



**CITY *of* EL PASO**  
EMPLOYEES RETIREMENT TRUST

**ANNUAL FINANCIAL REPORT  
2019**

## **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  
7968 San Paulo  
El Paso, Texas 79907

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

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 Sam Morgan  
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 - Chairman  
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, 2018 through August 31, 2019.

#### **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, 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)**  
**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>

**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>

**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, 2018. An interim valuation was performed as of September 1, 2019 using the Fund's unaudited financial data as of August 31, 2019. The results of this interim valuation are included as part of this annual report.





November 12, 2019

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

**Re: September 1, 2019 Roll-Forward Valuation Results**

Dear Robert,

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

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

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

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

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

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

condition.

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

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

1. Investment Risk - The potential that future investment returns will be different than the current assumption of 7.5%. Plan costs are very sensitive to the market return. If market returns are lower than the assumed rate of return on assets, future costs will increase.
2. Contribution Risk - Under the El Paso City Municipal Code, the City contributes 14.05% of pay each year and active members contribute 8.95% of pay each year. The Actuarially Determined Contribution (ADC) for the plan year beginning September 1, 2019 is 10.20% of pay (excluding active member contributions)<sup>1</sup>. The ADC is currently less than the fixed City contribution rate of 14.05%. This should be monitored closely to ensure the contributions to the Plan do not fall below the ADC. If this were to happen, the liabilities of the Plan would grow faster than the assets, which would cause the unfunded liability and ADC to increase over time.
3. Longevity Risk - The potential that mortality rates of plan participants will be different than assumed. The mortality assumption includes an assumption for future mortality improvement. If participants live longer than the life expectancies predicted by the baseline mortality table and mortality improvement scale, benefits will be paid over a longer period of time than expected, which will lead to increases in liabilities and costs.
4. Other Demographic Risk - The potential that demographic experience patterns (especially retirement and turnover) will be different than assumed. If participants retire earlier than expected based on the retirement assumption, or lower turnover leads to more participants receiving benefits than expected, future liabilities and costs will increase.

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

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

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

Buck Global, LLC (Buck)



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

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

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

<sup>2</sup> Census data as of July 1 preceding valuation date.

<sup>3</sup> Excludes terminated members entitled to refunds of contributions paid after July 1.

<sup>4</sup> Excludes retirees for whom annuities were purchased from Prudential, but whose cost-of-living increases are paid by the Plan.

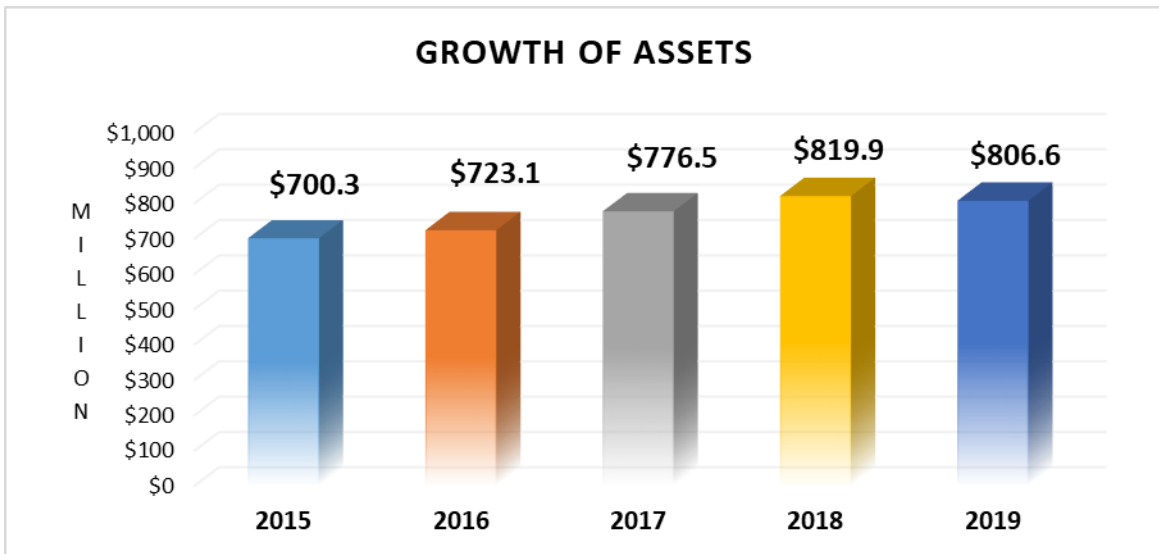
## V. Rates of Investment Return and Expenses

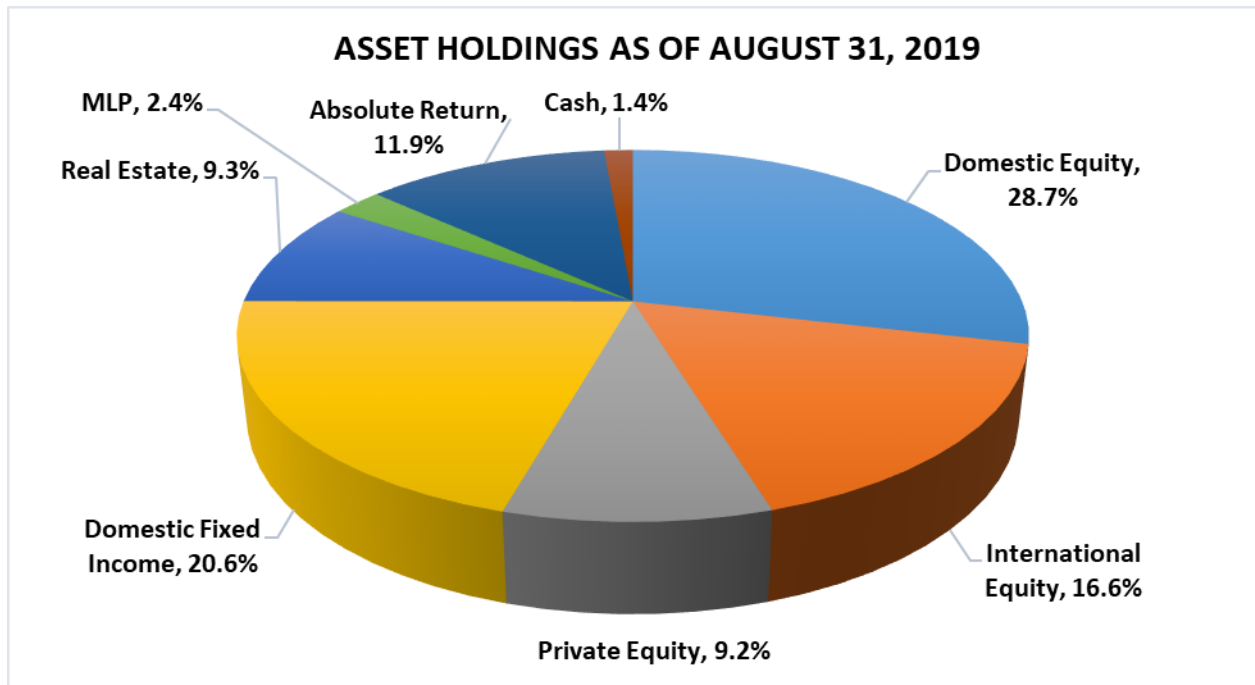
The rate of return on the investments made by the Trust during the last fiscal year was 1.95%. The net total investment expense on total assets was \$ 2,987,728 during the last fiscal year. Administrative expenses for the last fiscal year were \$1,761,619.

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:

2015	Investment Expense	0.51%	Administrative Expense	0.19%
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%

The growth of retirement trust 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](http://WWW.EPPENSION.ORG) where these documents are posted.