November 12, 2019

Mr. Robert B. Ash
Pension Administrator
City of El Paso Employees Retirement Trust
1039 Chelsea Street
El Paso, TX 79903

Re: September 1, 2019 Roll-Forward Valuation Results

Dear Robert,

This report provides the results of the September 1, 2019 roll-forward valuation of the City of El Paso Employees Retirement Trust (Plan). It is based on a roll-forward of the September 1, 2018 valuation liabilities (assuming no liability gains or losses during the year) and the August 31, 2019 unaudited asset statement that was provided to us by the City. Attached is an exhibit that provides the key valuation results (the September 1, 2018 valuation results are shown for comparison purposes).

This roll-forward valuation is based on the participant data, plan provisions, and actuarial assumptions and methods described in the September 1, 2018 actuarial valuation report dated February 6, 2019.

Use of this report by anyone other than the City or the Board may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, Buck recommends requesting it to perform an advance review of any statement, document, or filing based on information contained in this report. Buck will accept no liability for any such statement; document or filing made without prior review by Buck.

Where presented, references to "funded ratio" and "unfunded accrued liability" typically are measured on an actuarial value of assets basis. It should be noted that the same measurements using market value of assets would result in different funded ratios and unfunded accrued liabilities. Moreover, the funded ratio presented is appropriate for evaluating the need and level of future contributions but makes no assessment regarding the funded status of the Plan if the Plan were to settle (i.e., purchase annuities) for all or a portion of its liabilities.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this valuation.

ASOP 51 is a new Actuarial Standard of Practice that was effective for measurements on or after November 1, 2018. The actuary is required to identify, but not necessarily quantify, risks that, in his/her professional judgment, may reasonably be anticipated to significantly affect the Plan's future financial condition.

Under ASOP 51, risk is defined as the potential of actual future measurements deviating from expected future measurements resulting from actual future experience deviating from actuarially assumed experience.

The more significant risk factors affecting the future funded status and contribution rates of the Plan are described below:

1. Investment Risk - The potential that future investment returns will be different than the current assumption of 7.5%. Plan costs are very sensitive to the market return. If market returns are lower than the assumed rate of return on assets, future costs will increase.

2. Contribution Risk - Under the El Paso City Municipal Code, the City contributes 14.05% of pay each year and active members contribute 8.95% of pay each year. The Actuarially Determined Contribution (ADC) for the plan year beginning September 1, 2019 is 10.20% of pay (excluding active member contributions)[1]. The ADC is currently less than the fixed City contribution rate of 14.05%. This should be monitored closely to ensure the contributions to the Plan do not fall below the ADC. If this were to happen, the liabilities of the Plan would grow faster than the assets, which would cause the unfunded liability and ADC to increase over time.

3. Longevity Risk - The potential that mortality rates of plan participants will be different than assumed. The mortality assumption includes an assumption for future mortality improvement. If participants live longer than the life expectancies predicted by the baseline mortality table and mortality improvement scale, benefits will be paid over a longer period of time than expected, which will lead to increases in liabilities and costs.

4. Other Demographic Risk - The potential that demographic experience patterns (especially retirement and turnover) will be different than assumed. If participants retire earlier than expected based on the retirement assumption, or lower turnover leads to more participants receiving benefits than expected, future liabilities and costs will increase.

We will be performing an experience study for the 4-year period September 1, 2014 to August 31, 2018. Based on that experience study, the Board may adopt new assumptions which could lead to higher liabilities and contribution rates.

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[1] If the Unfunded Actuarial Accrued Liability were to be amortized over 25 years (rather than 30 years), the ADC for the plan year beginning September 1, 2019 would increase from 10.20% of pay to 10.93% of pay.

This report was prepared under my supervision and in accordance with all applicable Actuarial Standards of Practice. I am a Fellow of the Society of Actuaries, an Enrolled Actuary, a Member of the American Academy of Actuaries and a Fellow of the Conference of Consulting Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

I am available to discuss this report with you at your convenience. I can be reached at (602) 803-6174.

Buck Global, LLC (Buck)

David J. Kershner, FSA, EA, MAAA, FCA
Principal

Valuation Date:	September 1, 2019	September 1, 2018
Membership[2]		
Active		4,345
Terminated with deferred benefits[3]		181
Retired paid from Plan[4]		3,174
Compensation		
Total	$172,242,295	$ 167,225,529
Average	$39,642	$ 38,487
Assets		
Market value	$ 802,755,755	$ 820,416,288
Actuarial value (AVA)	$ 836,400,471	$ 822,926,030
Valuation Results		
Actuarial Accrued Liability (AAL)	$ 1,054,386,823	$ 1,024,379,167
Funded ratio (AVA/AAL)	79.3%	80.3%
Unfunded Actuarial Accrued Liability (UAAL)	$ 217,986,352	$ 201,453,137
UAAL funding period	17 years	14 years
City's 30-year Funding Cost	10.20%	9.86%

[2] Census data as of July 1 preceding valuation date.
[3] Excludes terminated members entitled to refunds of contributions paid after July 1.
[4] Excludes retirees for whom annuities were purchased from Prudential, but whose cost-of-living increases are paid by the Plan.