

**Presentation**  
**The Civic Federation and**  
**The Federal Reserve Bank of Chicago**

**OTHER POST-EMPLOYMENT BENEFITS:**

**THE AURORA EXAMPLE**

**Brian Caputo**  
**City of Aurora**  
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## Why Did Aurora Implement Early?

1. Good financial management.
2. Show the true financial picture to:
  - a. Aldermen
  - b. New Mayor
  - c. Unions

# Information Provided to the Actuary

## 1. Participant Data:

- a. Participant identifier (name, SSN, or employee #)
- b. Date of birth (active and retiree)
- c. Date of hire (active)
- d. Work unit assignment

## 2. Cost and Contribution Data:

- a. Retiree cost data for two prior years
- b. Retiree cost data for current year (budgeted amounts)
- c. Estimated retiree contribution amounts for the current year

# Interest Rate Assumptions

## 1. Investment Return:

- a. 3.25% for 2005 and 2006
- b. 7.0% for 2007 and afterwards

## 2. Healthcare Cost Trend:

- a. 10.0% for 2005
- b. 9.5% for 2006
- c. 9.0% for 2007
- d. 8.5% for 2008
- e. 8.0% for 2009 and afterwards

# Key Components of the Actuarial Reports

1. Unfunded Actuarial Accrued Liability (UAAL):
  - a. 12/31/03: \$154.7 million.
  - b. 12/31/04: \$164.7 million.
  - c. 12/31/05: \$177.1 million.
  - d. 12/31/06: \$183.6 million.
  
2. Annual Required Contribution (ARC):
  - a. 2005: \$15.5 million.
  - b. 2006: \$16.9 million.
  - c. 2007: \$18.6 million.
  - d. 2008: \$18.5 million.

# Key Features of the Trust Document

1. Trustees:
  - a. Director of Finance/City Treasurer
  - b. Director of Human Resources
  - c. Assistant Director of Finance
  - d. 2 Plan Participants (Former Employees)
  
2. Plan Administrator: Assistant Director of HR

# Key Features of the Trust Document

## 3. Board Officers:

- a. President (must be ex-officio member)
- b. Vice President
- c. Secretary (must be ex-officio member)
- d. Assistant Secretary

## 4. Elections:

- a. Retiree members – every two years
- b. Board officers – annually

# Key Features of the Trust Document

5. Board has no authority to:
  - a. Change plan design/benefit levels.
  - b. Adjudicate claims.
  - c. Adjust retiree contribution requirements.
  
6. Board is responsible for:
  - a. Receiving city and retiree contributions.
  - b. Investing money on hand.
  - c. Paying claims.



# Key Features of the Trust Document

7. Regular board meetings held quarterly.
8. Electronic attendance at board meetings permitted.
9. Plan FY = City FY = Calendar Year.
10. Responsibility for records:
  - a. Financial: Director of Finance/City Treasurer.
  - b. Medical: Plan Administrator (HR).

# Key Features of the Trust Document

11. Separate investment policy.
12. Board can hire an investment management consultant, investment managers, and other professional service providers as needed.

# Budgetary Implications

1. Charge-backs to individual departments for employer contributions.
2. Gradual annual increases in funding to 100% of ARC.
3. Will ultimately have a significant impact upon operations.
4. Have gotten the attention of elected officials.