Presentation
The Civic Federation and
The Federal Reserve Bank of Chicago

OTHER POST-EMPLOYMENT BENEFITS:

THE AURORA EXAMPLE

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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.