

**City of El Paso Employees Retirement Trust**  
(A Component Unit of the City of El Paso, Texas)

**FINANCIAL STATEMENTS**

For the Years Ended  
August 31, 2019 and 2018



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## **Introductory Section**

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(A Component of the City of El Paso, Texas)  
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August 31, 2019**

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## **Financial Section**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
City of El Paso Employees Retirement Trust  
El Paso, Texas

We have audited the accompanying financial statements of the City of El Paso Employees Retirement Trust (the "Fund"), a component unit of the City of El Paso, Texas (the "City"), which comprise the statements of fiduciary net position as of August 31, 2019, and the statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the 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.

### ***Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of August 31, 2019, and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter******Reporting Entity***

As discussed in Note 1, the financial statements of the Fund are intended to present the financial position and the changes in financial position of only the Fund. They do not purport to, and do not, present fairly the financial position of the City of El Paso, Texas, as of August 31, 2019, the changes in its financial position for the year then ended in conformity in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis on pages 11-13 and the GASB supplementary pension schedules on pages 42-46 be presented to supplement the basic financial statements. Such information, although not 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 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 purposes of forming an opinion on the basic financial statements as a whole. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 other supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Prior Period Financial Statements***

The financial statements of City of El Paso Employees Retirement Trust as of August 31, 2018, were audited by other auditors whose report dated February 14, 2019, expressed an unmodified opinion on those financial statements.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
El Paso, Texas  
January 30, 2020

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Management's Discussion and Analysis  
For the Year Ended August 31, 2019**

The Management's Discussion and Analysis (MD&A) on the financial performance of City of El Paso Employees Retirement Trust (the "Fund") provides an overview of the Fund's financial activities for the fiscal year ended August 31, 2019. For more detailed information regarding the Fund's financial activities, the reader should also review the actual financial statements, including notes and supplementary schedules.

**2019 FINANCIAL HIGHLIGHTS**

Net position held in trust for pension benefits (net position) decreased during the fiscal year 2019 by \$13.3 million.

The major reason for the decrease in net assets was due to the performance of the capital markets, which resulted in net investment gain of \$12.8 million. Employer and plan member contributions totaled \$42.1 million, an increase of \$0.98 million over the previous fiscal year. The increase in contributions was primarily due to an increase in employee pay rates. The cash balances includes cash held by investment managers used for investments and cash at the fund's custodial bank used to pay for operation expenses.

Benefit payments made during fiscal year 2019 totaled \$62.2 million, an increase of \$4.1 million over the fiscal year 2018 mainly due to an increase in number of retirees and larger benefit payments to the new retirees.

**2018 FINANCIAL HIGHLIGHTS**

Net position held in trust for pension benefits (net position) increased during the fiscal year 2018 by \$43.4 million.

The major reason for the increase in net assets was due to the performance of the capital markets, which resulted in net investment gain of \$65.4 million. Employer and plan member contributions totaled \$41.2 million, an increase of \$0.7 million over the previous fiscal year. The increase in contributions was primarily due to an increase in employee pay rates. The cash balances includes cash held by investment managers used for investments and cash at the fund's custodial bank used to pay for operation expenses.

Benefit payments made during fiscal year 2018 totaled \$58.1 million, an increase of \$0.1 million over the fiscal year 2017 mainly due to an increase in number of retirees and larger benefit payments to the new retirees.

**FINANCIAL STATEMENTS**

The financial statements of the Fund include statements of fiduciary net position and changes in fiduciary net position available for benefits. The purpose of these statements is to present information about the Fund's present and future ability to pay benefits when they are due. These statements are presented using an economic resource measurement focus and the accrual basis of accounting.

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Management's Discussion and Analysis  
For the Year Ended August 31, 2019**

The financial statements also include notes that explain the history and purpose of the Fund, significant accounting policies, investment details, statutory disclosures and other required supplementary information regarding the financial position of the Fund.

**SUMMARIZED FINANCIAL INFORMATION**

The following table displays the total assets, liabilities and net position of the Fund:

| <b>Condensed Financial Information</b> |                              |                |                |                  |                  |
|--|------------------------------|----------------|----------------|------------------|------------------|
|  | <b>Year Ended August 31,</b> |                |                | <b>Changes</b>   |                  |
|  | <b>2019</b>                  | <b>2018</b>    | <b>2017</b>    | <b>2019-2018</b> | <b>2018-2017</b> |
| Assets                                 | \$ 812,915,732               | \$ 825,795,487 | \$ 779,979,862 | -1.56%           | 5.87%            |
| Liabilities                            | 6,291,741                    | 5,829,199      | 3,427,239      | 7.93%            | 70.08%           |
| Net position                           | 806,623,991                  | 819,966,288    | 776,552,623    | -1.63%           | 5.59%            |

The total net position decreased by \$13,342,297 or 1.6%, during the fiscal year 2019 to \$806,623,991. The decrease in net position is primarily a result of the fair value of investment assets decreasing due to negative performance of capital markets during the current year. Total net position increased by \$43,413,665, or 5.59%, during fiscal year 2018 to \$819,966,288. The increase in net position was primarily a result of the fair value of investment assets increasing due to positive performance of the capital markets during the year.

The following table displays the changes in plan net position of the Fund:

|  | <b>Year Ended August 31,</b> |               |               | <b>Changes</b>   |                  |
|--|------------------------------|---------------|---------------|------------------|------------------|
|  | <b>2019</b>                  | <b>2018</b>   | <b>2017</b>   | <b>2019-2018</b> | <b>2018-2017</b> |
| Contributions                              | \$ 42,171,245                | \$ 41,192,201 | \$ 40,481,412 | 2.38%            | 1.76%            |
| Net investment income                      | 12,819,847                   | 65,372,489    | 75,370,973    | -80.39%          | -13.27%          |
| Total additions                            | 54,991,092                   | 106,564,690   | 115,852,385   | -48.40%          | -8.02%           |
| Benefits paid to plan members              | 62,251,632                   | 58,094,939    | 57,972,792    | 7.16%            | 0.21%            |
| Refunds                                    | 4,215,138                    | 2,889,443     | 3,104,773     | 45.88%           | -6.94%           |
| Prepaid COLA payments                      | 105,000                      | 130,000       | -             | -19.23%          | 0.00%            |
| Administrative expenses                    | 1,761,619                    | 2,036,643     | 1,325,640     | -13.50%          | 53.63%           |
| Total deductions                           | 68,333,389                   | 63,151,025    | 62,403,205    | 8.21%            | 1.20%            |
| Net (decrease) increase<br>in net position | \$ (13,342,297)              | \$ 43,413,665 | \$ 53,449,180 | -130.73%         | -18.78%          |

Contributions increased during fiscal years 2019 and 2018 primarily due to increases in employee pay rates. Benefits paid increased during fiscal year 2019 due to an increase in the number of retirees and larger benefit payments to new retirees.



**City of El Paso Employees Retirement Trust  
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Management's Discussion and Analysis  
For the Year Ended August 31, 2019**

Administrative expenses decreased during fiscal year 2019 related to an decrease in custodial fees, legal fees and other operating expenses. During fiscal year 2018, administrative expenses increased due to an increase in custodial fees, legal fees and other operating expenses.

**FINANCIAL CONTACT**

Any questions regarding financial statements of the Fund should be directed to the Fund Administrator, 1039 Chelsea Street, El Paso, Texas 79903 or by telephoning (915) 212-0112

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## **Basic Financial Statements**

**City of El Paso Employees Retirement Trust**  
**(A Component of the City of El Paso, Texas)**  
**Statements of Fiduciary Net Position**

| <i>As of August 31,</i>                       | <b>2019</b>           | <b>2018</b>           |
|---|-----------------------|-----------------------|
| <b>Assets</b>                                 |                       |                       |
| Cash and cash equivalents                     | \$ 17,959,516         | \$ 7,433,888          |
| Receivables                                   |                       |                       |
| Commission credits receivable                 | 3,697                 | 105,042               |
| Due from brokers for securities sold          | 980,616               | 3,558,783             |
| Employer contributions                        | 1,163,286             | 1,047,510             |
| Plan member contributions                     | 740,828               | 667,228               |
| Accrued interest and dividends                | 928,171               | 664,340               |
| Foreign currency fluctuation                  | -                     | 1,584                 |
| Total receivables                             | 3,816,598             | 6,044,487             |
| Prepaid insurance                             | 23,249                | 17,360                |
| Investments, at fair value                    |                       |                       |
| U.S. government securities                    | 36,477,002            | 32,086,839            |
| Corporate bonds and notes                     | 40,710,385            | 38,991,174            |
| Absolute return investments                   | 95,310,343            | 126,830,615           |
| Corporate stocks                              | 95,722,540            | 101,459,644           |
| Bank collective investment funds              | 186,724,608           | 180,019,198           |
| Commingled funds                              |                       |                       |
| Fixed income                                  | 87,268,787            | 73,142,079            |
| Corporate stocks                              | 77,373,002            | 81,629,104            |
| Private real estate                           | 73,437,789            | 72,817,424            |
| Private equity investments                    | 76,494,426            | 62,394,830            |
| Master limited partnership                    | 18,443,282            | 39,817,825            |
| Total investments, at fair value              | 787,962,164           | 809,188,732           |
| Capital assets, net                           |                       |                       |
| Non-depreciable capital assets                | 958,774               | 3,111,020             |
| Depreciable capital assets                    | 2,195,431             | -                     |
| Total capitals assets, net                    | 3,154,205             | 3,111,020             |
| Total assets                                  | 812,915,732           | 825,795,487           |
| <b>Liabilities</b>                            |                       |                       |
| Due to brokers for securities purchased       | 5,338,049             | 4,777,992             |
| Accrued expenses                              | 949,995               | 946,165               |
| Unearned revenue-commission credits           | 3,697                 | 105,042               |
| Total liabilities                             | 6,291,741             | 5,829,199             |
| <b>Net position - restricted for pensions</b> | <b>\$ 806,623,991</b> | <b>\$ 819,966,288</b> |

*The accompanying notes are an integral part of these financial statements.*



**City of El Paso Employees Retirement Trust**  
**(A Component of the City of El Paso, Texas)**  
**Statements of Changes in Fiduciary Net Position**

| <i>For the years ended August 31,</i>                          | <b>2019</b>           | <b>2018</b>           |
|--|-----------------------|-----------------------|
| <b>Additions</b>   |                       |                       |
| Contributions:   |                       |                       |
| Employer   | \$ 26,424,696         | \$ 25,651,488         |
| Plan members   | 15,746,549            | 15,540,713            |
| <b>Total contributions</b>                                     | <b>42,171,245</b>     | <b>41,192,201</b>     |
| Investment (loss) income:                                      |                       |                       |
| Net appreciation in fair value of investments                  | 7,981,580             | 64,832,061            |
| Interest   | 4,169,630             | 3,915,267             |
| Dividends  | 3,552,203             | 3,186,719             |
| Securities lending income                                      | 37,424                | 6,801                 |
| Investment advisor fees  | (2,987,728)           | (6,578,777)           |
| Miscellaneous income(expense)                                  | 66,738                | 10,418                |
| <b>Net investment income</b>                                   | <b>12,819,847</b>     | <b>65,372,489</b>     |
| <b>Total additions</b>   | <b>54,991,092</b>     | <b>106,564,690</b>    |
| <b>Deletions</b>   |                       |                       |
| Benefits paid to plan members                                  | 62,251,632            | 58,094,939            |
| Refunds  | 4,215,138             | 2,889,443             |
| Prepaid COLA payments  | 105,000               | 130,000               |
| Administrative expenses  | 1,761,619             | 2,036,643             |
| <b>Total deletions</b>   | <b>68,333,389</b>     | <b>63,151,025</b>     |
| <b>Net (decrease) increase in fiduciary net position</b>       | <b>(13,342,297)</b>   | <b>43,413,665</b>     |
| <b>Net position restricted for pensions, beginning of year</b> | <b>819,966,288</b>    | <b>776,552,623</b>    |
| <b>Net position restricted for pensions, end of year</b>       | <b>\$ 806,623,991</b> | <b>\$ 819,966,288</b> |

*The accompanying notes are an integral part of these financial statements.*

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Notes to Financial Statements**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City of El Paso Employees Retirement Trust (“Fund” or “Plan”) is a single-employer Public Employee Retirement System (“PERS”) defined benefit plan administered by the Board of Trustees (“Board”) of the Fund and was established in accordance with authority granted by Chapter 2.64 of the *El Paso City Code*. The Fund is a component unit (fiduciary fund type) of the City of El Paso, Texas (“City”).

***Basis of Accounting***

The accounting policies of the Fund have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The Fund is accounted for on an economic resources measurement focus using the accrual basis of accounting.

***Valuation of Investments***

Investments are stated at fair value in the accompanying statements of fiduciary net position. The fair value of marketable investments, including U.S government securities, corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at statements of fiduciary net position dates. The fair value of investment in bank collective investment, commingled funds, real estate investment funds and private equity limited partnerships are determined by the investment managers based on fair value of the underlying securities in the funds. In general, the fair value of the underlying securities held in real estate investment funds are based upon property appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter. In general, the fair value of the underlying securities held in private equity limited partnerships are based on GASB Statement No. 72, *Fair Value Measurement*, and limited partnership financial statements are audited by independent certified public accountants. Bank collective investment funds are governed by Section 9.18 of Regulation 9 issued by the Office of Comptroller of the Currency and by the other applicable regulations as defined by the Mellon Bank, N.A. Employee Benefit Collective Investment Fund Plan.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation in fair value of investments reflected in the accompanying statements of changes in fiduciary net position represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. The change in net unrealized gains or losses on investments represents the change in the difference between the cost and fair value of investments at the beginning versus the end of the fiscal year.

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Notes to Financial Statements**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property and Equipment***

GASB standards require that all capital assets be recorded and depreciated in the government-wide financial statements.

Capital assets are defined as assets with an initial cost of \$5,000 or more and an estimated useful life greater than one year. Capital assets are recorded at cost, if purchased or constructed, or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major improvements are capitalized and depreciated over the estimated remaining useful lives of the related capital assets. Capital assets are depreciated or amortized using the straight-line method and the following estimated useful lives:

|                           |                |
|---------------------------|----------------|
| Building and improvements | 25 to 50 years |
| Furniture and equipment   | 5 to 12 years  |
| Software                  | 5 years        |

When capital assets are retired from service or otherwise disposed of, any gain or loss on disposal of assets is recognized.

***Securities Lending Transactions***

The Fund enters into securities lending transactions with broker/dealers for which fees are paid to the Fund and are recognized as revenue during the periods in which they were loaned. The Board may legally and contractually authorize the use of the Fund's securities for lending transactions. The securities involved in the lending transactions continue to be recorded at fair value in the accompanying financial statements. Parameters are established by the Fund's investment guidelines for securities lending transactions. These guidelines require that all securities lending occur with specified broker/dealers and that securities lending transactions be collateralized using U.S. issuer securities at 102% and non-U.S. issuer securities at 105% of the fair value of the securities loaned. U.S. issued securities used as collateral are marked to the market on a daily basis to evaluate whether the collateralization requirements of the fair value of investments is always maintained. The Fund may not pledge or sell the collateral securities except on default of the borrower and therefore not recorded as assets in the accompanying financial statements. Because of this, the Fund administration believes there is some minimal credit risk associated with securities lending transactions. There is no loss indemnification provided to the Fund by the investment managers to broker/dealers.

***Due to Brokers***

The liability for due to brokers for securities purchased consist of unpaid amount for security purchases.

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Notes to Financial Statements**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Accrued expenses***

Accrued expenses are comprised of unpaid investment advisor fees, the payroll expenditures based of amounts earned by the employees through August 31, 2019, along with applicable Social Security Taxes and Medicare payable.

***Revenue and Expense Recognition***

Plan member and employer contributions are recognized (additions) in the period in which the plan member services are performed. Benefits and refunds are recognized when paid in accordance with the terms of the Plan. Expenses (deductions) are recognized as incurred.

The Fund's brokers accumulate commission rebates that are restricted for the use by the Fund under agreements with brokers for capital expenditures, research and development and investment-related expenditures. Proposed expenditures of these funds go before the Board for approval. Brokers provide the Fund detailed statements on commission rebates with credits earned and requested payments. Knowing that direct brokerage commission rebates are available, investment managers use these brokers as directed by the Fund's *Investment Rules and Regulations*. The available credits are reported as unearned revenue until such time as qualifying expenditures are made, in which the use of the credits is reported as a reduction in the appropriate expense categories in the accompanying statements of changes in fiduciary net position.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Fund's management to make estimate and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities and the actuarial valuation of the Fund's benefits at the date of the financial statements, and the reported changes in fiduciary net position during the reporting period. Actual results may differ from those estimates.

***Subsequent Events***

The Plan has evaluated events subsequent to August 31, 2019, for events that would possibly require adjustment or disclosure in these financial statements, through January 30, 2020, the date that these statements were available to be issued. There were no events identified form additional disclosure.

**NOTE 2: DESCRIPTION OF THE RETIREMENT PLAN**

Substantially all full-time employees of the City are eligible to participate in the Plan, except for uniformed firefighters and police officers who are covered under separate plans. Nonemployer contributions are limited to participating employees of the Fund.

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Notes to Financial Statements**

**NOTE 2: DESCRIPTION OF THE RETIREMENT PLAN (Continued)**

The designated purpose of the Fund is to provide retirement, death and disability benefits to participants or their beneficiaries. The Fund is administered by the Board of Directors, which is comprised of two citizens, who are not officers of employees of the City, nominated by the mayor and approved by city council, four elected City employees, a retiree and two district representatives as designated by city council. The Board contracts with an independent pension custodian, investment managers, and investment consultant, and actuary and an attorney to assist in managing the Fund.

The Fund's membership was as follows at August 31:

|  | <b>2019</b>  | <b>2018</b>  |
|--|--------------|--------------|
| Inactive plan members (or their beneficiaries)<br>currently receiving benefits | 3,396        | 3,174        |
| Inactive plan members entitled to but not yet<br>receiving benefits            | 195          | 181          |
| Active plan members  | 4,452        | 4,345        |
| <b>Total plan members</b>  | <b>8,043</b> | <b>7,700</b> |

Through August 31, 2019 and 2018, the City is the only contributing employer. The Fund pays direct administrative costs. The City provides indirect administrative support such as IT services. The Fund reimburses the City for various costs of processing pension checks, such as postage and supplies.

Contribution rates for the Fund are based upon local statutes as enacted by the El Paso City Council and are not actuarially determined. However, each time a new actuarial valuation is performed, contribution requirements are compared to the actuarially determined amount necessary to fund service costs and amortize the unfunded actuarial liability (using entry-age-normal cost method) over 30 years. As of the most recent actuarial valuation, the contribution rate was 23.00% of annual covered payroll.

Contributions were made as follows:

|   | <b>Employer Contributions</b> |   | <b>Employee Contributions</b> |   | <b>Total</b>  |   |
|---|-------------------------------|---|-------------------------------|---|---------------|---|
|   | <b>Amount</b>                 | <b>Stated<br/>Percentage<br/>of Covered<br/>Payroll</b> | <b>Amount</b>                 | <b>Stated<br/>Percentage<br/>of Covered<br/>Payroll</b> | <b>Amount</b> | <b>Stated<br/>Percentage<br/>of Covered<br/>Payroll</b> |
| <b>For the Years<br/>Ended August 31,</b> |                               |   |                               |   |               |   |
| 2019                                      | \$ 26,424,696                 | 14.05%  | \$ 15,746,549                 | 8.95%   | \$ 42,171,245 | 23.00%  |
| 2018                                      | 25,651,488                    | 14.05%  | 15,540,713                    | 8.95%   | 41,192,201    | 23.00%  |
| 2017                                      | 25,327,071                    | 14.05%  | 15,154,341                    | 8.95%   | 40,481,412    | 23.00%  |

The Fund is not required to maintain any legally required reserves.

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Notes to Financial Statements**

**NOTE 2: DESCRIPTION OF THE RETIREMENT PLAN (Continued)**

Participation is mandatory for classified employees (except permanent part-time employees). For nonclassified employees, participation is mandatory for employees hired after July 1997. Classified employees include all persons who are permanent, full-time employees and are not otherwise excluded from the Fund.

Members who were first participants prior to September 1, 2011, accrue benefits based on Tier I provisions as follows:

Participants who leave the Plan before completion of five years of service receive a refund of their contributions. Participants leaving the Plan with more than five years by less than 10 years of service may receive a refund of the contributions plus interest at 5.5% compounded annually.

Participants become fully vested after reaching 40 years of age and 10 years of service or 45 years of age and 7 years of service. Normal retirement is the earlier of: (i) 55 years of age with 10 years of service, (ii) 60 years of age with 7 years of service or (iii) 30 years of service, regardless of age. Participants who have met the minimum vesting requirements may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.5% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, or 2.5 % of the average monthly base salary received by the employee during the year immediately prior to retirement, or 2.5% of the monthly base salary pay for the month immediately prior to retirement, whichever is greater, multiplied by the number of completed years of service, plus .2083 of 1% of such average for each additional completed or fractional part of a month of service.

Members who were first participants on or after September 1, 2011, accrue benefits based on Tier II provisions as follows:

Participants who leave the Plan before completion of seven years of service receive a refund of their contributions. Participants leaving the Plan with more than seven years but less than 10 years of service may receive a refund of their contributions plus interest at 3% compounded annually.

Participants become fully vested after reaching 45 years of age and seven years of service. Normal retirement is the earlier of: (i) 60 years of age with 7 years of service, (ii) 35 years of service, regardless of age. Participants who have met the minimum vesting requirements may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.25% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, multiplied by the number of completed years of service, plus .1875 of 1% of such average for each additional completed or fractional part of a month of service, limited to 90% of the 3 year average final pay.

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Notes to Financial Statements**

**NOTE 2: DESCRIPTION OF THE RETIREMENT PLAN (Continued)**

A pension benefit is available to surviving spouses and dependents. The Plan includes no automatic increase in retirement benefits. However, the Board, at its discretion after consideration of a recent actuarial review of the funding status, may provide ad-hoc costs of living or other increases in retirement benefits.

**NOTE 3: NET PENSION LIABILITY**

The components of the net pension liability of the City at August 31, were as follows:

|                               | <b>2019</b>      | <b>2018</b>      |
|-------------------------------|------------------|------------------|
| Total pension liability       | \$ 1,054,386,823 | \$ 1,024,379,167 |
| Plan's fiduciary net position | 806,623,991      | 819,966,288      |
| City's net pension liability  | \$ 247,762,832   | \$ 204,412,879   |

|   |        |        |
|---|--------|--------|
| Plan's fiduciary net position as a percentage<br>of the total pension liability | 76.50% | 80.05% |
|---|--------|--------|

***Actuarial Assumptions***

The total pension liability as of August 31, 2019, was determined based on July 1, 2018 data using the following actuarial assumptions:

|                                   |   |
|-----------------------------------|---|
| Cost of living benefits increases | None  |
| Inflation                         | 3.0%  |
| Salary increases                  | 3.0%, average, including inflation              |
| Investment rate of return         | 7.5%, compounded annually, net of expenses      |
| Actuarial cost method             | Entry-age-normal-level percentage of pay        |
| Asset valuation method            | Plan invested assets are reported at fair value |

Mortality rates for non-disabled participants are based on the RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 Tables for Disabled Lives.

The actuarial assumptions used in the September 1, 2018 valuation were based on the results of an actuarial experience study performed on 2018.

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**NOTE 3: NET PENSION LIABILITY (Continued)**

The long-term expected rate of return on pension fund investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and developed for each major asset class. These ranges are 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 of arithmetic real rates of return for each major asset class included in the pension fund's target asset allocation as of August 31, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| <b>Asset Class</b>   | <b>Long-term Expected<br/>Real Rate of Return</b> |
|----------------------|---|
| Domestic equity      | 8.20%   |
| International equity | 6.90%   |
| Fixed income         | 2.00%   |
| Real estate          | 4.60%   |
| Absolute return      | 3.80%   |
| Private equity       | 11.70%  |
| MPL                  | 8.20%   |

***Discount Rate***

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be based on the rates established by Ordinance. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB 67. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 3.58% as of August 31, 2019. The corresponding rate was 3.57% as of August 31, 2018.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability as of August 31, 2019, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

|                              | <b>1% Decrease<br/>6.50%</b> | <b>Current Discount<br/>Rate 7.50%</b> | <b>1% Increase<br/>8.50%</b> |
|------------------------------|------------------------------|--|------------------------------|
| City's net pension liability | \$ 372,822,910               | \$ 247,762,832                         | \$ 149,972,475               |



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**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING**

The Fund's cash equivalents and investments are managed by various investment managers who have discretionary authority over the assets managed by them, within the investment guidelines established by the Board, under contracts with the Fund. The cash equivalents and investments are held by the Fund's custodian in the Fund's name. The cash equivalents and investments are uninsured and generally consist of short-term securities, U.S. and foreign government securities, domestic and foreign corporate debt and equity securities, real estate trusts and financial derivatives. Certain investment managers have invested in certain bank collective investment funds, which invest primarily in U.S. corporate stocks and government bonds. The bank collective funds may also invest in foreign exchange contracts, stock index futures and temporary collective investment funds and may enter into collateralized securities lending transactions. Certain investment managers also invest in private equity limited partnerships.

Through adherence to the Fund's Investment Rules and Regulations, management attempts to limit or mitigate certain risks. Certain of these requirements are listed below:

- **Large Cap Index Equity Managers** – Investment is passively managed and is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. Permissible investments at S&P 500 Index commingled funds or exchange-traded funds ("ETFs").
- **Large Cap Dynamic Managers** - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The portfolio will actively allocate assets across the equity, fixed income and cash markets of the U.S. The assets of the portfolio may be invested in securities, derivatives and a combination of other collective funds. Long and short positions in financial futures, options on financial futures, index options, exchange-traded options and over-the-counter options, may be used.
- **Small/Mid Cap Equity Managers** – Under current policies, the portfolio will invest primarily in equity and equity-related securities of issuers that are located in the United States with market capitalizations greater than \$500 million and under \$15 billion; the market capitalization of certain securities may be less than or greater than this range at times. The portfolio may invest in publicly traded stocks of U.S. corporations, American depositary receipts ("ADRs"), publicly traded stocks of foreign corporations listed on U.S. stock exchanges, ETFs and short-term investments, money market instruments or equivalent. The maximum position size in any one company will be 5% of the portfolio value at the time of purchase and shall not exceed a maximum appreciated position size of 8% of the portfolio value. Leverage, short sales and buying and selling on margin are not permitted.
- **All Cap Equity Managers** – Under current policies, the portfolio will invest primarily in equity and equity-related securities of issuers that are located in the United States with market capitalizations that span the broad equity market in concentrated manner, generally with 20-80 holdings. The portfolio may invest in publicly traded stocks of U.S. corporations, ADRs, publicly traded stocks of foreign corporations, ETFs and short-term investments, money market instruments or equivalent. Leverage, short sales and buying and selling on margin are not permitted.

**City of El Paso Employees Retirement Trust  
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Notes to Financial Statements**

**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

- **International Equity-Developed Country Index Managers** – Investment passively managed is made using commingled funds. As such, the investment guidelines are governed by the fund’s prospectus. Permissible investments are MSCI EAFE Index commingled funds or ETFs.
- **International Equity-All Country Managers** – Investment is made using commingled funds. As such, the investment guidelines are governed by the fund’s prospectus. The portfolio will invest primarily in equity-related securities of issuers that are located in, or that do significant business in countries other than the United States, including emerging market countries. The portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 35% in any one country. The maximum emerging markets weight is the MSCI ACWI ex-US IMI Index weight plus 15%.
- **International Equity-Emerging Markets Managers** – Investment is made with commingled funds. As such, the investment guidelines are governed by the fund’s prospectus. The portfolio will invest in equity and equity-related securities of at least 80% of its assets in issuers that are located in, or that do significant business in emerging market countries. The portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 20% in any one county.
- **International Equity-All County Small Cap Managers** - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund’s prospectus. The portfolio will invest primarily in equity and equity-related securities of issuers that are located in, or that do significant business in countries other than the United States, including emerging market countries. The portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 35% in any one country. The maximum emerging markets weight is the MSCI ACWI ex-US Small Cap Index weight plus 15%.
- **Fixed Income Core Index Managers** – Investments are passively managed and are made using commingled funds. As such, the investment guidelines are governed by the fund’s prospectus. Permissible investments are Barclays Capital Aggregate Index commingled funds or ETFs.
- **Fixed Income Core Plus Managers** – Under current policies, except for U.S. Treasury, its agencies, agency MBS and approved derivative products, the fixed income account shall not contain more than 5% of any issuer. The account will not invest more than 15% in cash and cash equivalents and will not invest in equity securities, with the exception of preferred and convertible preferred securities, in which no more than 10% will be invested. The account may invest up to 15% in illiquid securities. The account may invest up to 35% in non-investment grade bonds; defined as bonds that are rated non-investment grade by two of the three major ratings agencies. The dollar weighted credit quality of the account will generally be AA or less, with a minimum dollar weighted-average quality of BBB-. The effective duration of the account should range between +25%/-40% of the benchmark’s duration. The account will not employ leverage.

**City of El Paso Employees Retirement Trust  
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Notes to Financial Statements**

**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

- **Fixed Income Opportunistic Managers** – Under normal market conditions, the fund may invest up to 50% in bonds that are rated below investment grade (below BBB-/Baa3) by the various credit rating agencies or securities that are not rated. In addition, the fund may leverage its capital. In normal market conditions, the manager may borrow up to 35% of the fund for investment purposes. If the investment manager believes market conditions are unfavorable to participants, the manager may invest up to 100% of the fund in U.S. or non-U.S. currency denominated short-term investments, including cash or cash equivalents.
- **Real Estate Managers** – Real estate investments will be diversified to the extent possible by geographic location and property type. For real estate investment trusts (“REITs”), managers cannot invest in undeveloped, non-income producing property, cannot invest in funds where leverage is intended to exceed 30% of the fair value of the fund and cannot invest in non-U.S. real estate. For private real estate investments, managers should diversify the portfolio by property type and by various geographic regions of the U.S. Leverage is limited to no more than 30% of the fund. The quarterly standard deviation of returns for REITs and private real estate should be no greater than 150% of their respective benchmark indices.
- **Private Equity Managers** – As private equity fund-of-funds vehicles are commingled, closed-end, finite-life limited liability entities; the investment guidelines will be determined by the fund-of-funds legal documentation. The pooled/fund-of-funds vehicle should not represent more than 20% of the total fair value of the pooled/fund-of-fund. It is also preferred that this holds true for any other investor in the pooled/fund-of-funds. The manager of the fund-of-funds vehicle shall be a bank or a registered advisor under the *Investment Advisors Act of 1940*. If fund-of-funds provides the option of receiving distributions in cash or securities, the trust will opt to receive cash.
- **Master Limited Partnerships** – Investment objective is to achieve long-term growth of capital and out-perform the S&P MLP Index. Management of the portfolio will seek to achieve the investment objective through investments primarily in master limited partnerships (“MLPs”) and energy-related C-corporations. Security and sector selection, portfolio structure and timing of purchases and sales are delegated to the manager of the portfolio, subject to these guidelines: the portfolio will hold approximately 20-30 securities, no single security will exceed the greater of 10% of the portfolio’s fair value, or 120% of the security’s weight within the benchmark, cash and cash equivalents will be no more than 10% of the portfolio’s assets. Authorized investments include MLPs, securities of energy-related C-corporations and limited liability energy companies that trade on United States stock exchanges, as well as initial public offerings of these investments.
- **Absolute Return** – Investment is made using commingled funds. As such, the investment guidelines are governed by the fund’s prospectus. The assets may be invested in common stock, ADRs, global depositary receipts (“GDRs”), preferred stock, ETFs, participation notes, fixed income securities, futures, options, real estate (tradable securities), commodities (tradable securities) and cash and cash equivalents. Currency exposures may be obtained through currency spot, forward and swap contracts.

**City of El Paso Employees Retirement Trust  
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Notes to Financial Statements**

**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

The following was the Board's adopted asset allocation policy as of August 31, 2019:

| <b>Asset Class</b>                 | <b>Target Allocation</b> |
|------------------------------------|--------------------------|
| Domestic equity                    | 24%                      |
| International equity               | 16%                      |
| Fixed income                       | 19%                      |
| Real estate                        | 10%                      |
| Master limited partnerships (MLPs) | 5%                       |
| Private equity                     | 10%                      |
| Absolute Return                    | 15%                      |
| Cash                               | 1%                       |
|                                    | 100%                     |

The preceding target allocation was amended in 2017. This was done to reflect a reduction in the previous allocation to international equity and fixed income and to increase the allocation to absolute return and private equity. The previous target allocation was 20% international equity, 25% fixed income, 23% domestic equity, 10% absolute return, 10% real estate, 7% private equity and 5% master limited partnerships.

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Fund's investment policy does not specifically address custodial credit risk for deposits. As of August 31, 2019 and 2018, the Fund holds no deposits.

***Investments***

Interest rate risk is the risk that the fair value of securities will fall due to changes in market interest rates. The Fund's policy is to minimize interest rate risk by structuring the investment portfolio so that the duration securities are held and the coupon rates of such are appropriately diversified.

**City of El Paso Employees Retirement Trust  
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Notes to Financial Statements**

**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

As of August 31, 2019 and 2018, the Fund had the following investments subject to interest rate risk:

| <b>Investment Type</b>                     | <b>2019</b>           |   | <b>2018</b>           |   |
|--|-----------------------|---|-----------------------|---|
|  | <b>Fair Value</b>     | <b>Weighted-Average Maturity (In Years)</b> | <b>Fair Value</b>     | <b>Weighted-Average Maturity (In Years)</b> |
| Cash equivalents (money market funds)      | \$ 17,892,996         | 0.33  | \$ 5,191,686          | 1.22  |
| Government fixed income                    | 33,726,363            | 23.14                                       | 32,086,839            | 23.14                                       |
| Corporate bonds and notes                  | 42,318,711            | 6.83  | 38,110,325            | 6.83  |
| Bank collective investment funds           | 35,936,062            | 12.97                                       | 37,121,867            | 12.97                                       |
| Commingled funds                           | 51,332,725            | 2.63  | 36,020,213            | 2.63  |
| <b>Total</b>                               | <b>\$ 181,206,857</b> |   | <b>\$ 148,530,930</b> |   |
| <b>Portfolio weighted-average maturity</b> |                       | <b>9.25</b>                                 |                       | <b>10.67</b>                                |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Nationally-recognized statistical rating organizations assign ratings to measure credit risks. These rating agencies assess a firm's or government's willingness and ability to repay its debt obligations based on many factors.

The Fund employs one core bond manager that primarily invests in U.S. fixed income and non-U.S. fixed income securities. The Fund also invests in two commingled funds, one passive core fixed income index fund and one opportunistic fixed income fund. The investment management agreement between the Fund and its core bond manager contains specific guidelines that identify permitted fixed income investments.

Permitted securities and derivatives of the Fund's opportunistic income fund include fixed and floating-rate debt securities and debt obligations of governments and government-related or corporate issuers worldwide; foreign currencies or securities linked to assets or currencies of any nation; and derivatives on any of the previously mentioned securities. Of the total net assets in the opportunistic fixed income fund, 50% may be invested in bonds that are rated below investment grade (below BBB-) or securities that are not rated.

The Fund's investment policy indicates that the fixed income core plus manager may invest up to 35% of net assets in non-investment grade bonds, at time of purchase. The fixed income core plus portfolio obligations will generally have a dollar weighted average credit quality of generally AA or less, with a minimum dollar weighted average credit quality of BBB-.

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**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

The following table identifies the credit quality of the Fund's fixed income strategies based on portfolio holdings as of August 31, 2019 and 2018:

| August 31, 2019    |                       |                         |  |                                     |                      |                                     |  |
|--------------------|-----------------------|-------------------------|--|-------------------------------------|----------------------|-------------------------------------|--|
| S&P Quality Rating | Total Fair Value      | Asset-Backed Securities | Commercial Mortgaged-Backed Securities | Collateralized Mortgage Obligations | Corporates (a)       | Government & Agency Obligations (b) |  |
| U.S. Treasuries    | \$ 15,226,913         | \$ -                    | \$ -                                   | \$ -                                | \$ -                 | \$ 15,226,913                       |  |
| GNMA Securities    | 3,378,978             | -                       | -                                      | -                                   | -                    | 3,378,978                           |  |
| AAA                | 1,102,322             | -                       | 476,552                                | 448,323                             | 177,447              | -                                   |  |
| AA+                | 18,985,759            | -                       | -                                      | 202,549                             | 526,309              | 18,256,901                          |  |
| AA                 | -                     | -                       | -                                      | -                                   | -                    | -                                   |  |
| AA-                | 62,083                | 62,083                  | -                                      | -                                   | -                    | -                                   |  |
| A+                 | 52,664,437            | -                       | -                                      | -                                   | 1,331,712            | 51,332,725                          |  |
| A                  | 579,828               | 103,217                 | -                                      | -                                   | 476,611              | -                                   |  |
| A-                 | 39,355,335            | -                       | -                                      | -                                   | 39,355,335           | -                                   |  |
| BBB+               | 2,851,034             | 82,301                  | -                                      | -                                   | 2,768,733            | -                                   |  |
| BBB                | 9,108,833             | 363,858                 | -                                      | -                                   | 8,744,975            | -                                   |  |
| BBB-               | 11,547,784            | -                       | -                                      | -                                   | 11,547,784           | -                                   |  |
| BB+                | 1,669,125             | -                       | -                                      | -                                   | 1,669,125            | -                                   |  |
| BB                 | 4,252,339             | -                       | -                                      | -                                   | 4,252,339            | -                                   |  |
| BB-                | 447,014               | -                       | -                                      | -                                   | 447,014              | -                                   |  |
| B+                 | 987,722               | -                       | -                                      | -                                   | 987,722              | -                                   |  |
| B                  | 475,293               | -                       | -                                      | -                                   | 475,293              | -                                   |  |
| B-                 | 303,525               | -                       | -                                      | -                                   | 303,525              | -                                   |  |
| CCC                | -                     | -                       | -                                      | -                                   | -                    | -                                   |  |
| CCC-               | -                     | -                       | -                                      | -                                   | -                    | -                                   |  |
| D                  | -                     | -                       | -                                      | -                                   | -                    | -                                   |  |
| NR                 | 1,457,850             | -                       | -                                      | 480,628                             | 977,222              | -                                   |  |
| <b>Totals</b>      | <b>\$ 164,456,174</b> | <b>\$ 611,459</b>       | <b>\$ 476,552</b>                      | <b>\$ 1,131,500</b>                 | <b>\$ 74,041,146</b> | <b>\$ 88,195,517</b>                |  |

(a) Corporate Bonds might include convertible preferred stocks and convertible bonds.

(b) Includes international and municipal holdings.

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**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

| August 31, 2018    |                       |                         |  |                                     |                      |                                     |
|--------------------|-----------------------|-------------------------|--|-------------------------------------|----------------------|-------------------------------------|
| S&P Quality Rating | Total Fair Value      | Asset-Backed Securities | Commercial Mortgaged-Backed Securities | Collateralized Mortgage Obligations | Corporates (a)       | Government & Agency Obligations (b) |
| U.S. Treasuries    | \$ 13,741,938         | \$ -                    | \$ -                                   | \$ -                                | \$ -                 | \$ 13,741,938                       |
| GNMA Securities    | 5,776,024             | -                       | -                                      | -                                   | -                    | 5,776,024                           |
| AAA                | 3,635,161             | 2,445,617               | 32,758                                 | 177,023                             | 198,664              | 781,100                             |
| AA+                | 37,963,475            | 239,656                 | 18,799,198                             | 80,875                              | 181,939              | 18,661,807                          |
| AA                 | 4,840,019             | 338,072                 | -                                      | -                                   | 193,645              | 4,308,302                           |
| AA-                | 1,268,486             | -                       | -                                      | -                                   | 1,144,911            | 123,575                             |
| A+                 | 2,782,046             | 164,196                 | -                                      | -                                   | 2,385,514            | 232,336                             |
| A                  | 2,456,656             | 312,756                 | -                                      | -                                   | 2,122,218            | 21,682                              |
| A-                 | 9,706,769             | -                       | -                                      | 128,889                             | 2,089,068            | 7,488,811                           |
| BBB+               | 6,969,156             | -                       | -                                      | 99,827                              | 4,616,929            | 2,252,400                           |
| BBB                | 13,369,639            | 509,696                 | -                                      | -                                   | 6,729,889            | 6,130,054                           |
| BBB-               | 9,333,833             | 1,289,193               | -                                      | 139,602                             | 7,858,942            | 46,096                              |
| BB+                | 2,729,453             | 765,132                 | -                                      | 45,588                              | 1,918,733            | -                                   |
| BB                 | 1,674,110             | 422,451                 | -                                      | -                                   | 1,251,659            | -                                   |
| BB-                | 6,911,523             | 7,961                   | -                                      | 475,392                             | 2,346,819            | 4,081,352                           |
| B+                 | 918,512               | 457,310                 | -                                      | 35,720                              | 261,005              | 164,478                             |
| B                  | 4,112,213             | 288,648                 | -                                      | -                                   | 406,014              | 3,417,551                           |
| B-                 | 1,940,790             | -                       | -                                      | -                                   | -                    | 1,940,790                           |
| CCC                | -                     | -                       | -                                      | -                                   | -                    | -                                   |
| CCC-               | -                     | -                       | -                                      | -                                   | -                    | -                                   |
| D                  | -                     | -                       | -                                      | -                                   | -                    | -                                   |
| NR                 | 14,052,507            | 2,821,848               | 489,896                                | 2,919,192                           | 911,461              | 6,910,110                           |
| <b>Totals</b>      | <b>\$ 144,182,310</b> | <b>\$ 10,062,536</b>    | <b>\$ 19,321,852</b>                   | <b>\$ 4,102,108</b>                 | <b>\$ 34,617,410</b> | <b>\$ 76,078,406</b>                |

(a) Corporate Bonds might include convertible preferred stocks and convertible bonds.

(b) Includes international and municipal holdings.

At August 31, 2019 and 2018, the Fund held various bond instruments in the aggregate fair value of \$164,456,174 and \$144,182,309, respectively. Fixed income core plus portfolios held bond instruments with ratings of BBB or better by Standard & Poor's. Approximately 1% of the portfolio was of non-investment grade bonds as of August 31, 2019.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund's investment policy does not allow for the investment portfolio to hold more than 10% in any one company. The following table represents the fair value of investments that represents 5% or more of the Fund's net position at August 31, 2019 and 2018.

These investments were in bank collective investment and commingled funds, which consist of diversified portfolios of investments as described above, and none of these investments consist of any one company holding 5% or more of the total investment.

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**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

|  | Shares/<br>Par Value | Fair Value    |
|--|----------------------|---------------|
| <b>August 31, 2019</b>   |                      |               |
| EB MCM Daily Valued International<br>Specialized Investment Fund |                      |               |
| Mellon Capital Management Corporation                            | 122,305              | \$ 55,322,892 |
| EB MCM Daily Valued Stock Index Fund                             |                      |               |
| Mellon Capital Management Corporation                            | 17,535               | 75,160,647    |
| EB MCM Daily Valued Dynamic U.S Equity Fund                      |                      |               |
| Mellon Capital Management Corporation                            | 163,530              | 56,241,069    |
| EB MCM Daily Valued Aggregate Bond Index Fund                    |                      |               |
| Mellon Capital Management Corporation                            | 92,170               | 51,332,725    |
| Allianz Structured Alpha 1000 Plus LLC                           |                      |               |
| Allianz Structured Alpha 1000 Plus LLC                           | 49,871,491           | 49,871,491    |
| <b>August 31, 2018</b>   |                      |               |
| EB MCM Daily Valued International<br>Specialized Investment Fund |                      |               |
| Mellon Capital Management Corporation                            | 109,322              | \$ 50,923,860 |
| EB MCM Daily Valued Stock Index Fund                             |                      |               |
| Mellon Capital Management Corporation                            | 17,607               | 66,081,007    |
| EB MCM Daily Valued Dynamic U.S Equity Fund                      |                      |               |
| Mellon Capital Management Corporation                            | 170,518              | 55,781,605    |
| Allianz Structured Alpha 1000 Plus LLC                           |                      |               |
| Allianz Structured Alpha 1000 Plus LLC                           | 62,930,825           | 62,930,825    |

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Fund's investment policy allows 13%-19% of equity securities be invested in foreign markets. The Fund's exposure to foreign currency risk at August 31, 2019 and 2018 was as follows:



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**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

| Local Currency Name         | 2019                  |                      |                       |
|-----------------------------|-----------------------|----------------------|-----------------------|
|                             | Equity                | Fixed Income         | Total                 |
| Argentine Peso              | \$ -                  | \$ 2,867,247         | \$ 2,867,247          |
| Australian Dollar           | 4,010,245             | -                    | 4,010,245             |
| Bermudian Dollar            | 180,166               | -                    | 180,166               |
| Brazilian Real              | 3,106,176             | 7,414,174            | 10,520,350            |
| British Pound               | 14,816,114            | -                    | 14,816,114            |
| Canadian Dollar             | 4,292,891             | -                    | 4,292,891             |
| Chilean Peso                | 525,306               | -                    | 525,306               |
| Chinese Renminbi            | 7,582,271             | -                    | 7,582,271             |
| Columbian Peso              | 147,595               | 2,520,946            | 2,668,541             |
| Danish Krone                | 1,813,711             | -                    | 1,813,711             |
| Euro Currency Unit          | 29,866,048            | -                    | 29,866,048            |
| Ghanaian Cedi               | -                     | 2,134,136            | 2,134,136             |
| Hong Kong Dollar            | 5,833,417             | -                    | 5,833,417             |
| Indian Rupee                | 3,233,012             | -                    | 3,233,012             |
| Indonesian Rupiah           | 971,737               | 5,678,777            | 6,650,514             |
| Israeli Shekel              | 1,424,742             | -                    | 1,424,742             |
| Japanese Yen                | 20,801,536            | -                    | 20,801,536            |
| Kenyan Shilling             | -                     | 247,065              | 247,065               |
| Macau Pataca                | 66,041                | -                    | 66,041                |
| Malaysian Ringgit           | 839,030               | -                    | 839,030               |
| Mexican Peso                | 843,896               | 4,669,966            | 5,513,862             |
| New Zealand Dollar          | 757,351               | -                    | 757,351               |
| Norwegian Krone             | 447,474               | -                    | 447,474               |
| Philippine Peso             | 425,119               | 417,202              | 842,321               |
| Polish Zloty                | 225,160               | -                    | 225,160               |
| Qatari Riyal                | 75,843                | -                    | 75,843                |
| Russian Ruble               | 853,913               | -                    | 853,913               |
| Singapore Dollar            | 1,342,856             | -                    | 1,342,856             |
| South African Rand          | 2,928,550             | 16,664               | 2,945,214             |
| South Korean Won            | 4,477,010             | 6,619,269            | 11,096,279            |
| Swedish Krona               | 3,082,658             | -                    | 3,082,658             |
| Swiss Franc                 | 7,870,437             | 2,336                | 7,872,773             |
| Taiwanese Dollar            | 4,194,564             | -                    | 4,194,564             |
| Thai Baht                   | 780,051               | 3,181,311            | 3,961,362             |
| Turkish Lira                | 158,903               | -                    | 158,903               |
| Ukrainian Hryvnia           | -                     | 166,970              | 166,970               |
| United Arab Emirates Dirham | 42,242                | -                    | 42,242                |
| <b>Total</b>                | <b>\$ 128,016,065</b> | <b>\$ 35,936,063</b> | <b>\$ 163,952,128</b> |

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**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

| Local Currency Name | 2018                  |                      |                       |
|---------------------|-----------------------|----------------------|-----------------------|
|                     | Equity                | Fixed Income         | Total                 |
| Argentine Peso      | \$ -                  | \$ 3,440,996         | \$ 3,440,996          |
| Australian Dollar   | 3,442,453             | -                    | 3,442,453             |
| Brazilian Real      | 2,483,698             | 5,053,209            | 7,536,907             |
| British Pound       | 14,123,543            | -                    | 14,123,543            |
| Canadian Dollar     | 4,515,348             | -                    | 4,515,348             |
| Columbian Peso      | -                     | 2,223,051            | 2,223,051             |
| Danish Krone        | 1,557,382             | -                    | 1,557,382             |
| Euro Currency Unit  | 28,580,082            | -                    | 28,580,082            |
| Ghanaian Cedi       | -                     | 2,068,289            | 2,068,289             |
| Hong Kong Dollar    | 11,846,429            | -                    | 11,846,429            |
| Indian Rupee        | 1,982,640             | 4,432,964            | 6,415,604             |
| Indonesian Rupiah   | 837,702               | 4,288,666            | 5,126,368             |
| Japanese Yen        | 21,898,284            | -                    | 21,898,284            |
| Mexican Peso        | 1,131,719             | 9,431,970            | 10,563,689            |
| Philippine Peso     | 483,634               | 727,735              | 1,211,369             |
| Singapore Dollar    | 1,042,046             | -                    | 1,042,046             |
| South African Rand  | 2,511,773             | 1,446                | 2,513,219             |
| South Korean Won    | 4,579,467             | 47,934               | 4,627,401             |
| Swedish Krona       | 3,215,005             | -                    | 3,215,005             |
| Swiss Franc         | 5,923,188             | 1,256                | 5,924,444             |
| Taiwanese Dollar    | 4,367,203             | -                    | 4,367,203             |
| Thai Baht           | 928,290               | 2,293,860            | 3,222,150             |
| Other               | 3,745,666             | 991,913              | 4,737,579             |
| <b>Total</b>        | <b>\$ 119,195,552</b> | <b>\$ 35,003,289</b> | <b>\$ 154,198,841</b> |

**Security Lending Transactions**

State statutes and board of trustees' policies permit the Fund to lend its securities to broker/dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Fund currently participates in a security lending short duration lending pool. All securities loans can be terminated on demand by either the Fund or the borrower, although the average term of the loans is one week. The relationship between the maturities of the investment pool and the system's loans is affected by the maturities of the securities loans made by other entities that can use the agent's pool, which the Fund cannot determine.

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**NOTE 4: DEPOSITS, CASH EQUIVALENTS, INVESTMENTS AND SECURITY LENDING (Continued)**

Custodial credit risk for securities lending transactions is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the years ended August 31, 2019 and 2018, the Fund had no credit risk exposure to borrowers because the amounts of the Fund owes the borrowers exceed the amounts the borrowers owe the Fund. Fair value of securities loaned by type of investment at August 31 was as follows:

|                  | <b>2019</b>   | <b>2018</b>   |
|------------------|---------------|---------------|
| Corporate Stocks | \$ 25,766,839 | \$ 27,090,494 |
|                  | \$ 25,766,839 | \$ 27,090,494 |

***Rate of Return***

For the years ended August 31, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.95% and 8.74%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**NOTE 5: DISCLOSURES ABOUT FAIR VALUE OF ASSETS**

**Fair Value Measurements**

GASB 72, Fair Value Measurements and Application, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under GASB 72 are described as follows:

**Level 1** inputs to the valuation methodology is unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**Level 2** inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** inputs to the valuation methodology are inputs that are unobservable and significant to the fair value measurement.

**City of El Paso Employees Retirement Trust  
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Notes to Financial Statements**

**NOTE 5: DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)**

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying statements of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2019 and 2018:

|  | 2019  |   |   |      |
|--|---|---|---|------|
|  | Fair Value Measurements Using   |   |   |      |
| August 31, 2019  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |      |
| <b>Investments by Fair Value Level</b>                       |   |   |   |      |
| Debt Securities  |   |   |   |      |
| U.S government securities                                    | \$ 39,352,164   | \$ -  | \$ 39,352,164                                   | \$ - |
| Corporate bonds and notes                                    | 37,835,223  | -   | 37,835,223                                      | -    |
| Total debt securities  | 77,187,387  | -   | 77,187,387                                      | -    |
| Corporate Stocks   |   |   |   |      |
| All cap equity   | 32,113,390  | 32,113,390  | -   | -    |
| Small/Mid cap equity   | 63,609,150  | 63,609,150  | -   | -    |
| Total corporate stocks                                       | 95,722,540  | 95,722,540  | -   | -    |
| Master limited partnerships                                  | 18,443,282  | 18,443,282  |   |      |
| Total investments by fair value level                        | 191,353,209   | \$ 114,165,822                                      | \$ 77,187,387                                   | \$ - |
| <b>Investments Measured at the Net Asset Value (NAV) (a)</b> |   |   |   |      |
| Absolute return investments                                  | 95,310,343  |   |   |      |
| Bank collective investment funds                             |   |   |   |      |
| Large cap index  | 75,160,647  |   |   |      |
| Large cap dynamic  | 56,241,069  |   |   |      |
| International equity developed                               | 55,322,892  |   |   |      |
| Total bank collective investment funds                       | 186,724,608   |   |   |      |
| Commingled funds - fixed income                              |   |   |   |      |
| Fixed income opportunistic                                   | 35,936,062  |   |   |      |
| Fixed income core index                                      | 51,332,725  |   |   |      |
| Total commingled funds - fixed income                        | 87,268,787  |   |   |      |
| Commingled funds - corporate stocks                          |   |   |   |      |
| International equity - all country                           | 27,283,436  |   |   |      |
| International equity - all country small cap                 | 24,229,534  |   |   |      |
| International equity - emerging markets                      | 25,860,032  |   |   |      |
| Total commingled funds - corporate stocks                    | 77,373,002  |   |   |      |
| Real Estate  |   |   |   |      |
| Private real estate  | 73,437,789  |   |   |      |
| Total real estate  | 73,437,789  |   |   |      |
| Private equity investments                                   | 76,494,426  |   |   |      |
| Total investments measured at the NAV                        | 596,608,955   |   |   |      |
| Total investments measured at fair value                     | \$ 787,962,164  |   |   |      |

(a) Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of fiduciary net position.

**City of El Paso Employees Retirement Trust  
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**NOTE 5: DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)**

|  | August 31, 2018 | 2018<br>Fair Value Measurements Using                                   |   |   |
|--|-----------------|---|---|---|
|  |                 | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
| <b>Investments by Fair Value Level</b>                       |                 |   |   |   |
| Debt Securities  |                 |   |   |   |
| U.S government securities                                    | \$ 32,086,839   | \$ -  | \$ 32,086,839                                       | \$ -  |
| Corporate bonds and notes                                    | 38,991,174      | -   | 38,991,174  | -   |
| Total debt securities  | 71,078,013      | -   | 71,078,013  | -   |
| Corporate Stocks   |                 |   |   |   |
| All cap equity   | 33,488,943      | 33,488,943  | -   | -   |
| Small/Mid cap equity   | 67,970,700      | 67,970,700  | -   | -   |
| Total corporate stocks                                       | 101,459,643     | 101,459,643   | -   | -   |
| Master limited partnerships                                  | 39,817,825      | 39,817,825  |   |   |
| Total investments by fair value level                        | 212,355,481     | \$ 141,277,468  | \$ 71,078,013                                       | \$ -  |
| <b>Investments Measured at the Net Asset Value (NAV) (a)</b> |                 |   |   |   |
| Absolute return investments                                  | 126,830,615     |   |   |   |
| Bank collective investment funds                             |                 |   |   |   |
| Large cap index  | 73,313,733      |   |   |   |
| Large cap dynamic  | 55,781,605      |   |   |   |
| International equity developed                               | 50,923,860      |   |   |   |
| Total bank collective investment funds                       | 180,019,198     |   |   |   |
| Commingled funds - fixed income                              |                 |   |   |   |
| Fixed income opportunistic                                   | 36,020,213      |   |   |   |
| Fixed income core index                                      | 37,121,867      |   |   |   |
| Total commingled funds - fixed income                        | 73,142,080      |   |   |   |
| Commingled funds - corporate stocks                          |                 |   |   |   |
| International equity - all country                           | 27,220,866      |   |   |   |
| International equity - all country small cap                 | 25,932,157      |   |   |   |
| International equity - emerging markets                      | 28,476,081      |   |   |   |
| Total commingled funds - corporate stocks                    | 81,629,104      |   |   |   |
| Real Estate  |                 |   |   |   |
| Private real estate  | 72,817,424      |   |   |   |
| Total real estate  | 72,817,424      |   |   |   |
| Private equity investments                                   | 62,394,830      |   |   |   |
| Total investments measured at the NAV                        | 596,833,251     |   |   |   |
| Total investments measured at fair value                     | \$ 809,188,732  |   |   |   |

(a) Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of fiduciary net position.

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of fiduciary net position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2019.

**City of El Paso Employees Retirement Trust**  
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**Notes to Financial Statements**

**NOTE 5: DISCLOSURES ABOUT FAIR VALUE OF ASSETS (Continued)**

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

|  | Fair Value at<br>August 31, 2019 | Unfunded<br>Commitments | Redemption<br>Frequency (If<br>Currently<br>Eligible) | Redemption<br>Notice Period |
|--|----------------------------------|-------------------------|---|-----------------------------|
| Absolute return investments                          | \$ 95,310,343                    |                         | Daily   | Daily to 30 days            |
| Large cap index                                      | 75,160,647                       |                         | Daily   | 1 day                       |
| Large cap dynamic                                    | 56,241,069                       |                         | Daily   | Daily                       |
| International equity - developed                     | 55,322,892                       |                         | Daily   | 2 days                      |
| Fixed income opportunistic                           | 35,936,062                       |                         | Daily   | Daily                       |
| Fixed income core index                              | 51,332,725                       |                         | Daily   | 2 days                      |
| International equity - all country                   | 27,283,436                       |                         | Daily   | 3 days                      |
| International equity - all country small cap         | 24,229,534                       |                         | Daily   | Daily                       |
| International equity - emerging markets (commingled) | 25,860,032                       |                         | Daily   | 30 days                     |
| Private real estate                                  | 73,437,789                       |                         | Daily   | 90 days                     |
| Private equity investments                           | 76,494,426                       | \$ 47,333,675           | Daily   | 5 days                      |
| <b>Total investments measured at the NAV</b>         | <b>\$ 596,608,955</b>            |                         |   |                             |

|  | Fair Value at<br>August 31, 2018 | Unfunded<br>Commitments | Redemption<br>Frequency (If<br>Currently<br>Eligible) | Redemption<br>Notice Period |
|--|----------------------------------|-------------------------|---|-----------------------------|
| Absolute return investments                          | \$ 126,830,615                   |                         | Daily   | Daily to 30 days            |
| Large cap index                                      | 73,313,733                       |                         | Daily   | 1 day                       |
| Large cap dynamic                                    | 55,781,605                       |                         | Daily   | Daily                       |
| International equity - developed                     | 50,923,860                       |                         | Daily   | 2 days                      |
| Fixed income opportunistic                           | 36,020,213                       |                         | Daily   | Daily                       |
| Fixed income core index                              | 37,121,867                       |                         | Daily   | 2 days                      |
| International equity - all country                   | 27,220,866                       |                         | Daily   | 3 days                      |
| International equity - all country small cap         | 25,932,157                       |                         | Daily   | Daily                       |
| International equity - emerging markets (commingled) | 28,476,081                       |                         | Daily   | 30 days                     |
| Private real estate                                  | 72,817,424                       |                         | Daily   | 90 days                     |
| Private equity investments                           | 62,394,830                       | \$ 64,600,000           | Daily   | 5 days                      |
| <b>Total investments measured at the NAV</b>         | <b>\$ 596,833,251</b>            |                         |   |                             |

**City of El Paso Employees Retirement Trust  
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**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2019 was as follows:

|   | <b>Balance<br/>August 31, 2018</b> | <b>Additions</b> | <b>Transfers</b>   | <b>Balance<br/>August 31, 2019</b> |
|---|------------------------------------|------------------|--------------------|------------------------------------|
| <b>Capital assets not being depreciated:</b>      |                                    |                  |                    |                                    |
| Land  | \$ 942,044                         | \$ 16,730        | \$ -               | \$ 958,774                         |
| Construction in progress                          | 2,168,976                          | -                | (2,168,976)        | -                                  |
| <b>Total capital assets not being depreciated</b> | <b>3,111,020</b>                   | <b>16,730</b>    | <b>(2,168,976)</b> | <b>958,774</b>                     |
| <b>Capital assets being depreciated:</b>          |                                    |                  |                    |                                    |
| Buildings and improvements                        | -                                  | 95,828           | 1,229,307          | 1,325,135                          |
| Furniture and equipment                           | -                                  | 102,118          | 139,669            | 241,787                            |
| Software  | -                                  | 35,000           | 800,000            | 835,000                            |
| <b>Total capital assets being depreciated</b>     | <b>-</b>                           | <b>232,946</b>   | <b>2,168,976</b>   | <b>2,401,922</b>                   |
| <b>Less accumulated depreciation:</b>             |                                    |                  |                    |                                    |
| Buildings and improvements                        | -                                  | (30,368)         | -                  | (30,368)                           |
| Furniture and equipment                           | -                                  | (23,040)         | -                  | (23,040)                           |
| Software  | -                                  | (153,083)        | -                  | (153,083)                          |
| <b>Total accumulated depreciation</b>             | <b>-</b>                           | <b>(206,491)</b> | <b>-</b>           | <b>(206,491)</b>                   |
| <b>Total capital assets, net of depreciation</b>  | <b>\$ 3,111,020</b>                | <b>\$ 43,185</b> | <b>\$ -</b>        | <b>\$ 3,154,205</b>                |

Depreciation expense of \$206,491 was charged to administrative expenses.

**City of El Paso Employees Retirement Trust  
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Notes to Financial Statements**

**NOTE 6: CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended August 31, 2018 was as follows:

|  | <b>Balance</b>         |                  |                  |      | <b>Balance</b>         |
|--|------------------------|------------------|------------------|------|------------------------|
|  | <b>August 31, 2017</b> | <b>Additions</b> | <b>Deletions</b> |      | <b>August 31, 2018</b> |
| Capital assets not being depreciated:      |                        |                  |                  |      |                        |
| Land                                       | \$ 891,306             | \$ 50,738        | \$ -             | \$ - | \$ 942,044             |
| Construction in progress                   | -                      | 2,168,976        | -                | -    | 2,168,976              |
| Total capital assets not being depreciated |                        |                  |                  |      |                        |
|  | \$ 891,306             | \$ 2,219,714     | \$ -             | \$ - | \$ 3,111,020           |

Depreciation was not charged as the assets were not placed in-service as of August 31, 2018.

**NOTE 7: FUND TERMINATION**

Although not anticipated, should the Fund terminate at some future time, its net position generally will not be available on a pro rata basis to provide participants' benefits. Whether a particular participant's accumulated benefits will be paid depends on the priority of those benefits. Benefits under the Fund are not guaranteed by the Pension Benefit Guaranty Corporation.

**NOTE 8: PLAN TAX STATUS AND ERISA**

The Fund is a PERS and is exempt from federal income taxes and the provisions of the *Employee Retirement Income Security Act of 1974* ("ERISA"). Additionally, the Plan obtained its latest determination letter on May 29, 2013, in which the Internal Revenue Service stated that the Plan and related trust, as then designed, were in compliance with the applicable requirements of the *Internal Revenue Code* ("IRC") and therefore not subject to tax. The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan and related trust are currently designed and being operated in compliance with the applicable requirements of the IRC.

**NOTE 9: RELATED PARTY TRANSACTIONS**

An affiliate of the Fund's custodian is an investment manager for the Fund, which managed \$238,057,333 and \$271,141,065 of the Fund's investments at August 31, 2019 and 2018, respectively. As of August 31, 2019 and 2018, the Fund accrued investment management fees of \$42,788 and \$39,000, respectively, for the services of that investment manager. For the years ended August 31, 2019 and 2018, the Fund incurred \$230,533 and \$236,121, respectively, in management fees with this investment manager.



## **Required Supplementary Information**

**City of El Paso Employees Retirement Trust**  
**(A Component of the City of El Paso, Texas)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

| <i>For the year ended August 31,</i>                                       | 2019                    | 2018                    |
|--|-------------------------|-------------------------|
| <b>Total Pension Liability</b>   |                         |                         |
| Service cost   | \$ 20,769,411           | \$ 20,418,111           |
| Interest   | 75,886,822              | 72,439,238              |
| Difference between expected<br>and actual experience                       | -                       | 16,640,620              |
| Changes of assumptions   | -                       | -                       |
| Benefit payments, including refunds of<br>employee contributions           | (66,648,577)            | (61,114,382)            |
| <b>Net change in total pension liability</b>                               | <b>30,007,656</b>       | <b>48,383,587</b>       |
| <b>Total pension liability, beginning of year</b>                          | <b>1,024,379,167</b>    | <b>975,995,580</b>      |
| <b>Total pension liability, end of year (a)</b>                            | <b>\$ 1,054,386,823</b> | <b>\$ 1,024,379,167</b> |
| <b>Plan Fiduciary Net Position</b>   |                         |                         |
| Contributions - employer   | \$ 26,424,696           | \$ 25,651,488           |
| Contributions - plan member  | 15,746,549              | 15,540,713              |
| Net investment income  | 12,819,847              | 65,372,489              |
| Benefit payments, including refunds of<br>employee contributions           | (66,571,770)            | (61,114,382)            |
| Administrative expenses  | (1,761,619)             | (2,036,643)             |
| <b>Net change in plan fiduciary net position</b>                           | <b>(13,342,297)</b>     | <b>43,413,665</b>       |
| <b>Plan fiduciary net position, beginning of year</b>                      | <b>819,966,288</b>      | <b>776,552,623</b>      |
| <b>Plan fiduciary net position, end of year (b)</b>                        | <b>\$ 806,623,991</b>   | <b>\$ 819,966,288</b>   |
| <b>City's net pension liability, end of year = (a) - (b)</b>               | <b>\$ 247,762,832</b>   | <b>\$ 204,412,879</b>   |
| <b>Plan's fiduciary net position as a % of total<br/>pension liability</b> | <b>76.50%</b>           | <b>80.05%</b>           |
| <b>Covered payroll</b>   | <b>\$ 172,242,295</b>   | <b>\$ 161,026,109</b>   |
| <b>Plan's net pension liability as a % of covered payroll</b>              | <b>143.85%</b>          | <b>126.94%</b>          |

**Notes to Schedule:**

Schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, years for which the information is available will be presented.

*See independent auditors' report.*

|    | 2017         | 2016           | 2015           | 2014           |
|----|--------------|----------------|----------------|----------------|
| \$ | 20,418,111   | \$ 23,021,764  | \$ 22,243,250  | \$ 20,691,396  |
|    | 70,199,486   | 66,845,529     | 64,244,529     | 61,812,817     |
|    | -            | (22,728,241)   | 115,295        | 4,691,256      |
|    | -            | 37,572,898     | -              | -              |
|    | (60,394,115) | (54,383,629)   | (50,788,937)   | (52,592,834)   |
|    | 30,223,482   | 50,328,321     | 35,814,137     | 34,602,635     |
|    | 945,772,098  | 895,443,777    | 859,629,640    | 825,027,005    |
| \$ | 975,995,580  | \$ 945,772,098 | \$ 895,443,777 | \$ 859,629,640 |
| \$ | 25,327,071   | \$ 23,370,111  | \$ 22,916,913  | \$ 21,830,044  |
|    | 15,154,341   | 14,886,249     | 14,595,935     | 14,039,600     |
|    | 75,370,973   | 40,260,073     | (17,872,916)   | 107,723,189    |
|    | (61,077,565) | (54,383,629)   | (50,788,937)   | (52,592,834)   |
|    | (1,325,640)  | (1,417,530)    | (1,355,351)    | (1,143,272)    |
|    | 53,449,180   | 22,715,274     | (32,504,356)   | 89,856,727     |
|    | 723,103,443  | 700,388,169    | 732,892,525    | 643,035,798    |
| \$ | 776,552,623  | \$ 723,103,443 | \$ 700,388,169 | \$ 732,892,525 |
| \$ | 199,442,957  | \$ 222,668,655 | \$ 195,055,608 | \$ 126,737,115 |
|    | 79.57%       | 76.46%         | 78.22%         | 85.26%         |
| \$ | 161,026,109  | \$ 156,336,028 | \$ 158,990,084 | \$ 153,613,308 |
|    | 123.86%      | 142.43%        | 122.68%        | 82.50%         |

See independent auditors' report.

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Schedule of Employer Contributions**

| <i>For the year ended August 31,</i>        | <b>2019</b>           | 2018           |
|---|-----------------------|----------------|
| Actuarially determined contributions (ADC)* | \$ <b>16,488,437</b>  | \$ 16,086,508  |
| Contributions related to the ADC            | <b>25,761,130</b>     | 25,651,488     |
| Contributions deficiency (excess)           | <b>(9,272,693)</b>    | (9,564,980)    |
| Covered payroll (payroll)                   | \$ <b>167,255,529</b> | \$ 161,026,108 |
| Contributions as a percentage of payroll    | <b>15.40%</b>         | 15.93%         |

\* Based on estimated payroll

*See independent auditors' report.*

|  | 2017                  | 2016                  | 2015                  | 2014                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | \$ 16,274,581         | \$ 18,306,287         | \$ 18,848,390         | \$ 21,501,985         |
|  | 25,327,071            | 23,370,111            | 22,916,913            | 21,739,159            |
|  | (9,052,490)           | (5,063,824)           | (4,068,523)           | (237,174)             |
|  | <u>\$ 156,336,028</u> | <u>\$ 158,990,084</u> | <u>\$ 153,613,608</u> | <u>\$ 152,911,275</u> |
|  | 16.20%                | 14.70%                | 14.92%                | 14.22%                |

*See independent auditors' report.*

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Schedule of Investment Returns**

|  | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return,<br>net of investment expense | 1.95%       | 8.74%       | 10.29%      | 6.36%       | -2.86%      | 17.22%      |

**Note:** This schedule is presented to illustrate the requirement to show 10 years of information. However, until a full 10-year trend is compiled, years for which the information is available will be presented.

*See independent auditors' report.*

## **Other Supplementary Information**

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Comparative Summary of Revenue by Source and Expense by Type**

**Revenue by Source\***

| <b>Years Ended August 31,</b> | <b>Interest, Dividends and Net Securities Lending Income</b> | <b>Employer Contributions (a)</b> | <b>Plan Member Contributions (a)</b> | <b>Net Appreciation (Depreciation) in Fair Value of Investments</b> | <b>Total</b>  | <b>Employer Contributions as a Percentage of Covered Payroll</b> |
|-------------------------------|--|-----------------------------------|--------------------------------------|---|---------------|--|
| 2019                          | \$ 7,759,257   | \$ 26,424,696                     | \$ 15,746,549                        | \$ 7,981,580  | \$ 57,912,082 | 14.05%   |
| 2018                          | 7,108,787  | 25,651,488                        | 15,540,713                           | 64,832,061  | 113,133,049   | 14.05%   |
| 2017                          | 6,459,227  | 25,327,071                        | 15,154,341                           | 74,716,005  | 121,656,644   | 14.05%   |
| 2016                          | 7,563,107  | 23,370,111                        | 14,886,249                           | 37,856,062  | 83,675,529    | 14.05%   |
| 2015                          | 7,433,579  | 22,916,913                        | 14,595,935                           | (21,734,515)  | 23,211,912    | 14.05%   |
| 2014                          | 8,039,815  | 21,830,044                        | 14,039,600                           | 103,082,579   | 146,992,038   | 13.45%   |
| 2013                          | 9,096,062  | 20,499,707                        | 13,328,629                           | 63,890,162  | 106,814,560   | 12.85%   |
| 2012                          | 5,162,832  | 19,181,091                        | 12,607,172                           | 43,642,344  | 80,593,439    | 12.25%   |

\* Excludes increase (decrease) in commission credits receivable

**Expenses by Type**

| <b>Years Ended August 31,</b> | <b>Benefits</b> | <b>Refunds</b> | <b>Investment Fees (b)</b> | <b>Administrative Expenses</b> | <b>Total</b>  |
|-------------------------------|-----------------|----------------|----------------------------|--------------------------------|---------------|
| 2019                          | \$ 62,251,632   | \$ 4,215,138   | \$ 2,987,728               | \$ 1,761,619 (c)               | \$ 71,216,117 |
| 2018                          | 58,094,939      | 2,889,443      | 6,578,777                  | 2,036,643 (c)                  | 69,599,802    |
| 2017                          | 57,972,792      | 3,104,773      | 5,783,774                  | 1,325,640                      | 68,186,979    |
| 2016                          | 51,554,209      | 2,829,420      | 5,104,720                  | 1,417,530                      | 60,905,879    |
| 2015                          | 48,419,841      | 2,369,096      | 3,510,570                  | 1,355,351                      | 55,654,858    |
| 2014                          | 49,375,280      | 3,217,554      | 3,336,994                  | 1,143,272                      | 57,073,100    |
| 2013                          | 43,021,060      | 2,159,129      | 2,932,444                  | 1,176,347                      | 49,288,980    |

(a) Employee and employer contribution rates are based upon local statutes; contribution rates are note actuarially determined

(b) Investment fees are made up entirely of investment manager fees

(c) Detail listed on Comparative Summary of Administrative Expenses

*See independent auditors' report.*



**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Comparative Summary of Administrative Expenses  
For the Years Ended August 31, 2019 and 2018**

|                                      | <b>2019</b>         | <b>2018</b>         |
|--------------------------------------|---------------------|---------------------|
| Custodial fees                       | \$ 46,347           | \$ 189,890          |
| Consulting fees                      | 294,649             | 288,158             |
| Trustee                              | 353,925             | -                   |
| Legal                                | 145,877             | 151,251             |
| Travel/education-employee            | 8,411               | 2,080               |
| Audit/accounting                     | 2,200               | 81,250              |
| Actuary                              | 63,885              | 24,352              |
| Wages and benefits                   | 634,260             | 693,830             |
| Other operating expenses             | 25,937              | 201,397             |
| Miscellaneous                        | -                   | 324,810             |
| Depreciation                         | 206,491             | -                   |
| Software & Computer Fees             | 13,333              | -                   |
| Land expense                         | -                   | 405                 |
| Liability insurance                  | (33,696)            | 79,220              |
| <b>Total administrative expenses</b> | <b>\$ 1,761,619</b> | <b>\$ 2,036,643</b> |

*See independent auditors' report.*

**City of El Paso Employees Retirement Trust  
(A Component of the City of El Paso, Texas)  
Schedule of Investment Manager Expenses  
For the Years Ended August 31, 2019 and 2018**

|   | <b>2019</b>                 |                     |
|---|-----------------------------|---------------------|
|   | <b>Fair Value of Assets</b> |                     |
|   | <b>Under Management</b>     | <b>Total Fees</b>   |
| U.S. government securities managers           | \$ 36,477,002               | \$ 100,497          |
| Corporate bonds and notes manager             | 40,710,385                  | 339,779             |
| Corporate stock managers                      | 95,722,540                  | 627,011             |
| Bank collective investments funds managers    | 186,724,608                 | 219,945             |
| Commingled funds: fixed income funds managers | 87,268,787                  | 335,579             |
| Commingled funds: corporate stocks managers   | 77,373,002                  | 427,088             |
| Private real estate Managers                  | 73,437,789                  | 371,918             |
| Private equity investment managers            | 76,494,426                  | -                   |
| Absolute returns investment managers          | 95,310,343                  | 362,696             |
| Master limited partnership Managers           | 18,443,282                  | 203,213             |
| <b>Total</b>                                  | <b>\$ 787,962,164</b>       | <b>\$ 2,987,728</b> |

*See independent auditors' report.*

| 2018                 |             |            |           |
|----------------------|-------------|------------|-----------|
| Fair Value of Assets |             | Total Fees |           |
| Under Management     |             |            |           |
| \$                   | 32,086,839  | \$         | 79,482    |
|                      | 38,991,174  |            | 96,585    |
|                      | 101,459,644 |            | 826,625   |
|                      | 180,019,198 |            | 236,122   |
|                      | 81,629,104  |            | 527,697   |
|                      | 73,142,079  |            | 465,638   |
|                      | 72,817,424  |            | 668,778   |
|                      | 62,394,830  |            | 1,145,419 |
|                      | 126,830,615 |            | 2,260,235 |
|                      | 39,817,825  |            | 272,196   |
| \$                   | 809,188,732 | \$         | 6,578,777 |

*See independent auditors' report.*