

Plan Comparison Considerations

February 22, 2011

CITY OF AURORA-POLICE
 MONEY PURCHASE PENSION PLAN

MPPP Core Components

InSight EBC		Wurts	Milliman	Schwab	H&H
Administration	Participant Education	Investment Services	Recordkeeping	Trust and Custody	Legal and Compliance
Carry out tasks as directed by the Board of Trustees Daily Operations Plan Amin. Customer Service	Ed Workshops Individual Counseling Collateral Material Web-based Info Newsletters	Investment Selection and Monitoring Target Date Portfolio Design Vendor RFP and Selection Managers - Mutual Funds - Managers	Contributions Transactions Statements Reporting Web Transactions VRU	Custodian Trustee Trading Platform	Plan Document QDROs Legal Defense Regulatory Compliance

2

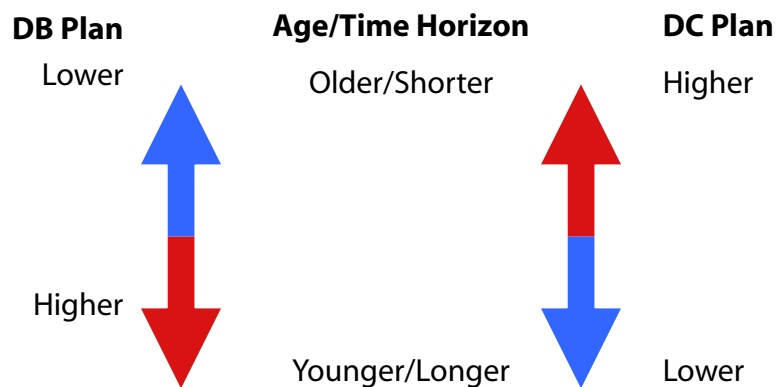
Both Assume Risks



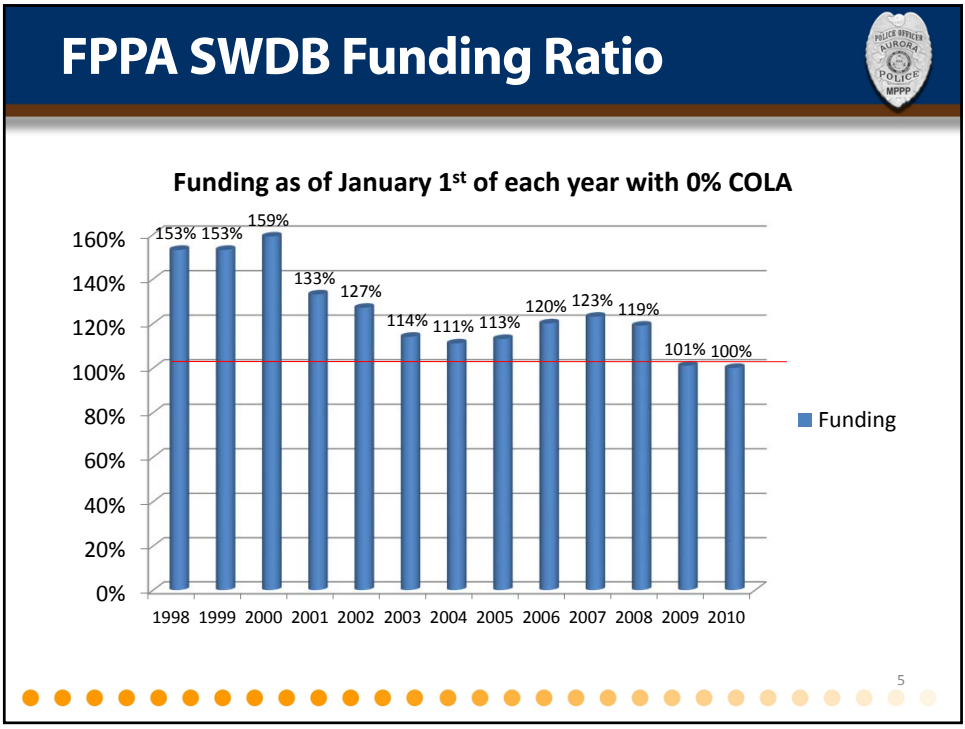
- Both Plans are subject to similar risks
- DB Plan participants are not insulated from investment risks
 - Both DB and DC Plans commonly invest a significant portion in stocks, which makes both subject to volatility and may require revisions to benefits

3

Risks of DB and DC Plans



4



- ## What happens when there's a shortfall (under-funding)?
- | | |
|---|--|
| <p>Defined Benefit</p> <ul style="list-style-type: none"> - Increase contributions - Reduce benefits - Increase retirement age - Decrease COLA to retired participants | <p>Defined Contribution</p> <ul style="list-style-type: none"> - Increase contributions - Reduce benefits - Increase retirement age - Decrease COLA during retirement |
|---|--|

FPPA Plan "Safeguards"



- Eliminate COLAs
- Reduce benefits
- Reduce or eliminate SRA
- Increase Retirement Age to 60 or 65
- Increase employee contribution rates
- Increase employer contribution rates
 - May be mandated through legislation

7

FPPA Statewide DB Plan: Benefits



- Normal Retirement Option
 - 2% of HAS for each year of service 1-10
 - 2.5% of HAS for each year of service greater than 10
 - Provides promised lifetime monthly benefit to participant ONLY
- Reduced-benefit Options
 - Reduced benefit to participant, provides survivor benefit
 - Option 1: 100% Survivor benefit
 - Option 2: 50% Survivor benefit
 - Option 3: 50% Last-Survivor benefit
 - Option 4: 100% Survivor benefit with Pop-up
 - Option 5: 50% Survivor benefit with Pop-up

8

FPPA Statewide DB Plan Benefit Table



Yrs of Service	Age at Retirement										
	50	51	52	53	54	55	56	57	58	59	60+
5	6.17%	6.78%	7.46%	8.21%	9.06%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
6	7.40%	8.14%	8.95%	9.85%	10.87%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
7	8.63%	9.49%	10.44%	11.49%	12.68%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
8	9.87%	10.85%	11.94%	13.14%	14.50%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%
9	11.10%	12.20%	13.43%	14.78%	16.31%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
10	12.34%	13.56%	14.92%	16.43%	18.12%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
11	13.88%	15.25%	16.78%	18.48%	20.38%	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%
12	15.42%	16.95%	18.64%	20.54%	22.64%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
13	16.96%	18.64%	20.51%	22.59%	24.91%	27.50%	27.50%	27.50%	27.50%	27.50%	27.50%
14	18.50%	20.34%	22.37%	24.64%	27.17%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
15	20.04%	22.03%	24.24%	26.70%	29.44%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%
16	21.59%	23.73%	26.10%	28.75%	31.70%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
17	23.13%	25.42%	27.97%	30.80%	33.97%	37.50%	37.50%	37.50%	37.50%	37.50%	37.50%
18	24.67%	27.11%	29.83%	32.85%	36.23%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
19	26.21%	28.81%	31.70%	34.91%	38.49%	42.50%	42.50%	42.50%	42.50%	42.50%	42.50%
20	27.75%	30.50%	33.56%	36.96%	40.76%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
21	29.30%	32.20%	35.42%	39.02%	43.02%	47.50%	47.50%	47.50%	47.50%	47.50%	47.50%
22	30.84%	33.89%	37.29%	41.07%	45.29%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
23	32.38%	35.59%	39.15%	43.12%	47.55%	52.50%	52.50%	52.50%	52.50%	52.50%	52.50%
24	33.92%	37.28%	41.02%	45.18%	49.82%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%
25	35.46%	38.98%	42.88%	47.23%	52.08%	57.50%	57.50%	57.50%	57.50%	57.50%	57.50%
26	37.01%	40.67%	44.75%	49.28%	54.35%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
27	38.55%	42.37%	46.61%	51.34%	56.61%	62.50%	62.50%	62.50%	62.50%	62.50%	62.50%
28	40.09%	44.06%	48.48%	53.39%	58.87%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
29	41.63%	45.76%	50.34%	55.45%	61.14%	67.50%	67.50%	67.50%	67.50%	67.50%	67.50%
30	43.17%	47.45%	52.20%	57.50%	63.40%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
31	44.71%	49.14%	54.07%	59.55%	65.67%	72.50%	72.50%	72.50%	72.50%	72.50%	72.50%
32	46.26%	50.84%	55.93%	61.61%	67.93%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
33		52.53%	57.80%	63.66%	70.20%	77.50%	77.50%	77.50%	77.50%	77.50%	77.50%
34			59.66%	65.71%	72.46%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
35				67.77%	74.73%	82.50%	82.50%	82.50%	82.50%	82.50%	82.50%
36					76.99%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%

 = Normal Retirement
 = Early Retirement
 = Vested Retirement

9

FPPA Statewide DB Plan: Benefit Comp



- Assumptions
 - Retirement Age: 55
 - Beneficiary Age: 54
 - Years of Service: 25
 - HAS: \$75,000

Option	Amount	Reduction	%HAS
Normal:	\$43,125	n/a	57.5%
Option 1:	\$36,656	15%	48.9%
Option 2:	\$39,632	8%	52.8%
Option 3:	\$41,141	5%	54.9%
Option 4:	\$36,225	16%	48.3%
Option 5:	\$39,373	9%	52.5%

10

Defined Benefit: Pros and Cons



Pros

- **Promised** lifetime monthly income at retirement
- Investments controlled by professionals
- Employer and Plan bear liability to provide promised benefits
- Benefit may be greater than value of contributions and earnings
- Easy to use

Cons

- Limited to monthly income (annuity) options determined by Plan
- Restrictive: Benefits determined by Plan
- Penalized for lump-sum distributions or rollovers
- Benefit may be less than value of contributions and earnings
- Certain conditions and restrictions complicated to understand; not transparent

11

Defined Contribution: Pros and Cons



Pros

- Greater retirement benefit flexibility (options, timing)
- Investments selected and monitored by professionals
- Investment control offers opportunity to increase benefits
- Not penalized by Plan for rollovers or lump-sum distributions
- No subsidization of others
- Easy to understand

Cons

- Employer and Plan do not promise a specified monthly benefit
- Participants responsible for investment decisions
- Participants responsible for periodically monitoring progress
- Investment return is not promised
- No subsidization by others

12

Defined Contributions Plans: Benefit Options



- Lump-sum or partial-sum
- Fixed installments
- Variable installments
- Lifetime annuities
- Term-certain annuities
- Rollover to IRA or other qualified Plan
- Combination of options above (all or portion)

13

Comparison of New-Hire Lump-Sum Distribution/Rollover After 10 Years



	MPPP	FPPA
Total Contributions	\$ 149,464	\$ 113,877
Investment Return	75,747	5,694
Total	\$ 224,937	\$ 119,571
Difference	\$105,366	

Assumptions:

- Starting annual salary: \$65,000
- Annual salary increases: 2%
- Contributions: MPPP=21%, FPPA=16%
- Assumed investment return: MPPP, 8% compounded; FPPA, 5% added to contributions
- Investment period: 10 years

14

Participant Services



- Local Board of Trustees
- InSight Employee Benefit Communications
 - Independent education and advice provider
 - Registered Investment Adviser
 - On-site education and advice
 - Customized for Aurora-Police MPPP
 - Local office
- Milliman Web Site
- Quarterly newsletter

15

FPPA Statewide Money Purchase Plan



- Participant Services
 - Fidelity Investments
 - Online
 - Telephone CSR
 - Local sales centers (Park Meadows, Downtown)
 - Quarterly newsletter

16

Is FPPA MPP best for me?



- Considerations
 - Local control (**MPPP-Participant** centered) vs. statewide Board (**FPPA-Plan** centered)
 - Objectivity
 - Services
 - Expenses

17

Available Asset Classes



Common (MPPP and FPPA)


- Large Cap Core
- Large Cap Growth
- Large Cap Value
- Small Cap Value
- Mid Cap Growth
- Core Bond
- Stable Value

Exclusive to MPPP

- International Value
- International Growth
- Emerging Markets
- Commodities
- Global Real Estate
- High Yield Bond
- Inflation Protected Bond


18

Expense and Performance Comparison




Large Cap Domestic Core		
MPPP Fund	FPPA Fund	
Vanguard Instl. Index Fund	FIDELITY Spartan 500 Index	
VINIX	FUSEX	
0.05%	0.10%	
0.50%	0.50%	
3-Year Annualized Average Return	-2.80%	-2.89%
5-Year Annualized Average Return	2.32%	2.25%

Performance as of period ending 12/31/2010. Source: Morningstar



19

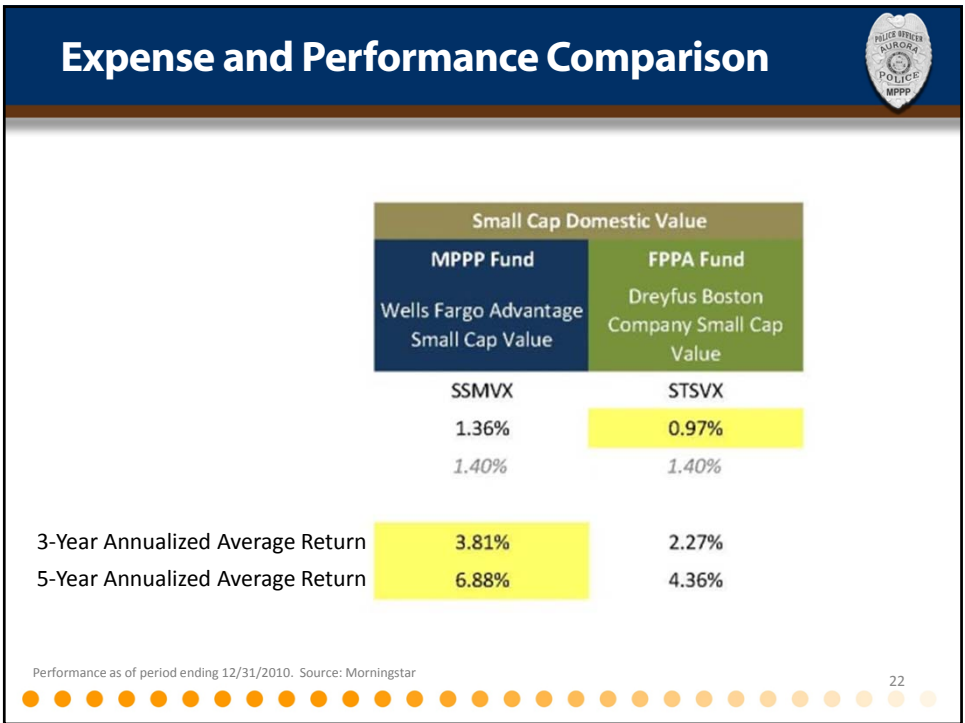
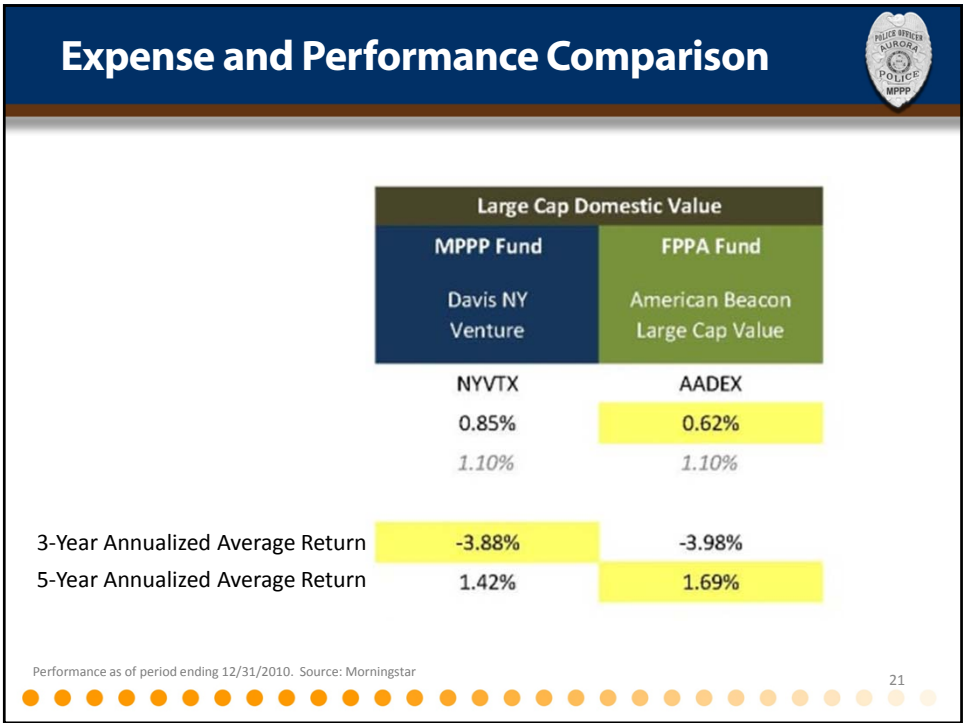
Expense and Performance Comparison

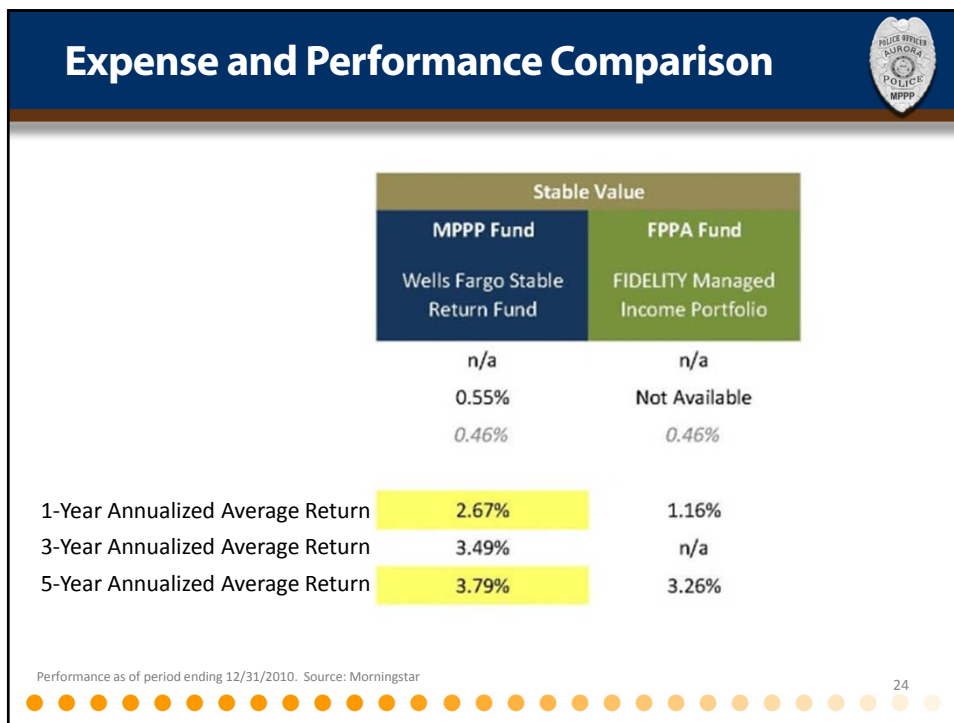
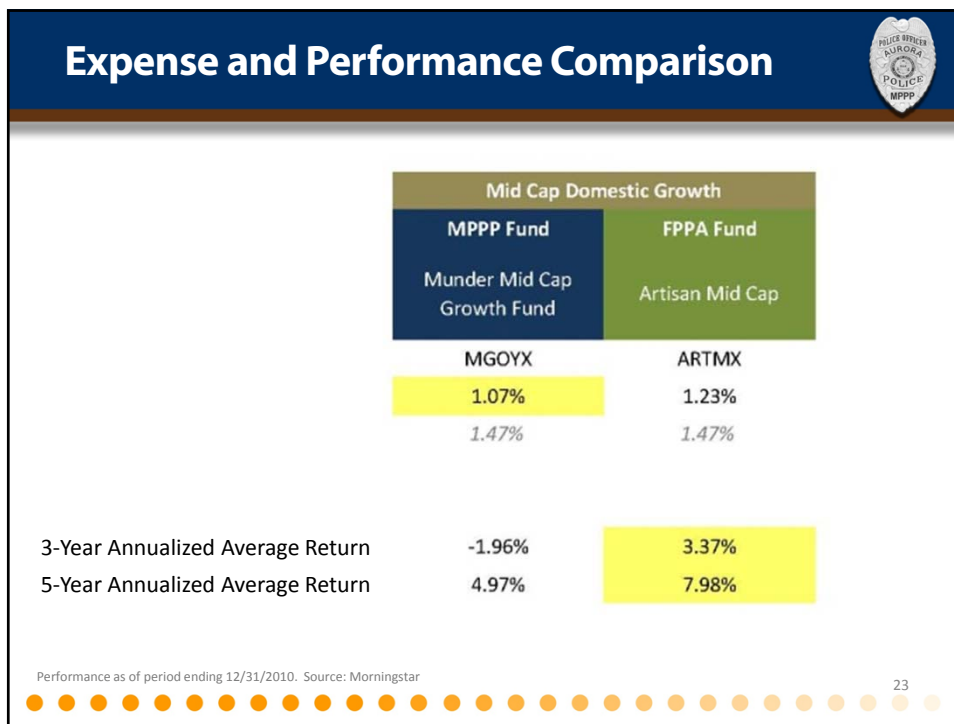


Large Cap Domestic Growth		
MPPP Fund	FPPA Fund	
Rainier Large Cap Equity Portfolio	FIDELITY Growth Company	
RAIEX	FDGRX	
0.82%	0.93%	
1.36%	1.36%	
3-Year Annualized Average Return	-5.23%	0.19%
5-Year Annualized Average Return	2.25%	5.72%

Performance as of period ending 12/31/2010. Source: Morningstar


20





MPPP Exclusive Asset Classes



Asset Class	International Value	International Growth	Emerging Markets	Commodities	Real Estate (REIT)	High Yield Bond	Inflation Protected
Fund Name	MPPP Fund Brades International Equity	MPPP Fund Artisan International	MPPP Fund DFA Emerging Markets	MPPP Fund PIMCO Commodity Real Return Fund	MPPP Fund ING Global Real Estate	MPPP Fund JP Morgan High Yield Bond	MPPP Fund BlackRock Inflation Protected Bond
Ticker Symbol	BIEIX	ARTIX	DFEIX	PCRIX	KGLX	OHYFX	BPRIX
Expense Ratio/Mgmt. Fee	1.13%	1.22%	0.62%	0.74%	1.00%	0.91%	0.45%
Median Fee of Funds with Similar Objective	1.37%	1.53%	1.80%	1.47%	1.54%	1.23%	0.84%
3-Year Annualized Average Return	-7.65%	-7.75%	2.63%	-1.02%	-3.62%	9.43%	5.61%
5-Year Annualized Average Return	1.52%	3.37%	16.78%	2.89%	3.20%	8.50%	5.97%

25


FPPA Exclusive Asset Classes



Asset Class	Total Market	Mid Cap Dom. Value	International Blend	Balanced Fund
Fund Name	FPPA Fund FIDELITY Spartan Total Market Index	FPPA Fund Janus Perkins Mid Cap Value	FPPA Fund FIDELITY Diversified International	FPPA Fund PAX World Balanced
Ticker Symbol	FSTMX	JMVAX	FDIVX	PAXIX
Expense Ratio/Mgmt. Fee	0.10%	0.83%	0.96%	0.73%
Median Fee of Funds with Similar Objective	0.50%	1.36%	1.39%	1.22%
3-Year Annualized Average Return	-1.80%	3.07%	-7.49%	-1.78%
5-Year Annualized Average Return	2.96%	6.33%	2.39%	2.85%

26


Target Date Performance Comparison




	Target Date 2000	
	MPPP Fund	FPPA Fund
	MPPP TDP 2000	FIDELITY Freedom Fund 2000
3-Year Annualized Average Return	2.62%	0.19%
5-Year Annualized Average Return	3.97%	5.72%

Performance as of period ending 12/31/2010. Source: Morningstar, Wurts & Associates.

27




Target Date Performance Comparison




	Target Date 2010	
	MPPP Fund	FPPA Fund
	MPPP TDP 2000	FIDELITY Freedom Fund 2000
3-Year Annualized Average Return	1.50%	1.34%
5-Year Annualized Average Return	4.60%	4.12%

Performance as of period ending 12/31/2010. Source: Morningstar, Wurts & Associates.

28




Target Date Performance Comparison




	Retirement Income Portfolios	
	MPPP Fund	FPPA Fund
	MPPP TDP 2010R	FIDELITY Freedom Income Fund
3-Year Annualized Average Return	1.50%	3.17%
5-Year Annualized Average Return	4.60%	4.13%

Performance as of period ending 12/31/2010. Source: Morningstar, Wurts & Associates.



29

Target Date Performance Comparison




	Target Date 2020	
	MPPP Fund	FPPA Fund
	MPPP TDP 2020	FIDELITY Freedom Fund 2020
3-Year Annualized Average Return	0.20%	-0.41%
5-Year Annualized Average Return	4.20%	3.66%

Performance as of period ending 12/31/2010. Source: Morningstar, Wurts & Associates.


30

Target Date Performance Comparison




Target Date 2030		
	MPPP Fund	FPPA Fund
	MPPP TDP 2030	FIDELITY Freedom Fund 2030
3-Year Annualized Average Return	-1.50%	-2.07%
5-Year Annualized Average Return	3.60%	2.99%

Performance as of period ending 12/31/2010. Source: Morningstar, Wurts & Associates.

31

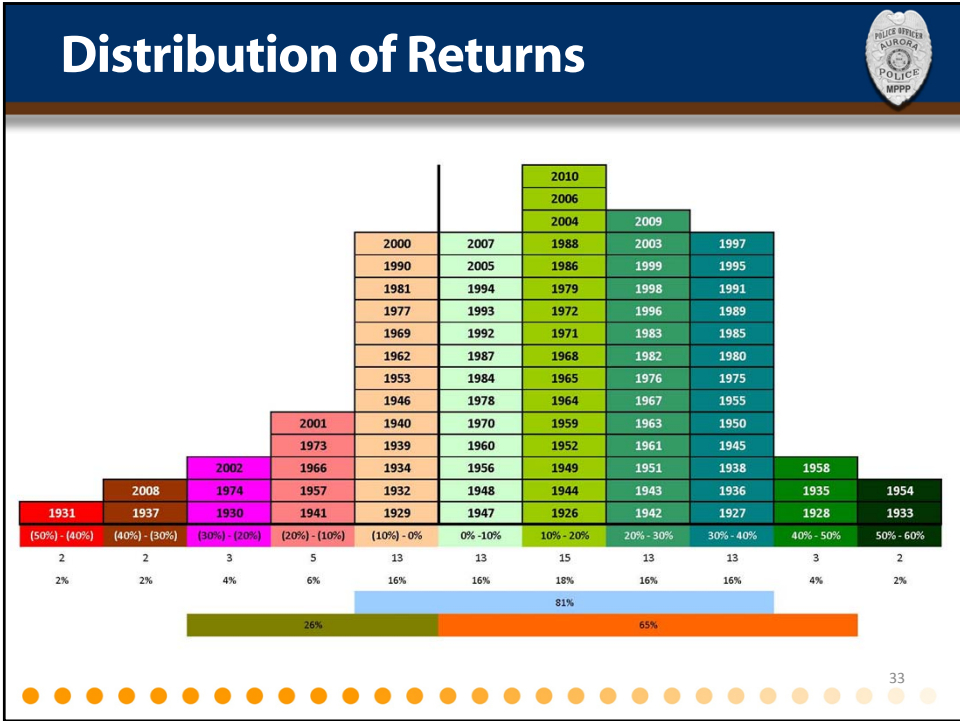
Target Date Performance Comparison



Target Date 2040		
	MPPP Fund	FPPA Fund
	MPPP TDP 2040	FIDELITY Freedom Fund 2040
3-Year Annualized Average Return	-3.40%	-2.62%
5-Year Annualized Average Return	2.80%	2.73%


Performance as of period ending 12/31/2010. Source: Morningstar, Wurts & Associates.

32



Questions?

Presented by Rick Rodgers, AIF®
January 26, 2011



CITY OF AURORA-POLICE
MONEY PURCHASE PENSION PLAN