CITY OF AURORA, ILLINOIS

POLICE PENSION FUND

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2015

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CITY OF AURORA, ILLINOIS
POLICE PENSION FUND
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INDEPENDENT AUDITOR'S REPORT

The Honorable President
Members of the Board of Trustees
Police Pension Fund
City of Aurora, Illinois

We have audited the basic financial statements of the City of Aurora Police Pension Fund (the Fund), a fiduciary fund of the City of Aurora, Illinois (the City) as of December 31, 2015 and for the year then ended and the related notes to financial statements and as listed in the accompanying 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 Fund'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 Fund'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.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Police Pension Fund of the City of Aurora, Illinois, as of December 31, 2015, and the changes in plan net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1A, these basic financial statements present only the City of Aurora Police Pension Fund and are not intended to present fairly the financial position and changes in financial position of the City of Aurora, Illinois, 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 and the required supplementary information listed in the table of contents 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 collectively comprise the Fund's basic financial statements. The supplementary financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary financial information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Naperville, Illinois
June 17, 2016

AURORA POLICE PENSION FUND

(A Pension Trust Fund of the City of Aurora, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis (MD&A) of the Aurora Police Pension Fund's financial statements. The MD&A addresses the major factors affecting the operations and investment performance of the fund during the fiscal year ended December 31, 2015 and includes comparative information for the fiscal year ended December 31, 2014.

The Aurora Police Pension Fund (the "Fund") is a defined benefit, single-employer public employees' retirement system established pursuant to the Illinois Pension Code. It is a pension trust fund of the City of Aurora, Illinois (the "City"). As of December 31, 2015, the Fund provided services to 289 active employees, 199 benefit recipients, and five terminated plan members who were entitled to but were not yet receiving benefits.

Overview of Financial Statements and Accompanying Information

This discussion and analysis is intended to serve as an introduction to the Fund's financial reporting which is comprised of the following components:

1. Basic Financial Statements: This information presents the Fund net position restricted for pension benefits as of December 31, 2015. This financial information also summarizes the changes in Fund net position restricted for pension benefits for the year then ended.
2. Notes to Basic Financial Statements: The notes to basic financial statements provide additional information that is essential to achieve a full understanding of the data provided in the basic financial statements.
3. Required Supplementary Information: The required supplementary information consists of schedules and related notes concerning actuarial information, employer contributions, and investment returns.
4. Other Supplementary Information: This section includes a schedule of changes in plan net position with budget versus actual comparisons.

The Fund implemented Statement No. 67 of the Governmental Accounting Standards Board (GASB), *Financial Reporting for Pension Plans*, for the fiscal year ended December 31, 2013, becoming one of the first pension funds in the United States to implement this new reporting standard. The new financial reporting standard modified the Fund's notes to the basic financial statements and required supplementary information as well as required the calculation of a total pension liability and a net pension liability. The Fund's financial statements for the fiscal year ended December 31, 2015, include information for the third year that is compliant with GASB Statement No. 67.

Plan Net Position

The statement of plan net position is presented for the Fund as of December 31, 2015 and 2014. The financial statement reflects the resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. A summary of the Fund's plan net position is presented below:

Condensed Statement of Plan Net Position (in Millions)

	2015	2014	Dollar Change	Percent Change
Cash and Equivalents	$ 7.553	$ 7.561	$ (0.008)	-0.1%
Investments, at fair value	169.685	165.336	4.349	2.6%
Receivables	0.532	1.242	(0.710)	-57.2%
Prepaid Expenses	0.024	0.005	0.019	-
Total Assets	177.794	174.144	3.650	2.1%
Liabilities	0.064	0.068	(0.004)	-5.9%
Total Net Plan Position	$ 177.730	$ 174.076	$ 3.654	2.1%

Financial Highlights

The Fund's net position increased $3.7 million or 2.1% during the fiscal year ended December 31, 2015. The change in net position was due primarily to an increase in investments from $165.3 million to $169.7 million.

Under the actuarial methodology required for accounting purposes in accordance with GASB Statement No. 67, the Fund was actuarially funded at 47.5% at December 31, 2015. This reflects a decrease from the 49.6% funded ratio of the prior year.

The annual money-weighted rate of return for the Fund was 1.35% during 2015, compared to 6.02% during 2014 (net of fees).

Funded Ratio

The funded ratio of the plan measures the ratio of net position against actuarially determined liabilities and is one indicator of the fiscal strength of a pension fund's ability to meet obligations to its members. An annual actuarial valuation is required by state statute. The most recent available valuation showed that the funded status of the Fund as of December 31, 2015 decreased to 47.5% from 49.6% on December 31, 2014 based upon the actuarial parameters established in GASB Statement No. 67. The employer's net pension liability (NPL) was $196.8 million on December 31, 2015 as compared to $177.2 million on December 31, 2014. The increase in the employer's NPL was $19.6 million or 11.1%. The

increase in the NPL was primarily due to two factors. First, the discount rate used to measure the total pension liability was decreased from 6.25% for the December 31, 2014 valuation to 6.18% for the December 31, 2015 valuation pursuant to an actuarial test (i.e., the crossover test) required by GASB Statement No. 67. Second, the money-weighted rate of return for 2015 (1.35%) was considerably less than the investment rate of return assumed by the Fund's actuary (6.75%).

The actuarial assumptions of the Fund parallel those used by the Illinois Department of Insurance for its valuation of similar funds. For more information, please refer to the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios included in the Required Supplementary Information section of this report.

As of December 31, 2015, the Fund had 289 active participants, 199 benefit recipients, and five inactive plan members who were entitled to but were not yet receiving benefits. During the prior year, the Fund had 289 active participants, 192 benefit recipients, and four inactive plan members awaiting the receipt of benefits.

Investments

The allocation of investment assets for the Police Pension Fund as of December 31, 2015 and 2014 were as follows:

Allocation of Investments

	2015		2014	
	Amount	Percentage	Amount	Percentage
Cash and Cash Equivalents	$7,552,672	4.3%	$7,561,370	4.4%
Fixed Income Securities	61,674,116	34.8%	58,799,375	34.0%
Domestic Equity Securities	57,852,913	32.7%	59,706,392	34.6%
International Equity Securities	29,929,896	16.9%	27,700,334	16.0%
Real Estate Investment Trusts	12,212,821	6.9%	10,756,576	6.2%
Blended Mutual Funds	8,015,174	4.5%	8,373,794	4.8%
Total	$177,237,592	100.1%	$172,897,841	100.0%

Proper implementation of the Fund's investment policy requires that the performance of the investment portfolio be periodically evaluated and that the portfolio be analyzed to insure compliance with established asset allocation targets and statutory requirements. The Board of Trustees of the Fund evaluates its investment portfolio, in consultation with Marquette Associates, on a quarterly basis. Changes in the amounts of the asset classes during 2015 were generally related to changes in their fair values.

Changes in Plan Net Position

A condensed statement of changes in plan net position for the years ended December 31, 2015 and 2014 is presented below. The financial statement reflects the changes in the resources available to pay benefits to plan participants, including retirees and beneficiaries.

Condensed Statement of Changes in Plan Net Position (in Millions)

	2015	2014	Dollar Change	Percent Change
Additions:				
Employer Contributions	$ 11.572	$ 10.092	$ 1.480	14.7%
Employee Contributions	3.805	2.937	0.868	29.6%
Net Investment Income	1.173	9.276	(8.103)	-87.4%
Total Additions	16.550	22.305	(5.755)	-25.8%
Deductions:				
Pension Benefits	12.845	11.943	0.902	7.6%
Administrative Expenses	0.051	0.082	(0.031)	-37.8%
Total Deductions	12.896	12.025	0.871	7.2%
Net Increase in Plan Net Position	$ 3.654	$ 10.280	$ (6.626)	-64.5%

Additions

Additions to plan net position include employer and employee contributions and net income from investment activities. Employer contributions rose from $10.1 million in 2014 to $11.6 million in 2015, an increase of $1.5 million or 14.7%. This is consistent with the corresponding higher actuarially determined contribution for 2015.

Employee contributions were approximately $3.8 million during 2015, compared to $2.9 million in 2014. The contributions required of employees are set by statute as a percentage of gross salary. The increased contributions are primarily related to the retroactive compensation paid to police officers as specified in a new collective bargaining agreement. Also adding to employee contributions were contributions associated with higher pay earned by police officers as they gained greater seniority and moved to higher salary steps.

The Fund's net investment income for 2015 was $1.2 million as compared to $9.3 million during 2014. The decline in investment income was due to lower returns in 2015 across all asset classes.

Deductions

Deductions from plan net position are primarily benefit payments. During 2015 and 2014, the Fund paid approximately $12.8 million and $11.9 million, respectively, in benefits. This was an increase of about $900,000 or 7.6% between the two fiscal years. This increase was due to the cost of initial age 55 and recurring annual 3% benefit increases authorized by statute for pensioners. Also, the greater number of participants receiving benefits contributed to the higher benefit costs. The administrative costs were nominal in both 2015 and 2014.

Future Outlook

Employer contributions are expected to increase in 2016 and the Fund's funded ratio is expected to rise over the course of the next several years based upon the impact of the projected unit credit actuarial cost method and the City making the full actuarially determined contribution each year. It is also anticipated that employee contributions will increase modestly over the next few years consistent with increases in employee salaries. With respect to investment income, the Fund will continue to structure its portfolio with the goal of maximizing returns over the long term within the investment policy guidelines established by the Fund's Board of Trustees and the constraints on allowable investments imposed by state statutes.

Request for Information

This financial report is designed to provide a general overview of Fund finances for interested parties. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Dr. Brian W. Caputo, Treasurer, Aurora Police Pension Fund, 44 East Downer Place, Aurora, IL 60507.

BASIC FINANCIAL STATEMENTS

CITY OF AURORA, ILLINOIS

POLICE PENSION FUND

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2015

ASSETS	
Cash and Short-Term Investments	$ 7,552,672
Investments, at Fair Value	
Fixed Income Securities	61,674,116
Domestic Equity Securities	57,852,913
International Equity Securities	29,929,896
Real Estate Investment Trusts	12,212,821
Blended Mutual Funds	8,015,174
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)	
Accrued Interest	395,929
Pension Service Credit	135,935
Prepaid Expenses	24,859
Total Assets	177,794,315
LIABILITIES	
Accounts Payable	64,477
Total Liabilities	64,477
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 177,729,838

See accompanying notes to financial statements.

CITY OF AURORA, ILLINOIS

POLICE PENSION FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2015

ADDITIONS	
Contributions	
Employer Contributions	$ 11,571,764
Employee Contributions	3,805,258
Total Contributions	15,377,022
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	(1,119,948)
Interest and Dividends	2,796,997
Total Investment Income	1,677,049
Less Investment Expense	(503,802)
Net Investment Income	1,173,247
Total Additions	16,550,269
DEDUCTIONS	
Pension Benefits	12,845,770
Administrative Expenses	50,958
Total Deductions	12,896,728
NET INCREASE	3,653,541
NET POSITION RESTRICTED FOR PENSION BENEFITS	
January 1	174,076,297
December 31	$ 177,729,838

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Aurora Police Pension Fund (the Fund) of the City of Aurora, Illinois have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. Reporting Entity

The Fund is a fiduciary fund of the City of Aurora, Illinois (the City) pursuant to GASB Statement No. 61 and is included in the City's fiduciary fund financial statements.

B. Fund Accounting

The Fund uses funds to report on its fiduciary net position and the changes in its fiduciary net position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Fund is classified in this report in the fiduciary category.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When pension plan assets are held under the terms of a formal trust agreement, a pension trust fund is used.

C. Basis of Accounting

The Fund is accounted for with a flow of economic resources measurement focus. With this measurement focus, all assets, deferred inflows of resources, liabilities and deferred outflows of resources associated with the operation of this fund are included on the statement of fiduciary net position. Pension trust fund operating statements present increases (e.g., additions) and decreases (e.g., deductions) in net position restricted for pensions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized by the pension trust fund. Under this method, additions are recorded when earned and deductions are recorded at the time the liabilities are incurred.

D. Investments

Investment purchases are recorded as of the trade date. Investments are stated at fair value at December 31, 2015 for both reporting and actuarial purposes. Securities traded on national exchanges are at the last reported sale price.

2. PLAN DESCRIPTION

A. Plan Administration

Police sworn personnel are covered by the Police Pension Fund, a single-employer defined benefit pension plan sponsored by the City. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Police Pension Fund as a pension trust fund.

The Fund is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

B. Plan Membership

At December 31, 2015, the measurement date, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	199
Inactive Plan Members Entitled to but not yet Receiving Benefits	5
Active Plan Members	289
TOTAL	493

2. PLAN DESCRIPTION (Continued)

C. Benefits Provided

The following is a summary of benefits of the Fund as provided for in Illinois Compiled Statutes (ILCS):

The Fund provides retirement benefits as well as death and disability benefits in two tiers depending on when a participant enters a plan. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at $106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years of creditable service may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

2. PLAN DESCRIPTION (Continued)

D. Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Fund, as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year ended December 31, 2015, the City's contribution was 38.96% of covered payroll.

3. INVESTMENTS

The deposits and investments of the Fund are held separately from those of the City and are under the control of the Fund's Board of Trustees.

A. Investment Policy

ILCS limit the Fund's investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment-grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds, corporate equity and corporate debt securities and real estate investment trusts. During the year, the Board of Trustees amended the investment policy to change the target allocations for fixed income from 40% to 35%, real estate from 7% to 10%, and cash and cash equivalents from 0% to 2%.

3. INVESTMENTS (Continued)

A. Investment Policy (Continued)

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	35%	1.1%
Domestic Equities	32%	5.6%
International Equities	16%	5.9%
Real Estate	10%	5.4%
Blended	5%	3.8%
Cash and Cash Equivalents	2%	0.0%

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in September 2013 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2015 are listed in the table above.

B. Concentrations

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5% or more of Fund's investments.

3. INVESTMENTS (Continued)

C. Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance.

E. Interest Rate Risk

The following table presents the investments and maturities of the Fund's fixed income securities as of December 31, 2015:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	Greater than 10
Fixed Income Securities	$ 61,674,116	$ 30,995	$ 22,451,648	$ 21,379,952	$ 17,811,521

In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

F. Credit Risk

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and investment-grade corporate bonds rated at or above BBB- by Standard and Poor's, Baa3 by Moody's and BBB- by Fitch by at least two of the three rating agencies. The fixed income securities are rated Baa3 to Aaa by Moody's. However, certain fixed income securities are not rated.

3. INVESTMENTS (Continued)

G. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. Money market mutual funds and equity mutual funds are not subject to custodial credit risk.

4. PENSION LIABILITY OF THE CITY

A. Net Pension Liability

The components of the net pension liability of the Fund as of December 31, 2015 were as follows:

Total Pension Liability	$	374,549,013
Plan Fiduciary Net Position		177,729,838
City's Net Pension Liability		196,819,175
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		47.5%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios on page 15 of the required supplementary information for additional information related to the funded status of the Fund.

B. Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2015 using the following actuarial methods and assumptions.

Actuarial Valuation Date	December 31, 2015
Actuarial Cost Method	Entry Age Normal
Assumptions	
Inflation	2.50%
Salary Increases	4.50%
Investment Rate	6.75%
Cost of living adjustments Tier 1	3.00%
Cost of living adjustments Tier 2	1.25%
Asset Valuation Method	Market

4. PENSION LIABILITY OF THE CITY (Continued)

B. Actuarial Assumptions (Continued)

Mortality rates were based on the RP-2000 Mortality Table (CHBCA). The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

C. Discount Rate

The discount rate used to measure the total pension liability was 6.18%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was blended with the index rate of 3.57% (3.56% in 2014) for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 6.18% (6.25% in 2014) used to determine the total pension liability.

D. Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 6.18% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.18%) or 1 percentage point higher (7.18%) than the current rate:

	1% Decrease (5.18%)	Current Discount Rate (6.18%)	1% Increase (7.18%)
Net Pension Liability	$ 254,828,153	$ 196,819,175	$ 149,604,883

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AURORA, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS

December 31, 2015

	2014	2015
TOTAL PENSION LIABILITY		
Service Cost	$ 7,426,768	$ 8,690,520
Interest	20,900,924	22,094,899
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(3,884,620)	1,733,291
Changes of Assumptions	12,703,751	3,625,322
Benefit Payments, Including Refunds of Member Contributions	(11,942,967)	(12,845,770)
Net Change in Total Pension Liability	25,203,856	23,298,262
Total Pension Liability - Beginning	326,046,895	351,250,751
TOTAL PENSION LIABILITY - ENDING	$ 351,250,751	$ 374,549,013
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	$ 10,092,419	$ 11,571,764
Contributions - Member	2,936,722	3,805,258
Net Investment Income	9,276,149	1,173,247
Benefit Payments, Including Refunds of Member Contributions	(11,942,967)	(12,845,770)
Administrative Expense	(81,875)	(50,958)
Net Change in Plan Fiduciary Net Position	10,280,448	3,653,541
Plan Fiduciary Net Position - Beginning	163,795,849	174,076,297
PLAN FIDUCIARY NET POSITION - ENDING	$ 174,076,297	$ 177,729,838
EMPLOYER'S NET PENSION LIABILITY	$ 177,174,454	$ 196,819,175
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	49.6%	47.5%
Covered-Employee Payroll	$ 26,802,659	$ 29,698,289
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	661.0%	662.7%

(See indpendent auditor's report.)

CITY OF AURORA, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially Determined Contribution	$ 5,511,265	$ 6,144,161	$ 7,150,811	$ 7,820,659	$ 9,900,829	$ 10,349,019	$ 8,254,277	$ 8,834,754	$ 10,091,124	$ 11,515,940
Contributions in Relation to the Actuarially Determined Contribution	5,513,677	6,145,484	7,152,523	7,821,000	9,901,400	10,364,821	8,270,619	8,858,531	10,092,419	11,571,764
CONTRIBUTION DEFICIENCY (Excess)	$ (2,412)	$ (1,323)	$ (1,712)	$ (341)	$ (571)	$ (15,802)	$ (16,342)	$ (23,777)	$ (1,295)	$ (55,824)
Covered-Employee Payroll	$ 22,300,758	$ 23,362,736	$ 24,913,911	$ 26,158,149	$ 25,007,815	$ 25,922,346	$ 26,708,019	$ 26,912,214	$ 26,802,659	$ 29,698,289
Contributions as a Percentage of Covered-Employee Payroll	24.7%	26.3%	28.7%	29.9%	39.6%	40.0%	31.0%	32.9%	37.7%	39.0%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-age normal through 2011; projected unit credit beginning in 2012
Amortization Method	Level percent of pay, closed; 100% through 2011 and 90% beginning in 2012
Remaining Amortization Period	27 years (The funding schedule was reset to end in 2040 in 2011.)
Asset Valuation Method	Market
Inflation	2.50%
Salary Increases	Service Based
Payroll Growth	4.50% per year
Interest Rate	6.75% per year compounded annually, net of investment related expenses
Retirement Age	See Note 2 in the Notes to Financial Statements
Mortality	Mortality rates were based on the 1971 GAM Mortality Table through 2012; the RP-2000 Mortality Table (CHBCA) was used beginning in 2013

(See indpendent auditor's report.)

CITY OF AURORA, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF INVESTMENT RETURNS

December 31, 2015

	2014	2015
Annual Money-Weighted Rate of Return, Net of Investment Expense	6.02%	1.35%

(See indpendent auditor's report.)

SUPPLEMENTARY INFORMATION

CITY OF AURORA, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -
BUDGET AND ACTUAL

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Over (Under)
ADDITIONS				
Contributions				
Employer Contributions	$ 11,516,000	$ 11,516,000	$ 11,571,764	$ 55,764
Employee Contributions	2,940,000	2,940,000	3,805,258	865,258
Total Contributions	14,456,000	14,456,000	15,377,022	921,022
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	(1,119,948)	(1,119,948)
Interest and Dividends	7,000,000	7,000,000	2,796,997	(4,203,003)
Total Investment Income	7,000,000	7,000,000	1,677,049	(5,322,951)
Less Investment Expense	(600,000)	(600,000)	(503,802)	96,198
Net Investment Income	6,400,000	6,400,000	1,173,247	(5,226,753)
Total Additions	20,856,000	20,856,000	16,550,269	(4,305,731)
DEDUCTIONS				
Pension Benefits	13,665,000	13,665,000	12,845,770	(819,230)
Administrative Expenses	95,200	95,200	50,958	(44,242)
Total Deductions	13,760,200	13,760,200	12,896,728	(863,472)
NET INCREASE	$ 7,095,800	$ 7,095,800	3,653,541	$ (3,442,259)
NET POSITION RESTRICTED FOR PENSION BENEFITS				
January 1			174,076,297	
December 31			$ 177,729,838	

NOTES TO SUPPLEMENTARY INFORMATION

Budgets

An annual budget is adopted for the Fund by the City Council of the City. The budget is adopted on a basis consistent with generally accepted accounting principles. The budget, which may not be legally exceeded at the fund level, lapses at the end of the fiscal year. Once adopted, the budget may be amended by the City Council.

(See indpendent auditor's report.)