December 31, 2012, 2011 and 2010 is presented on the following page.



**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2012 and 2011**

**Financial analysis (continued):**

**Plan Net Position**

	December 31, 2012	December 31, 2011	2011 to 2012 Percentage Change	December 31, 2010	2010 to 2011 Percentage Change
<b>Assets</b>					
Cash	\$ 157,423	\$ 83,993	87.4%	\$ 106,821	(21.4%)
Receivables	3,036,565	1,096,615	176.9%	1,066,929	2.8%
Prepaid expenses and other	23,378	27,132	(13.8%)	26,140	3.8%
Investments	342,010,296	312,605,660	9.4%	310,115,499	0.8%
Furniture and equipment, net	-	-	-	-	-
<b>Total Assets</b>	<b>\$345,227,662</b>	<b>\$ 313,813,400</b>	<b>10.0%</b>	<b>\$311,315,389</b>	<b>0.8%</b>
<b>Liabilities</b>					
Accounts payable	\$ 261,347	\$ 356,090	(26.6%)	\$ 314,797	13.1%
Benefits payable	46,596	97,301	(52.1%)	96,189	1.2%
Securities purchased	2,798,814	78,200	3,479.0%	347,785	(77.5%)
<b>Total Liabilities</b>	<b>3,106,757</b>	<b>531,591</b>	<b>484.4%</b>	<b>758,771</b>	<b>(29.9%)</b>
<b>Total Net Position</b>	<b>\$342,120,905</b>	<b>\$ 313,281,809</b>	<b>9.2%</b>	<b>\$310,556,618</b>	<b>0.9%</b>

Total assets increased by 10.0% in 2012, which was less than the Plan's reported investment return of 12.27%. This difference is explained by the net withdrawal of \$7.6 million over the course of the year to pay benefits and expenses. Rates of investment return are calculated by an independent consultant using linked, time-weighted monthly returns. Contributions and withdrawals are taken into consideration, but fees billed directly by investment managers are not.

Below are the returns for each asset class together with their respective benchmark returns. A *benchmark* is a published market index whose characteristics and performance make it a generally accepted proxy for a particular asset class. GERP's total fund benchmark is the weighted average of its individual asset class benchmarks. The actual percentage invested in each asset class is also shown in comparison to the Plan's investment policy target range. For performance measurement, any cash equivalents held by investment managers are included within their respective allocation percentages.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2012 and 2011**

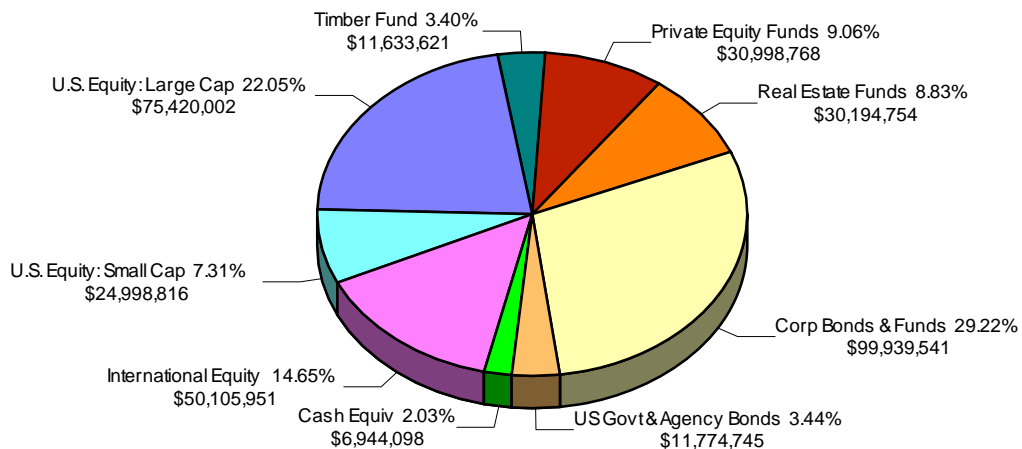
**Financial analysis (continued):**

	<b>GERP's 2012 Investment Returns by Asset Class</b>	<b>Benchmark Returns</b>	<b>Actual Investment Allocation</b>	<b>Investment Policy Target Range</b>
U.S. Equity: Large cap	16.06%	16.00%	23%	18% to 26%
U.S. Equity: Small cap	13.07%	16.35%	7%	4% to 8%
International Equity	19.03%	17.32%	14%	13% to 19%
Private Equity Partnerships	8.83%	9.66%	9%	6% to 12%
Fixed Income: Nominal Bonds	7.83%	4.21%	29%	24% to 32%
Fixed Income: TIPS	6.95%	6.98%	5%	3% to 7%
Real Estate	15.43%	9.92%	9%	6% to 12%
Timber (early stage of investment)	0.00%	7.76%	4%	3% to 7%
<b>TOTAL FUND</b>	<b>12.27%</b>	<b>11.90%</b>	<b>100%</b>	

GERP's U.S. large cap equity, international equity, fixed income and real estate investments met or exceeded their respective benchmarks. Results for U.S. small cap equity, private equity partnerships and timber lagged their targets. For the year the total fund returned 12.27%, exceeding its weighted average benchmark return as well as the Plan's 8% actuarial target. The total fund had earned 2.70% in 2011 and 12.80% in 2010.

GERP's asset allocation as of December 31, 2012 is shown below. In this pie chart, uninvested funds held in managers' accounts and in the Plan's operating account are combined and reported as "cash equivalents." Any uninvested cash is swept into the custodian bank's short-term investment fund at the end of each day.

Figure 1



**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2012 and 2011**

**Financial analysis (continued):**

The Plan continues to maintain a lower allocation to equities and a higher allocation to fixed income than most of its peers<sup>2</sup>. This reflects the Retirement Board's lower-risk investment policy for the fund.

A summary of the changes in Net Position for the years ended December 31, 2012, 2011 and 2010 is presented below.

**Changes in Plan Net Position**

	2012	2011	2011 to 2012 Percentage Change	2010	2010 to 2011 Percentage Change
<b>Additions:</b>					
Contributions					
City of Aurora	\$ 4,786,740	\$ 4,571,135	4.7%	\$ 4,626,990	(1.2%)
Plan members	4,800,089	4,580,527	4.8%	4,644,062	(1.4%)
Net investment income	35,838,582	7,721,814	364.1%	34,297,524	(77.5%)
Other income	28,610	40,734	(29.8%)	94,440	(56.9%)
<b>Total Additions</b>	<b>\$ 45,454,021</b>	<b>\$ 16,914,210</b>	<b>168.7%</b>	<b>\$ 43,663,016</b>	<b>(61.3%)</b>
<b>Deductions:</b>					
Benefits	\$ 13,402,392	\$ 12,028,803	11.4%	\$ 11,114,428	8.2%
Refunds of contributions	2,744,970	1,669,358	64.4%	1,743,708	(4.3%)
Administrative expenses	467,563	490,858	(4.7%)	469,312	4.6%
<b>Total Deductions</b>	<b>\$ 16,614,925</b>	<b>\$ 14,189,019</b>	<b>17.1%</b>	<b>\$ 13,327,448</b>	<b>6.5%</b>
<b>Net increase (decrease)</b>	<b>\$ 28,839,096</b>	<b>\$ 2,725,191</b>	<b>958.2%</b>	<b>\$ 30,335,568</b>	<b>(91.0%)</b>
<b>Net Position held in trust for pension benefits:</b>					
Beginning of year	\$313,281,809	\$ 310,556,618	0.9%	\$280,221,050	10.8%
End of year	\$342,120,905	\$ 313,281,809	9.2%	\$310,556,618	0.9%

<sup>2</sup> GERP compares its investment program to other mid-sized public retirement plans in the U.S. with assets of \$100 million to \$1 billion. According to Callan Associates, an independent investment consulting firm, the median public fund allocations were 37.5% for U.S. equity, 21.0% for international equity and 27.4% for fixed income as of December 31, 2012.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2012 and 2011**

**Additions to Plan net position:**

The Plan relies on contributions from the City of Aurora and GERP members, as well as income earned on investments to fund benefits and operating expenses. The member contribution rate, which had been fixed at 5.5% of pay from 1986 through 2011, was increased to 5.75% for 2012. Regular employee contributions are matched by the City. Under certain circumstances, Plan members are permitted to purchase service credit for periods of previous City employment, or when they have been on leave for qualified military service. These special service purchases account for the small differences between City of Aurora contributions and Plan member contributions.

The Plan earned net investment income of \$35.8 million in 2012, compared with \$7.7 million in 2011, and \$34.3 million in 2010.

Other income fell to \$28,610 from \$40,734 in 2011 and \$94,440 in 2010 as securities litigation recoveries and consent payments have declined. Approximately 12% of the other income earned in 2012 was paid to GERP by the City of Aurora's *Elected Officials' and Executive Personnel Defined Benefit Plan* for administrative services provided. The Plan also received a small reimbursement for data preparation costs for fulfilling open records requests.

**Deductions from Plan net position:**

Deductions from Plan assets include monthly pension payments, death benefits, contribution refunds and administrative expenses. Spending for pension and death benefits grew by 11.4% between 2011 and 2012, compared with an 8.2% increase from 2010 to 2011. Contribution refunds grew by 64.4% between 2011 and 2012, in contrast to the 4.3% decrease between the prior two years.

Pensioners received an automatic 4.0% cost of living increase on January 1, 2012, that was based on the consumer price index. Also effective on that date was a Plan amendment which created a lower tier of retirement benefits for new employees hired in 2012 or after. That change is expected to moderate the rate of growth in retirement benefit costs over the longer term.

Administrative expenses decreased by 4.7% between 2011 and 2012 due to lower spending for professional fees. Total administrative expenses for 2012 came close to the amount spent in 2010.

**Historical trends:**

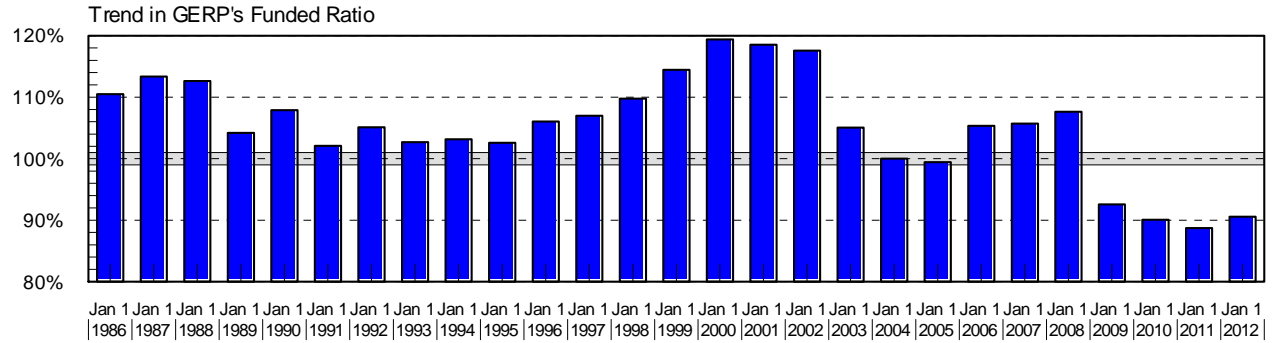
The funded ratio (assets divided by liabilities) is one measure of a pension plan's ability to meet its expected benefit obligations. GERP's funded ratio increased to 90.6% according to the Plan's January 1, 2012 actuarial valuation report.

Prior to January 1, 2009, GERP's actuarial accrued liability had been fully funded in every year going back to 1986. The trend in the Plan's funded ratio for the past twenty-seven years is presented below. Despite the persistence of an unfunded liability since the 2008 financial crisis, GERP's funded status ranked within the top fifth of city and county retirement systems in a 2012 report by Wilshire Consulting.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2012 and 2011**

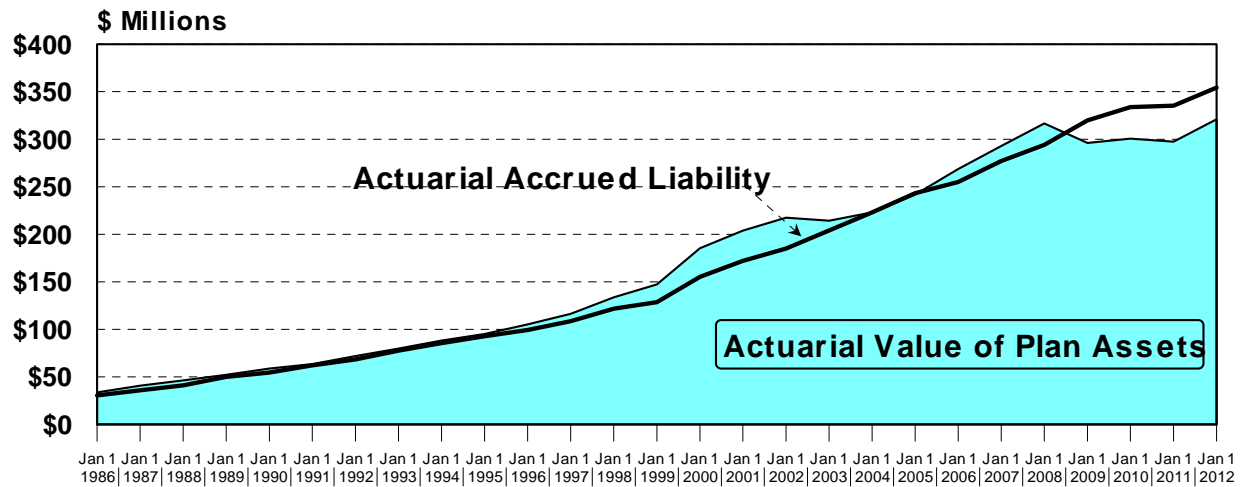
**Historical trends (continued):**

Figure 2



The long-term trend in the growth of the Plan's assets and liabilities is illustrated in the chart below.

Figure 3

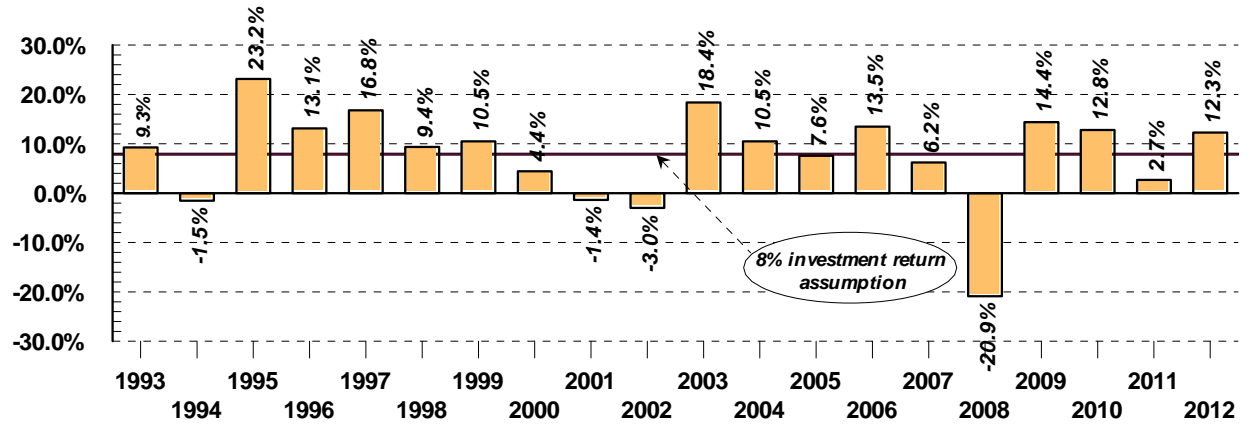


The Plan's funded status is most strongly influenced by its investment results. The annual returns earned by GERP since 1993 appear below. The Plan has had an actuarial investment return assumption of 8.0% since 1998, and 7.5% for prior years. GERP's annualized rate of return for the latest twenty years is 7.46%.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2012 and 2011**

Historical trends (continued):

**Figure 4**



**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
STATEMENTS OF PLAN NET POSITION  
December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 157,423	\$ 83,993
Receivables		
Contributions	401,005	350,279
Interest and dividends	699,171	673,467
Securities sold	<u>1,936,389</u>	<u>72,869</u>
Total receivables	<u>3,036,565</u>	<u>1,096,615</u>
Prepaid expenses and other	<u>23,378</u>	<u>27,132</u>
Investments, at fair value		
Short-term cash investments	6,944,098	3,168,372
Equity securities and funds	150,524,769	141,210,007
U.S. government and U.S. government agency obligations	11,774,745	13,223,641
Corporate bonds and funds	99,939,541	98,258,381
Real estate funds	30,194,754	22,556,836
Alternative investments	<u>42,632,389</u>	<u>34,188,423</u>
Total investments	<u>342,010,296</u>	<u>312,605,660</u>
Furniture and equipment, net	<u>-</u>	<u>-</u>
Total assets	<u>345,227,662</u>	<u>313,813,400</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	261,347	356,090
Benefits and refunds payable	46,596	97,301
Securities purchased	<u>2,798,814</u>	<u>78,200</u>
Total liabilities	<u>3,106,757</u>	<u>531,591</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 342,120,905</u>	<u>\$ 313,281,809</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
STATEMENTS OF CHANGES IN PLAN NET POSITION  
Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ADDITIONS TO NET POSITION ATTRIBUTED TO:</b>		
Contributions		
City of Aurora	\$ 4,786,740	\$ 4,571,135
Plan members	4,800,089	4,580,527
Total contributions	9,586,829	9,151,662
Investment income		
Net appreciation in fair value of investment	29,516,727	3,174,244
Interest	5,082,825	3,917,318
Dividends	1,879,311	1,321,837
	36,478,863	8,413,399
Less investment expenses	(640,281)	(691,585)
Net investment income	35,838,582	7,721,814
Other income	28,610	40,734
Total additions to net position	45,454,021	16,914,210
<b>DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:</b>		
Benefits paid to participants	13,402,392	12,028,803
Refunds of contributions	2,744,970	1,669,358
Administrative expenses	467,563	490,858
Total deductions from net position	16,614,925	14,189,019
<b>NET INCREASE IN NET POSITION</b>	28,839,096	2,725,191
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR</b>	313,281,809	310,556,618
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR</b>	\$ 342,120,905	\$ 313,281,809

The accompanying notes are an integral part of the financial statements.



**CITY OF AURORA**  
**GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 1 – PLAN DESCRIPTION**

The City of Aurora General Employees' Retirement Plan (the Plan) is a single-employer, defined benefit pension plan covering substantially all full-time and part-time employees of the City of Aurora, Colorado, including the administrative staff of the Plan, but excluding certain executive and council-appointed employees, police officers, paid firefighters, elected officials, and temporary employees. The Plan is maintained for the exclusive benefit of the employees of the City of Aurora and their beneficiaries. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). However, the Plan is qualified as a tax-exempt plan under Sections 401(a) and 501(a) of the Internal Revenue Code. Employee contributions are required as a condition of employment and are matched equally by the City of Aurora.

The Plan is considered a component unit of the City of Aurora, and is included in the City of Aurora's financial reporting entity as a pension trust fund. The City of Aurora Retirement Board (the Board), established by the City of Aurora, administers the Plan.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Plan's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and reporting standards applicable to governmental accounting for public employee retirement systems. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Governmental Accounting Standards Board (GASB) Pronouncements**

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, was implemented for the Plan beginning with its fiscal year ending December 31, 2012. The objectives of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB No 63, *Financial Reporting of deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for unearned outflows of resources and unearned inflows of resources as introduced and defined in GASB Concepts Statement No. 4, "Elements of Financial Statements" (Concepts Statement No. 4). Concepts Statement No. 4 defines an unearned outflow of resources as consumption of net position by the government that is applicable to a future reporting period. An unearned inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The Plan does not have any financial statement balances that under current GAAP meet the definition of an unearned outflow of resources or an unearned inflow of resources. As such, the names of certain statements and certain line items were changed as required by GASB No. 63, otherwise, the adoption of this pronouncement had no impact to the Plan's financial statements.

**CITY OF AURORA**  
**GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

At December 31, 2012 and 2011, the Plan's securities are in the custody of and controlled by State Street Bank and Trust Company, the master custodian. The Plan contracts with investment managers to manage all of the Plan's investments. The City of Aurora General Employees' Retirement Board has sole discretion over the investments of the Plan. Board policies allow investments consisting of government, corporate and international bonds, domestic and international equities, mutual funds, limited partnership holdings, real estate, mortgages and other investments.

Plan investments are reported at fair value. Short-term investments are carried at cost, which approximates fair value. Securities and funds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate funds, not actively traded on a national or international exchange, are valued based upon periodic appraisals of the real estate underlying the investment units held by the Plan. Alternative investments represent investments in private equity partnerships in which the Plan enters under limited partnership agreements. For alternative investments where no readily ascertainable fair value exists, management reviewed information from the general partner of the partnerships, in consultation with investment advisors, and determined the fair values of the individual investments.

The Plan presents, in the statement of changes in Plan net position, the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation and depreciation on those investments. Purchases and sales are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

There are certain market risks, credit risks, foreign currency exchange risks, and event risks which may subject the Plan to economic changes occurring in certain industries, sectors or geographies.

**Derivatives**

The Plan is permitted to own derivative investments. During the years ended December 31, 2012 and 2011, the Plan's only derivative investments were in connection with managed (mutual) funds. Because the Plan does not own any specific identifiable investment securities held by managed funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines including risk assessment.

**Furniture and Equipment**

Furniture and equipment is carried at cost. Depreciation expense is computed using the straight-line method based on the estimated five year useful lives of the related assets. Accumulated depreciation at December 31, 2012 and 2011 was \$26,300. At December 31, 2012 and 2011, furniture and equipment is fully depreciated.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Administrative Expenses**

The cost of administering the Plan is financed through the contributions and investment earnings that it receives.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Actuarial Valuation**

The information included in the required supplementary schedules is based on the actuarial valuation performed as of January 1, 2012, which is the date of the latest available information. Significant actuarial assumptions used in the valuation are included in the notes to the required supplementary schedules.

**NOTE 3 – CASH DEPOSITS**

Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of bank failure, the Plan will not be able to recover the value of its deposits. The Plan does not have a formal policy for custodial credit risk. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized.

The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Commissioner for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2012 and 2011, the Plan had \$157,423 and \$83,993, respectively held in cash deposits. All amounts for both years were fully insured by federal depository insurance. Therefore at December 31, 2012 and 2011, the Plan had no cash deposits that were exposed to custodial credit risk.

**CITY OF AURORA**  
**GENERAL EMPLOYEES' RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 4 – INVESTMENTS**

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Plan. Credit risk exposure is dictated by each manager's agreement. Each portfolio is managed in accordance with investment guidelines as stated in the Plan's investment policy adopted on August 23, 2012. These guidelines are specific to three strategies (core, core plus and TIPS) within the fixed income asset class.

The *core* portfolio will include the following:

- debt instruments issued by the U.S. Government, its Agencies and Instrumentalities.
- debt instruments that have been issued by domestic entities rated BBB- or Baa3 or above by Standard & Poor's Rating Service or Moody's, respectively.
- dollar denominated debt of comparable quality issued by non-domestic entities in the United States, including securities issued under U.S. Securities and Exchange Commission rule 144(A); and mortgage backed and asset backed securities of investment grade quality.
- For purposes of diversification, the exposure to any single issuer, other than securities issued by the U.S. Treasury or a Government Sponsored Enterprise, shall not exceed 5% of the market value of the portfolio. Exposure to any single issue or mortgage pool issued by a Government Sponsored Enterprise shall not exceed 5% of the market value of the portfolio.
- Securities that derive their returns from factors other than interest rates are not permitted in the fixed income portfolio. Examples of such securities are structured notes whose returns are tied to currencies or commodity prices.

The *core plus* portfolio will follow the above guidelines with the following exceptions:

- While the overall portfolio credit quality shall be maintained at investment grade, up to 25 percent of the portfolio at market value may be invested in securities rated below investment grade. Split rated securities will be governed by the lower designation.
- Up to 20 percent of the portfolio at market value may be invested in securities issued by foreign issuers and denominated in foreign currencies.
- The *core plus* manager has received authorization to use options, forwards, and futures to hedge currency exposure.
- For investment in a *core plus* commingled fund, the manager is authorized full discretion to use derivative instruments, consistent with the fund prospectus.

The TIPS portfolio will include the following:

- Debt instruments issued by the U.S. Government, its Agencies and Instrumentalities, including Treasury Inflation Protected Securities.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 4 – INVESTMENTS (CONTINUED)**

At December 31, 2012 and 2011, the Plan held the following fixed income investments with respective quality ratings, excluding those obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, which are not considered to have credit risk.

<b>2012</b>			
<u>Description</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>	<u>% of Total</u>
Corporate Bonds	Aaa/AAA	\$ 5,515,792	5.6%
	Aa/AA	3,138,414	3.1%
	A	17,786,970	17.8%
	Baa/BBB	9,836,230	9.8%
Bond Fund	Aa/A	47,546,598	47.6%
TIPS Fund	Aaa/AAA	<u>16,115,537</u>	<u>16.1%</u>
Total Corporate Bonds and Funds		<u>\$ 99,939,541</u>	<u>100.0%</u>
<b>2011</b>			
<u>Description</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>	<u>% of Total</u>
Corporate Bonds	Aaa/AAA	\$ 4,656,507	4.7%
	Aa/AA	3,249,001	3.3%
	A	16,671,231	17.0%
	Baa/BBB	10,960,246	11.2%
Bond Fund	A	45,364,871	46.2%
TIPS Fund	Aaa/AAA	<u>17,356,525</u>	<u>17.6%</u>
Total Corporate Bonds and Funds		<u>\$ 98,258,381</u>	<u>100.0%</u>

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk exposure is dictated by each manager's agreement. Each portfolio is managed in accordance with investment guidelines as stated in the Plan's investment policy adopted on August 23, 2012. These guidelines are specific to three strategies (core, core plus and TIPS) within the fixed income asset class.

- The *core* fixed income portfolio is to maintain duration within plus or minus 25 percent of the duration of the Barclay's Capital Aggregate.
- The *core plus* portfolio shall normally be maintained within a range of three to six years.
- The TIPS portfolio is to maintain duration within plus or minus 25 percent of the Barclay's Capital US TIPS Index

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Trustees. The Board of Trustees for the Plan has formally adopted an investment policy that allows investment maturities greater than five years.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 4 – INVESTMENTS (CONTINUED)**

Using the specific identification method, the Plan had the following investments and maturities at December 31, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>&gt;10</u>
Industrial Bonds	\$ 15,887,408	\$ 371,266	\$ 3,577,565	\$ 9,215,812	\$ 2,722,765
Utility Bonds	4,596,245	232,580	2,527,069	1,030,602	805,994
Finance Bonds	6,490,286	-	2,829,595	2,293,279	1,367,412
REIT Bonds	-	-	-	-	-
Municipal Bonds*	1,170,675	-	-	-	1,170,675
Non-U.S. Corp Bonds	2,547,611	-	1,429,838	1,117,773	-
Asset Backed Bonds	2,490,226	-	1,040,601	832,046	617,579
Govt Mtg Backed	2,904,912	-	-	-	2,904,912
Coll Mtg Oblig	190,044	-	151,401	-	38,643
U.S. Treasury Bonds	11,774,745	-	3,203,718	4,269,948	4,301,079
Corporate Bond Fund*	47,546,598	-	-	47,546,598	-
TIPS Fund**	16,115,536	-	-	16,115,536	-
	<u>111,714,286</u>	<u>603,846</u>	<u>14,759,787</u>	<u>82,421,594</u>	<u>13,929,059</u>

**Investments with Undetermined Maturity Dates**

Money Market Funds	6,944,098	6,944,098	-	-	-
Equity Securities	150,524,769	150,524,769	-	-	-
Real Estate Funds	30,194,754	30,194,754	-	-	-
Alternative Investments	42,632,389	42,632,389	-	-	-
	<u>230,296,010</u>	<u>230,296,010</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$342,010,296</u>	<u>\$230,899,856</u>	<u>\$ 14,759,787</u>	<u>\$ 82,421,594</u>	<u>\$ 13,929,059</u>

\*Average maturity for the Corporate Bond Fund is 6.09 years

\*\* Average maturity for the TIPS Fund is 8.93 years

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 4 – INVESTMENTS (CONTINUED)**

Using the specific identification method, the Plan had the following investments and maturities at December 31, 2011:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	>10
Industrial Bonds	\$ 14,706,091	\$ 1,455,284	\$ 3,677,613	\$ 8,510,068	\$ 1,063,126
Utility Bonds	4,385,739	-	2,537,958	1,108,675	739,106
Finance Bonds	7,558,485	-	4,647,601	1,587,439	1,323,445
REIT Bonds	-	-	-	-	-
Municipal Bonds	1,107,675	-	-	-	1,107,675
Non-U.S. Corp Bonds	3,104,532	-	2,189,021	915,511	-
Asset Backed Bonds	2,959,579	-	1,245,615	1,249,428	464,536
Govt Mtg Backed	1,654,154	-	-	-	1,654,154
Coll Mtg Oblig	60,730	-	-	-	60,730
U.S. Treasury Bonds	13,223,641	-	2,021,880	4,851,403	6,350,358
Corporate Bond Fund*	45,364,871	-	-	45,364,871	-
TIPS Fund**	17,356,525	-	-	17,356,525	-
	<u>111,482,022</u>	<u>1,455,284</u>	<u>16,319,688</u>	<u>80,943,920</u>	<u>12,763,130</u>

**Investments with Undetermined Maturity Dates**

Money Market Funds	3,168,372	3,168,372	-	-	-
Equity Securities	141,210,007	141,210,007	-	-	-
Real Estate Funds	22,556,836	22,556,836	-	-	-
Alternative Investments	34,188,423	34,188,423	-	-	-
	<u>201,123,638</u>	<u>201,123,638</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$312,605,660</u>	<u>\$202,578,922</u>	<u>\$ 16,319,688</u>	<u>\$ 80,943,920</u>	<u>\$ 12,763,130</u>

\*Average maturity for the Corporate Bond Fund is 7.03 years

\*\* Average maturity for the TIPS Fund is 9.32 years

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan has no formal policy for custodial credit risk. At December 31, 2012 and 2011, the Plan did not identify any investments subject to custodial credit risk.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. For the fixed income investment manager, the Plan's investment policy states that for purposes of diversification, the exposure to any single issuer, other than securities guaranteed by the U.S. Treasury or issued by a Government Sponsored Enterprise, shall not exceed 5% of the fair value of the portfolio. Also, exposure to any single issue or mortgage pool issued by a Government Sponsored Enterprise, shall not exceed 5% of the fair value of the portfolio. For the domestic equity investment

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 4 – INVESTMENTS (CONTINUED)**

manager, the Plan's investment policy states that the fair value of any single security holding should be limited to a weight of 5% of the portfolio, or 150% of the security's weight in the benchmark, whichever is higher. There is no formal policy for concentration of credit risk for the international equity and real estate investment managers.

At December 31, 2012 and 2011, the Plan did not have investments in any one organization representing 5% or more of the Plan's assets other than the following indexed and commingled Funds:

<u>Investment</u>	<u>2012</u>	
	<u>Value</u>	<u>% of Investments</u>
BlackRock Equity Index Fund A	\$ 75,420,002	22.0%
Pimco Total Return Fund	47,546,598	13.9%
Dodge & Cox International Stock Fund	24,913,212	7.3%
SSGA International Alpha Select SL Fund	20,189,461	5.9%
	<u>2011</u>	
<u>Investment</u>	<u>Value</u>	<u>% of Investments</u>
BlackRock Equity Index Fund A	\$ 77,076,586	24.7%
Pimco Total Return Fund	45,364,871	14.5%
Dodge & Cox International Stock Fund	20,584,333	6.6%
SSGA TIPS Index Fund	17,356,525	5.6%
SSGA International Alpha Select SL Fund	17,302,468	5.5%

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or deposit. The Plan's currency risk exposure resides within investments in international equity mutual funds and one private equity limited partnership. The Plan has delegated responsibility for currency management to its international equity managers.

The Plan's exposure to foreign currency risk as of December 31, 2012 and 2011 is disclosed by investment type below:

	<b>Fund valued in</b>	<b>Currency Exposure</b>	<b>2012</b>	<b>2011</b>
International equity mutual funds	US dollars	Various currencies worldwide	\$ 50,105,950	\$ 42,095,697
HarbourVest International Private Equity Partners VI	Euros	Euro, US dollar, British pound, Swedish krona, Japanese yen, Australian dollar	1,135,646	596,041
			<u>\$ 51,241,596</u>	<u>\$ 42,691,738</u>



**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 5 – CONTRIBUTIONS**

Membership of the Plan consists of the following at January 1, 2012 and 2011, the dates of the most recent actuarial valuations:

	<b>2012</b>	<b>2011</b>
Retirees and beneficiaries receiving benefits	662	614
Terminated Plan members entitled to but not yet receiving benefits	199	194
Active Plan members	1,560	1,601
	2,421	2,409

The actuarial study is considered by the Plan's Board when reviewing the funding policies as established by City ordinance. Contribution percentages are established by, and may be amended by the City of Aurora.

The Plan's funding policy during 2012 and 2011 required employees to contribute 5.75% and 5.5%, respectively, of their covered compensation to the Plan, and required matching contributions by the City of Aurora. The City of Aurora's covered payroll and total payroll paid to employees during 2012 was \$82,107,803 and \$175,168,896, respectively. The covered payroll and total payroll paid to employees during 2011 was \$82,953,443 and \$174,640,472, respectively.

Effective January 1, 2012, the Plan was amended as of October 31, 2011 through City of Aurora Ordinance 2011-29 increasing the required employee contribution to 5.75%, and increasing the contribution rate .25% each year through 2017. The City of Aurora will continue to match employee contributions.

**NOTE 6 – BENEFITS**

The Plan provides retirement benefits, as well as death, disability, and supplemental benefits. Plan benefits are established by, and may be amended by the City of Aurora.

***Contribution refunds***

Employees with less than five years of credited service at date of termination are required to receive a refund of their contributions, including interest at 4% since January 1, 2010 plus their vested City contribution. Employees with five or more years of credited service may elect to receive a refund. For participants in the Plan prior to January 1, 2012, the amount of a participant's vested City contributions is a 25% match of the employee's contributions and interest for less than one year of credited service, increasing by 5% for each year of credited service completed, to a maximum 100% match. For participants who first became participants in the Plan after December 31, 2011, there is no vesting in the City contributions until the participant has five years of credited service. After five years, the amount of the participant's vested City contributions shall be 50% of the participant's contribution accumulation, increasing by 5% for each whole year of credited service completed, to a maximum 100% match.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 6 – BENEFITS (CONTINUED)**

***Normal retirement***

Normal retirement age is 65 for participants in the Plan prior to January 1, 2012 and 67 for participants who first joined the Plan after December 31, 2011. Normal retirement benefits are the greater of 1.75% of final average monthly compensation, multiplied by years of credited service, including fractional years, or the annuitized value of the contribution refund described above. Final average monthly compensation is the average pay an employee received (excluding overtime and non-regular remuneration) during his/her highest paid 36 consecutive months with the City within the employee's last 10 years of employment. Optional forms of benefit are available in lieu of the single life annuity, in order to provide survivorship benefits.

Participants in the Plan prior to January 1, 2012 automatically receive annual cost of living adjustments linked to the Consumer Price Index, and limited to 5% per year. Participants who first joined the Plan after December 31, 2011 may be granted cost of living adjustments at the discretion of the Board, at a rate not to exceed the rate of increase given to participants in the Plan prior to January 1, 2012.

A supplemental benefit is provided to all retirees who have five or more years of credited service and is prorated for service of less than 20 years. Periodic cost of living adjustments to the supplemental benefit may be approved by the Plan's Board of Trustees and are limited to 5% per year.

***Early retirement***

If termination occurs before normal retirement age, participants who are age 50 or older with at least ten years of credited service may elect to begin receiving early retirement benefits. Reductions for early retirement will be applied to the normal retirement benefit if the sum of a participant's years of age and credited service is less than 80 (the "Rule of 80"). The reduction for participants in the Plan prior to January 1, 2012 is 2% for each year a participant is short of attaining the sooner of normal retirement age or the Rule of 80, plus an additional 4% for each year the participant is below age 55. For participants who first joined the Plan after December 31, 2011 the reduction is 6% for each year a participant is short of attaining the sooner of normal retirement age or the Rule of 80.

***Deferred vested benefits***

Participants with at least five years of credited service who terminate before normal retirement age may leave their contribution accumulation with the Plan and opt to receive an early or normal retirement benefit at a later date.

***Disability retirement benefits***

Participants who meet the eligibility requirements for the City of Aurora's long-term disability insurance program continue to earn credited service during the period of time they collect disability insurance benefits. Once insurance payments have ended, the Plan's disability retirement benefit is calculated in the same manner as the normal retirement benefit, using the higher of the average highest paid 36 consecutive months of compensation or the monthly rate of compensation at the time of disability. Early retirement reductions may apply if benefits begin before normal retirement age.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 6 – BENEFITS (CONTINUED)**

***Death benefits***

The beneficiary of a deceased active employee or deferred vested participant may be eligible to receive a contribution refund or a monthly pension benefit, depending on the age and credited service the participant had earned.

At retirement, a participant may designate a joint annuitant to receive pension benefits upon his/her death. The Plan also pays a one-time lump sum death benefit of \$6,250 to the beneficiary designated by the retiree. This payment is separate from, and in addition to, any other benefits received.

**NOTE 7 – ACTUARIAL FUNDING PROGRESS, ASSUMPTIONS AND METHODS**

The funded status of the Plan as of January 1, 2012, the most recent actuarial valuation date, is as follows:

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>(Funding Excess) Unfunded Actuarial Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>(Funding Excess) Unfunded Actuarial Liability as a Percentage of Covered Payroll</u>
2012	01/01/12	\$320,996,231	\$354,416,941	\$ 33,420,710	90.6%	\$ 81,495,234	41.0%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether actuarial values of Plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The assumptions and methods presented below was determined based upon the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

<u>Valuation date</u>	<u>January 1, 2012</u>	<u>January 1, 2011</u>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent – open	Level percent – open
Remaining amortization period	30 years	30 years
Asset valuation method	3-year smoothed market	3-year smoothed market
Actuarial assumptions:		
Investment rate of return*	8.0%	8.0%
Projected salary increases*	3.5% - 7.5%	3.5% - 7.5%
*Includes inflation at	3.5%	3.5%
Payroll growth rate	3.5%	3.5%
Cost of living adjustments	3.5% on base and 0.0% on supplemental	3.5% on base and 0.0% on supplemental

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 7 – ACTUARIAL FUNDING PROGRESS, ASSUMPTIONS AND METHODS (CONTINUED)**

For January 1, 2011, the supplemental cost of living adjustment assumption was reduced to 0.0% from the prior year rate of 5%. This change in assumption resulted in an actuarial gain of \$15.2 million.

There were no other changes to actuarial assumptions or methods in the valuation reports dated January 1, 2012 and 2011.

**NOTE 8 – COMMITMENTS**

**Leases**

The Plan leases office space under an operating lease that expires in February 2018. Future minimum lease payments are as follows:

<b>Year Ending December 31,</b>	
2013	\$ 35,591
2014	36,675
2015	37,760
2016	38,843
2017	39,927
Thereafter	<u>6,685</u>
<b>Total</b>	<u><u>\$ 195,481</u></u>

Rent expense for the years ended December 31, 2012 and 2011, was \$34,507 and \$28,821, respectively.

**Partnership Capital Commitments**

The Plan is a party to twelve private equity and one timberland limited partnership agreements, which terminate from 2017 to 2023. The Plan is also party to a real estate trust, formed to have a perpetual existence. Under the terms of the partnership agreements, the Plan has pledged to invest \$82,184,000 and \$82,184,000 in portfolios of limited partnerships as of December 31, 2012 and 2011, respectively. Failure by the Plan to fund a capital call is considered a default under the agreements and various penalties, as defined, may be imposed upon the Plan for such failure. The commitment period for all partnerships extends until the Plan's capital commitment is fulfilled, or the partnership's term is reached. At December 31, 2012 and 2011, the Plan had remaining unfunded capital commitments of \$23,809,860 and \$47,108,566.

**NOTE 9 – RISK MANAGEMENT**

The Plan is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. Losses are covered by the Plan's risk management policies and agreements, including commercial insurance purchased by the Plan. The Plan has not had claims on losses in the past three years.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

**NOTE 10 – TAX STATUS**

The Plan received a favorable determination letter from the Internal Revenue Service dated June 13, 2011, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended and restated since receiving the determination letter, the Plan Administrator and the Plan's legal counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and remains in tax exempt status. The letter relates only to the status of the Plan under the Internal Revenue Code and is not a determination regarding the effect of other federal or local statutes.

**NOTE 11 – PLAN TERMINATION**

Upon a complete or partial termination of the Plan, the rights of each affected participant to benefits accrued under the Plan to the date of such discontinuance, to the extent then funded, shall be nonforfeitable. Upon a partial or complete termination of the Plan or a permanent discontinuance of contributions to the Plan, the proportionate interests of each affected participant and beneficiary shall be determined by the actuary.

**NOTE 12 – RELATED PARTIES**

The Plan's Board of Trustees consists of seven voting members. Three voting members are employees of the City, who are elected by the employees of the City, and are participants in the Plan. Three more voting members are qualified electors of the City who have resided in the City at least one year. These members are appointed by City Council and cannot be employees or officials of the City. The last voting member is a resident of the City for at least one year and is elected by the six other members noted above. Non-voting members are the City Manager, Director of Human Resources and the Director of Finance.

The City code also names the City Attorney as the legal consultant for the Plan's Board of Trustees. The Board may retain outside legal counsel to serve under its direction.

This information is an integral part of the accompanying financial statements.

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
For the Ten Years Ended December 31, 2012**

<b>Year</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>(Funding Excess) Unfunded Actuarial Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>(Funding Excess) Unfunded Actuarial Liability as a Percentage of Covered Payroll</b>
2012	1/1/2012	\$ 320,996,231	\$ 354,416,941	\$ 33,420,710	91%	\$ 82,607,164	40.5%
2011	1/1/2011	\$ 297,494,555	\$ 335,310,191	\$ 37,815,636	89%	\$ 83,091,597	45.5%
2010	1/1/2010	\$ 300,704,227	\$ 333,831,950	\$ 33,127,723	90%	\$ 84,110,750	39.4%
2009	1/1/2009	\$ 296,021,806	\$ 319,750,886	\$ 23,729,080	93%	\$ 87,089,965	27.2%
2008	01/01/08	\$ 316,567,579	\$ 294,142,225	\$ (22,425,354)	108%	\$ 87,742,224	(25.6)%
2007	01/01/07	\$ 292,889,736	\$ 277,052,492	\$ (15,837,244)	106%	\$ 82,531,926	(19.2)%
2006	01/01/06	\$ 268,566,265	\$ 255,005,107	\$ (13,561,158)	105%	\$ 75,385,673	(18.0)%
2005	01/01/05	\$ 241,818,542	\$ 243,234,592	\$ 1,416,050	99%	\$ 72,821,091	1.9%
2004	01/01/04	\$ 223,140,793	\$ 223,126,549	\$ (14,244)	100%	\$ 71,415,709	0.0%
2003	01/01/03	\$ 214,320,251	\$ 203,999,260	\$ (10,320,991)	105%	\$ 68,337,782	(15.1)%

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
For the Ten Years Ended December 31, 2012**

**Employer Contributions**

<u>Year</u>	<u>Annual Required Contributions</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>
2012	\$ 7,489,412	\$ 4,786,740	63.9%
2011	\$ 8,002,631	\$ 4,571,135	57.1%
2010	\$ 8,415,022	\$ 4,626,990	55.0%
2009	\$ 8,144,982	\$ 4,790,713	58.8%
2008	\$ 5,596,076	\$ 4,826,337	86.2%
2007	\$ 5,532,018	\$ 4,539,320	82.1%
2006	\$ 5,253,328	\$ 4,146,212	78.9%
2005	\$ 7,245,072	\$ 4,005,160	55.3%
2004	\$ 5,115,536	\$ 3,927,864	76.8%
2003	\$ 3,953,744	\$ 3,758,578	95.1%
2002	\$ 2,039,756	\$ 3,572,245	175.1%

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. Description**

The historical trend information about the Plan is presented as required supplementary information. This information is intended to help users assess the funding status on a going-concern basis and to assess progress made in accumulating assets to pay benefits when due.

The amount of the Annual Required Contribution (ARC) is determined at the beginning of each year by the Plan's actuary. The ARC is the amount required to cover the normal pension cost and includes a provision for amortizing the unfunded actuarial accrued liability (UAAL). The amortization period for the UAAL is 30 years.

Under the Aurora City Code, the employer contribution rate was fixed at 5.5% of regular employee compensation through 2011. Beginning January 1, 2012, the rate increased to 5.75% and will increase by .25% each year through 2017. This statutory funding policy has caused the actual employer contributions to vary from the actuarially determined ARC.

Information for the required supplementary schedules of funding progress and employer contributions is provided for ten years for the Plan.



**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
ADDITIONAL INFORMATION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Salaries		
Professional salaries	\$ 206,129	\$ 200,501
Benefits, vacation and sick leave	<u>65,871</u>	<u>63,813</u>
	<u>272,000</u>	<u>264,314</u>
Professional fees		
Audit	36,400	35,700
Benefit processing	16,538	14,944
Computer consulting	2,803	2,176
Legal	<u>491</u>	<u>32,370</u>
	<u>56,232</u>	<u>85,190</u>
Actuary fees	<u>33,000</u>	<u>34,284</u>
Other		
Board meeting	442	440
Business travel, entertainment, education	17,514	14,744
Computer software and accessories	1,092	487
Dues, memberships, publications	820	1,397
Furniture and equipment expense	1,914	1,385
Insurance	28,619	28,231
Miscellaneous	196	150
Office supplies	2,633	2,525
Participant education	2,661	7,587
Photocopying	695	695
Postage	2,132	2,375
Printing	3,311	8,975
Receptions	6,021	5,579
Rent, repairs and maintenance	34,507	28,821
Telephone and communications	<u>3,774</u>	<u>3,679</u>
	<u>106,331</u>	<u>107,070</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u>\$ 467,563</u>	<u>\$ 490,858</u>

**CITY OF AURORA  
GENERAL EMPLOYEES' RETIREMENT PLAN  
ADDITIONAL INFORMATION  
SCHEDULE OF INVESTMENT EXPENSES  
Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Investment management fees <sup>(1)</sup>		
Denver Investments	\$ 137,336	\$ 139,364
Cadence Capital Management	121,974	120,768
State Street Global Advisors	132,526	161,236
Smith Graham & Company	95,539	94,895
BlackRock Institutional Trust Company	<u>23,178</u>	<u>23,695</u>
	<u>510,553</u>	<u>539,958</u>
Investment consultant fees		
Callan Associates	72,540	97,670
Custody fees		
State Street Bank and Trust Company	<u>57,188</u>	<u>53,957</u>
<b>TOTAL INVESTMENT EXPENSE</b>	<u>\$ 640,281</u>	<u>\$ 691,585</u>

(1) Management fees for institutional commingled fund investments with Dodge & Cox, Cohen & Steers Capital Management, Heitman America Real Estate Trust, PIMCO, and BlackRock Realty, as well as private equity investments with Harbour Vest Partners and Abbott Capital Management and a timberland fund investment with Molpus Woodlands Group are deducted from net assets at the fund level and are not paid directly by the Plan.

Management fees for the institutional comingled funds are based on expense ratios applied to the average portfolio balance at fair value. Expense ratios for 2012 and 2011 ranged from .46% to 1.06% on average portfolios of approximately \$91 million and \$89 million for 2012 and 2011, respectively.

Management fees for private equity and the timberland fund investments are based on a percent of committed capital. In 2012 \$186,450 in fees were disclosed and deducted from the investment account. For those not specifically disclosed in 2012 and all private equity and timberland funds in 2011, the management fee ranged .50% to 1.00% for both years, on committed capital of approximately \$55 million and \$55 million for 2012 and 2011, respectively.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City of Aurora Retirement Board  
City of Aurora General Employees' Retirement Plan  
Aurora, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Plan net position, and the related statement of changes in Plan net position of City of Aurora General Employees' Retirement Plan, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Aurora General Employees' Retirement Plan's basic financial statements, and have issued our report thereon dated April 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Aurora General Employees' Retirement Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Aurora General Employees' Retirement Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Aurora General Employees' Retirement Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Aurora General Employees' Retirement Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Greenwood Village, Colorado  
April 18, 2013

## Investment Section

The introduction to this section and the exhibits detailing the largest holdings and brokerage commissions paid were compiled by the plan administrator. The investment performance analysis was prepared by Callan Associates, Inc., an independent consultant.

### Investment Policy Statement

Through the investment policy statement, the Retirement Board declares its fiduciary responsibility to invest and manage Plan assets as a prudent investor would, exercising reasonable care, skill and caution. Assets are to be managed for the exclusive benefit of Plan participants, retirees and beneficiaries. Board members are prohibited from managing assets in any way that might reflect, or appear to reflect, a conflict of interest. All records of investment holdings and transactions are available for public inspection.

The objective for the total fund is to earn a rate of return over the long term that is sufficient to fulfill the Plan's 8% actuarial return assumption and to meet benefit obligations without exceeding the level of risk deemed appropriate. A strategic asset allocation has been derived through a portfolio optimization process, based on the Plan's time horizon, risk tolerance, performance expectations and asset class preferences. Asset diversification is intended to reduce the risk of the total fund, enabling the Plan to include a greater proportion of higher returning investments than would otherwise be the case. The policy specifies an acceptable range of variance around the target allocations for each asset class, beyond which, rebalancing is required.

The policy defines the legal, organizational and philosophical criteria governing the selection and retention of external investment managers and lists their duties and responsibilities. Both general guidelines for security selection and trading strategy, and specific limitations applicable to each asset class are provided. The standards against which manager performance is to be evaluated are explained, including benchmark indexes, peer groups and relevant measures of risk.

### Portfolio Management and Analysis

*Callan Associates* provides performance measurement services, conducts manager searches and consults to the Board on investment matters.

GERP has historically maintained a more conservative asset allocation than its peers. Bonds comprised 33.4% of GERP's investment portfolio at the end of 2012, which was six percentage points above the median domestic fixed income allocation of other mid-sized public retirement funds tracked by Callan. U.S. equity investments were about 7.5% below the median. The Plan's investment performance relative to the mid-sized public fund peer group is shown below.

	Latest 1 Year	Latest 3 Years (annualized)	Latest 5 Years (annualized)	Latest 10 Years (annualized)
GERP return	12.27%	9.16%	3.30%	7.15%
Median public fund	12.89%	8.94%	3.32%	7.04%

*Denver Investments (hired in 1990)*, manages 14.5% of invested assets in a domestic core fixed income account with an emphasis on investment grade corporate securities. The remaining fixed income allocation is invested in the *PIMCO Total Return Fund (2002)*. The PIMCO fund is categorized as "core plus," which differs from traditional core fixed income investing in that the manager also has the discretion to hold high yield bonds, foreign-issued debt securities (including emerging markets) and has the authority to use derivative instruments.

GERP's 30.0% domestic equity allocation is divided between *BlackRock Institutional Trust* (formerly *Barclays Global Investors*, hired in 2004) with 22.4%, *Smith, Graham & Company* (formerly *Ark Asset Management*, hired in 1999) with 3.9% and *Cadence Capital Management* (2008) with 3.7%. The BlackRock commingled fund replicates the Standard & Poor's 500 Index. Smith Graham and Cadence manage small cap value and small cap growth portfolios respectively.

*State Street Global Advisors* and *Dodge & Cox* (both hired in 2007) share responsibility for the Plan's 14.9% international equity allocation. Two SSgA commingled funds are utilized: an actively managed large cap developed countries portfolio and an emerging markets index fund. The Dodge & Cox International Stock Fund adds emerging markets and small cap exposure to its investments in developed countries.

Real estate investments comprise 9.0% of the portfolio, with roughly one-third in the *BlackRock Granite Property Fund* (previously known as the *MetLife Tower Fund*, and owned since 1988) and one-third in the *Heitman America Real Estate Trust* (2012). Both are actively managed open-end core real estate funds that buy, sell, develop and manage office, residential, industrial and retail properties throughout the U.S. The remainder of the Plan's real estate investment is in a global real estate securities (REIT) fund managed by *Cohen & Steers Capital Management* (1997).

Beginning in 2002, the Board authorized a series of private equity investments encompassing venture capital, buyouts, mezzanine financing and distressed debt. Twelve "fund of funds" limited partnerships managed by *HarbourVest Partners* and *Abbott Capital Management* were selected as the investment vehicles. As of December 31, 2012 the Plan's private equity commitments totaled \$56.2 million but only \$35.1 million (62% of committed capital) had been drawn down by the general partners for investment. Private equity partnerships represent approximately 9.2% of invested assets.

More recently, the Board established a 10% target allocation for real return assets in order to provide protection against future inflation. One-half of that target is invested in *State Street Global Advisors U.S. TIPS Index Fund* (2010). The remainder was committed to *Molpus Woodlands Fund III* (2011), a timberland investment partnership. Molpus had drawn down 83% of its \$15 million commitment by year-end.

### **Report on Investment Activity**

The investment performance report appearing on pages 43 through 60 was prepared by Callan Associates and represents the Plan's investment positions and results for the periods ending December 31, 2012.

The exhibits summarizing investment holdings and brokerage commissions on pages 61 and 62 were prepared by the plan administrator from data provided by the custodian, State Street Bank & Trust Company.

Cash and short-term cash investments held for the payment of benefits and operating expenses are not included in the investment report that follows. Those accounts totaled \$5,411,339 (1.6% of the Plan's net position) at December 31, 2012.

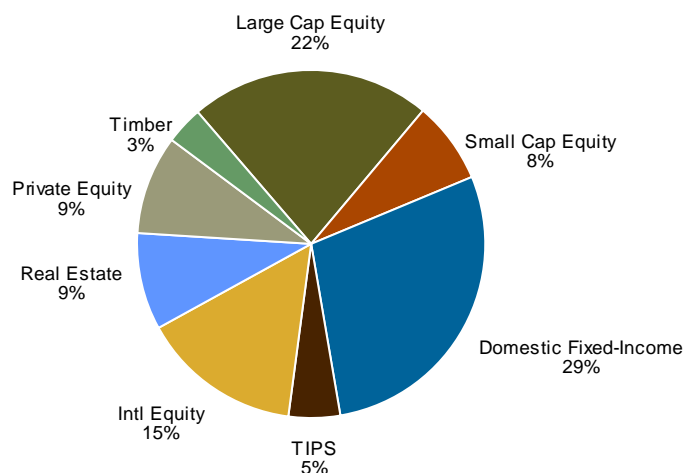
#### **Performance measurement methodology**

The rates of return calculated by Callan Associates and shown on pages 44, and 46 through 60, are linked, time-weighted monthly returns and are computed on a gross basis before deductions for fees and expenses, except in the case of mutual funds whose performance is reported net of fees. Returns are based on the fair value of securities held at the end of each month, including accrued income. Market values are recomputed whenever there are cash flows to or from investment accounts. Account valuations are adjusted to take into consideration amounts payable for purchases and receivable from sales.

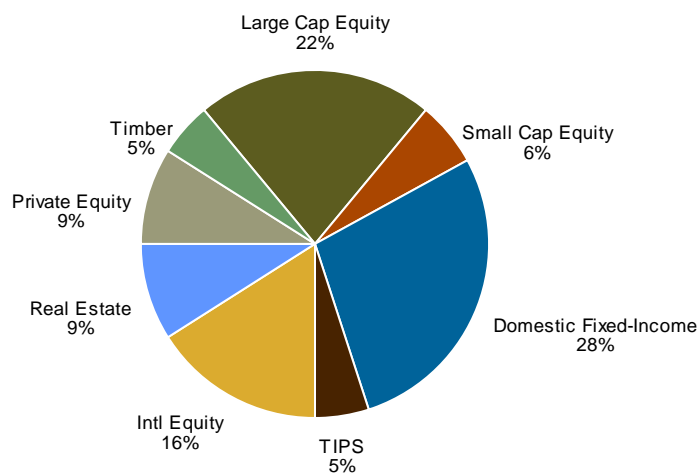
## Actual vs Target Asset Allocation As of December 31, 2012

The top left chart shows the Fund's asset allocation as of December 31, 2012. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

### Actual Asset Allocation

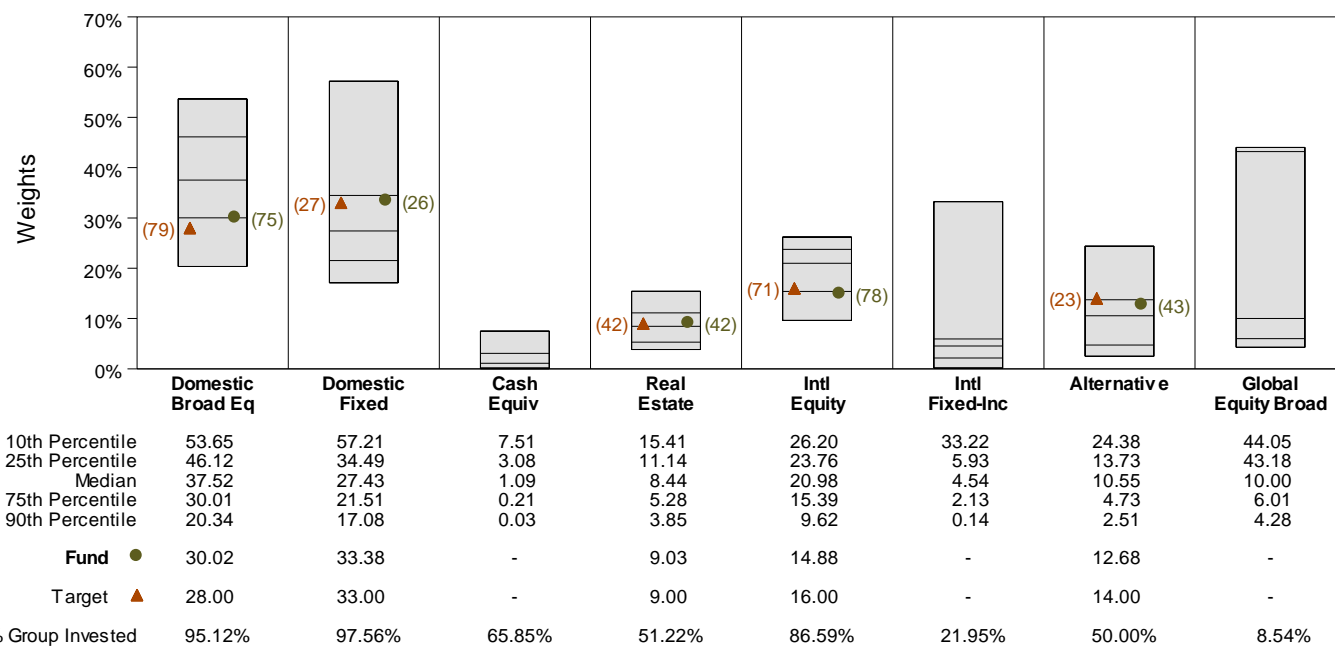


### Target Asset Allocation



Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Large Cap Equity	75,420	22.4%	22.0%	0.4%	1,356
Small Cap Equity	25,658	7.6%	6.0%	1.6%	5,458
Domestic Fixed-Income	96,249	28.6%	28.0%	0.6%	1,986
TIPS	16,116	4.8%	5.0%	(0.2%)	(717)
Intl Equity	50,106	14.9%	16.0%	(1.1%)	(3,759)
Real Estate	30,412	9.0%	9.0%	0.0%	113
Private Equity	31,045	9.2%	9.0%	0.2%	746
Timber	11,651	3.5%	5.0%	(1.5%)	(5,181)
<b>Total</b>	<b>336,657</b>	<b>100.0%</b>	<b>100.0%</b>		

### Asset Class Weights vs CAI Public Fund Sponsor Database

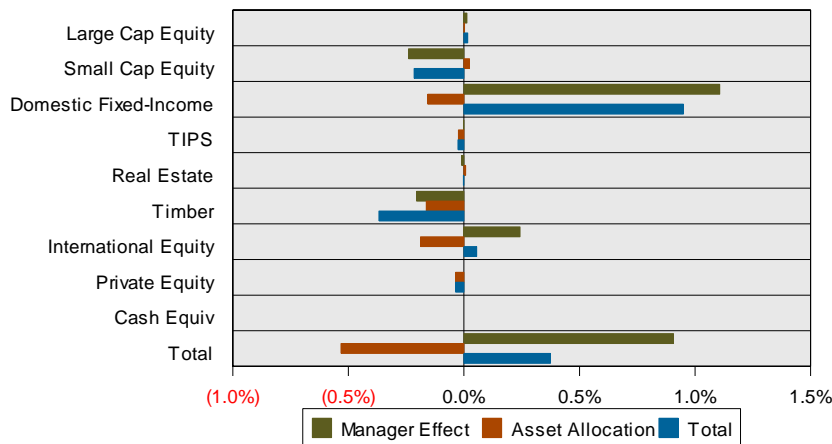


\* Current Quarter Target = 28.0% Barclays Aggregate Index, 22.0% S&P 500 Index, 16.0% MSCI ACWI ex US Index, 9.0% Private Equity, 7.0% NFI-ODCE Equal Weight Net, 6.0% Russell 2000 Index, 5.0% NCREIF Timberland Index, 5.0% Barclays US TIPS Index and 2.0% EPRA/NAREIT Dev REIT Idx.

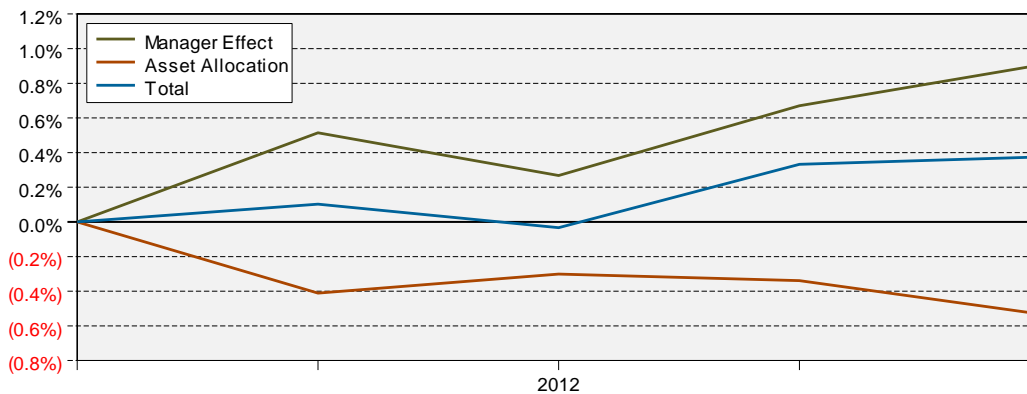
## Cumulative Total Fund Relative Attribution - December 31, 2012

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

### One Year Relative Attribution Effects



### Cumulative Relative Attribution Effects



### One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap Equity	24%	24%	16.06%	16.00%	0.01%	0.00%	0.02%
Small Cap Equity	8%	6%	13.07%	16.35%	(0.24%)	0.02%	(0.22%)
Domestic Fixed-Income	29%	28%	7.83%	4.21%	1.11%	(0.16%)	0.95%
TIPS	5%	5%	6.95%	6.98%	(0.00%)	(0.02%)	(0.03%)
Real Estate	8%	9%	15.43%	15.24%	(0.01%)	0.01%	(0.00%)
Timber	3%	2%	(0.00%)	5.14%	(0.20%)	(0.16%)	(0.37%)
International Equity	14%	16%	19.03%	17.39%	0.24%	(0.19%)	0.06%
Private Equity	9%	9%	8.83%	8.83%	0.00%	(0.04%)	(0.04%)
Cash Equiv	0%	0%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total</b>			<b>12.27%</b>	<b>11.90%</b>	<b>+ 0.91%</b>	<b>+ (0.53%)</b>	<b>0.37%</b>

\* Current Quarter Target = 28.0% Barclays Aggregate Index, 22.0% S&P 500 Index, 16.0% MSCI ACWI ex US Index, 9.0% Private Equity, 7.0% NFI-ODCE Equal Weight Net, 6.0% Russell 2000 Index, 5.0% Barclays US TIPS Index, 5.0% NCREIF Timberland Index and 2.0% EPRA/NAREIT Dev REIT Idx.



## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2012, with the distribution as of September 30, 2012. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

### Asset Distribution Across Investment Managers

	December 31, 2012		Net New Inv.	Inv. Return	September 30, 2012	
	Market Value	Percent			Market Value	Percent
<b>Domestic Equity</b>	<b>\$101,077,559</b>	<b>30.02%</b>	<b>\$0</b>	<b>\$(262,261)</b>	<b>\$101,339,820</b>	<b>30.59%</b>
<b>Large Cap Equity</b>	<b>\$75,420,002</b>	<b>22.40%</b>	<b>\$0</b>	<b>\$(273,740)</b>	<b>\$75,693,742</b>	<b>22.85%</b>
BlackRock	75,420,002	22.40%	0	(273,740)	75,693,742	22.85%
<b>Small Cap Equity</b>	<b>\$25,657,557</b>	<b>7.62%</b>	<b>\$0</b>	<b>\$11,479</b>	<b>\$25,646,078</b>	<b>7.74%</b>
Smith Graham & Co.	13,250,861	3.94%	0	184,143	13,066,718	3.94%
Cadence Capital Mgmt	12,406,696	3.69%	0	(172,664)	12,579,360	3.80%
<b>Private Equity</b>	<b>\$31,044,761</b>	<b>9.22%</b>	<b>\$573,439</b>	<b>\$425,962</b>	<b>\$30,045,360</b>	<b>9.07%</b>
Abbott Capital V	10,955,658	3.25%	(150,000)	246,366	10,859,292	3.28%
Abbott Capital VI	3,152,622	0.94%	550,000	(4,293)	2,606,915	0.79%
Harbour Vest VII-Mezzanine	1,229,256	0.37%	(88,696)	42,603	1,275,350	0.39%
Harbour Vest VII-Buyout	2,830,155	0.84%	(242,940)	83,430	2,989,665	0.90%
Harbour Vest VII-Venture	3,186,440	0.95%	(187,900)	(48,293)	3,422,633	1.03%
Harbour Vest VIII-Mezzanine	1,387,138	0.41%	30,519	56,757	1,299,862	0.39%
Harbour Vest VIII-Buyout	2,875,232	0.85%	(23,806)	55,510	2,843,528	0.86%
Harbour Vest VIII-Venture	3,358,315	1.00%	(18,965)	(11,066)	3,388,346	1.02%
Harbour Vest IX-Credit Opps	147,604	0.04%	80,000	4,282	63,322	0.02%
Harbour Vest IX-Buyout	418,411	0.12%	225,000	(5,364)	198,775	0.06%
Harbour Vest IX-Venture	333,868	0.10%	140,000	(3,558)	197,426	0.06%
Habbour Vest International VI	1,170,063	0.35%	260,227	9,588	900,247	0.27%
<b>Timber</b>	<b>\$11,651,471</b>	<b>3.46%</b>	<b>\$(819,094)</b>	<b>\$200,022</b>	<b>\$12,270,542</b>	<b>3.70%</b>
Molpus Woodlands Fund III	11,651,471	3.46%	(819,094)	200,022	12,270,542	3.70%
<b>Domestic Fixed-Income</b>	<b>\$96,249,445</b>	<b>28.59%</b>	<b>\$0</b>	<b>\$697,943</b>	<b>\$95,551,501</b>	<b>28.85%</b>
Denver Investments	48,702,847	14.47%	0	149,341	48,553,506	14.66%
PIMCO	47,546,598	14.12%	0	548,602	46,997,996	14.19%
<b>TIPS</b>	<b>\$16,115,537</b>	<b>4.79%</b>	<b>\$0</b>	<b>\$108,389</b>	<b>\$16,007,147</b>	<b>4.83%</b>
SSgA TIPS Index Fund	16,115,537	4.79%	0	108,389	16,007,147	4.83%
<b>International Equity</b>	<b>\$50,105,950</b>	<b>14.88%</b>	<b>\$0</b>	<b>\$3,768,579</b>	<b>\$46,337,372</b>	<b>13.99%</b>
SSGA Intl Alpha Select	20,189,461	6.00%	0	1,389,898	18,799,563	5.68%
Dodge & Cox Intl. Equity	24,913,212	7.40%	0	2,069,108	22,844,104	6.90%
SSgA Daily Emerging Markets	5,003,278	1.49%	0	309,573	4,693,705	1.42%
<b>Real Estate</b>	<b>\$30,411,791</b>	<b>9.03%</b>	<b>\$(217,483)</b>	<b>\$943,843</b>	<b>\$29,685,431</b>	<b>8.96%</b>
Cohen & Steers Global REIT	7,512,285	2.23%	0	491,882	7,020,403	2.12%
BlackRock Granite Property Fund	11,283,913	3.35%	(97,378)	228,651	11,152,640	3.37%
Heitman America	11,615,593	3.45%	(120,105)	223,311	11,512,387	3.48%
<b>Total Fund</b>	<b>\$336,656,514</b>	<b>100.0%</b>	<b>\$(463,138)</b>	<b>\$5,882,478</b>	<b>\$331,237,174</b>	<b>100.0%</b>

## Investment Manager Returns

The rates of return reported below for investment managers are calculated by linking the time-weighted monthly returns based on the fair value of securities held at the end of each month, including accrued income. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class (printed in bold) represent the composite return for all accounts within that asset class.

### Returns for Periods Ended December 31, 2012

	<b>Last Quarter</b>	<b>Last Year</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>	<b>Last 7 Years</b>
<b>Domestic Equity</b>	<b>(0.26%)</b>	<b>15.35%</b>	<b>11.32%</b>	<b>1.79%</b>	<b>3.90%</b>
Domestic Equity Target**	0.10%	16.08%	11.17%	2.08%	4.31%
<b>Large Cap Equity</b>	<b>(0.36%)</b>	<b>16.06%</b>	<b>10.98%</b>	<b>1.80%</b>	<b>4.24%</b>
BlackRock	(0.36%)	16.06%	10.98%	1.80%	4.24%
S&P 500	(0.38%)	16.00%	10.87%	1.66%	4.12%
<b>Small Cap Equity</b>	<b>0.04%</b>	<b>13.07%</b>	<b>12.72%</b>	<b>1.82%</b>	<b>2.65%</b>
Smith Graham & Co.	1.41%	17.48%	13.12%	5.85%	4.72%
Cadence Capital Mgmt	(1.37%)	8.71%	12.42%	-	-
Russell 2000	1.85%	16.35%	12.25%	3.56%	4.79%
Russell 2000 Value	3.22%	18.05%	11.57%	3.55%	4.11%
Russell 2000 Growth	0.45%	14.59%	12.82%	3.49%	5.35%
<b>Private Equity</b>	<b>1.39%</b>	<b>8.83%</b>	<b>10.47%</b>	<b>3.20%</b>	<b>4.66%</b>
Abbott Capital V	2.30%	11.55%	11.28%	2.77%	1.03%
Abbott Capital VI	(0.14%)	2.93%	(2.44%)	-	-
Harbour Vest VII-Mezzanine	3.45%	16.25%	10.88%	5.71%	6.92%
Harbour Vest VII-Buyout	2.88%	12.59%	13.61%	4.08%	8.09%
Harbour Vest VII-Venture	(1.44%)	4.04%	10.80%	4.98%	5.32%
Harbour Vest VIII-Mezzanine	4.33%	12.12%	11.63%	4.16%	-
Harbour Vest VIII-Buyout	1.95%	9.48%	12.03%	3.23%	-
Harbour Vest VIII-Venture	(0.33%)	4.42%	10.63%	4.72%	-
Harbour Vest IX Credit Opportunities	4.21%	14.99%	-	-	-
Harbour Vest IX - Buyout	(1.39%)	(5.03%)	-	-	-
Harbour Vest IX - Venture	(1.18%)	(0.39%)	-	-	-
Harbour Vest International VI	0.87%	0.94%	-	-	-
Russell 3000	0.25%	16.42%	11.20%	2.04%	4.34%
<b>Timber Composite</b>	<b>1.75%</b>	<b>(0.00%)</b>	-	-	-
Molpus Woodlands Fund III LP	1.75%	(0.00%)	-	-	-
NCREIF Timberland Index	5.92%	7.76%	3.00%	2.65%	6.31%
<b>Domestic Fixed-Income</b>	<b>0.73%</b>	<b>7.83%</b>	<b>7.87%</b>	<b>7.41%</b>	<b>7.09%</b>
Denver Investments	0.31%	5.50%	7.80%	6.93%	6.71%
PIMCO	1.17%	10.36%	7.75%	8.34%	7.82%
Barclays Aggregate	0.21%	4.21%	6.19%	5.95%	5.86%
Barclays Gov/Credit	0.37%	4.82%	6.70%	6.06%	5.90%
<b>TIPS</b>	<b>0.68%</b>	<b>6.95%</b>	-	-	-
SSgA TIPS Index Fund	0.68%	6.95%	-	-	-
BC US TIPS Index	0.69%	6.98%	8.90%	7.04%	6.70%
<b>International Equity</b>	<b>8.13%</b>	<b>19.03%</b>	<b>3.87%</b>	<b>(3.14%)</b>	<b>1.99%</b>
SSGA Intl Alpha Select	7.39%	16.69%	2.82%	(4.44%)	-
Dodge & Cox Intl Equity	9.06%	21.03%	4.96%	(1.89%)	-
SSGA Daily Emerging Markets	6.60%	18.87%	-	-	-
MSCI EAFE Index	6.57%	17.32%	3.56%	(3.69%)	2.19%
MSCI ACWI ex-US	5.89%	17.39%	4.33%	(2.44%)	4.00%
MSCI ACWI ex-US IMI	5.74%	17.04%	4.18%	(2.59%)	3.69%
MSCI Emerging Index	5.61%	18.63%	4.98%	(0.61%)	8.74%
<b>Real Estate</b>	<b>3.20%</b>	<b>15.43%</b>	<b>14.80%</b>	<b>(1.39%)</b>	<b>2.46%</b>
Cohen & Steers Global REIT	7.20%	26.82%	-	-	-
BlackRock Granite Property Fund	2.07%	9.51%	13.53%	(7.26%)	(1.02%)
Heitman America	2.23%	-	-	-	-
NAREIT Equity Index	3.11%	19.70%	18.37%	5.74%	6.02%
NAREIT Developed Index	5.77%	28.65%	13.42%	1.07%	4.89%
NCREIF Total Index	2.54%	10.54%	12.63%	2.13%	5.97%
NFI-ODCE Equal Weight Net	2.07%	9.92%	13.32%	(2.33%)	2.35%
<b>Total Fund</b>	<b>1.78%</b>	<b>12.27%</b>	<b>9.16%</b>	<b>3.30%</b>	<b>5.12%</b>
Policy Target	1.75%	11.90%	9.22%	3.54%	5.24%

\* Current Quarter Target = 28.0% Barclays Aggregate Index, 22.0% S&P 500 Index, 16.0% MSCI ACWI ex US Index, 9.0% Private Equity, 7.0% NFI-ODCE Equal Weight Net, 6.0% Russell 2000 Index, 5.0% Barclays US TIPS Index, 5.0% NCREIF Timberland Index and 2.0% EPRA/NAREIT Dev REIT Idx.

\*\* Domestic Equity Target = 80% S&P 500 and 20% Russell 2000

## Investment Manager Returns

The rates of return reported below for investment managers are calculated by linking the time-weighted monthly returns based on the fair value of securities held at the end of each month, including accrued income. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class (printed in bold) represent the composite return for all accounts within that asset class.

### Returns for Periods Ended December 31, 2012

	<b>Last 10 Years</b>	<b>Last 15 Years</b>	<b>Last 20 Years</b>	<b>Last 24-3/4 Years</b>
<b>Domestic Equity</b>	<b>7.27%</b>	-	-	-
Domestic Equity Target**	7.66%	5.18%	8.77%	10.01%
<b>Large Cap Equity</b>	<b>6.87%</b>	<b>3.04%</b>	<b>6.32%</b>	<b>6.15%</b>
S&P 500	7.10%	4.47%	8.22%	9.56%
<b>Small Cap Equity</b>	<b>8.41%</b>	-	-	-
Smith Graham & Co.	9.82%	-	-	-
Russell 2000	9.72%	5.89%	8.43%	9.07%
Russell 2000 Value	9.50%	7.19%	10.18%	10.56%
Russell 2000 Growth	9.80%	4.04%	6.15%	7.11%
<b>Domestic Fixed-Income</b>	<b>6.43%</b>	<b>6.68%</b>	<b>7.01%</b>	<b>7.39%</b>
Denver Investments	6.19%	6.64%	6.95%	-
PIMCO	6.82%	-	-	-
Barclays Aggregate	5.18%	5.96%	6.34%	7.15%
Barclays Gov/Credit	5.25%	6.03%	6.42%	7.19%
<b>International Equity</b>	<b>7.60%</b>	<b>4.25%</b>	-	-
MSCI EAFE Index	8.21%	4.38%	6.09%	4.57%
MSCI ACWI ex-US	10.22%	5.75%	7.15%	5.63%
MSCI ACWI ex-US IMI	10.16%	5.65%	-	-
MSCI Emerging Index	16.88%	9.24%	8.82%	11.97%
<b>Real Estate</b>	<b>6.60%</b>	<b>7.44%</b>	<b>7.44%</b>	<b>6.46%</b>
BlackRock Granite Property Fund	2.19%	4.27%	4.83%	4.52%
NAREIT Equity Index	11.78%	8.88%	11.16%	10.65%
NAREIT Developed Index	12.08%	8.75%	10.65%	-
NCREIF Total Index	8.44%	9.19%	8.85%	7.40%
NFI-ODCE Equal Weight Net	5.38%	6.67%	6.84%	5.14%
<b>Total Fund</b>	<b>7.15%</b>	<b>6.04%</b>	<b>7.46%</b>	<b>8.25%</b>
Policy Target	7.18%	6.33%	7.84%	8.63%

\* Current Quarter Target = 28.0% Barclays Aggregate Index, 22.0% S&P 500 Index, 16.0% MSCI ACWI ex US Index, 9.0% Private Equity, 7.0% NFI-ODCE Equal Weight Net, 6.0% Russell 2000 Index, 5.0% Barclays US TIPS Index, 5.0% NCREIF Timberland Index and 2.0% EPRA/NAREIT Dev REIT Idx.

\*\* Domestic Equity Target = 80% S&P 500 and 20% Russell 2000

# Denver Investments

## Period Ended December 31, 2012

### Investment Philosophy

Denver Investment Advisors actively manages duration to take advantage of changes in the intermediate and long sections of the yield curve. Management buys higher quality, more liquid issues with strong yields.

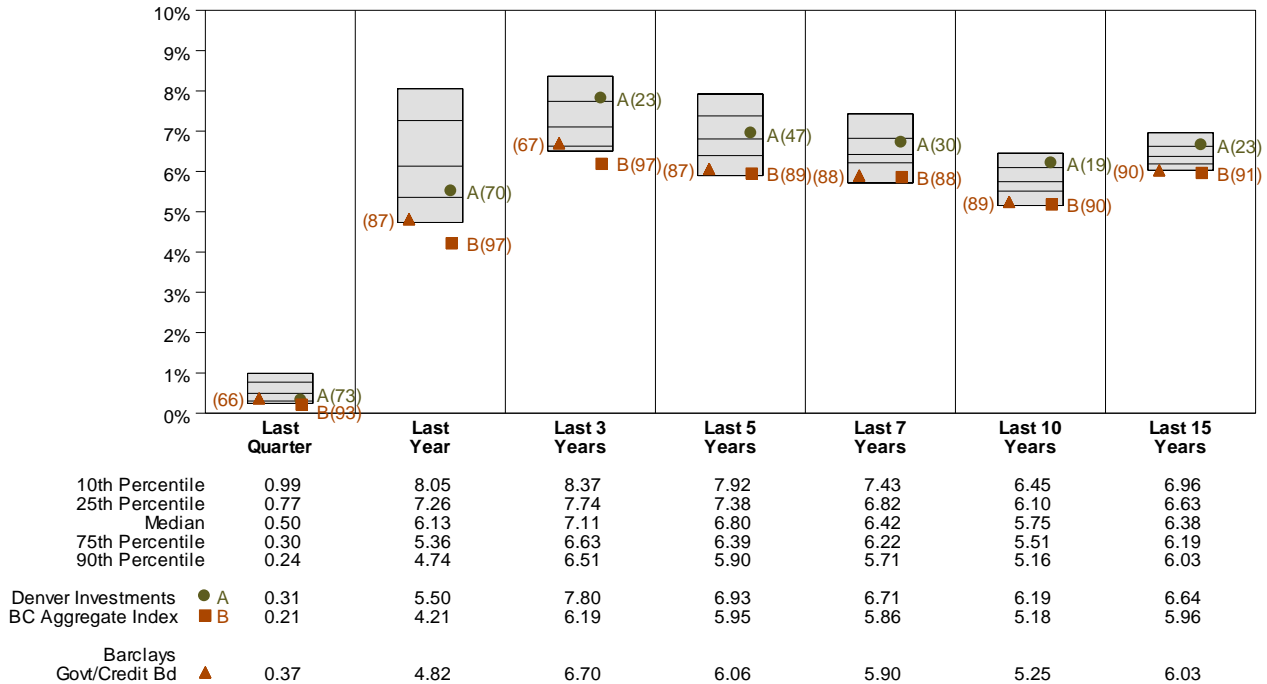
### Quarterly Summary and Highlights

- Denver Investments's portfolio posted a 0.31% return for the quarter placing it in the 73 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 70 percentile for the last year.
- Denver Investments's portfolio underperformed the Barclays Govt/Credit Bd by 0.06% for the quarter and outperformed the Barclays Govt/Credit Bd for the year by 0.68%.

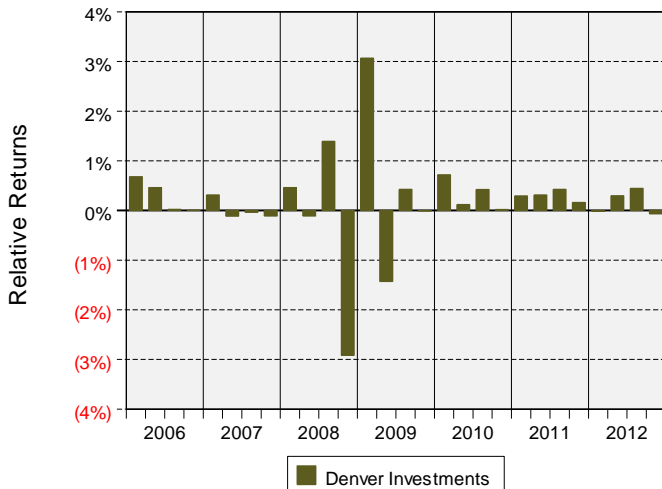
### Quarterly Asset Growth

Beginning Market Value	\$48,553,506
Net New Investment	\$0
Investment Gains/(Losses)	\$149,341
Ending Market Value	\$48,702,847

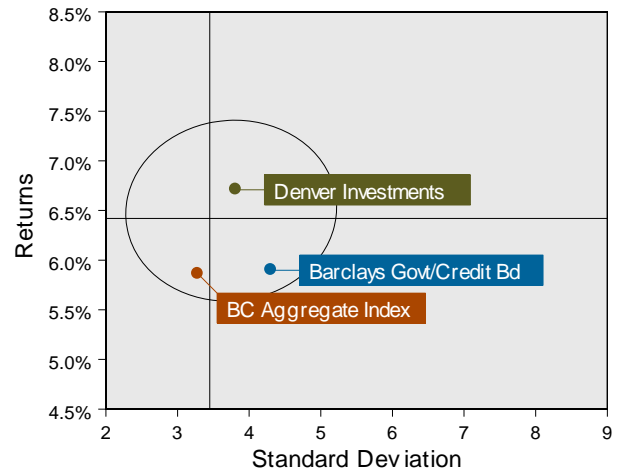
### Performance vs CAI Core Bond Fixed-Inc Style (Gross)



### Relative Return vs Barclays Govt/Credit Bd



### CAI Core Bond Fixed-Inc Style (Gross) Annualized Seven Year Risk vs Return



# PIMCO

## Period Ended December 31, 2012

### Investment Philosophy

PIMCO emphasizes adding value by rotating through the major sectors of the domestic and international bond markets. They also seek to enhance returns through duration management. The PIMCO fund was incepted 8/02. The first full quarter of performance was 4th Quarter, 2002.

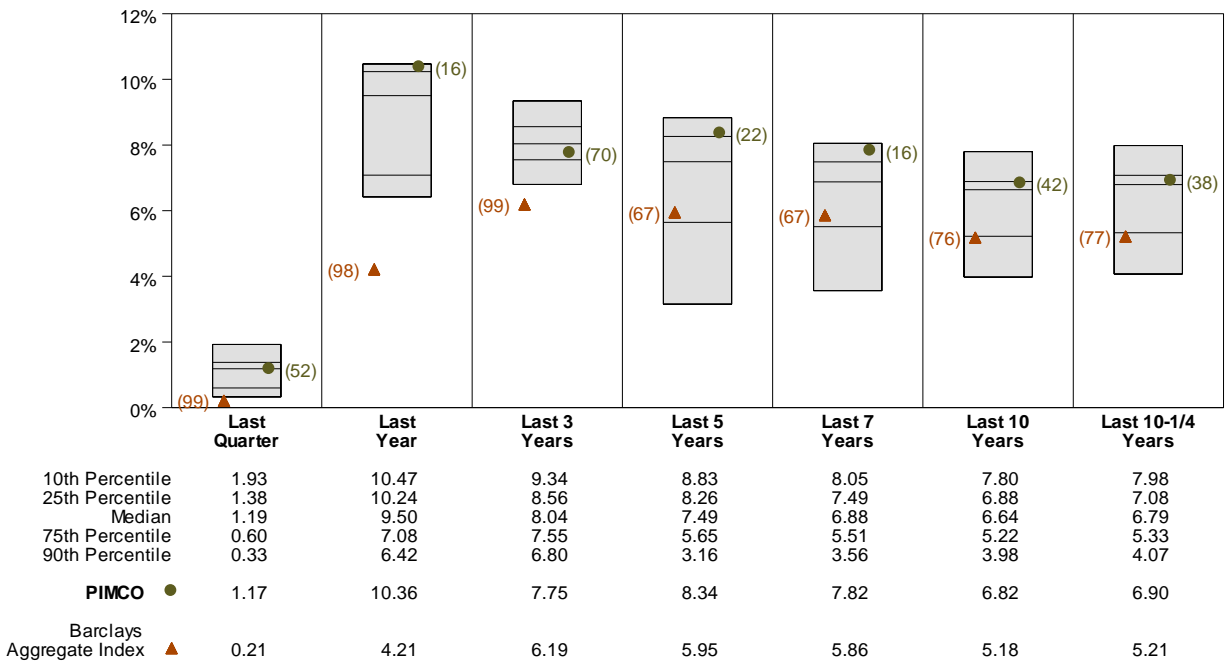
### Quarterly Summary and Highlights

- PIMCO's portfolio posted a 1.17% return for the quarter placing it in the 52 percentile of the CAI MF - Core Plus Style group for the quarter and in the 16 percentile for the last year.
- PIMCO's portfolio outperformed the Barclays Aggregate Index by 0.96% for the quarter and outperformed the Barclays Aggregate Index for the year by 6.14%.

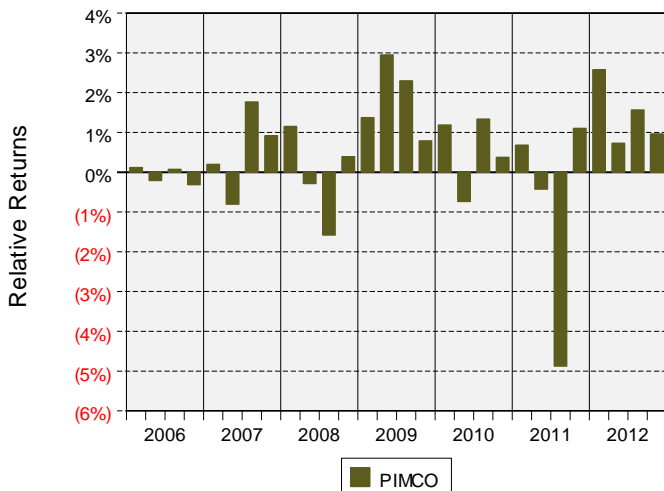
### Quarterly Asset Growth

Beginning Market Value	\$46,997,996
Net New Investment	\$0
Investment Gains/(Losses)	\$548,602
Ending Market Value	\$47,546,598

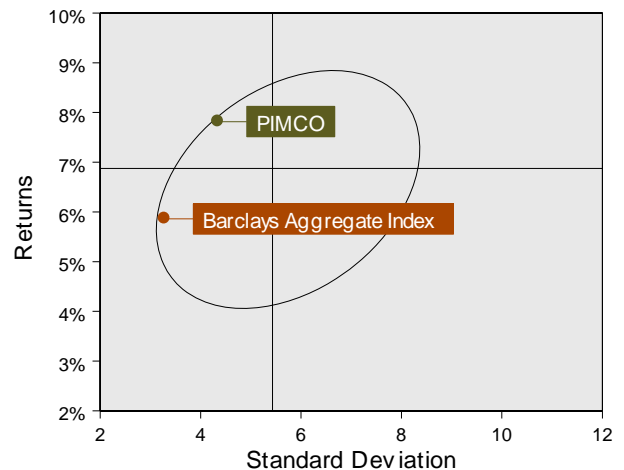
### Performance vs CAI MF - Core Plus Style (Net)



### Relative Return vs Barclays Aggregate Index



### CAI MF - Core Plus Style (Net) Annualized Seven Year Risk vs Return



# BlackRock

## Period Ended December 31, 2012

### Investment Philosophy

The Equity Index Strategy was designed to provide the best possible tracking with minimal transaction costs. BlackRock account funded 11/4/04. First full quarter is 1st Quarter 2005.

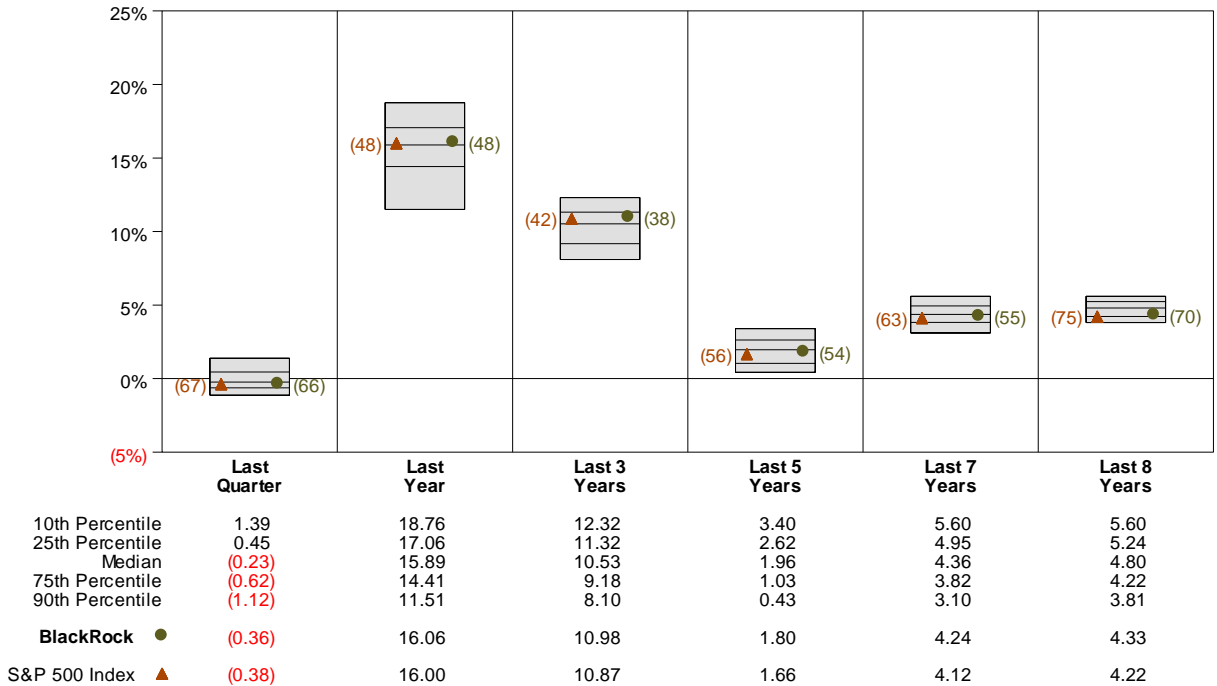
### Quarterly Summary and Highlights

- BlackRock's portfolio posted a (0.36)% return for the quarter placing it in the 66th percentile of the CAI Large Cap Core Style group for the quarter and in the 48th percentile for the last year.
- BlackRock's portfolio outperformed the S&P 500 Index by 0.02% for the quarter and outperformed the S&P 500 Index for the year by 0.06%.

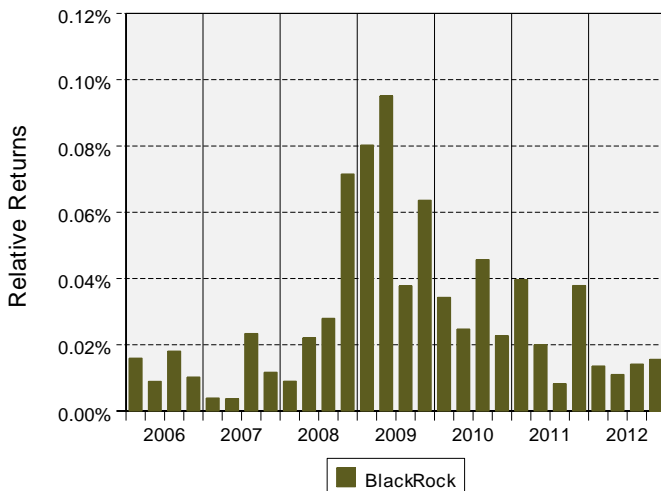
### Quarterly Asset Growth

Beginning Market Value	\$75,693,742
Net New Investment	\$0
Investment Gains/(Losses)	\$-273,740
Ending Market Value	\$75,420,002

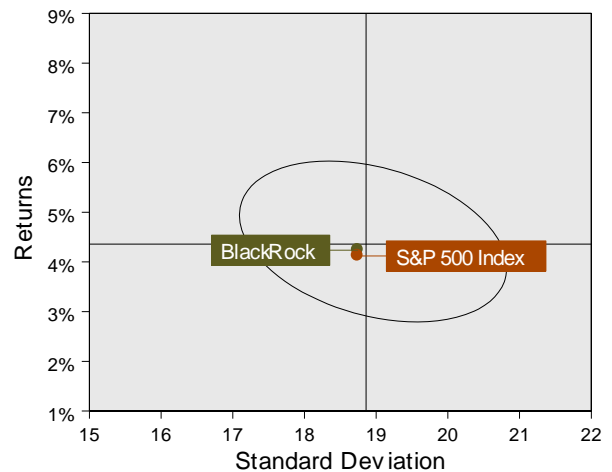
### Performance vs CAI Large Cap Core Style (Gross)



### Relative Return vs S&P 500 Index



### CAI Large Cap Core Style (Gross) Annualized Seven Year Risk vs Return



# Smith Graham & Co.

## Period Ended December 31, 2012

### Investment Philosophy

Smith Graham & Co. believes that incremental returns can be achieved within the small cap universe by combining a systematic quantitative approach with a traditional fundamental analysis. The research universe consists of all companies with market capitalization between \$250 and \$2 billion, with a minimum trading history of 3 years. Quantitative models identify the top 20% of the universe based on value characteristics. These top candidates are subjected to fundamental analysis to construct a portfolio of 50-75 stocks.

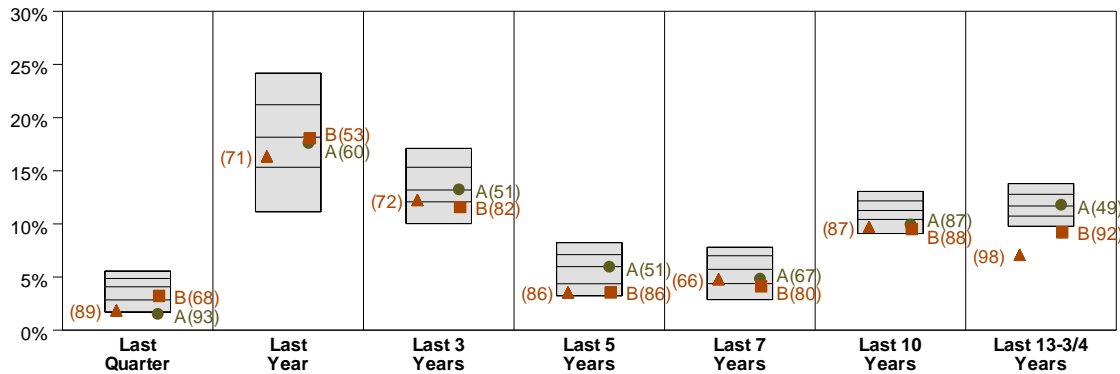
### Quarterly Summary and Highlights

- Smith Graham & Co.'s portfolio posted a 1.41% return for the quarter placing it in the 93 percentile of the CAI Small Cap Value Style group for the quarter and in the 60 percentile for the last year.
- Smith Graham & Co.'s portfolio underperformed the Russell 2000 Index by 0.44% for the quarter and outperformed the Russell 2000 Index for the year by 1.13%.

### Quarterly Asset Growth

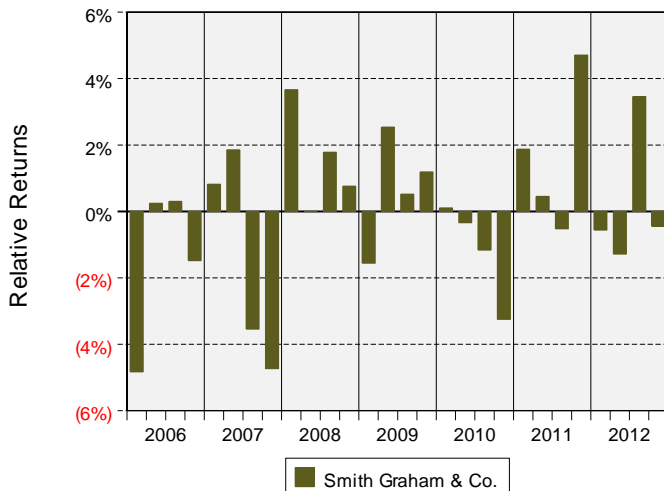
Beginning Market Value	\$13,066,718
Net New Investment	\$0
Investment Gains/(Losses)	\$184,143
Ending Market Value	\$13,250,861

### Performance vs CAI Small Cap Value Style (Gross)

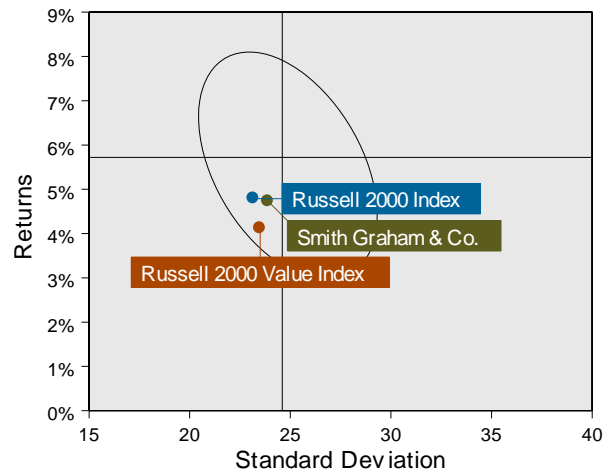


	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 13-3/4 Years
10th Percentile	5.54	24.17	17.10	8.24	7.79	13.05	13.80
25th Percentile	4.87	21.22	15.33	7.09	7.00	12.15	12.77
Median	4.09	18.14	13.19	5.97	5.72	11.25	11.67
75th Percentile	2.85	15.32	12.07	4.35	4.38	10.42	10.73
90th Percentile	1.70	11.14	10.03	3.23	2.87	9.09	9.77
Smith Graham & Co. (A)	1.41	17.48	13.12	5.85	4.72	9.82	11.68
Russell 2000 Value Index (B)	3.22	18.05	11.57	3.55	4.11	9.50	9.20
Russell 2000 Index (C)	1.85	16.35	12.25	3.56	4.79	9.72	7.08

### Relative Return vs Russell 2000 Index



### CAI Small Cap Value Style (Gross) Annualized Seven Year Risk vs Return



# Cadence Capital Mgmt Period Ended December 31, 2012

## Investment Philosophy

The distinguishing feature of the Cadence investment process is the evaluation and ranking of each stock's growth oriented and complementary value attributes. In effect, the team looks for the most attractive combination of growth and value. This process levels the playing field for all stocks and eliminates the biases inherent in both pure growth and pure value approaches. Cadence Capital Mgmt was inception 9/08. The first full quarter of performance was 4th Quarter, 2008. Historical data reflects Cadence's Small Cap Composite.

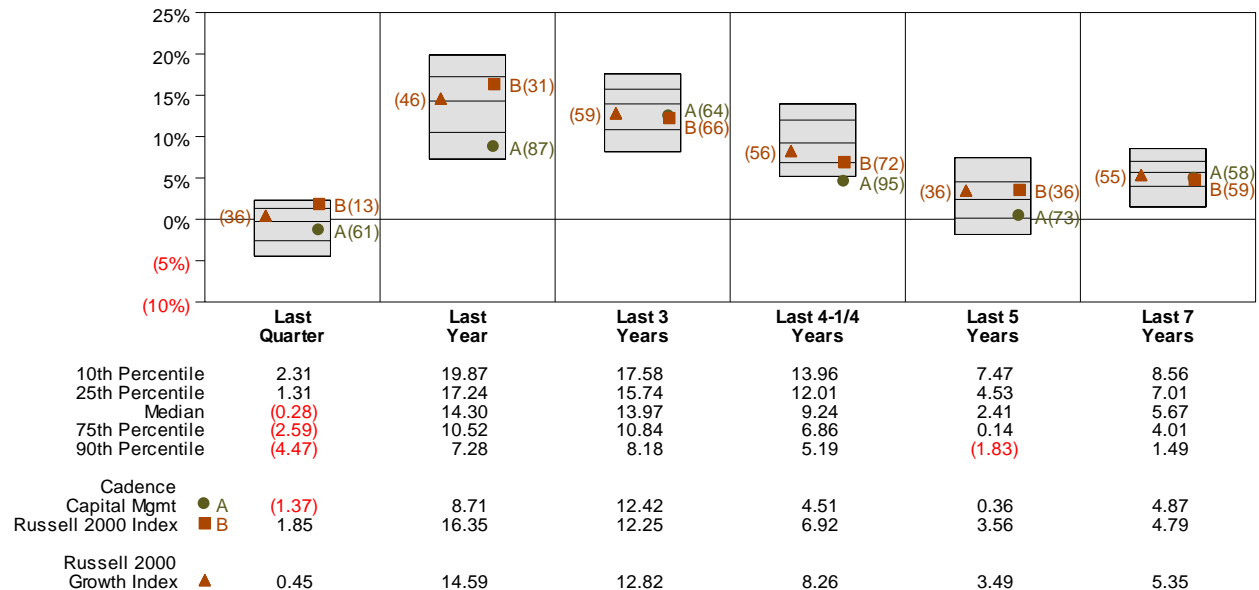
## Quarterly Summary and Highlights

- Cadence Capital Mgmt's portfolio posted a (1.37)% return for the quarter placing it in the 61 percentile of the CAI Small Cap Growth Style group for the quarter and in the 87 percentile for the last year.
- Cadence Capital Mgmt's portfolio underperformed the Russell 2000 Growth Index by 1.82% for the quarter and underperformed the Russell 2000 Growth Index for the year by 5.88%.

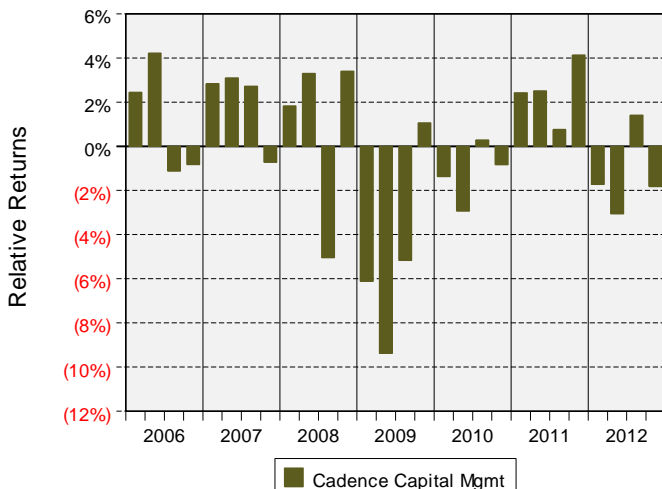
## Quarterly Asset Growth

Beginning Market Value	\$12,579,360
Net New Investment	\$0
Investment Gains/(Losses)	\$-172,664
Ending Market Value	\$12,406,696

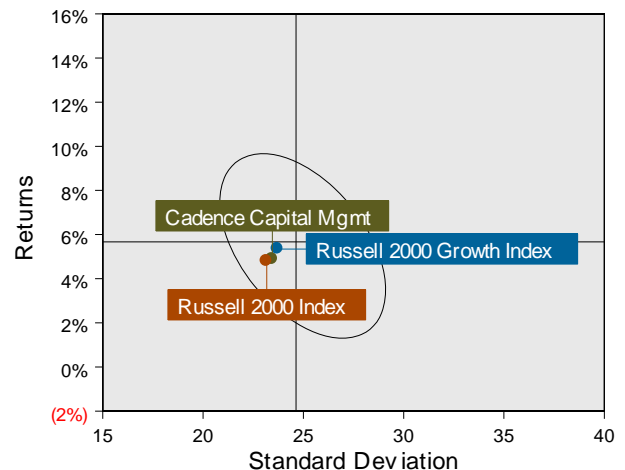
## Performance vs CAI Small Cap Growth Style (Gross)



## Relative Return vs Russell 2000 Growth Index



## CAI Small Cap Growth Style (Gross) Annualized Seven Year Risk vs Return





# SSGA Intl Alpha Select Period Ended December 31, 2012

## Investment Philosophy

The International Alpha Select Strategy seeks to identify individual EAFE securities that are misvalued relative to their growth potential. The Strategy attempts to capitalize on global market inefficiencies by employing a disciplined investment process that combines historical market valuations and forward looking growth prospects to determine an optimal security mix. The SSGA fund was inceptioned 2/07. The first full quarter of performance was 2nd Quarter, 2007. Historical data reflects SSGA's Alpha Select Fund.

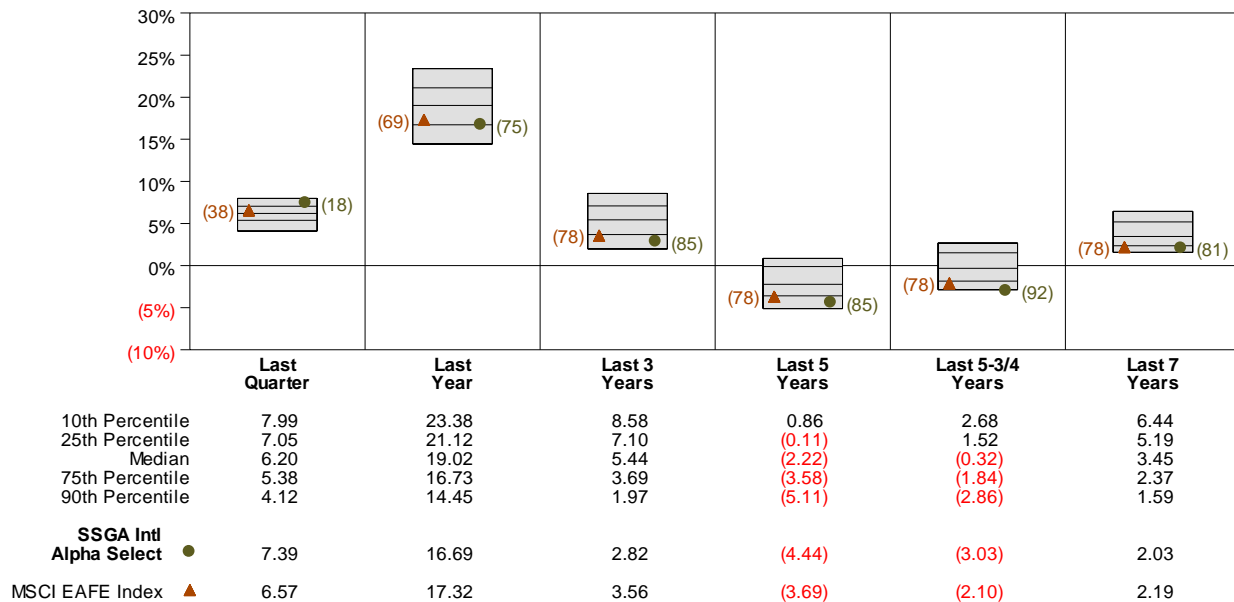
## Quarterly Summary and Highlights

- SSGA Intl Alpha Select's portfolio posted a 7.39% return for the quarter placing it in the 18 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 75 percentile for the last year.
- SSGA Intl Alpha Select's portfolio outperformed the MSCI EAFE Index by 0.82% for the quarter and underperformed the MSCI EAFE Index for the year by 0.63%.

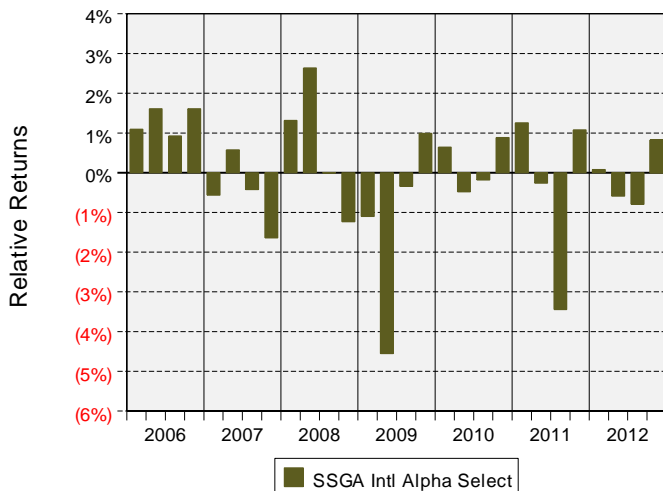
## Quarterly Asset Growth

Beginning Market Value	\$18,799,563
Net New Investment	\$0
Investment Gains/(Losses)	\$1,389,898
Ending Market Value	\$20,189,461

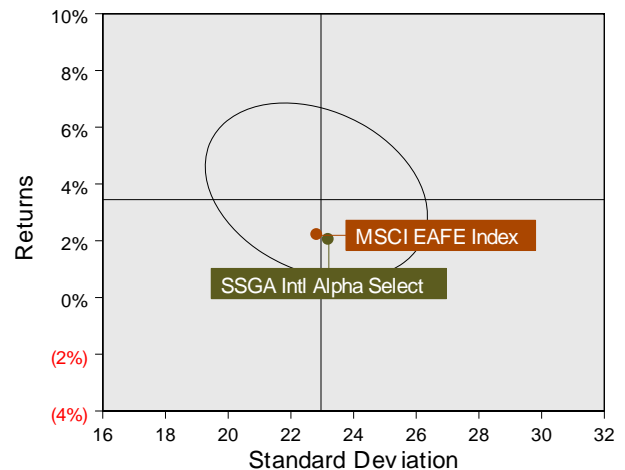
## Performance vs CAI Non-U.S. Equity Style (Gross)



## Relative Return vs MSCI EAFE Index



## CAI Non-U.S. Equity Style (Gross) Annualized Seven Year Risk vs Return



# SSgA Daily Emerging Markets Period Ended December 31, 2012

## Investment Philosophy

This passive product seeks to replicate the composition and returns of the Emerging Markets Free Index. The SSgA fund was inception 3/10. The first full quarter of performance was 2nd Quarter, 2010. Historical data reflects SSgA's Daily Emerging Markets Fund.

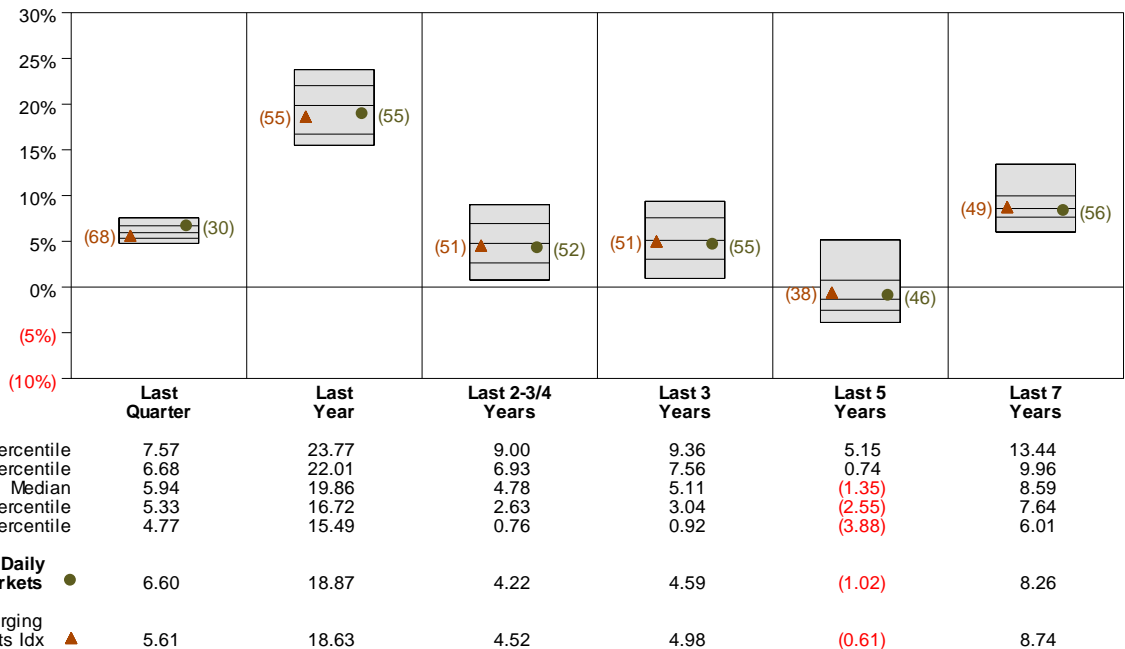
## Quarterly Summary and Highlights

- SSgA Daily Emerging Markets's portfolio posted a 6.60% return for the quarter placing it in the 30 percentile of the CAI Emerging Market Broad Style group for the quarter and in the 55 percentile for the last year.
- SSgA Daily Emerging Markets's portfolio outperformed the MSCI Emerging Mkts Idx by 0.99% for the quarter and outperformed the MSCI Emerging Mkts Idx for the year by 0.25%.

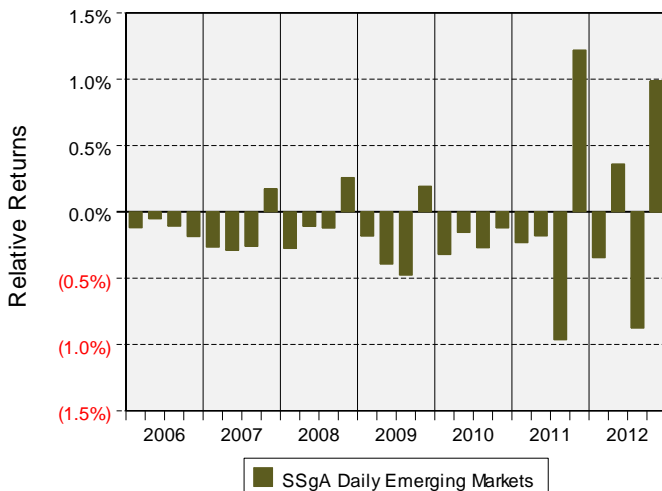
## Quarterly Asset Growth

Beginning Market Value	\$4,693,705
Net New Investment	\$0
Investment Gains/(Losses)	\$309,573
Ending Market Value	\$5,003,278

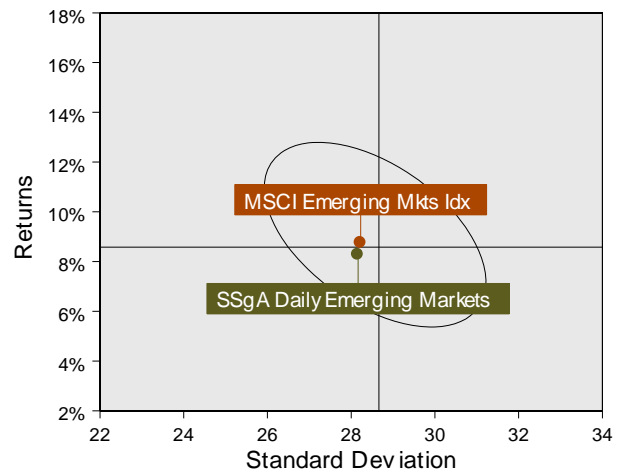
## Performance vs CAI Emerging Market Broad Style (Gross)



## Relative Return vs MSCI Emerging Mkts Idx



## CAI Emerging Market Broad Style (Gross) Annualized Seven Year Risk vs Return



# Dodge & Cox Intl Equity Period Ended December 31, 2012

## Investment Philosophy

Dodge & Cox believes that increased earnings are a primary factor driving increased valuations over the long term. To effect this policy, the firm relies on thorough fundamental research and a valuation discipline. The Dodge & Cox fund was inception 2/07. The first full quarter of performance was 2nd Quarter, 2007. Historical data reflects Dodge & Cox's International Stock Fund.

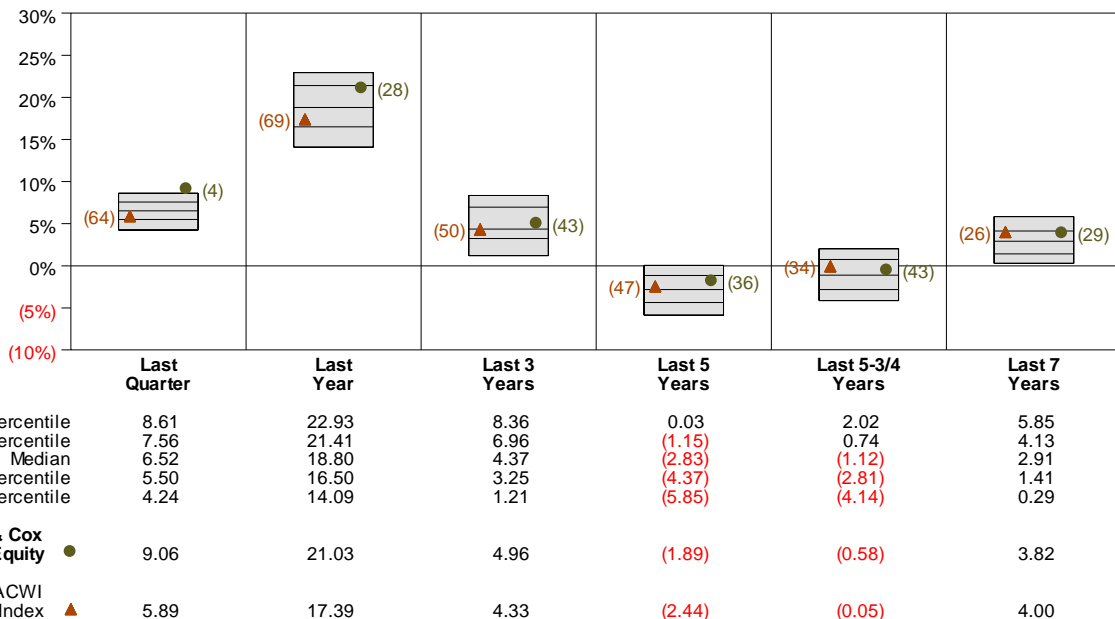
## Quarterly Summary and Highlights

- Dodge & Cox Intl Equity's portfolio posted a 9.06% return for the quarter placing it in the 4 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 28 percentile for the last year.
- Dodge & Cox Intl Equity's portfolio outperformed the MSCI ACWI ex US Index by 3.16% for the quarter and outperformed the MSCI ACWI ex US Index for the year by 3.64%.

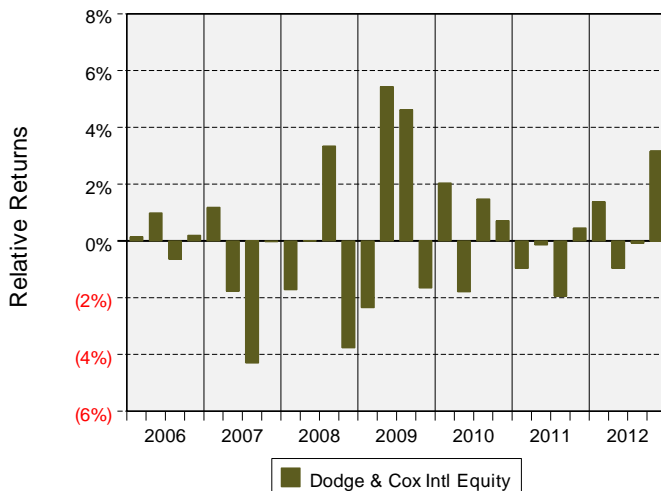
## Quarterly Asset Growth

Beginning Market Value	\$22,844,104
Net New Investment	\$0
Investment Gains/(Losses)	\$2,069,108
Ending Market Value	\$24,913,212

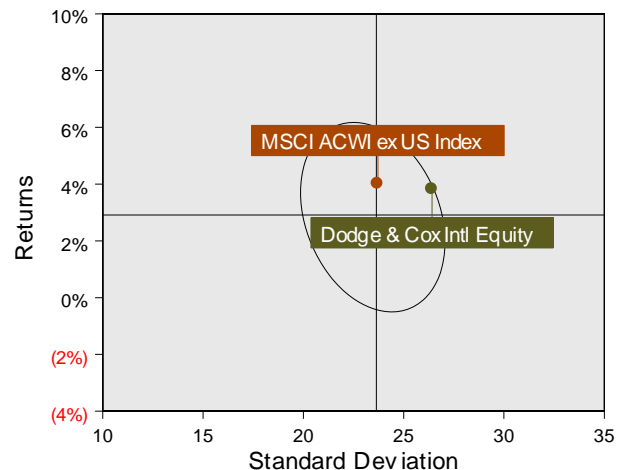
## Performance vs CAI MF - Non-US Equity Style (Net)



## Relative Return vs MSCI ACWI ex US Index



## CAI MF - Non-US Equity Style (Net) Annualized Seven Year Risk vs Return



# BlackRock Granite Property Fund Period Ended December 31, 2012

## Investment Philosophy

The Total Real Estate Funds Database consists of both open and closed-end commingled funds as well as separate accounts managed by real estate firms. The returns represent the overall performance of institutional capital invested in real estate properties.

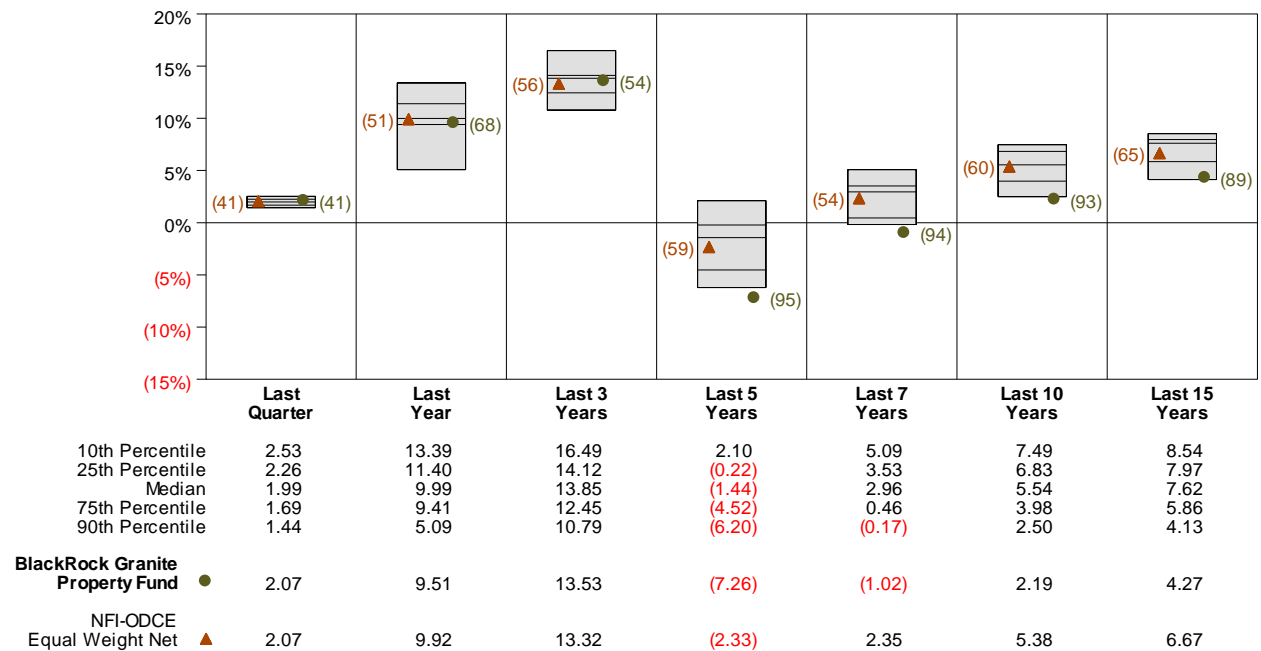
## Quarterly Summary and Highlights

- BlackRock Granite Property Fund's portfolio posted a 2.07% return for the quarter placing it in the 41 percentile of the CAI Open-End Real Estate Funds group for the quarter and in the 68 percentile for the last year.
- BlackRock Granite Property Fund's portfolio underperformed the NFI-ODCE Equal Weight Net by 0.01% for the quarter and underperformed the NFI-ODCE Equal Weight Net for the year by 0.41%.

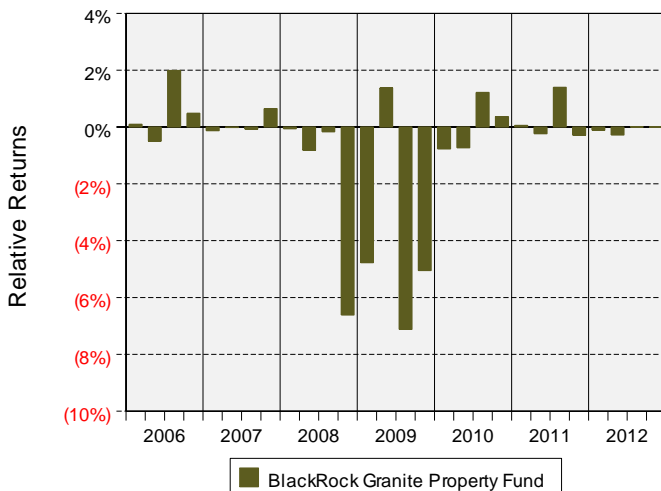
## Quarterly Asset Growth

Beginning Market Value	\$11,152,640
Net New Investment	\$-97,378
Investment Gains/(Losses)	\$228,651
Ending Market Value	\$11,283,913

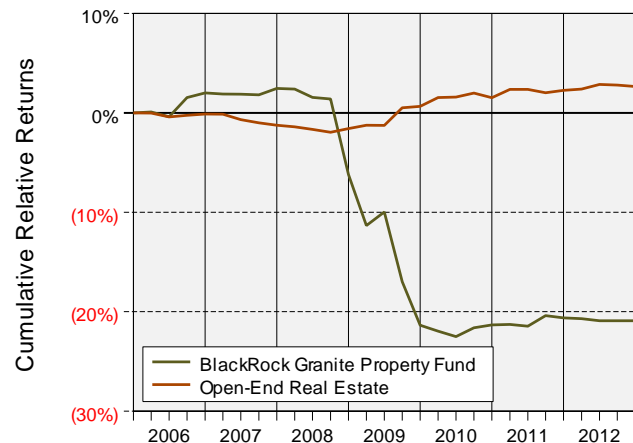
## Performance vs CAI Open-End Real Estate Funds (Net)



## Relative Returns vs NFI-ODCE Equal Weight Net



## Cumulative Returns vs NFI-ODCE Equal Weight Net



# Heitman America

## Period Ended December 31, 2012

### Investment Philosophy

Heitman America Real Estate Trust, L.P. is a Delaware limited partnership, organized as a perpetual-life, core open-ended commingled fund to invest in real estate assets. The Fund seeks to deliver to its investors a combination of current income return and moderate appreciation. In acquiring individual assets for HART, Heitman adheres to the following principles:

- Buy in major markets and build a portfolio that is diversified by property type, economic exposure and geography
  - Buy assets with strong site attributes, such as proximity to amenities, complementary land uses and transportation networks
  - Buy well-constructed assets with features that will continue to appeal to tenants over long periods of time
- Heitman was incepted 6/12. The first full quarter of performance was 3rd Quarter, 2012. Historical data reflects Heitman America Real Estate Trust.

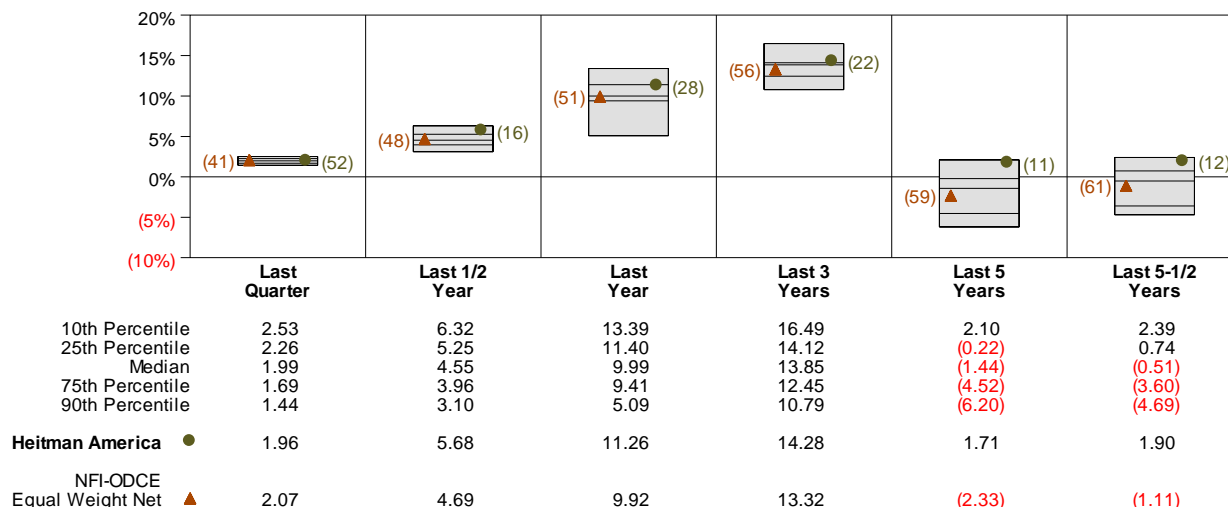
### Quarterly Summary and Highlights

- Heitman America's portfolio posted a 1.96% return for the quarter placing it in the 52 percentile of the CAI Open-End Real Estate Funds group for the quarter and in the 28 percentile for the last year.
- Heitman America's portfolio underperformed the NFI-ODCE Equal Weight Net by 0.11% for the quarter and outperformed the NFI-ODCE Equal Weight Net for the year by 1.33%.

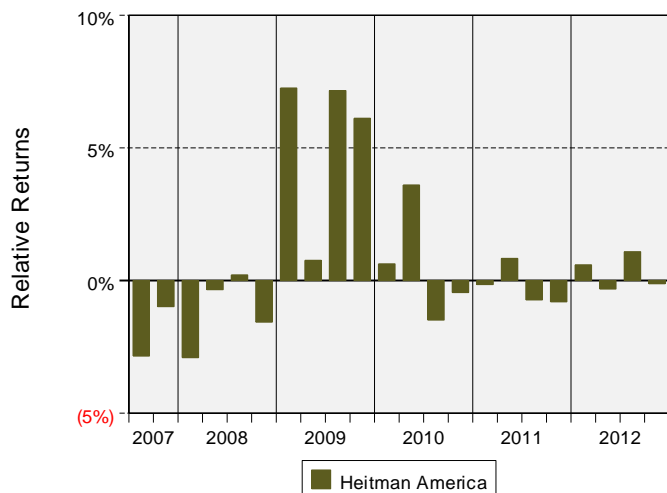
### Quarterly Asset Growth

Beginning Market Value	\$11,512,387
Net New Investment	\$-120,105
Investment Gains/(Losses)	\$223,311
Ending Market Value	\$11,615,593

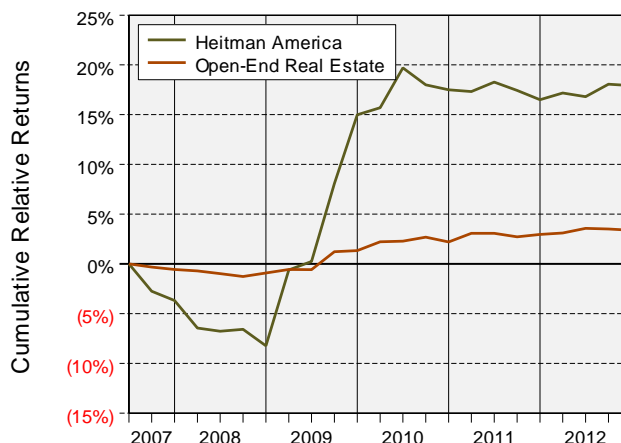
### Performance vs CAI Open-End Real Estate Funds (Net)



### Relative Returns vs NFI-ODCE Equal Weight Net



### Cumulative Returns vs NFI-ODCE Equal Weight Net



# Cohen & Steers Global REIT Gross of Fee Period Ended December 31, 2012

## Investment Philosophy

Cohen & Steers' investment philosophy is to participate in the real estate securities market through the creation of equity portfolios that are diversified by property type and geographic region. Cohen & Steers was inceptioned 6/11. The first full quarter of performance was 3rd Quarter, 2011. Historical data reflects Cohen & Steers Global REIT Fund.

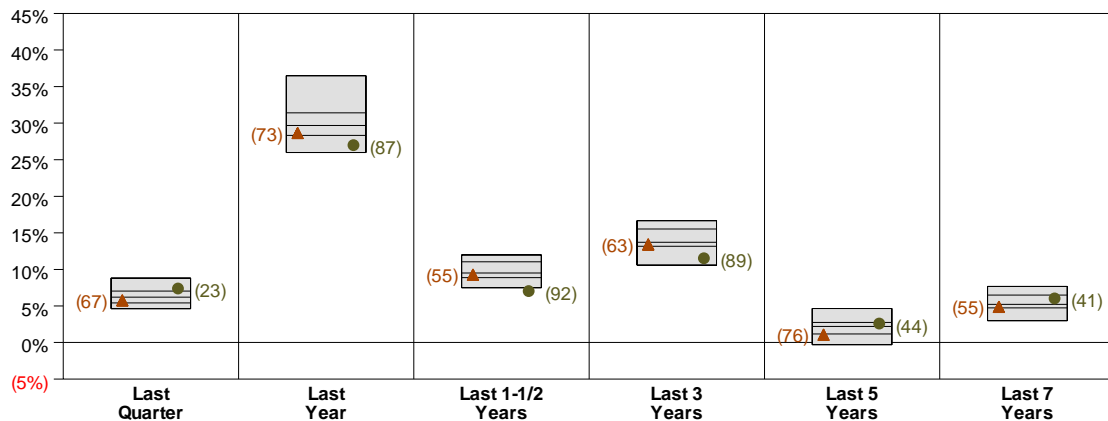
## Quarterly Summary and Highlights

- Cohen & Steers Global REIT Gross of Fee's portfolio posted a 7.20% return for the quarter placing it in the 23 percentile of the CAI Real Estate - REIT Global DB group for the quarter and in the 87 percentile for the last year.
- Cohen & Steers Global REIT Gross of Fee's portfolio outperformed the NAREIT Developed Index by 1.43% for the quarter and underperformed the NAREIT Developed Index for the year by 1.83%.

## Quarterly Asset Growth

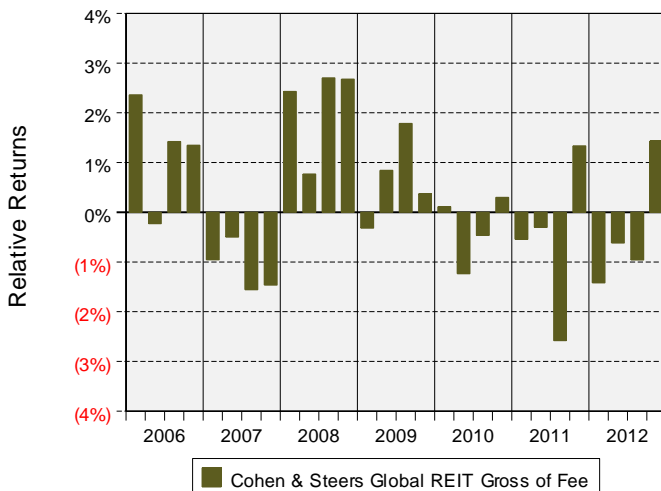
Beginning Market Value	\$7,020,403
Net New Investment	\$0
Investment Gains/(Losses)	\$491,882
Ending Market Value	\$7,512,285

## Performance vs CAI Real Estate - REIT Global DB (Gross)

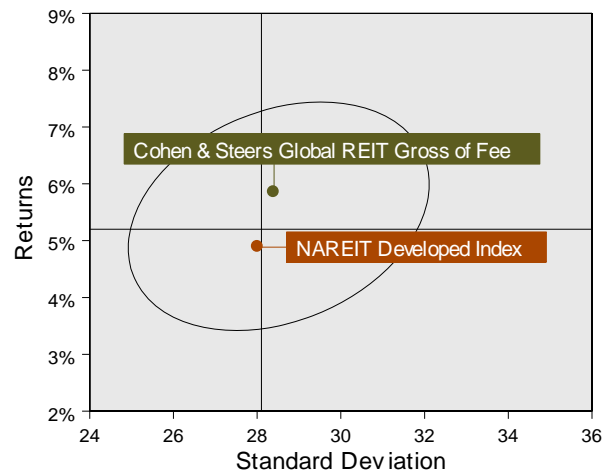


Cohen & Steers Global REIT Gross of Fee ●  
NAREIT Developed Index ▲

## Relative Return vs NAREIT Developed Index



## CAI Real Estate - REIT Global DB (Gross) Annualized Seven Year Risk vs Return



# Molpus Woodlands Fund III

## Period Ended December 31, 2012

### Investment Philosophy

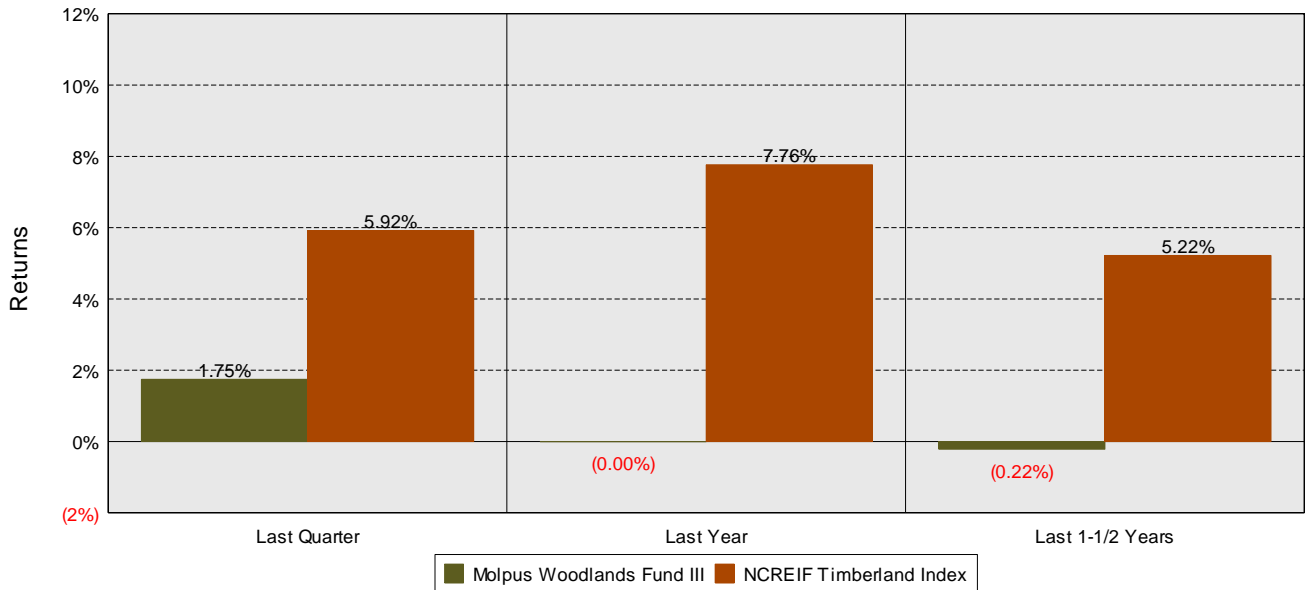
The Fund will focus its investment strategy on acquiring, managing, harvesting and divesting of timberland, and will invest in industrial timberland growing regions of North America, primarily in the United States.

### Quarterly Summary and Highlights

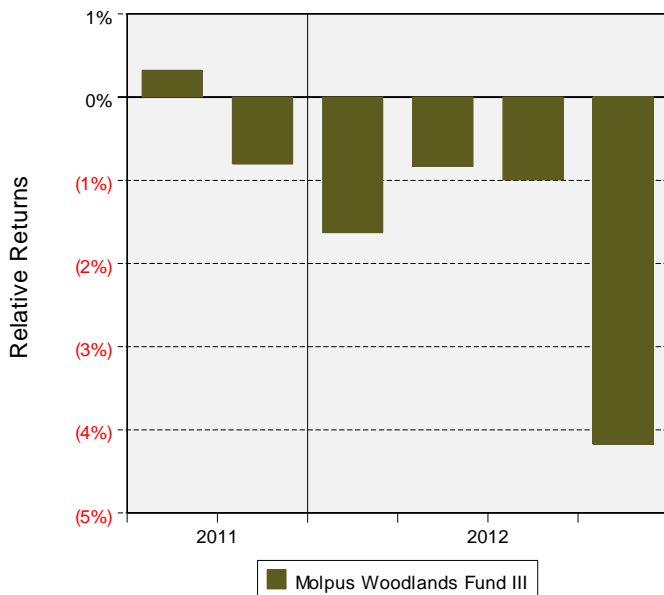
- Molpus Woodlands Fund III's portfolio underperformed the NCREIF Timberland Index by 4.17% for the quarter and underperformed the NCREIF Timberland Index for the year by 7.76%.

### Quarterly Asset Growth

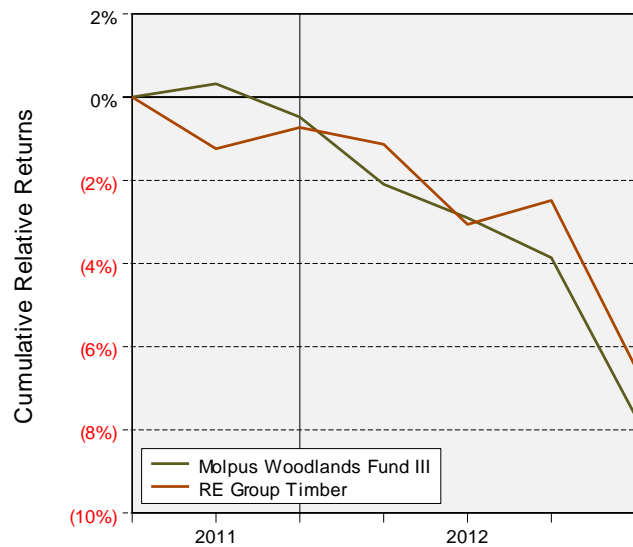
Beginning Market Value	\$12,270,542
Net New Investment	\$-819,094
Investment Gains/(Losses)	\$200,022
Ending Market Value	\$11,651,471



Relative Return vs NCREIF Timberland Index



Cumulative Returns vs NCREIF Timberland Index



# SSgA TIPS Index Fund

## Period Ended December 31, 2012

### Investment Philosophy

The Passive Treasury Inflation Protected Securities Strategy seeks to match the total rate of return of the BC Inflation Notes Index by investing in a portfolio of US Treasury inflation protected securities. It is managed duration neutral to the Index at all times. Overall sector and security weightings are also matched to the Index. The strategy is one of full replication, owning a market-value weight of each security in the benchmark. SSgA was inception 3/10. The first full quarter of performance was 2nd Quarter, 2010. Historical data reflects SSgA's TIPS Index Fund.

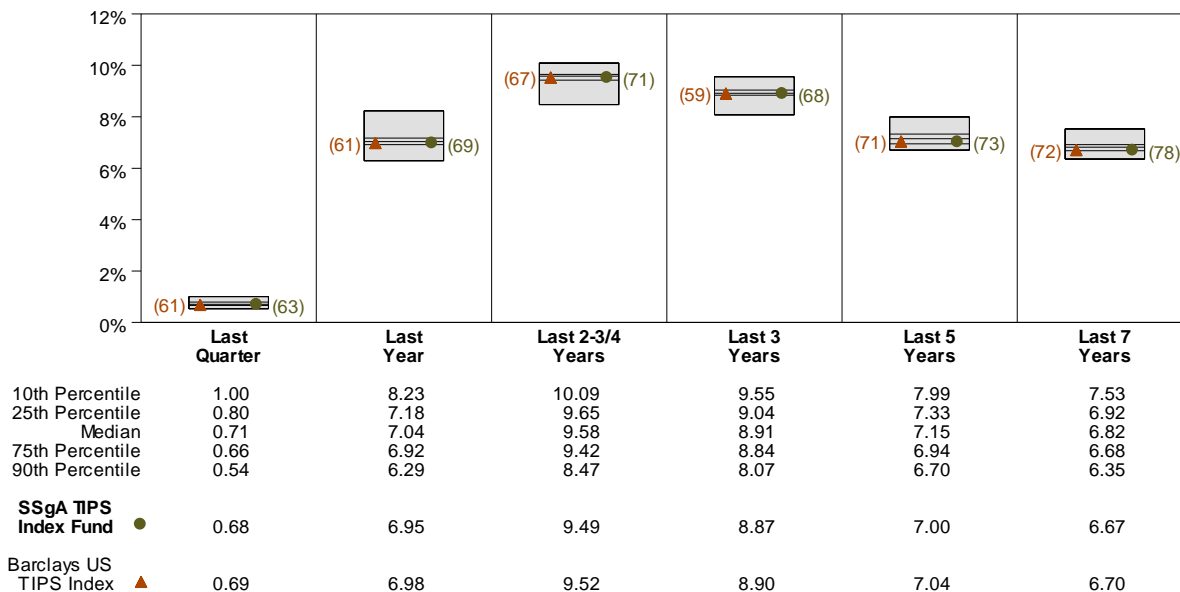
### Quarterly Summary and Highlights

- SSgA TIPS Index Fund's portfolio posted a 0.68% return for the quarter placing it in the 63 percentile of the Real Return Domestic group for the quarter and in the 69 percentile for the last year.
- SSgA TIPS Index Fund's portfolio underperformed the Barclays US TIPS Index by 0.01% for the quarter and underperformed the Barclays US TIPS Index for the year by 0.03%.

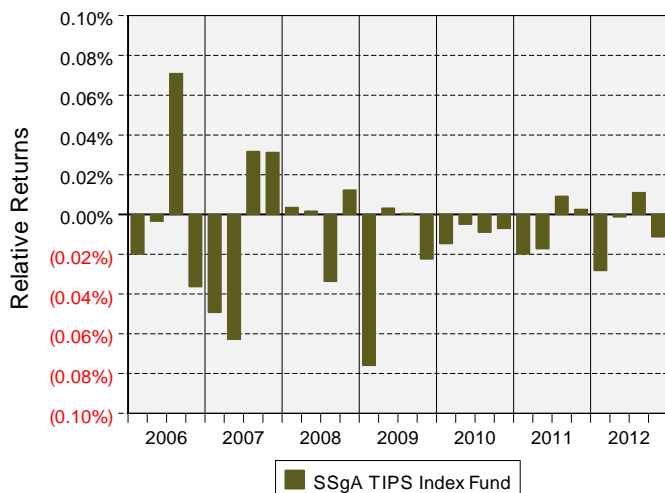
### Quarterly Asset Growth

Beginning Market Value	\$16,007,147
Net New Investment	\$0
Investment Gains/(Losses)	\$108,389
Ending Market Value	\$16,115,537

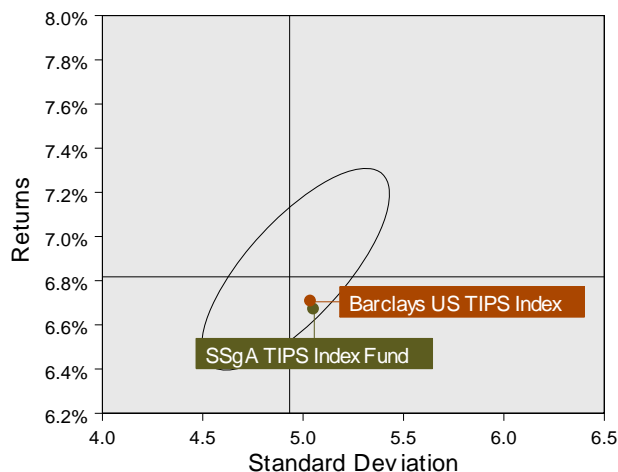
### Performance vs Real Return Domestic (Gross)



### Relative Return vs Barclays US TIPS Index



### Real Return Domestic (Gross) Annualized Seven Year Risk vs Return





## Five Largest Holdings by Asset Type

Common Stocks	Market Value at December 31, 2012	Percentage of Net Position
Genesco Inc.	\$492,800	0.1%
Lithia Motors Inc.	374,574	0.1%
Mentor Graphics Corp.	367,802	0.1%
Susser Holdings Corp.	344,452	0.1%
Ixia	338,615	0.1%
<b>Fixed Income Securities</b>		
US Treasury Note 1.250% 10/31/2015	\$2,050,780	0.6%
US Treasury Bond 8.125% 08/15/2019	1,455,550	0.4%
US Treasury Note 1.500% 08/31/2018	1,216,583	0.4%
US Treasury Note 2.625% 04/30/2016	1,152,938	0.3%
US Treasury Bond 4.750% 02/15/2041	1,102,872	0.3%
<b>Commingled Funds</b>		
BlackRock Institutional Trust Co. Equity Index Fund A	\$75,420,002	22.0%
PIMCO Total Return Fund	47,546,598	13.9%
Dodge & Cox International Stock Fund	24,913,212	7.3%
State Street Global Advisors International Alpha Select Fund	20,189,461	5.9%
State Street Global Advisors TIPS Index Fund	16,115,537	4.7%

The complete schedule of holdings at year-end is available from the plan administrator.

## Brokerage Commissions

Equity trades were directed to eighty brokerage firms chosen at the discretion of the Plan's two U.S. equity separate account managers, Cadence Capital Management and Smith Graham & Company.

The Plan also owned units in commingled funds managed by BlackRock Institutional Trust Company, Cohen & Steers Capital Management, Dodge & Cox and State Street Global Advisors. Detailed information on those funds' individual security trades is not provided by the funds, and therefore those brokerage costs are not included in this report.

Commissions paid by the Plan in 2012 totaled \$57,870. The twenty firms receiving the largest commission payments are listed below.

The Plan does not maintain any commission recapture, directed payment or "soft dollar" arrangements with regard to brokerage commissions.

Brokerage Firm	Number of Shares Traded	Total Commissions Paid	Average Cost per Share
LiquidNet Inc.	139,551	\$4,439.05	\$0.032
Credit Suisse Securities (USA) LLC	138,839	4,413.51	0.032
Burke & Quick Partners LLC	100,366	3,546.97	0.035
Rafferty Capital Markets	108,444	3,409.97	0.031
Lek Securities Corp.	102,676	2,949.22	0.029
Convergex Execution Solutions LLC	58,948	2,222.52	0.038
Westminster Res Asoc/Broadcort Capt CI	64,610	2,099.88	0.033
Raymond James & Associates Inc.	73,291	1,633.21	0.022
Weeden & Co.	49,451	1,530.87	0.031
CitiGroup Global Markets Inc.	45,778	1,506.75	0.033
Goldman Sachs & Co.	43,201	1,434.03	0.033
RBC Capital Markets	48,117	1,390.34	0.029
Wells Fargo Securities LLC	42,051	1,366.73	0.033
Cowen & Company LLC	52,075	1,338.09	0.026
Merrill Lynch Pierce Fenner & Smith Inc.	36,395	1,177.46	0.032
Prebon Financial Products	52,448	1,125.22	0.021
Avondale Partners LLC	30,485	1,115.20	0.037
Wedbush Morgan Securities Inc.	31,861	994.76	0.031
Morgan Stanley Co. Inc.	29,747	956.04	0.032
MKM Partners LLC	24,029	954.86	0.040

The complete schedule of brokerage commissions paid in 2012 is available from the plan administrator.

May 13, 2013

Board of Trustees  
City of Aurora General Employees' Retirement Plan  
12100 E. Iliff Avenue, Suite 108  
Aurora, Colorado 80014

Dear Members of the Board,

**Subject: City of Aurora GERP -- CAFR certification per GFOA guidelines**

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the City of Aurora General Employees' Retirement Plan (GERP) for the plan year commencing January 1, 2013.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion the results presented also comply with the Plan as amended and restated, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries and are experienced in performing valuations for large public retirement systems.

### ***Actuarial Valuation***

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of the Plan, and to analyze changes in the Plan's condition. In addition, the report provides information required by the Plan in connection with Governmental Accounting Standards Board Statement Numbers 25 and 27 (GASB No. 25 and 27), and it provides various summaries of the data. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Valuations are prepared annually, as of January 1st, the first day of the plan year.

### ***Financial Objectives***

The combined employer and employee contribution rate is 12.00% for the current fiscal year and is expected to increase by 0.50% each year until it reaches 14.00% in fiscal year 2017. These rates are intended to be sufficient to pay the Plan's normal cost and to amortize the unfunded actuarial accrued liability (UAAL) over a period not in excess of 30 years from the valuation date by making payments that are level as a percent of covered payroll. The total annual required contribution for 2013 is 14.53% of pay. Thus, there is an anticipated contribution rate deficiency of 2.53% for the year.

### ***Funded Status and Annual Required Contribution (ARC)***

As of the current valuation date, the Plan's unfunded actuarial accrued liability (UAAL) is \$28.8 million. The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio at the valuation date is 92.2%, while it was 90.6% as of the previous valuation date.

The current actual employer contribution rate of 6.00% is less than the 8.53% Annual Required Contribution (ARC) calculated for GASB-25 purposes.

### ***Benefit Provisions***

The actuarial valuation reflects the benefit and contribution provisions set forth in the Plan. There are two tiers of benefits—one set of benefits for members hired prior to January 1, 2012 and another set for new employees hired after December 31, 2011. A summary of those key changes for new hires includes:

- Normal retirement age will be 67 (normal retirement age remains at 65 for current participants);
- Vesting in the City's matching contribution begins after five years of service (current employees start with immediate 25% vesting);
- Early retirement reduction of 6% per year the member is short of normal retirement age or the Rule of 80 (current employees may retire early with a 2% per year reduction for early retirement between ages 55 and 65);
- Cost of living adjustments on regular pension benefits will only be granted if the GERP Board determines they are affordable (current members regular benefits are automatically adjusted each year based on the Consumer Price Index);
- The Board has voted to freeze the increases on the supplemental \$176 per month benefit indefinitely.

### ***Assumptions and Methods***

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Plan's actuary. The current assumptions were recommended and adopted by the Board based on the results of the Experience Study completed in 2008. These assumptions are internally consistent and are reasonably based on the actual and expected experience of the Plan.

Board of Trustees  
May 13, 2013  
Page 3

***Demographic Data and Asset Information***

Member data for retired, active, and inactive participants as well as asset information was supplied as of the current valuation date, by the staff of the General Employees' Retirement Plan. We have not subjected either information to any auditing procedures, but have examined both for reasonableness and consistency with the prior year's information.

The enclosed exhibits provide further related information necessary to complete your filing. All other necessary information is available in the January 1, 2013 actuarial valuation report. The enclosed exhibits are as follows:

- Exhibit 1: Summary of Actuarial Assumptions and Methods
- 2: Plan Summary
- 3: Schedule of Active Members
- 4: Schedule of Funding Progress
- 5: Schedule of Employer Contributions
- 6: GASB-25 Supplemental Information
- 7: Solvency Test
- 8: Analysis of Financial Experience
- 9: Schedule of Retirees and Beneficiaries

We prepared the accompanying Solvency Test and the Schedule of Retirees and Beneficiaries but the Aurora GERP staff prepared the other supporting schedules in this section and the trend tables in the financial section based on information supplied in our report.

Please contact me at 720-274-7271 or [leslie.thompson@gabrielroeder.com](mailto:leslie.thompson@gabrielroeder.com) to answer any questions you may have and to provide additional information you may need.

Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Leslie L. Thompson, FSA, FCA, EA, MAAA  
Senior Consultant

Enclosures

**Gabriel Roeder Smith & Company**

**City of Aurora General Employees' Retirement Plan**  
**Summary of Actuarial Valuation – January 1, 2013**

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**EXHIBIT 1**

**Summary of Actuarial Assumptions and Methods**

1. Investment Return Rate 8.00% per annum (net of all expenses), compounded annually  
*(adopted effective January 1, 1998)*
  
2. Mortality Rates

- a. Healthy Lives (post-retirement) Society of Actuaries' RP-2000 Mortality Table  
*(adopted effective January 1, 2009)*

Age	Deaths per 1,000 Lives	
	Male Participants	Female Participants
20	0.35	0.19
25	0.38	0.20
30	0.44	0.25
35	0.77	0.44
40	1.08	0.65
45	1.51	1.03
50	2.14	1.55
55	3.62	2.42
60	6.75	4.44
65	12.74	8.62
70	22.21	14.86
75	37.83	25.46
80	64.37	41.51
85	110.76	69.52

- b. Healthy Lives (pre-retirement) Society of Actuaries' RP-2000 Mortality Table  
*(adopted effective January 1, 2005)*

Age	Deaths per 1,000 Lives	
	Male Participants	Female Participants
20	0.35	0.19
25	0.38	0.21
30	0.44	0.26
35	0.77	0.48
40	1.08	0.71
45	1.51	1.12
50	2.14	1.68
55	3.03	2.53
60	4.88	3.93
65	7.57	5.82
70	9.92	7.61

**City of Aurora General Employees' Retirement Plan**  
**Summary of Actuarial Valuation – January 1, 2013**

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c. Disabled Lives (post and pre-retirement)

Society of Actuaries' RP-2000 Mortality Table  
*(adopted effective January 1, 2001)*

<u>Age</u>	<u>Deaths per 1,000 Lives</u>	
	<u>Male Participants</u>	<u>Female Participants</u>
20	22.57	7.45
25	22.57	7.45
30	22.57	7.45
35	22.57	7.45
40	22.57	7.45
45	22.57	7.45
50	28.98	11.54
55	35.44	16.54
60	42.04	21.84
65	50.17	28.03
70	62.58	37.64
75	82.07	52.23
80	109.37	72.31
85	141.60	100.20

3. Incidence of Disability Rates

As shown below for selected ages.  
*(adopted effective January 1, 2009)*

<u>Age</u>	<u>Disabilities per 1,000 Members</u>
20	0.7
25	0.7
30	0.8
35	1.1
40	1.5
45	2.5
50	3.4
55	6.2
60	9.0
65	9.0

**City of Aurora General Employees' Retirement Plan**

**Summary of Actuarial Valuation – January 1, 2013**

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4. Retirement Rates

The following rates of retirement are assumed for members eligible to retire. *(adopted effective January 1, 2009 for Tier 1 members and January 1, 2013 for Tier 2 members)*

Unreduced Retirements per 1,000 Members  
(after attainment of Rule of 80 or Normal Retirement Age)

<u>Age</u>	Tier 1		Tier 2	
	Hired Prior to 1/1/2012		Hired After 12/31/2011	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
50	30	40	30	40
51	30	60	30	60
52-59	100	150	100	150
60	150	150	150	150
61	250	150	250	150
62	300	250	300	250
63	300	200	300	200
64	300	150	300	150
65-69	500	500	500	500
70-74	1,000	1,000	750	750
75	1,000	1,000	1,000	1,000

Reduced Retirements per 1,000 Members

<u>Age</u>	Tier 1		Tier 2	
	Hired Prior to 1/1/2012		Hired After 12/31/2011	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
50-54	15	20	15	15
55	30	30	25	25
56	30	60	25	25
57	80	60	25	25
58	100	60	25	25
59	100	60	25	25
60	150	60	10	60
61	250	60	125	60
62	300	150	150	150
63	300	60	150	60
64	300	60	150	60
65	n/a	n/a	300	300
66	n/a	n/a	300	300



**City of Aurora General Employees' Retirement Plan**

**Summary of Actuarial Valuation – January 1, 2013**

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5. Termination Rates  
(for causes other than death, disability or retirement)
- Graduated withdrawal rates per 1,000 based on age are used for participants with five or more years of service. Rates for participants with less than five years of service are based on service only. *(adopted effective January 1, 2005)*

<u>Years of Service</u>	<u>Male Participants</u>	<u>Female Participants</u>
0-1	200	230
1-2	160	180
2-3	130	150
3-4	110	130
4-5	90	110

For participants with 5 or more years of service:

<u>Age</u>		
30	77	100
40	52	65
50	34	35
60	21	15

6. Salary Increase Rates *(adopted effective January 1, 2009)*

<u>Years of Service</u>	<u>Salary Increases</u>
0-4	7.5%
5-9	6.5%
10-14	5.5%
15-19	4.5%
20-24	4.0%
25+	3.5%

7. Total Payroll Growth Rate 3.5% per year (used in the amortization of UAAL)  
*(adopted effective January 1, 2009)*

8. Marriage Assumption 85% of participants are assumed to be married. Male members are assumed to be three years older than their spouse, and female members are assumed to be three years younger than their spouse.

City of Aurora General Employees' Retirement Plan

Summary of Actuarial Valuation – January 1, 2013

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9. Post Retirement Cost-of-Living Adjustment 3.5% per annum for Tier 1 base benefits and 0.0% for Tier 2 base benefits. 0.0% for supplemental benefits for all participants. *(adopted effective January 1, 2008 for Tier 1 base benefits and January 1, 2011 for supplemental benefits)*
10. Employee Contribution Rate 6.00% increasing by 0.25% each year up to a contribution rate of 7.00% in 2017. Rates beyond 2017 may increase or decrease by 0.25% each year depending upon the financial condition of the Plan. *(adopted effective January 1, 2012)*
11. Interest on Employee Contribution Accumulation 4.0% compounded biweekly *(adopted effective January 1, 2010)*
12. Lump Sum Elections Terminated vested participants eligible for immediate retirement are 100% assumed to take a monthly annuity at retirement in lieu of a lump sum distribution. 12% of retirements from active service and 50% of terminations from active service are assumed to take lump sums. *(adopted effective January 1, 2009)*
13. Optional Form Election 100% of members who opt for a monthly annuity at retirement are assumed to elect the normal form of payment of a life annuity. The optional forms factors are based on an actuarial basis of 8.0% interest, RP-2000 Combined Healthy mortality, blended 50% male and 50% female, and a 3.5% cost-of-living adjustment for the base benefit for Tier 1 participants *(adopted effective January 1, 2010)*
14. Death Benefit Election The first eligibility date after attaining the early retirement age.
15. Commencement Age for Deferred Benefits Future inactive vested members and future disabled member are assumed to commence benefits at the first eligibility date after attaining Normal Retirement Age or Rule of 80 Retirement Date. Current inactive vested members are assumed to commence benefits at the first eligibility date after attaining Normal Retirement Age or Rule of 80 Retirement Date, with a fraction assumed to retire at each eligibility age thereafter based on the retirement rates assumption in item 3.

**Actuarial Valuation Method** (adopted effective January 1, 2003)

The actuarial value of assets is calculated based on the following formula:

$$MV - (2/3) \times G/(L)_1 - (1/3) \times G/(L)_2$$

where:

MV = the market value of assets as of the valuation date

$G/(L)_i$  = the asset gain or (loss) (i.e., actual return on assets less expected return on assets) for the  $i$ -th year preceding the valuation date.

In no event is the actuarial value of assets less than 80% nor more than 120% of the market value of assets. Asset gains or losses prior to January 1, 2003, were spread over 5 years.

**Actuarial Cost Method**

1. The Entry Age Normal Method is used to determine Normal Cost, Accrued Actuarial Liability of the Plan and thereby the Annual Required Contribution. Under this method, the present value of each participant's expected benefits is determined, based on his age, service, gender and compensation. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service or survivor's benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. Under the "entry age normal" method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability contributions are determined by subtracting the present value of prospective employer normal contributions and participant contributions, together with the current assets held, from the present value of expected benefits to be paid from the Plan.

## City of Aurora General Employees' Retirement Plan

### Summary of Actuarial Valuation – January 1, 2013

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#### EXHIBIT 2

### Plan Summary

All actuarial calculations are based upon our understanding of the provisions of the City of Aurora General Employees' Retirement Plan, in effect as of the valuation date. This summary does not attempt to cover all of the detailed provisions.

1. Effective Date: March 1, 1967. Amended and restated effective January 1, 2000. The plan was subsequently amended pursuant to Ordinances No. 2001-69, 2001-81, 2002-84, 2003-63, 2005-95, 2009-05, 2009-11, 2009-41 and 2011-29 (the most recent amendment was effective October 22, 2011).
2. Plan Year: Twelve-month period ending December 31st.
3. Type of Plan: A qualified governmental defined benefit retirement plan.
4. Eligibility: Career service employees excluding police, firefighters and temporary employees. Executives may elect to participate. The participation starts on completion of one hour of service.
5. Plan Tier: Members in the Plan prior to January 1, 2012 are Tier 1 participants. Members who first entered the Plan after December 31, 2011 are Tier 2 participants.
6. Employee Contributions: 6.00% of compensation increasing by 0.25% each year up to a contribution rate of 7.00% in 2017. Rates beyond 2017 may increase or decrease by 0.25% each year depending upon the financial condition of the Plan. The employee's contribution account is credited with interest at the rate of 4.00% compounded biweekly.
7. Compensation: Base salary payable to the employee including acting pay, longevity pay and 414 (h) and 457 contributions and Section 125 elective pre-tax employee contributions. Overtime, accrued vacation and sick leave, and bonuses are excluded.
8. Employer Contributions: The city currently is contributing 6.00% of compensation. Contribution rates will increase based on the same schedule as employee contributions.
9. Credited Service: Credited service (for benefit calculation purposes) is granted on the elapsed time basis from employment date to termination date.
10. Vesting Schedule:
  - a. For Defined Benefit: Participants are 100% vested in their accrued benefit after the completion of 5 years of credited service.
  - b. For Lumps Sum and Money Purchase Benefit:

**City of Aurora General Employees' Retirement Plan**

**Summary of Actuarial Valuation – January 1, 2013**

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- (i) Employee Contribution Accumulation: Participants are 100% vested in their contributions and interest thereon at all times.
- (ii) Vested Employer Contributions: Tier 1 participants are entitled to a 25% match of their Contribution Accumulation, plus 5% for each additional year of Credited Service earned, to a maximum of 100% after 15 years. Tier 2 participants are entitled to a 50% match of their Contribution Accumulation upon completion of five years of Credited Service, plus 5% for each additional year of Credited Service earned, to a maximum of 100% after 15 years.

11. Final Average Monthly Compensation (FAMC): The FAMC is the average of the highest 36 consecutive months of compensation earned during the last 10 years of employment.

12. Normal Retirement

Base benefit:

- a. Eligibility: Normal Retirement Age is 65 for Tier 1 participants and is 67 for Tier 2 participants. A member may retire on or after the first day of the month coincident with or next following the date on which the participant reaches Normal Retirement Age or attains age 50 with age plus years of Credited Service totaling at least 80 (Rule of 80 Retirement Date).
- b. Amount: The greater of
  - (i) 1.75% of FAMC multiplied by years of Credited Service
  - OR
  - (ii) The participant's Contribution Accumulation and Vested Employer Contributions paid in an actuarially equivalent monthly pension.

Supplemental benefit:

Retired participants with five or more years of Credited Service also receive a supplemental benefit equal to \$176.00 per month. This benefit is reduced if the years of Credited Service are less than 20.

13. Early Retirement

- a. Eligibility: A member may retire early after reaching age 50 with credit for 10 years of service.
- b. Benefit for a Tier 1 participant: 1.75% of FAMC multiplied by years of Credited Service and reduced as follows:
  - (i) After age 55: 2% for each year prior to the earlier of age 65 or Rule of 80 Retirement eligibility.

## City of Aurora General Employees' Retirement Plan

### Summary of Actuarial Valuation – January 1, 2013

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- (ii) Before age 55 with less than 25 years of Credited Service: 2% for each year less than 25 years of Credited Service (up to a maximum of 20%) plus 6% for each year prior to age 55.
- (iii) Before age 55 with at least 25 years of Credited Service: 6% for each year retirement precedes the Rule of 80 Retirement Date.
- c. Benefit for a Tier 2 participant: 1.75% of FAMC multiplied by years of Credited Service and reduced by 6% for each year retirement precedes the earlier of age 67 or Rule of 80 Retirement Date.

#### 14. Disability Retirement

- a. Eligibility: Termination from employment by reason of disability prior to and receipt of long-term disability insurance benefits from the city until the Normal Retirement Date.
- b. Monthly Benefit: The disability benefit is determined using the normal retirement formula with additional service and (last) compensation credited during the period of disability. Benefit payments begin at the Normal Retirement Date.

#### 15. Termination Benefit

##### Vested Deferred:

- a. Eligibility: All participants who terminate after completing five or more years of Credited Service or becoming eligible for Normal Retirement are 100% vested.
- b. Monthly Benefit: The Normal Retirement Benefit amount with the payments beginning on the participant's Normal Retirement Date. Participants with 10 or more years of Credited Service may elect to begin receiving benefits reduced as with early retirement any time after age 50.

##### Non-vested:

Those participants who terminate prior to completing 5 year of service will receive a refund of their Employee Contribution Accumulation and Vested Employer Contributions.

#### 16. Death Benefit

- a. Eligibility: Prior to completing 5 years of Credited Service: Refund of Employee Contribution Accumulation and Vested Employer Contributions.
- b. Benefit: After completing 5 years of Credited Service: The participant's beneficiary will receive a monthly benefit equal to the Supplemental Benefit plus the larger of 60% of the defined benefit formula or the actuarial equivalent of the Employee Contribution

**City of Aurora General Employees' Retirement Plan**

**Summary of Actuarial Valuation – January 1, 2013**

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Accumulation and Vested Employer Contributions. Benefit payments may begin at any time after the date the participant would have attained the earliest retirement age.

- c. Lump Sum: A \$ 6,250 lump sum death benefit is payable to the designated beneficiary upon the death of a retiree.
  - d. Cash Refund: If both the participant and the designated beneficiary (if any) die after payments commence and the total of all payments made to the participant and beneficiary are less than the sum of the participant's contribution accumulation and the participant's vested city contributions then a death benefit shall be paid to the estate of the last survivor. The amount of the payment shall be equal to the excess of the participant's contribution accumulation and the participant's vested city contributions over the payments already received by the participant and the beneficiary.
17. Normal Forms of Payment: Benefits will be payable for life. In the event the participant is married on the date of benefit commencement, the participant's pension shall be paid as an actuarially equivalent qualified joint and survivor annuity.
18. Optional Forms of Payment: Various optional forms are available and are equal to the Actuarial Equivalent of the Normal Form. Such form may be a joint & 50%, 75%, or 100% Survivor Annuity with Pop-up feature, a Ten or Fifteen Year Certain and Life Annuity, or a Partial Lump Sum up to 20%.
19. Cost-of-Living Adjustments: Retired Tier 1 members or their beneficiaries receiving benefits receive an automatic adjustment in their Base benefit and discretionary adjustment in their Supplemental benefit each January. For retired Tier 2 members or beneficiaries, adjustments to both Base and Supplemental benefits will be discretionary. All adjustments are capped at 5% per year.

City of Aurora General Employees' Retirement Plan  
 Summary of Actuarial Valuation – January 1, 2013

EXHIBIT 3

Schedule of Active Members

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE

Attained Age	Years of Credited Service											Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34		35 & Over
Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	
Under 25	11 \$ 32,768	1 \$ 31,450	2 \$ 34,840	2 \$ 31,824	0 \$ 0	1 \$ 41,294	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	17 \$ 33,324
25-29	28 \$ 36,654	23 \$ 43,015	10 \$ 43,526	2 \$ 47,701	12 \$ 40,818	28 \$ 41,402	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	103 \$ 40,732
30-34	30 \$ 39,305	15 \$ 41,078	13 \$ 45,416	6 \$ 50,314	11 \$ 46,073	56 \$ 47,203	12 \$ 46,681	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	143 \$ 44,741
35-39	19 \$ 43,804	11 \$ 53,013	8 \$ 42,633	5 \$ 47,193	8 \$ 47,057	52 \$ 53,982	34 \$ 47,865	4 \$ 54,936	0 \$ 0	0 \$ 0	0 \$ 0	0 \$ 0	141 \$ 49,810
40-44	17 \$ 42,255	11 \$ 53,857	8 \$ 43,744	2 \$ 74,475	15 \$ 52,958	60 \$ 51,951	44 \$ 52,362	14 \$ 48,518	4 \$ 46,472	0 \$ 0	0 \$ 0	0 \$ 0	175 \$ 50,801
45-49	19 \$ 42,978	3 \$ 41,493	5 \$ 54,155	5 \$ 54,231	5 \$ 45,577	66 \$ 58,192	41 \$ 52,339	23 \$ 57,579	16 \$ 55,130	7 \$ 60,308	2 \$ 52,953	0 \$ 0	192 \$ 54,333
50-54	14 \$ 42,903	12 \$ 39,370	7 \$ 48,520	2 \$ 42,554	11 \$ 57,348	64 \$ 54,639	49 \$ 52,606	31 \$ 60,832	21 \$ 58,462	26 \$ 57,311	20 \$ 62,628	2 \$ 70,252	259 \$ 54,826
55-59	14 \$ 45,138	6 \$ 51,663	4 \$ 42,772	5 \$ 74,239	7 \$ 45,932	62 \$ 52,991	63 \$ 52,861	32 \$ 55,877	23 \$ 63,132	33 \$ 62,051	30 \$ 59,910	5 \$ 82,941	284 \$ 56,060
60-64	5 \$ 43,964	4 \$ 29,500	1 \$ 32,240	1 \$ 47,627	3 \$ 41,002	34 \$ 49,982	33 \$ 56,724	23 \$ 59,957	16 \$ 55,356	24 \$ 56,234	11 \$ 66,981	13 \$ 76,091	172 \$ 56,063
65 & Over	4 \$ 43,555	1 \$ 13,551	0 \$ 0	0 \$ 0	7 \$ 45,299	17 \$ 44,871	16 \$ 50,359	11 \$ 44,980	4 \$ 62,441	4 \$ 75,776	8 \$ 73,002	6 \$ 82,064	78 \$ 53,814
Total	161 \$ 40,744	87 \$ 44,264	58 \$ 44,829	34 \$ 53,278	79 \$ 47,947	440 \$ 51,939	292 \$ 52,133	138 \$ 56,311	84 \$ 58,133	94 \$ 59,709	71 \$ 63,050	26 \$ 78,338	1,564 \$ 52,088

Gabriel Roeder Smith & Company



City of Aurora General Employees' Retirement Plan  
 Summary of Actuarial Valuation – January 1, 2013

EXHIBIT 3 (continued)

HISTORICAL SUMMARY OF ACTIVE MEMBER DATA

Year Beginning January 1,	Active Members		Covered Payroll		Average Salary		Average Age	Average Service
	Number	Percent Increase (Decrease)	Amount in \$ Millions	Percent Increase (Decrease)	\$ Amount	Percent Increase		
1998	1,403	3.7%	46.3	7.9%	32,968	3.9%	43.2	9.1
1999	1,396	(0.5%)	47.6	2.8%	34,131	3.5%	43.8	9.4
2000	1,434	2.7%	51.2	7.6%	35,691	4.6%	44.3	9.3
2001	1,493	4.1%	56.2	9.8%	37,630	5.4%	44.6	9.2
2002	1,582	6.0%	62.2	10.7%	39,304	4.4%	44.6	9.0
2003	1,580	(0.1%)	65.4	5.1%	41,387	5.3%	45.1	9.4
2004	1,614	2.2%	69.2	5.8%	42,896	3.6%	45.5	9.7
2005	1,626	0.7%	72.7	5.1%	44,737	4.3%	45.7	9.9
2006	1,604	(1.4)%	72.0	(1.0)%	44,865	0.3%	46.1	10.0
2007	1,648	2.7%	76.6	6.4%	46,493	3.6%	46.2	9.9
2008	1,751	6.3%	84.5	10.3%	48,277	3.8%	45.8	9.7
2009	1,711	(2.3)%	86.1	1.9%	50,321	4.2%	46.3	10.0
2010	1,624	(5.1)%	84.4	(2.0)%	51,973	3.3%	47.1	10.9
2011	1,601	(1.4)%	84.0	(0.5)%	52,450	0.9%	47.4	11.3
2012	1,560	(2.6)%	81.5	(3.0)%	52,241	(0.4)%	47.9	11.5
2013	1,564	0.3%	81.5	0.0%	52,088	(0.3)%	47.9	11.3

City of Aurora General Employees' Retirement Plan  
 Summary of Actuarial Valuation – January 1, 2013

EXHIBIT 4

Schedule of Funding Progress

Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial Liability (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll* (6)	UAAL as % of Payroll (4)/(6) (7)
January 1, 1998	133,687,412	121,822,628	(11,864,784)	109.7%	48,174,709	(24.6)%
January 1, 1999	147,257,777	128,684,022	(18,573,755)	114.4%	50,958,582	(36.4)%
January 1, 2000	185,264,480	155,169,044	(30,095,436)	119.4%	55,381,109	(54.3)%
January 1, 2001	203,862,059	172,005,869	(31,856,190)	118.5%	60,241,455	(52.9)%
January 1, 2002	217,476,110	184,999,951	(32,476,159)	117.6%	64,949,909	(50.0)%
January 1, 2003	214,320,251	203,999,260	(10,320,991)	105.1%	68,337,782	(15.1)%
January 1, 2004	223,140,793	223,126,549	(14,244)	100.0%	71,415,709	(0.0)%
January 1, 2005	241,818,542	243,234,592	1,416,050	99.4%	72,821,091	1.9%
January 1, 2006	268,566,265	255,005,107	(13,561,158)	105.3%	75,385,673	(18.0)%
January 1, 2007	292,889,736	277,052,492	(15,837,244)	105.7%	82,531,926	(19.2)%
January 1, 2008	316,567,579	294,142,225	(22,425,354)	107.6%	87,742,224	(25.6)%
January 1, 2009	296,021,806	319,750,886	23,729,080	92.6%	87,089,965	27.2%
January 1, 2010	300,704,227	333,831,950	33,127,723	90.1%	84,110,750	39.4%
January 1, 2011	297,494,555	335,310,191	37,815,636	88.7%	83,091,597	45.5%
January 1, 2012	320,996,231	354,416,941	33,420,710	90.6%	82,607,164	40.5%
January 1, 2013	340,856,093	369,696,290	28,840,197	92.2%	81,466,298	35.4%

\* Annual covered payroll is estimated for 2013; actual for all other years.

**City of Aurora General Employees' Retirement Plan**  
**Summary of Actuarial Valuation – January 1, 2013**

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**EXHIBIT 5**

**Schedule of Employer Contributions**

Plan Year Ended	Actual Employer Contribution	Annual Required Contribution	Percentage Contributed
December 31, 1995	\$ 2,270,829	\$ 2,168,854	104.7%
December 31, 1996	2,346,238	1,982,021	118.4%
December 31, 1997	2,484,218	2,367,762	104.9%
December 31, 1998	2,649,609	1,958,872	135.3%
December 31, 1999	2,802,722	806,473	347.5%
December 31, 2000	3,045,961	1,410,087	216.0%
December 31, 2001	3,313,280	1,671,956	198.2%
December 31, 2002	3,572,245	2,039,756	175.1%
December 31, 2003	3,758,578	3,953,744	95.1%
December 31, 2004	3,927,864	5,115,536	76.8%
December 31, 2005	4,005,160	7,245,072	55.3%
December 31, 2006	4,146,212	5,253,328	78.9%
December 31, 2007	4,539,320	5,532,018	82.1%
December 31, 2008	4,826,337	5,596,076	86.2%
December 31, 2009	4,790,713	8,144,982	58.8%
December 31, 2010	4,626,990	8,415,022	55.0%
December 31, 2011	4,571,135	8,002,631	57.1%
December 31, 2012	4,786,740	7,489,412	63.9%

EXHIBIT 6

**GASB-25 Supplementary Information**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, open
Remaining amortization period	30 Years
Asset valuation method	3-year smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Payroll growth rate	3.5%
Projected salary increases	3.5% to 7.5%
Cost-of-living adjustments	3.5% on Base (Tier 1) 0.0% on Base (Tier 2) 0.0% on Supplemental

**City of Aurora General Employees' Retirement Plan**  
**Summary of Actuarial Valuation – January 1, 2013**

**EXHIBIT 7**

**Solvency Test**

Actuarial Accrued Liabilities for:						Portion of Actuarial Accrued Liabilities Covered by Assets:			
	A	B	C	D					
Fiscal Year Ending	Active Employee Contributions	Inactives, Retirees and Beneficiaries	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	A	B	C	D
12/31/1995	Not Available	\$30,756,503	\$68,554,274	\$ 99,310,777	\$105,252,681	N/A	100%	100%	100%
12/31/1996	Not Available	36,256,345	72,426,264	108,682,609	116,293,718	N/A	100%	100%	100%
12/31/1997	\$33,939,663	41,563,444	46,319,521	121,822,628	133,687,412	100%	100%	100%	100%
12/31/1998	36,370,601	43,901,137	48,412,284	128,684,022	147,257,777	100%	100%	100%	100%
12/31/1999	38,805,144	49,290,698	67,073,202	155,169,044	185,264,480	100%	100%	100%	100%
12/31/2000	41,631,805	56,856,612	73,517,451	172,005,868	203,862,059	100%	100%	100%	100%
12/31/2001	44,768,076	60,305,096	79,926,779	184,999,951	217,476,110	100%	100%	100%	100%
12/31/2002	48,736,137	66,075,645	89,187,478	203,999,260	214,320,251	100%	100%	100%	100%
12/31/2003	53,289,266	71,919,853	97,917,430	223,126,549	223,140,793	100%	100%	100%	100%
12/31/2004	58,118,119	80,238,773	104,877,700	243,234,592	241,818,542	100%	100%	99%	99%
12/31/2005	59,491,429	96,596,749	98,916,929	255,005,107	268,566,265	100%	100%	100%	100%
12/31/2006	61,700,894	108,083,741	107,267,857	277,052,492	292,889,736	100%	100%	100%	100%
12/31/2007	65,237,335	115,157,203	113,747,687	294,142,225	316,567,579	100%	100%	100%	100%
12/31/2008	68,764,295	131,939,654	119,046,937	319,750,886	296,021,806	100%	100%	80%	93%
12/31/2009	72,311,211	138,108,376	123,412,363	333,831,950	300,704,227	100%	100%	73%	90%
12/31/2010	74,768,249	142,446,528	118,095,414	335,310,191	297,494,555	100%	100%	68%	89%
12/31/2011	74,788,283	162,428,901	117,199,757	354,416,941	320,996,231	100%	100%	71%	91%
12/31/2012	74,453,807	179,793,207	115,449,276	369,696,290	340,856,093	100%	100%	75%	92%

City of Aurora General Employees' Retirement Plan  
 Summary of Actuarial Valuation – January 1, 2013

EXHIBIT 8

Analysis of Financial Experience

Type of Activity	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gain (or Loss) During Year From Assets	\$ 1,064,320	\$ 4,483,174	\$ (23,485,448)	\$ (16,858,345)	\$ (43,670,254)	\$ 2,197,756
Gain (or Loss) During Year From Liability Sources	<u>6,771,318</u>	<u>5,162,188</u>	<u>8,080,563</u>	<u>9,688,413</u>	<u>(572,034)</u>	<u>(969,878)</u>
Gain (or Loss) During Year From Financial Experience	7,835,638	9,645,362	(15,404,885)	(7,169,932)	(44,242,288)	1,227,878
Non-Recurring Items	<u>0</u>	<u>(975,975)</u>	<u>15,247,082</u>	<u>1,617,871</u>	<u>(1,748,890)</u>	<u>5,688,802</u>
Composite Gain (or Loss) During Year	\$ 7,835,638	\$ 8,669,387	\$ (157,803)	\$ (5,552,061)	\$ (45,991,178)	\$ 6,916,680

City of Aurora General Employees' Retirement Plan  
 Summary of Actuarial Valuation – January 1, 2013

**EXHIBIT 9 Schedule of Retirees and Beneficiaries**

Year Ended	Added to Rolls		Removed from Rolls		Rolls, End of Year		% Increase in Annual Allowance	Average Annual Benefit
	No.	Annual Allowances*	No.	Annual Allowances	No.	Annual Allowances		
12/31/1995	N/A	N/A	N/A	N/A	269	\$ 2,258,877	5.8%	\$ 8,397
12/31/1996	N/A	N/A	N/A	N/A	292	2,608,205	15.5	8,932
12/31/1997	N/A	N/A	N/A	N/A	317	2,898,869	11.1	9,145
12/31/1998	24	\$ 336,386	10	\$ 92,939	334	3,142,316	8.4	9,408
12/31/1999	26	494,602	12	86,138	348	3,550,780	13.0	10,204
12/31/2000	29	424,053	7	40,491	370	4,059,627	14.3	10,972
12/31/2001	34	522,592	19	141,937	385	4,440,282	9.4	11,533
12/31/2002	29	519,243	17	141,245	397	4,818,280	8.5	12,137
12/31/2003	16	439,456	17	114,998	396	5,142,738	6.7	12,987
12/31/2004	42	432,739	17	155,755	421	5,731,232	11.4	13,613
12/31/2005	53	1,360,120	12	148,221	462	6,943,131	21.1	15,028
12/31/2006	44	983,775	9	91,156	497	7,835,750	12.9	15,766
12/31/2007	36	797,303	19	196,227	514	8,436,826	7.7	16,414
12/31/2008	54	1,429,071	16	271,603	552	9,594,295	13.7	17,381
12/31/2009	41	604,010	19	213,688	574	9,984,617	4.1	17,395
12/31/2010	59	1,188,630	19	231,051	614	10,942,196	9.6	17,821
12/31/2011	67	1,844,967	19	255,630	662	12,531,532	14.5	18,930
12/31/2012	66	1,573,353	13	144,397	715	13,960,488	11.4	19,525

\* Includes Cost of Living adjustments



City of Aurora  
General Employees' Retirement Plan



## Statistical Section

In this section, financial data and Plan member information are presented graphically in order to illustrate trends over recent time periods.

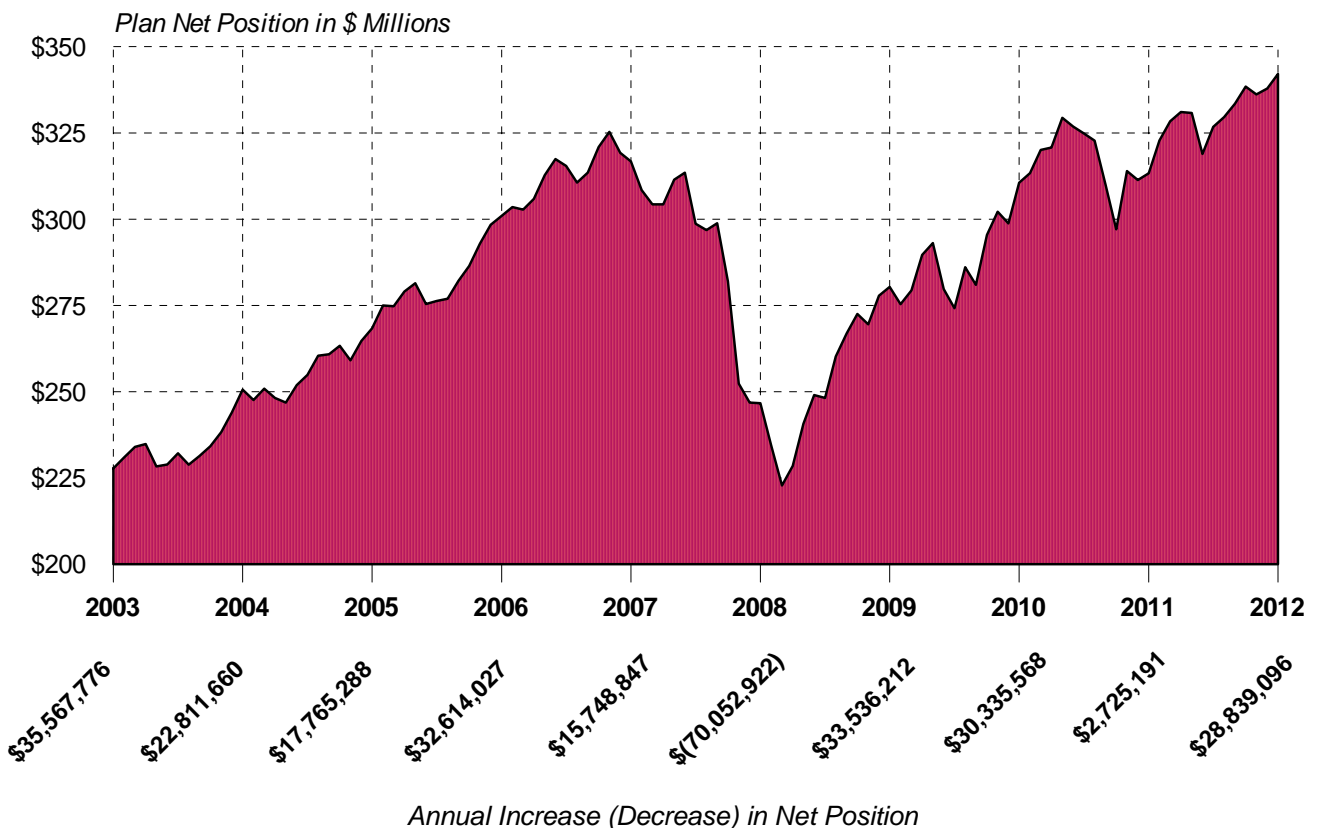
The chart below shows how the GERP’s net position has changed over the last ten years. This time period encompasses the 2008 financial crisis and the subsequent recovery in Plan investments. The increase or decrease for each year is displayed at the bottom of the chart.

Pages 86 and 87 illustrate the ten-year trends in total additions to and deductions from the Plan’s net position.

Benefits and contribution refunds by type are detailed at the top of page 88. Regular pension benefits and supplemental benefits paid to retired members and beneficiaries comprised 82% of the Plan’s total benefit expense in 2012. The ten-year trend in average pension payments appears at the bottom of page 88.

Information on pensioners currently in payment status is provided on page 89. Data as of January 1, 2013 is used for this analysis, consistent with the timeframe of actuary’s annual valuation report. Page 90 shows the final average salary earned and monthly benefit received for pensioners who were added in each of the last seven years.

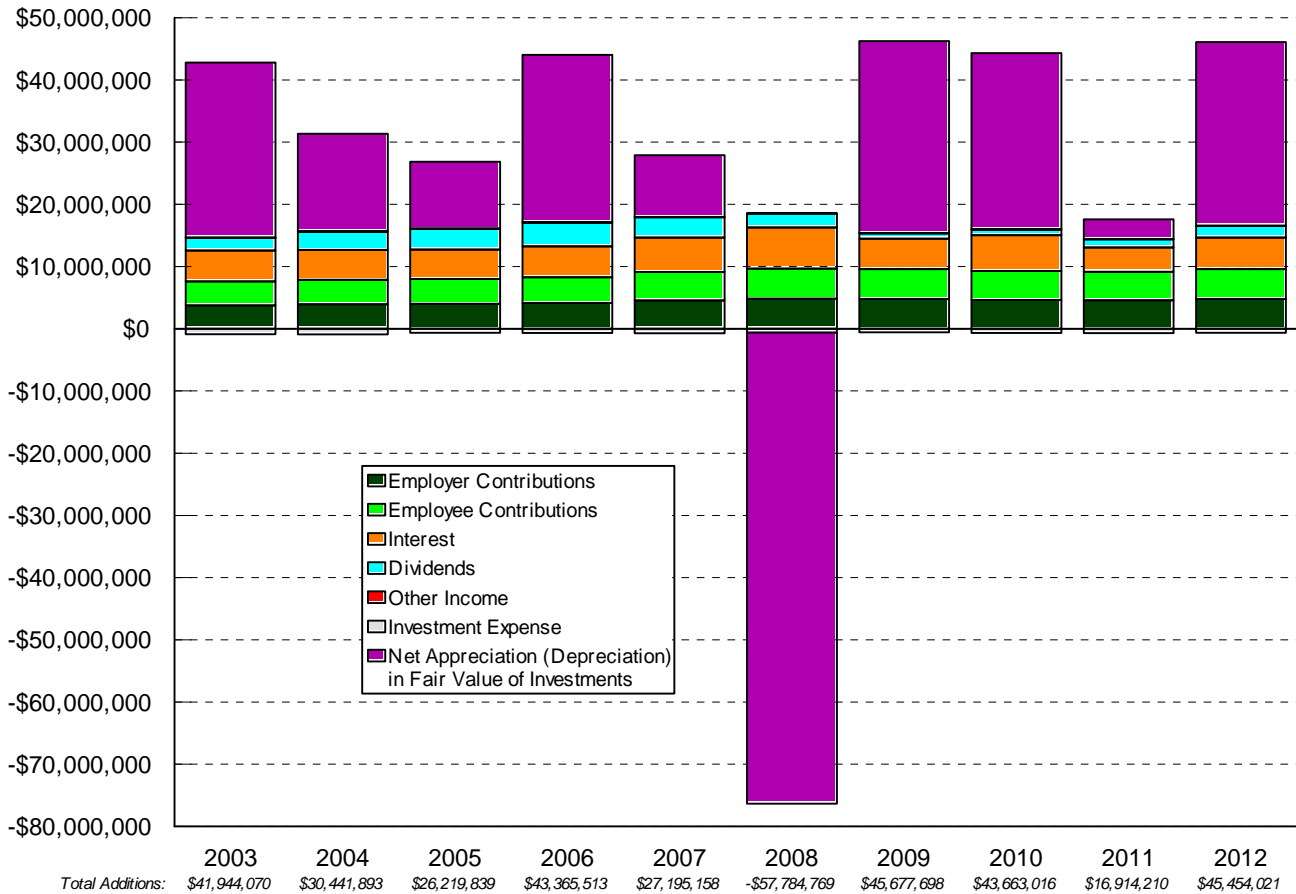
**TOTAL CHANGE IN PLAN NET POSITION, 2003-2012**



### ADDITIONS TO NET POSITION BY SOURCE

Fiscal Year	Employer Contributions	Employee Contributions	Net Appreciation (Depreciation) in Fair Value of Investments	Interest	Dividends	Other Income	Less Investment Expense	Total Additions
2003	3,758,578	3,846,264	28,162,650	4,977,047	2,038,152	21,378	(859,999)	41,944,070
2004	3,927,864	3,940,988	15,688,105	4,807,235	2,937,161	54,770	(914,230)	30,441,893
2005	4,005,160	4,007,302	10,763,793	4,712,023	3,349,793	19,681	(637,913)	26,219,839
2006	4,146,212	4,153,386	26,918,568	4,942,149	3,848,349	19,045	(662,196)	43,365,513
2007	4,539,320	4,593,477	9,930,642	5,531,745	3,244,852	66,255	(711,133)	27,195,158
2008	4,826,337	4,831,706	(75,713,007)	6,643,824	2,233,940	11,621	(619,190)	(57,784,769)
2009	4,790,713	4,795,873	30,847,799	4,896,782	847,676	70,756	(571,901)	45,677,698
2010	4,626,990	4,644,062	28,316,876	5,776,859	865,710	94,440	(661,921)	43,663,016
2011	4,571,135	4,580,527	3,174,244	3,917,318	1,321,837	40,734	(691,585)	16,914,210
2012	4,786,740	4,800,089	29,516,727	5,082,825	1,879,311	28,610	(640,281)	45,454,021

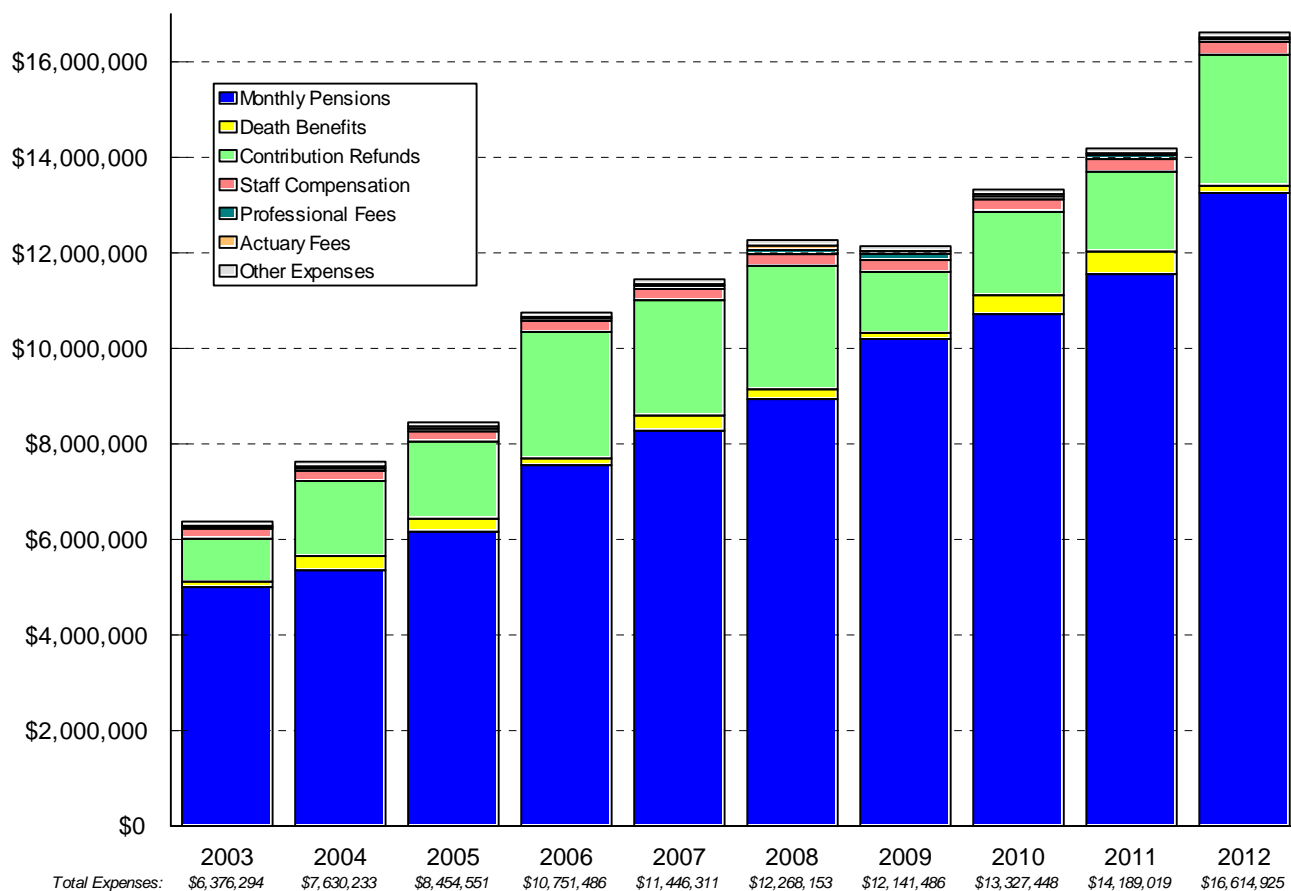
### TREND IN REVENUE SOURCES, 2003-2012



### DEDUCTIONS FROM NET POSITION BY EXPENSE TYPE

Fiscal Year	Benefit Expense	Staff Compensation	Professional Fees	Actuary Fees	Other Expenses	Total Deductions
2003	6,015,179	209,382	33,792	28,927	89,014	6,376,294
2004	7,224,231	213,496	49,513	43,375	99,618	7,630,233
2005	8,048,501	214,322	54,272	47,700	89,756	8,454,551
2006	10,347,020	225,506	54,762	33,000	91,198	10,751,486
2007	11,008,848	234,432	69,618	31,000	102,413	11,446,311
2008	11,729,576	244,457	87,408	90,700	116,012	12,268,153
2009	11,600,943	247,650	132,247	56,805	103,841	12,141,486
2010	12,858,136	260,105	64,845	48,515	95,847	13,327,448
2011	13,698,161	264,314	83,774	35,700	107,070	14,189,019
2012	16,147,362	272,000	56,232	33,000	106,331	16,614,925

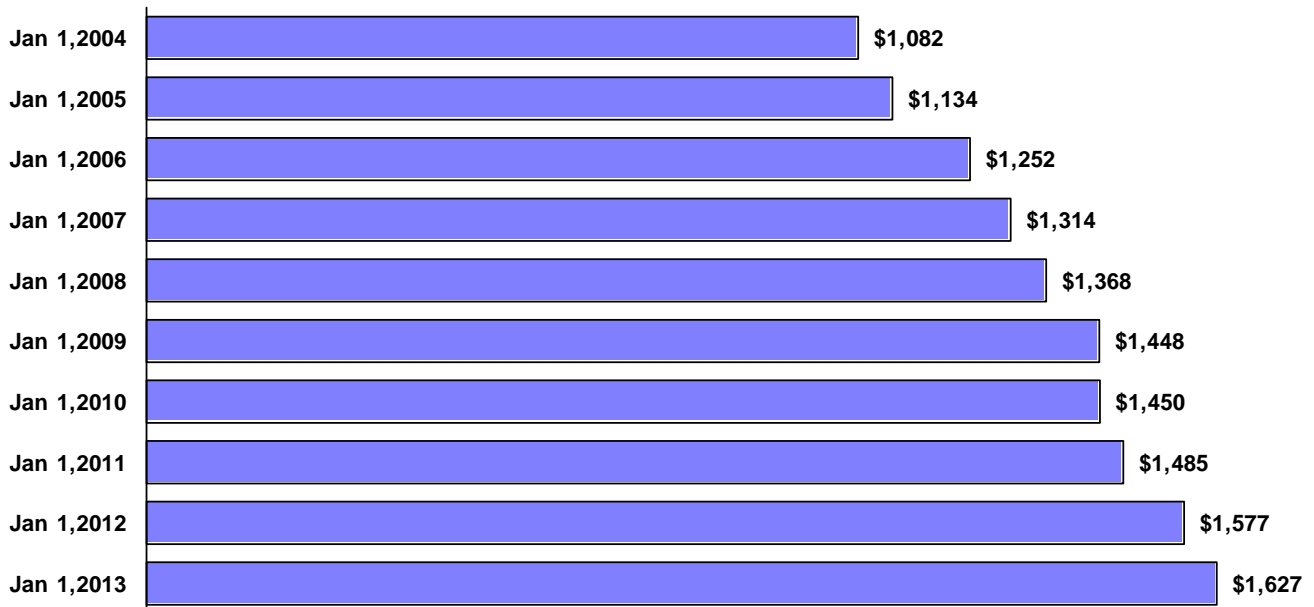
### TREND IN EXPENSES, 2003-2012



### BENEFIT EXPENSES BY TYPE

Year Ending	<u>Retired Members</u>		<u>Beneficiaries</u>			<u>Terminated Members</u>	Total Benefit Expense
	<i>Regular Pension Benefits</i>	<i>Supplemental Benefits</i>	<i>Survivor Pension Benefits</i>	<i>Survivor Supplemental Benefits</i>	<i>Lump Sum Death Benefits</i>	<i>Contribution Refunds</i>	
2003	4,163,635	440,707	345,188	51,820	114,067	899,762	6,015,179
2004	4,478,971	479,312	341,858	55,212	298,124	1,570,754	7,224,231
2005	5,170,408	535,501	390,274	64,904	272,066	1,615,348	8,048,501
2006	6,492,239	617,345	409,722	67,883	139,961	2,619,870	10,347,020
2007	7,028,705	690,071	477,334	78,698	319,474	2,414,566	11,008,848
2008	7,549,034	756,222	546,003	87,350	206,320	2,584,647	11,729,576
2009	8,628,099	827,480	643,803	98,296	129,351	1,273,914	11,600,943
2010	9,050,109	871,506	687,111	107,202	398,500	1,743,708	12,858,136
2011	9,803,485	933,062	710,437	107,905	473,914	1,669,358	13,698,161
2012	11,340,060	1,017,613	786,894	108,352	149,473	2,744,970	16,147,362

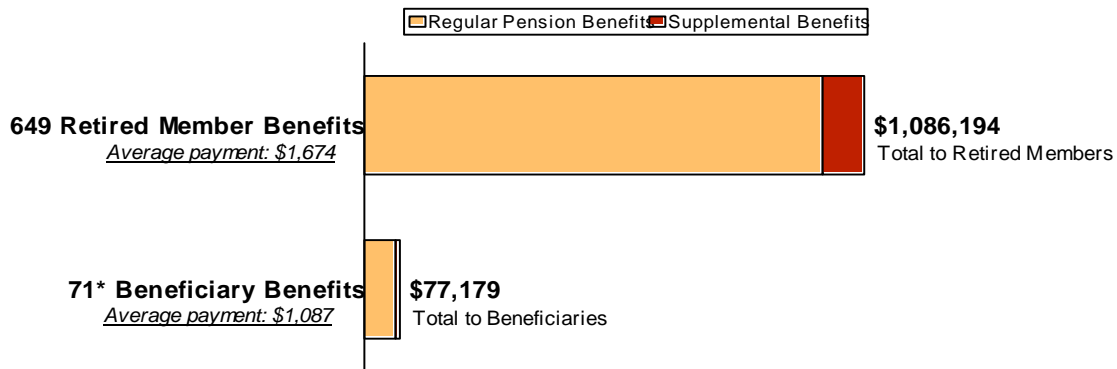
### TREND IN AVERAGE MONTHLY BENEFITS FOR ALL PENSIONERS, LATEST 10 YEARS



**PENSIONERS IN PAYMENT STATUS ON JANUARY 1, 2013  
BY BENEFIT AMOUNT, RETIREMENT TYPE AND PAYMENT OPTION**

	<u>Total Monthly Benefit</u>					Total
	\$1 to \$500	\$501 to \$1,000	\$1,001 to \$1,500	\$1,501 to \$2,000	Above \$2,000	
<b>Number of Pensioners</b>	80	166	137	114	218	715
<u>By Type of Retirement</u>						
Reduced early retirement (beginning at ages 50 to 64)	13	105	54	27	19	218
Unreduced early retirement (beginning at ages 50 to 64)	0	1	28	53	158	240
Normal retirement (beginning at age 65 or older)	50	38	38	24	29	179
Beneficiary of a deceased Plan member	15	19	14	9	9	66
Other (5 receive benefits as both retired members and beneficiaries; 7 are DRO alternate payees)	2	3	3	1	3	12
<u>By Payment Option Selected</u>						
Straight Life Annuity	33	71	55	45	75	279
50%, 75% or 100% Joint & Survivor Annuity	30	65	56	52	106	309
10- or 15-Year Certain and Lifetime Annuity	2	5	7	1	3	18
Partial Lump Sum, together with one of the annuities above	15	25	19	16	34	109

**MONTHLY BENEFITS PAID TO PENSIONERS ON JANUARY 1, 2013**



\* Five pensioners receive benefits as both retired members and beneficiaries.

The Supplemental Benefit was added to the Plan in 1986 to assist pensioners with their health care expenses. It does not represent an obligation by the Plan or the City to pay post-employment health care costs. Participants with 20 or more years of credited service receive a maximum of \$176 per month; the benefit amount is prorated for shorter service.

**AVERAGE BENEFIT PAYMENTS BY SERVICE INCREMENT FOR PENSIONERS (RETIRED MEMBERS AND BENEFICIARIES) ENTERING PAYMENT STATUS IN THE LATEST 7 YEARS**

	Years of Credited Service							Total
	Less than 5	5-10	10-15	15-20	20-25	25-30	Greater than 30	
For pension benefits starting								
<u>1/1/2006 to 12/31/2006</u>								
Average monthly benefit	\$ 125	\$ 306	\$ 828	\$ 1,250	\$ 1,678	\$ 2,272	\$ 3,323	<b>\$ 1,655</b>
Final average monthly salary	\$ 2,353	\$ 2,512	\$ 4,518	\$ 4,132	\$ 4,041	\$ 4,885	\$ 5,584	<b>\$ 4,177</b>
Number of pensioners added	2	7	3	7	17	12	6	<b>54</b>
<u>1/1/2007 to 12/31/2007</u>								
Average monthly benefit	\$ -	\$ 472	\$ 554	\$ 1,056	\$ 1,656	\$ 2,147	\$ 2,879	<b>\$ 1,607</b>
Final average monthly salary	\$ -	\$ 4,584	\$ 3,082	\$ 3,096	\$ 4,339	\$ 4,516	\$ 5,742	<b>\$ 4,198</b>
Number of pensioners added	0	3	6	9	4	8	8	<b>38</b>
<u>1/1/2008 to 12/31/2008</u>								
Average monthly benefit	\$ -	\$ 570	\$ 778	\$ 1,310	\$ 1,838	\$ 2,151	\$ 2,667	<b>\$ 1,394</b>
Final average monthly salary	\$ -	\$ 4,184	\$ 3,805	\$ 4,090	\$ 4,818	\$ 4,264	\$ 4,399	<b>\$ 4,156</b>
Number of pensioners added	0	8	13	7	4	11	4	<b>47</b>
<u>1/1/2009 to 12/31/2009</u>								
Average monthly benefit	\$ -	\$ 750	\$ 892	\$ 1,354	\$ 1,874	\$ 2,500	\$ 2,935	<b>\$ 1,728</b>
Final average monthly salary	\$ -	\$ 4,466	\$ 3,918	\$ 4,090	\$ 4,727	\$ 5,364	\$ 4,682	<b>\$ 4,520</b>
Number of pensioners added	0	5	9	7	8	7	7	<b>43</b>
<u>1/1/2010 to 12/31/2010</u>								
Average monthly benefit	\$ -	\$ 747	\$ 786	\$ 1,498	\$ 1,828	\$ 1,901	\$ 1,974	<b>\$ 1,373</b>
Final average monthly salary	\$ -	\$ 4,957	\$ 3,670	\$ 4,925	\$ 4,901	\$ 4,559	\$ 4,716	<b>\$ 4,425</b>
Number of pensioners added	0	6	19	7	9	12	6	<b>59</b>
<u>1/1/2011 to 12/31/2011</u>								
Average monthly benefit	\$ 62	\$ 339	\$ 887	\$ 1,167	\$ 1,795	\$ 3,223	\$ 3,727	<b>\$ 1,686</b>
Final average monthly salary	\$ 1,043	\$ 2,674	\$ 3,798	\$ 4,476	\$ 4,375	\$ 6,396	\$ 6,250	<b>\$ 4,488</b>
Number of pensioners added	1	4	17	10	7	3	10	<b>52</b>
<u>1/1/2012 to 12/31/2012</u>								
Average monthly benefit	\$ -	\$ 520	\$ 934	\$ 1,360	\$ 2,302	\$ 2,369	\$ 2,845	<b>\$ 1,889</b>
Final average monthly salary	\$ -	\$ 3,684	\$ 3,741	\$ 4,247	\$ 5,888	\$ 5,052	\$ 4,749	<b>\$ 4,640</b>
Number of pensioners added	0	9	10	9	10	17	15	<b>70</b>