



CITY OF AURORA
HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES

Actuarial Valuation Report
For the Year
Beginning January 1, 2013
And Ending December 31, 2013

Timothy W. Sharpe, Actuary, Geneva, IL (630) 262-0600

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INTRODUCTION

The City of Aurora provides limited health care insurance coverage for its eligible retired employees. The purpose of this report is to disclose the GASB Statements No. 43 & 45 financial information and related actuarial information for the year beginning January 1, 2013, and ending December 31, 2013.

The valuation results reported herein are based on the plan provisions, financial date and employee data furnished by the City, and the actuarial methods and assumptions described later in this report. I hereby certify that this report is complete and accurate and fairly presents the actuarial position of the plan as of December 31, 2012, in accordance with generally accepted actuarial principles and procedures. In my opinion, the assumptions used are reasonably related to the experience of the Plan and to reasonable expectations. A reasonable request for supplementary information not included in this report should be directed to the undersigned actuary.

I, Timothy W. Sharpe, am an Enrolled Actuary and a member of the American Academy of Actuaries, and I meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Timothy W. Sharpe, EA, MAAA
Enrolled Actuary No. 11-4384

Date

GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION

The Governmental Accounting Standards Board (GASB) issued Statements No. 43 & 45 that established generally accepted accounting principles for the annual financial statements for postemployment benefit plans other than pension plans. The required information is as follows:

Membership in the plan consisted of the following as of:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Retirees and beneficiaries receiving benefits	453	447
Terminated plan members entitled to but not yet receiving benefits	0	0
Active vested plan members	646	610
Active nonvested plan members	<u>279</u>	<u>269</u>
Total	<u>1,378</u>	<u>1,326</u>
Number of participating employers	1	1

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	24,193,191	172,968,000	148,774,809	14.0%	64,712,359	229.9%
12/31/11	24,199,774	165,542,261	141,342,487	14.6%	65,237,549	216.7%
12/31/12	26,735,905	197,518,139	170,782,234	13.5%	72,083,003	236.9%

GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Annual required contribution	11,182,621	11,773,685
Interest on net OPEB obligation	4,687,049	4,074,476
Adjustment to annual required contribution	<u>(2,895,502)</u>	<u>(2,517,075)</u>
Annual OPEB cost	12,974,168	13,331,086
Contributions made	<u>5,380,735</u>	<u>4,580,046</u>
Increase (decrease) in net OPEB obligation	7,593,433	8,751,040
Net OPEB obligation beginning of year	<u>66,957,838</u>	<u>58,206,798</u>
Net OPEB obligation end of year	<u>74,551,271</u>	<u>66,957,838</u>

THREE-YEAR TREND INFORMATION

Fiscal Year <u>Ending</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
12/31/10	13,674,943	33.3%	58,206,798
12/31/11	13,331,086	34.4%	66,957,838
12/31/12	12,974,168	41.5%	74,551,271

ANNUAL REQUIRED CONTRIBUTION

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Service Cost	4,999,424	4,338,882
Amortization	7,385,248	6,112,166
Interest	<u>866,927</u>	<u>731,573</u>
Annual required contribution	<u>13,251,599</u>	<u>11,182,621</u>

GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION (Continued)

FUNDING POLICY AND ACTUARIAL ASSUMPTIONS

The last actuarial valuation was completed one year ago (12/31/2011). The Net OPEB Obligation has been updated through 12/31/2012. The Fund's annual expenses increased 25.1% to \$7.6M from \$6.1M last year.

Contribution rates:

City	7.46%
Plan members	0.00%

Actuarial valuation date 12/31/2012

Actuarial cost method	Entry age
Amortization period	Level percentage of pay, open
Remaining amortization period	30 years

Asset valuation method Market

Actuarial assumptions:

Investment rate of return*	7.00%
Projected salary increases	5.00%
Healthcare inflation rate	7.50% initial, 5.00% ultimate (0.5% reduction per year)
Mortality, Turnover, Disability, Retirement Ages	Similar rates utilized for IMRF, Police and Firefighter Pension Funds
Percentage of Active Employees Assumed to Elect Benefit	100%

Employer Provided Benefit

Explicit: 100% of premium for life
 Implicit: Included in Explicit Benefit

Equivancy Rates:
 to age 65: (50% of \$1,091/mo + 50% of \$2,182/mo)
 after age 65: (50% of \$545/mo + 50% of \$1,091/mo)

* Includes inflation at 3.00%

CITY OF AURORA

GASB 45 Summary as of December 31, 2012

Division	Service Cost	Active Liability	Retired Liability	Total Liability	Assets	Annual		Actives	Retirees	Total
						Required Contribution	Expected Payments			
1002	38,050	219,124	204,823	423,947	57,385	57,674	13,090	6	1	7
1004	95,855	1,121,412	303,282	1,424,694	192,845	159,563	32,726	16	4	20
1010	0	0	204,823	204,823	27,725	8,194	13,090	0	1	1
1102	19,702	381,409	425,812	807,221	109,265	53,376	32,726	4	3	7
1103	2,225	129,565	0	129,565	17,538	7,564	0	1	0	1
1202	3,899	67,725	0	67,725	9,167	6,881	0	1	0	1
1210	21,132	583,300	55,759	639,059	86,502	48,179	6,545	6	1	7
1215	3,821	59,983	84,757	144,740	19,592	9,879	6,545	1	1	2
1216	8,458	169,978	0	169,978	23,008	15,850	0	2	0	2
1220	24,810	434,617	769,857	1,204,474	163,037	74,735	65,452	4	4	8
1221	4,159	145,784	0	145,784	19,733	10,282	0	1	0	1
1230	9,057	303,691	129,797	433,488	58,677	27,034	13,090	2	1	3
1231	20,487	117,657	0	117,657	15,926	26,628	0	2	0	2
1232	41,470	856,739	190,428	1,047,167	141,744	86,267	13,090	9	1	10
1233	32,700	224,128	0	224,128	30,338	43,955	0	7	0	7
1302	6,594	206,473	245,700	452,173	61,206	25,146	26,181	2	1	3
1314	22,000	545,775	102,411	648,186	87,738	49,473	6,545	6	1	7
1320	5,496	127,877	0	127,877	17,309	10,997	0	1	0	1
1330	7,580	84,794	675,337	760,131	102,891	38,521	65,452	2	3	5
1340	14,673	149,684	0	149,684	20,261	21,689	0	3	0	3
1360	4,173	99,413	0	99,413	13,456	8,443	0	1	0	1
1370	5,938	51,603	357,256	408,859	55,343	22,711	26,181	1	3	4
1802	10,034	216,459	373,857	590,316	79,905	34,354	26,181	2	3	5
1810	2,066	82,354	306,551	388,905	52,642	17,770	26,181	1	1	2
1820	94,698	1,110,711	1,230,833	2,341,544	316,950	195,007	117,813	17	9	26
1830	12,096	141,898	675,439	817,337	110,634	45,642	52,361	2	3	5
1840	27,698	385,799	31,891	417,690	56,538	46,348	6,545	7	1	8
1841	0	0	173,111	173,111	23,432	6,926	13,090	0	1	1
1850	88,033	2,335,320	1,375,228	3,710,548	502,257	242,645	130,904	22	9	31
1851	124,566	2,761,946	2,779,572	5,541,518	750,096	354,988	229,081	28	16	44
2502	11,377	171,371	136,193	307,564	41,632	24,478	13,090	3	1	4
2521	49,985	871,147	639,855	1,511,002	204,528	113,935	52,361	12	4	16
2522	6,293	182,020	0	182,020	24,638	14,016	0	2	0	2
2523	33,899	674,217	371,151	1,045,368	141,500	78,094	32,726	7	2	9
2526	14,567	164,249	718,344	882,593	119,467	50,897	58,907	3	4	7
2533	17,188	213,377	0	213,377	28,882	26,928	0	3	0	3
2560	44,360	824,373	367,053	1,191,426	161,270	95,131	32,726	9	3	12
3033	19,197	467,366	538,543	1,005,909	136,159	60,784	52,361	5	3	8
3536	182,264	3,834,725	1,638,347	5,473,072	740,831	413,986	137,449	41	11	52
3537	104,806	1,920,133	1,056,641	2,976,774	402,934	231,236	85,087	28	5	33
3538	2,069	141,202	0	141,202	19,113	7,863	0	1	0	1
4402	23,599	820,330	450,022	1,270,352	171,954	76,074	45,816	5	3	8
4410	26,118	454,416	133,046	587,462	79,518	51,450	13,090	7	1	8
4420	22,979	616,581	599,773	1,216,354	164,645	73,251	52,361	6	3	9
4430	49,845	517,184	286,394	803,578	108,772	85,483	26,181	7	1	8
4431	87,295	1,968,247	1,050,845	3,019,092	408,662	214,192	98,178	17	8	25
4432	13,904	302,974	878,761	1,181,735	159,959	62,156	78,542	3	3	6
4433	33,217	384,259	266,093	650,352	88,031	61,561	26,181	6	1	7
4434	9,035	179,947	255,829	435,776	58,986	27,102	26,181	2	2	4
4440	42,318	750,127	1,468,538	2,218,665	300,317	134,043	124,359	10	7	17
4441	15,471	421,474	0	421,474	57,050	33,416	0	4	0	4
4442	9,163	146,661	415,850	562,511	76,141	32,309	32,726	2	3	5
4443	8,473	154,426	448,387	602,813	81,596	33,183	39,271	2	3	5
4450	93,217	2,161,830	1,203,787	3,365,617	455,567	234,392	104,723	23	6	29
4451	4,692	49,898	74,625	124,523	16,855	10,002	6,545	1	1	2
4460	162,285	3,813,973	2,989,197	6,803,170	920,872	445,823	255,262	36	15	51
4470	146,881	3,628,407	2,174,489	5,802,896	785,476	389,322	170,175	38	15	53
4471	9,811	403,107	1,089,726	1,492,833	202,069	70,222	91,633	3	4	7
Police	1,614,042	34,446,110	37,506,334	71,952,444	9,739,428	4,605,665	2,788,249	289	155	444
Fire	1,389,606	28,399,691	27,864,752	56,264,443	7,615,912	3,737,880	2,238,453	193	121	314
Total	4,999,424	102,199,040	95,319,099	197,518,139	26,735,905	13,251,599	7,605,505	925	453	1,378
Discount Rate: 7.0%										
Medical Inflation Rate: 7.5% initial, 5.0% ultimate										
Future Payroll Increases: 5.0%										

ACTUARIAL METHOD AND TABLES

Entry Age Normal Cost Method

Under the Entry Age Normal Cost Method the Normal Cost for each participant is computed as the level percentage of pay which, if paid from the earliest age the participant is eligible to enter the plan until retirement or termination, will accumulate with interest to sufficiently fund all benefits under the plan.

The Accrued Liability is the theoretical amount that would have accumulated had annual contributions equal to the Normal Cost been paid. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

ACTUARIAL ASSUMPTIONS AND TABLES

The methods and assumptions disclosed in this report may reflect statutory requirements and may reflect the responsibility of the Principal and its advisors. In the event a method or assumption conflicts with the actuary's professional judgment, the method or assumption is identified in this report.

Mortality Table: 1994 GAM multiplied by 110% for males, 95% for females. There is no margin for future mortality improvement beyond the valuation date.

Age	Mortality	Withdrawal			Disability			Retirement	
		IMRF	Police	Fire	IMRF	Police	Fire	IMRF	Police & Fire
20	0.05%	5.5%	6.0%	4.0%	0.01%	0.07%	0.17%		
25	0.07%	5.1%	6.0%	3.5%	0.01%	0.08%	0.19%		
30	0.09%	4.7%	5.1%	2.6%	0.01%	0.10%	0.20%		
35	0.09%	3.8%	4.1%	1.8%	0.02%	0.11%	0.24%		
40	0.11%	3.0%	2.9%	1.1%	0.04%	0.20%	0.30%		
45	0.17%	2.5%	1.7%	0.6%	0.06%	0.29%	0.41%		
50	0.28%	2.3%			0.09%	0.52%	0.62%		20%
55	0.49%				0.15%	0.99%	1.09%	35%	42%
60	0.88%				0.19%	1.70%	1.84%	12%	83%
62	1.31%				0.20%	2.20%		22%	100%
65	1.60%				0.20%			30%	
70	2.61%				0.17%			20%	
75	4.09%				0.12%			18%	
80	6.82%				0.10%			100%	