



CITY *of* EL PASO
EMPLOYEES RETIREMENT TRUST

Annual Financial Report
2020

I. Background

The following information is presented with the intent of providing the participants and beneficiaries of the City of El Paso Employees Retirement Trust, (the “Trust”), with information regarding the financial status of the retirement trust. While this information is intended to provide information to the participants and beneficiaries of the Trust, selected additional information in more detail is available for inspection at the City of El Paso Employees Retirement Trust office located at 1039 Chelsea St. in El Paso, Texas. Should you desire to review the selected detailed information from which the information contained herein is extracted please call the Trust administrative office for an appointment.

Included in this annual report is information related to the financial condition of the Trust. Information regarding the results of Trust’s biennial actuarial review and the yearly external audit of the Trust are provided. The Trust has taken the liberty of providing some supplemental information regarding the interpretation of the reports referred to above.

II. Administration

The Trust is administered in accordance with the trust document or pension ordinance enacted by the City Council of the City of El Paso. This trust document is found in Chapter 2.64 of the El Paso Municipal Code. The trust document provides, in part, that the Trust may make rules and regulations necessary to provide for effective administration of the Trust. The Trust is governed not only by the pension ordinance but also by any rules and regulations approved by the Retirement Trust’s Board of Trustees.

The Board of Trustees (the “Board”), is a quasi-legislative and quasi-judicial body which is promulgated by the pension ordinance. There are currently 9 individuals who serve as your Retirement Trust Board of Trustees. The composition of trustees who serve on the Board are either elected by the members or appointed by the Mayor or City Council. Four employee representatives are elected and serve four (4) year terms. Five members are appointed either by City Council or the Mayor. These appointed Board members serve for a term of two (2) years. Board members may be reelected or reappointed as long as certain qualifications required by the pension ordinance are satisfied. However, appointed members of the Board have lifetime term limits of eight (8) years.

Board members are responsible for a number of decisions, which affect the management of the Trust. Board members pass rules and regulations and approve policies governing the administration of the Trust. Board members hire the Trust staff, provide a yearly budget, make investment decisions and set the policy and direction of the Trust through their efforts, and decide disability claims.

The current members of the City of El Paso Employees Retirement Trust Board of Trustees are:

Elected members:

Robert C. Studer – Chairman
801 Texas Ave.
El Paso, Texas 79912

Karl Rimkus – Vice Chairman
7968 San Paulo
El Paso, Texas 79907

Mario Hernandez
5115 El Paso Drive
El Paso, Texas 79905

Diana Nunez
300 N. Campbell
El Paso, Texas 79901

Appointed members:

Representative Isabel Salcido
300 N. Campbell
El Paso, Texas 79901

Representative Joe Molinar
300 N. Campbell
El Paso, Texas 79901

Matt Kerr
5061 Meadowlark
El Paso, Texas 79922

Tamara Gladkowski
500 N. Mesa
El Paso, Texas 79901

Nicholas J. Costanzo
10879 Loma De Alma
El Paso, TX 79934

Employees of the Trust:

❖ Robert Ash
Executive Director

Adrian Sanchez
Deputy Executive Director

Karina Chavez
Administrative Assistant

David Garcia
Payroll / Accounts Payable Specialist

Alma R. Duenas
Benefits / Budget Specialist

Esmeralda Aguirre
Benefits Technician

Pauline Castillo
Benefits Technician

Emilia H. Avila
Retiree Coordinator/Data Entry Clerk

* The Retirement Trust Executive Director serves as Secretary to the Board but does not vote and is not counted for purposes of establishing a quorum.

The City's Comptroller serves as Treasurer of the Trust but does not vote and is not counted for purposes of establishing a quorum.

The address for Retirement Trust Administration staff is:
1039 Chelsea St.
El Paso Texas 79903

III. Financial Statements

The financial statements and auditors' opinion identified below are compiled as part of the yearly audit performed by the Trust's external auditors CRI. The financial statements reflect the most recent audit period, which represents the fiscal year from September 1, 2019 through August 31, 2020.

Auditors Opinion:

Independent Auditor's Report on Financial Statements and Supplementary Information

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, 2020 and 2019, and the statements of changes in fiduciary net position for the years 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, 2020 and 2019, and the changes in fiduciary net position for the years 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, 2020 and 2019, the changes in its financial position for the years 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 50-54 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.

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

Carr, Riggs & Ingram, LLC
El Paso, Texas
January 17, 2021

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>	2020	2019
Assets		
Cash and cash equivalents	\$ 10,646,860	\$ 17,959,516
Receivables		
Commission credits receivable	6,109	3,697
Due from brokers for securities sold	1,876,024	980,616
Employer contributions	938,962	1,163,286
Plan member contributions	598,024	740,828
Accrued interest and dividends	170,007	928,171
Total receivables	3,589,126	3,816,598
Prepaid insurance	23,837	23,249
Investments, at fair value		
U.S. government securities	-	36,477,002
Corporate bonds and notes	87,807	40,710,385
Absolute return investments	-	95,310,343
Corporate stocks	93,199,769	95,722,540
Bank collective investment funds	266,196,098	186,724,608
Commingled funds		
Fixed income	128,051,475	87,268,787
Corporate stocks	208,456,625	77,373,002
Private real estate	72,038,810	73,437,789
Private equity investments	94,726,154	76,494,426
Master limited partnership	-	18,443,282
Total investments, at fair value	862,756,738	787,962,164
Capital assets		
Capital assets not being depreciated	521,174	958,774
Capital assets being depreciated	2,605,506	2,401,922
Less accumulated depreciation	(448,261)	(206,491)
Total capitals assets	2,678,419	3,154,205
Total assets	879,694,980	812,915,732
Liabilities		
Due to brokers for securities purchased	1,164,852	5,338,049
Accrued expenses	534,623	949,995
Unearned revenue-commission credits	6,109	3,697
Total liabilities	1,705,584	6,291,741
Net position - restricted for pensions	\$ 877,989,396	\$ 806,623,991

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>	2020	2019
Additions		
Contributions:		
Employer	\$ 25,296,642	\$ 26,424,696
Plan members	16,114,139	15,746,549
Total contributions	41,410,781	42,171,245
Investment (loss) income:		
Net appreciation in fair value of investments	99,563,115	7,981,580
Interest	4,109,088	4,169,630
Dividends	2,356,890	3,552,203
Securities lending income	11,184	37,424
Investment advisor fees	(3,589,807)	(2,987,728)
Gain on disposition of assets	19,939	-
Miscellaneous income(expense)	117	66,738
Net investment income	102,470,526	12,819,847
Total additions	143,881,307	54,991,092
Deletions		
Benefits paid to plan members	66,555,726	62,251,632
Refunds	3,737,266	4,215,138
Prepaid COLA payments	84,000	105,000
Administrative expenses	2,138,910	1,761,619
Total deletions	72,515,902	68,333,389
Net (decrease) increase in fiduciary net position	71,365,405	(13,342,297)
Net position restricted for pensions, beginning of year	806,623,991	819,966,288
Net position restricted for pensions, end of year	\$ 877,989,396	\$ 806,623,991

IV. Actuarial Statements

The Trust has employed the actuary firm of Buck Global, LLC (Buck) to review the Trust's funding and liability. The actuary uses mathematical and statistical formulas in order to substantiate their opinion as to the funding status of the City of El Paso Employees Retirement Trust. The last biennial actuarial valuation was performed for the two fiscal years ending August 31, 2020. The results of this valuation are included as part of this annual report.



February 26, 2021

Mr. Robert B. Ash

Pension Administrator

City of El Paso Employees' Retirement Trust 1039 Chelsea St.

El Paso, TX 79903

Dear Robert,

This report summarizes the results of the September 1, 2020 actuarial valuation of the City of El Paso Employees Retirement Trust (Plan).

The primary purposes of the valuation are to (i) determine the adequacy of the current contribution rate of the City, (ii) describe the current financial condition of the Plan, and (iii) analyze changes in the Plan's condition since the last valuation.

Valuations are prepared biennially, as of September 1 of even years. September 1 is the first day of the Plan's plan year. Interim valuations are prepared as of September 1 of odd years based on updated assets and a roll-forward of liabilities from the previous valuation.

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

The actuarial valuation reflects the benefit and contribution provisions set forth in the Plan's statutes. A summary of the benefit provisions used in the valuation is presented in Schedule B. There were no

changes in benefit provisions since the previous valuation.

The actuarial assumptions and methods used in the valuation are presented in Schedule C. In my opinion, the actuarial assumptions are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent my best estimate of the anticipated long-term experience under the Plan. The assumptions and methods used in the valuation were adopted by the Board based on (i) the experience study for the period September 1, 2014 to August 31, 2018, and (ii) the funding policy that was formalized in 2019.

Member data for active, retired, and inactive members was supplied as of July 1, 2020 by the City. The City is solely responsible for the accuracy and comprehensiveness of the data. We did not verify the data submitted but did perform tests for consistency and reasonableness. Asset information was supplied by the City on October 26, 2020.

Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67) was effective for the Plan beginning with fiscal year ending August 31, 2014. We have prepared the member data tables shown in Schedule A of this report for the Statistical Section of the CAFR, as well as the summary of actuarial assumptions shown in Schedule C of this report. Please see our separate GASB 67 reports for other information needed for the CAFR.

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

Actuarial Standard of Practice No. 51 (“ASOP 51”) applies to funding calculations such as those presented in this report and requires certain disclosures of potential risks. Schedule D presents an assessment of the key risks applicable to this plan, as well as historical information and plan maturity measures.

Actuarial Standard of Practice No. 56 (“ASOP 56”) provides guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. Buck uses third-party software in the performance of annual actuarial valuations and projections. The model is intended to calculate the liabilities associated with the provisions of the plan using data and assumptions as of the measurement date under the funding rules specified in this report. The output from the third-party vendor software is used as input to an internally developed model that applies applicable funding rules to the liabilities derived and other inputs, such as plan assets and contributions, to generate the exhibits found in this report. Buck has an extensive review process whereby the results of the liability calculations are checked using detailed sample output, changes from year to year are summarized by source, and significant deviations from expectations are investigated. Other funding outputs and the internal model are similarly reviewed in detail and at a high level for accuracy, reasonability and consistency with prior results. Buck also reviews the third-party model when significant changes are made to the software. The review is performed by experts within the company who are familiar with applicable funding rules as well as the manner in which the model generates its output. If significant changes are made to the internal model, extra checking and review are completed. Significant changes to the internal model that are applicable to multiple clients are generally developed, checked and

reviewed by multiple experts within the company who are familiar with the details of the required changes.

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

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

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

Buck Global, LLC (Buck)

A handwritten signature in cursive script, appearing to read 'DK', is positioned above the printed name.

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

Valuation Date:	September 1, 2020	September 1, 2018
Membership¹		
Active	4,304	4,345
Terminated with deferred benefits ²	162	181
Retired paid from Plan ³	3,476	3,174
Compensation		
Total	\$167,790,367	\$167,225,529
Average	\$38,985	\$38,487
Assets		
Market value	\$877,989,396	\$820,416,288
Actuarial value (AVA)	\$867,570,209	\$822,926,030
Valuation Results		
Actuarial Accrued Liability (AAL)	\$1,085,022,171	\$1,024,379,167
Actuarial Value of Assets (AVA)	\$867,570,209	\$822,926,030
Funded ratio (AVA/AAL)	79.3%	80.3%
Unfunded Actuarial Accrued Liability (UAAL)	\$217,986,352	\$201,453,137
UAAL funding period	17 years	14 years
Actuarially Determined Contribution (ADC)⁴		
Normal cost rate (net of member contributions)	2.99%	2.99%
UAAL amortization rate	<u>8.53%</u>	<u>6.87%</u>
Total rate	11.52%	9.86%
Excess of City's Fixed Contribution Rate Over ADC	2.53%	4.19%

¹ Census data as of July 1 preceding the valuation date.

² Excludes terminated members entitled to refunds of contributions paid after July 1.

³ Excludes retirees for whom annuities were purchased from Prudential, but whose cost of living increases are paid by the Plan.

⁴ Reflects 30-year single period amortization of UAAL for 9/1/2018; 25-year layered amortization of UAAL for 9/1/2020.

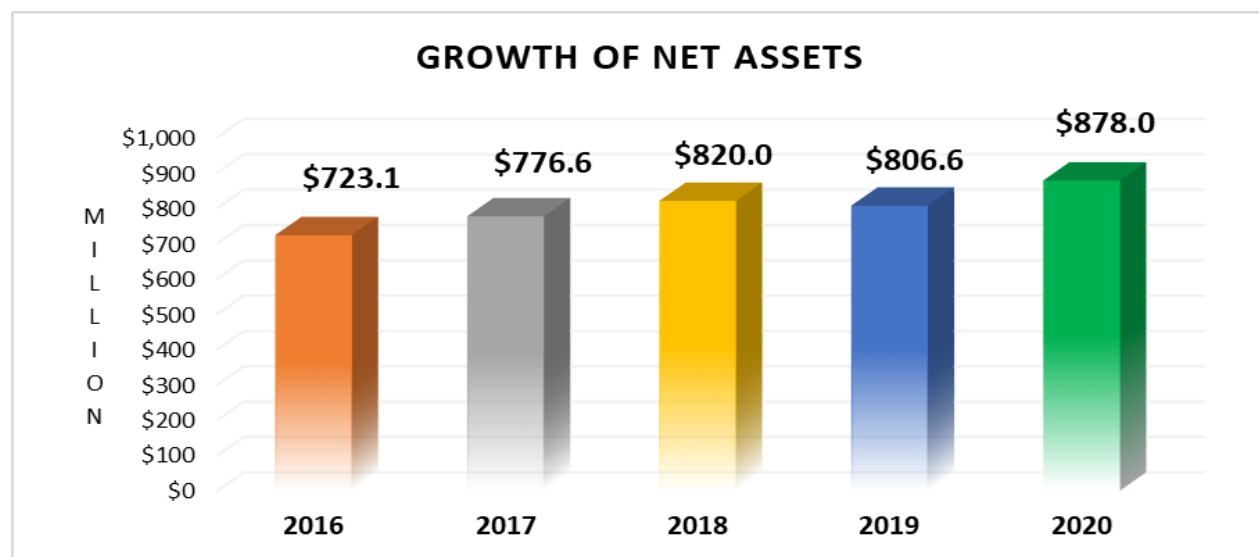
V. Rates of Investment Return and Expenses

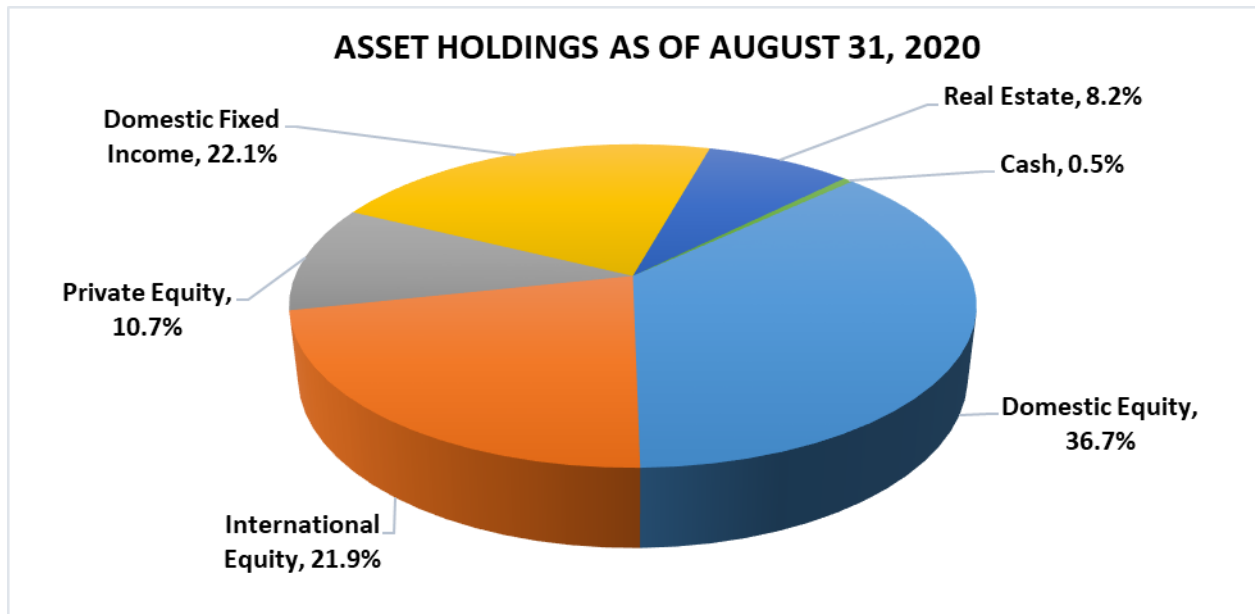
The rate of return on the investments made by the Trust during the last fiscal year was 12.08%. The net total investment expense on total assets was \$ 3,589,807 during the last fiscal year. Administrative expenses for the last fiscal year were \$2,138,910.

The total of administrative expenses and total investment expenses as a percentage of the fair value of assets of the system on the last day of the past five fiscal years is as follows:

2016	Investment Expense	0.70%	Administrative Expense	0.19%
2017	Investment Expense	0.74%	Administrative Expense	0.17%
2018	Investment Expense	0.80%	Administrative Expense	0.25%
2019	Investment Expense	0.37%	Administrative Expense	0.22%
2020	Investment Expense	0.41%	Administrative Expense	0.24%

The growth of retirement trust net assets over the last five fiscal years, and the Trust's asset allocation are depicted by the following charts.





VI. Additional Publications

Copies of the Summary Plan Description are available in the Retirement Trust Administration Office located at 1039 Chelsea St, El Paso, Texas 79903. In addition, the complete auditors and actuary reports are maintained at the Trust's office. If you should desire to review any of these documents, please call to schedule an appointment, or log on to the Trust's website at WWW.EPPENSION.ORG where these documents are posted.