



Annual Financial Report 2021

CITY of EL PASO
EMPLOYEES RETIREMENT TRUST



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:

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

Isaura Valdez
911 N. Raynor St.
El Paso, Texas 79903

Appointed members:

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

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

Matt Kerr – Chairman
5061 Meadowlark
El Paso, Texas 79922

Jerry Romero
6400 Belton Road
El Paso, Texas 79912

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
Benefits Supervisor

Alma R. Duenas
Benefits Manager

Esmeralda Aguirre
Benefits Technician

Pauline Castillo
Benefits Technician

Emilia H. Avila
Retiree Benefits 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, 2020 through August 31, 2021.

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 46-51 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 is 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 18, 2022

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>	2021	2020
Assets		
Cash and cash equivalents	\$ 5,237,145	\$ 10,646,860
Receivables		
Commission credits receivable	7,883	6,109
Due from brokers for securities sold	9,324	1,876,024
Employer contributions	1,125,176	938,962
Plan member contributions	716,349	598,024
Accrued interest and dividends	99,380	170,007
Total receivables	1,958,112	3,589,126
Prepaid insurance	24,021	23,837
Investments, at fair value		
Corporate bonds and notes	-	87,807
Corporate stocks	57,204,722	93,199,769
Bank collective investment funds	386,639,407	266,196,098
Commingled funds		
Fixed income	168,209,104	128,051,475
Corporate stocks	211,646,625	208,456,625
Private real estate	86,581,226	72,038,810
Private equity investments	120,711,148	94,726,154
Total investments, at fair value	1,030,992,346	862,756,738
Capital assets		
Capital assets not being depreciated	571,674	521,174
Capital assets being depreciated	2,623,506	2,605,506
Less accumulated depreciation	(678,649)	(448,261)
Total capitals assets	2,516,531	2,678,419
Total assets	1,040,728,155	879,694,980
Liabilities		
Due to brokers for securities purchased	-	1,164,852
Accrued expenses	2,036,126	534,623
Unearned revenue-commission credits	7,883	6,109
Total liabilities	2,044,009	1,705,584
Net position - restricted for pensions	\$ 1,038,684,146	\$ 877,989,396

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>	2021	2020
Additions		
Contributions:		
Employer	\$ 25,603,188	\$ 25,296,642
Plan members	15,099,360	16,114,139
Total contributions	40,702,548	41,410,781
Investment (loss) income:		
Net appreciation in fair value of investments	201,182,318	99,563,115
Interest	1,049,280	4,109,088
Dividends	2,548,310	2,356,890
Securities lending income	24,567	11,184
Investment advisor fees	(2,753,808)	(3,589,807)
Gain on disposition of assets	-	19,939
Miscellaneous income(expense)	-	117
Net investment income	202,050,667	102,470,526
Total additions	242,753,215	143,881,307
Deletions		
Benefits paid to plan members	75,728,963	66,555,726
Refunds	3,804,288	3,737,266
Prepaid COLA payments	84,000	84,000
Administrative expenses	2,441,214	2,138,910
Total deletions	82,058,465	72,515,902
Net (decrease) increase in fiduciary net position	160,694,750	71,365,405
Net position restricted for pensions, beginning of year	877,989,396	806,623,991
Net position restricted for pensions, end of year	\$ 1,038,684,146	\$ 877,989,396

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. An interim valuation was performed as of September 1, 2021 using the Fund's unaudited financial data as of August 31, 2021. The results of this interim valuation are included as part of this annual report.



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 below¹:

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.

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

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 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)



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



Elizabeth Wiley, FSA, EA, MAAA, FCA
Senior Consultant

Valuation Date:	September 1, 2021	September 1, 2020
Membership¹		
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 (AVA)	\$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.

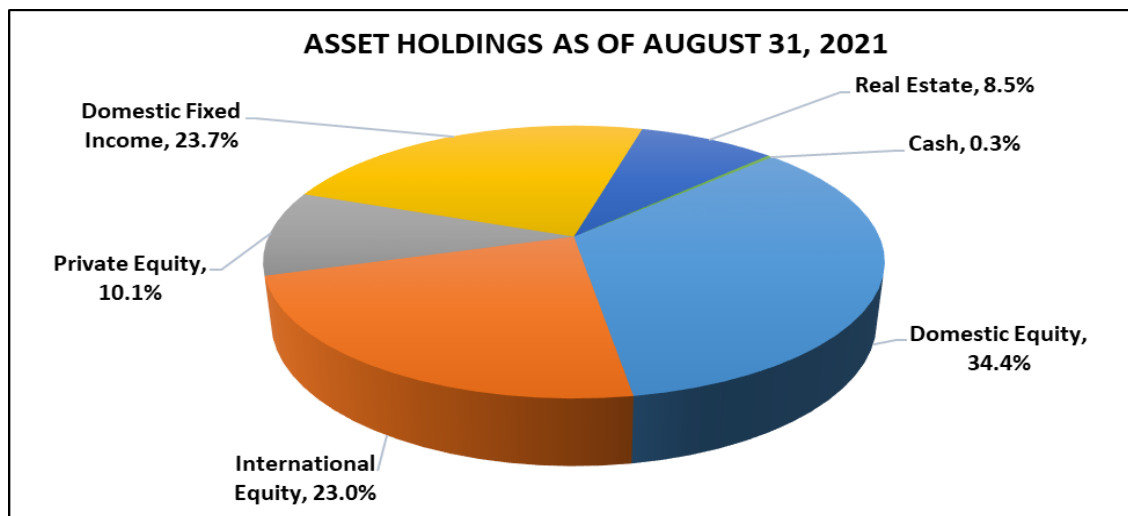
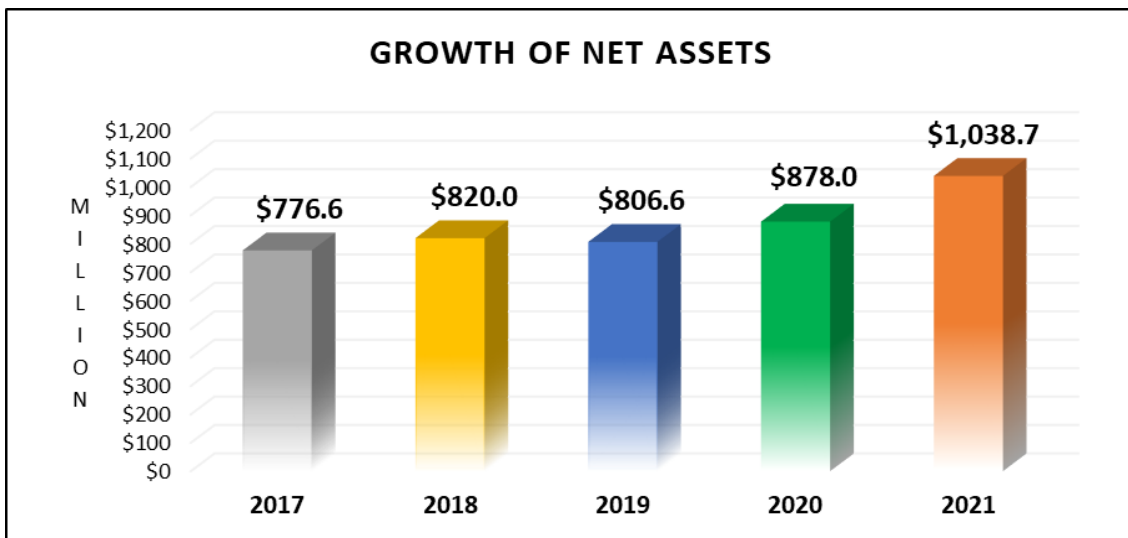
V. Rates of Investment Return and Expenses

The rate of return on the investments made by the Trust during the last fiscal year was 19.72%. The net total investment expense on total assets was \$2,753,808 during the last fiscal year. Administrative expenses for the last fiscal year were \$2,441,214.

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:

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%
2021	Investment Expense	0.27%	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. Fees and Commissions

ASSET CLASS	MANAGEMENT FEES PAID FROM TRUST	MANAGEMENT FEES NETTED FROM RETURNS	TOTAL INVESTMENT MANAGEMENT FEES (Management Fees Netted from Returns + Management Fees Paid From Trust)	BROKERAGE FEES/COMMISSIONS	PROFIT SHARE/CARRIED INTEREST	TOTAL DIRECT AND INDIRECT FEES AND COMMISSIONS (Management Fees + Brokerage Fees/Commissions + Profit Share)
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Equity	\$ 1,633,083.19	\$ 848,814.92	\$ 2,481,898.11	\$ 53,169	\$ -	\$ 2,535,067
Fixed Income	\$ 208,602.69	\$ -	\$ 208,602.69	\$ -	\$ -	\$ 208,603
Real Assets	\$ 228,642.92	\$ 389,490.00	\$ 618,132.92	\$ -	\$ -	\$ 618,133
Alternative/Other	\$ 845,925.73	\$ -	\$ 845,925.73	\$ -	\$ 554,822	\$ 1,400,748
TOTAL	\$ 2,916,255	\$ 1,238,305	\$ 4,154,559	\$ 53,169	\$ 554,822	\$ 4,762,550

Alternative/Other

List of Alternative/Other Investments*
<i>Private Equity</i>

Investment Managers

List of Investment Manager Names*
<i>Alliance Bernstein</i>
<i>AQR</i>
<i>BlackRock</i>
<i>Franklin Templeton</i>
<i>Heitman</i>
<i>Lazard</i>
<i>Mellon Capital</i>
<i>Portfolio Advisors</i>
<i>Riverbridge</i>
<i>UBS</i>
<i>Vulcan Value Partners</i>
<i>Wedge Capital Management</i>
<i>Wellington</i>

Total Investment Expenses

Total Direct and Indirect Fees and Commissions	\$ 4,762,550
Investment Services	
Custodial	\$ 174,855.06
Research	\$ -
Investment Consulting	\$ 298,286.56
Legal	\$ -
Total	\$ 473,141.62
	\$ 5,235,692
Total Investment Expenses (Total Direct and Indirect Fees and Commissions + Investment Services)	

VII. 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.

