November 29, 2021

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

Re: September 1, 2021 Roll-Forward Valuation Results

Dear Robert,

This report provides the results of the September 1, 2021 roll-forward valuation of the City of El Paso Employees Retirement Trust (Plan). It is based on a roll-forward of the September 1, 2020 valuation liabilities (assuming no liability gains or losses during the year) and the August 31, 2021 unaudited asset statement that was provided to us by the City on October 21, 2021. Attached are exhibits that provide the key valuation results (the September 1, 2020 valuation results are shown for comparison purposes).

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.

This roll-forward valuation is based on the participant data, plan provisions, and actuarial assumptions and methods described in the September 1, 2020 actuarial valuation report dated February 26, 2021.

Use of a roll-forward valuation including no change in actuarial assumptions was deemed reasonable based on professional judgement in combination with the review of current conditions and future expectations of economic and demographic experience.

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

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

Under ASOP 51, the actuary is required to identify, but not necessarily quantify, risks that, in his/her professional judgment, may reasonably be anticipated to significantly affect the Plan's future financial condition.

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

The more significant risk factors affecting the future funded status and contribution rates of the Plan are described below[1]:

1. Investment Risk - The potential that future investment returns will be different than the current assumption of 7.25%. Plan costs are very sensitive to the market return. If market returns are lower than the assumed rate of return on assets, future costs will increase.

2. Contribution Risk - Under the El Paso City Municipal Code, the City contributes 14.05% of pay each year and active members contribute 8.95% of pay each year. The Actuarially Determined Contribution (ADC) for the plan year beginning September 1, 2021 is 10.30% of pay (excluding active member contributions). The ADC is currently less than the fixed City contribution rate of 14.05%. This should be monitored closely to ensure the contributions to the Plan do not fall below the ADC. If this were to happen, the liabilities of the Plan would grow faster than Plan assets, which would cause the unfunded liability and ADC to increase over time.

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

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

5. Other Risks - Payroll does not grow as expected, thereby increasing future Actuarially Determined Contribution rates.

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 and policies to the liabilities derived and other inputs, such as plan assets and contributions, to generate many of the

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[1] Please see Schedule D of the September 1, 2020 actuarial valuation report for additional details regarding ASOP 51.

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 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.

This report was prepared under our supervision and in accordance with all applicable Actuarial Standards of Practice. We are Fellows of the Society of Actuaries, Enrolled Actuaries, Members of the American Academy of Actuaries and Fellows of the Conference of Consulting Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

We are available to discuss this report with you at your convenience. David can be reached at (602) 803-6174 and Beth can be reached at (208) 724-5297.

Sincerely,

Buck Global, LLC (Buck)

Elizabeth A. Wiley

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

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Section 1 – Summary of Valuation Results

	September 1, 2021	September 1, 2020
Membership[1]		
Active		4,304
Terminated with deferred benefits[2]		162
Retired paid from Plan[3]		3,476
Compensation		
Total (excluding 4% overtime load)	$171,985,126	$ 167,790,367
Average	$39,959	$ 38,985
Assets		
Market value	$ 1,028,462,335	$ 877,989,396
Actuarial value	$ 923,281,180	$ 867,570,209
Valuation Results		
Actuarial Accrued Liability (AAL)	$ 1,108,078,648	$ 1,085,022,171
Actuarial Value of Assets (AVA)	$ 923,281,180	$ 867,570,209
Funded Ratio (AVA/AAL)	83.3%	80.0%
Unfunded Actuarial Accrued Liability (UAAL)	$ 184,797,468	$ 217,451,962
UAAL Funding Period	13 years	16 years
25-year Funding Cost for the City	10.30%	11.52%

[1] Census data as of July 1 preceding valuation date. Census data was not collected for the September 1, 2021 roll-forward valuation.
[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.

Section 2 – Summary of Asset Information

Reconciliation of Plan Assets

		Period Ending	
		August 31, 2021	August 31, 2020
1.	Market value of assets at beginning of period	$ 877,989,396	$ 802,755,755
2.	Contributions		
	a. City	$ 25,416,971	$ 26,687,855
	b. Member	14,905,816	14,722,926
	c. Total	$ 40,322,787	$ 41,410,781
3.	Benefit payments and refunds	(75,230,941)	(70,376,992)
4.	Investment earnings (net of investment expenses)	190,067,092	106,338,762
5.	Administrative expenses	(4,685,999)	(2,138,910)
6.	Market value of assets at end of period	$ 1,028,462,335	$ 877,989,396

Section 2 – Summary of Asset Information (continued)

Determination of Investment Earnings to be Deferred

		Period Ending	
		August 31, 2021	August 31, 2020
1.	Market value at beginning of period	$ 877,989,396	$ 802,755,755
2.	Cash flows		
	a. City contributions	$ 25,416,971	$ 26,687,855
	b. Member contributions	14,905,816	14,722,926
	c. Benefit payments	(71,426,654)	(66,639,726)
	d. Refunds	(3,804,287)	(3,737,266)
	e. Total	$ (34,908,154)	$ (28,966,211)
3.	Weighted cash flows (2e x 50%)	$ (17,454,077)	$ (14,483,106)
4.	Assets available (1 + 3)	$ 860,535,319	$ 788,272,649
5.	Assumed investment return rate	7.25%	7.50%
6.	Expected net return (4 x 5)	$ 62,388,811	$ 59,120,449
7.	Actual net return		
	a. Total investment return	$ 190,067,092	$ 106,338,762
	b. Administrative expenses	(4,685,999)	(2,138,910)
	c. Net return	$ 185,381,093	$ 104,199,852
8.	Gain/(loss) subject to deferral (7c - 6)	$ 122,992,282	$ 45,079,403

Section 2 – Summary of Asset Information (continued)

Calculation of Actuarial Value of Assets

1. Market value of assets as of August 31, 2021 — $ 1,028,462,335
2. Deferral amounts

Year	Total Gain/(Loss)	Percent Deferred	Deferral Amount
2020-2021	$ 122,992,282	80%	$ 98,393,826
2019-2020	45,079,403	60%	27,047,642
2018-2019	(53,796,523)	40%	(21,518,609)
2017-2018	6,291,481	20%	1,258,296
Total			$ 105,181,155

3. Actuarial value of assets as of September 1, 2021 (1 – 2) — $ 923,281,180

Section 3 – Schedule of UAAL Layered Amortizations

	Amortization Period		Balances		
	Date	Years			End-of-
Layer	Created	Remaining	Initial	Outstanding	Year Payment
Initial[1]	9/1/2019	23	$ 217,986,352	$ 221,001,572	$ 15,497,553
Change in Assumptions	9/1/2020	24	20,343	20,456	1,401
FY20 Experience[2]	9/1/2020	24	(2,683,153)	(2,698,011)	(184,736)
FY21 Experience[3]	9/1/2021	25	(33,526,549)	(33,526,549)	(2,245,027)
Total				$ 184,797,468	$ 13,069,191

[1] Based on the September 1, 2019 roll-forward valuation (includes the FY19 asset loss).
[2] Combination of liability experience, FY20 asset experience, and contributions greater than expected.
[3] Combination of FY21 asset experience and contributions greater than expected.