City of El Paso Employees Retirement Trust

Interim Actuarial Valuation Report
As of September 1, 2025

December 2025

Gallagher

Insurance | Risk Management | Consulting

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December 19, 2025

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

Dear Robert,

This report provides the results of the September 1, 2025 interim valuation of the City of El Paso Employees Retirement Trust (Plan). It is based on (i) a roll-forward of the September 1, 2024 valuation liabilities and (ii) the August 31, 2025 unaudited asset statement that was provided to us by the City on October 13, 2025. Attached are exhibits that provide the key valuation results (the September 1, 2024 valuation results are shown for comparison purposes).

The primary purposes of the interim 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.

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, Gallagher recommends requesting it to perform an advance review of any statement, document, or filing based on information contained in this report. Gallagher will accept no liability for any such statement, document or filing made without prior review by Gallagher.

This interim valuation is based on the member data, plan provisions, and actuarial assumptions and methods used in the September 1, 2024 valuation, except as noted in Schedules A and B.

The calculation of the Actuarially Determined Contribution shown in this report is reasonable as defined in Actuarial Standard of Practice No. 4 (ASOP 4). When determining the smoothing period for the actuarial value of assets and the amortization period for the unfunded actuarial accrued liability, the following items were considered: (i) the balance among benefit security, intergenerational equity, and stability of actuarially determined contributions, (ii) the timing and duration of expected benefit payments, and (iii) the nature and frequency of plan amendments.

Absent future gains/losses, actuarially determined contributions are expected to remain relatively level as a percent of pay and the funded status of the trust is expected to increase to 100%. Once 100% funded status is achieved, the actuarially determined contributions are expected to remain relatively level as a percent of pay at the normal cost rate. The current funding policy is expected to remain fixed at 23% of pay (City – 14.05%; Member – 8.95%) and the funded status is expected to increase to 100%.

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 C 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. Gallagher 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. Gallagher 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. Gallagher 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.

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Actuarial Standard of Practice No. 27 (ASOP 27) requires the actuary to disclose the information and analysis used to support the actuary's determination that the assumptions selected by the plan sponsor do not significantly conflict with what, in the actuary's professional judgment, are reasonable for the purpose of the measurement. In the case of the plan sponsor's selection of expected return on assets ("EROA"), the signing actuaries have used economic information and tools provided by Gallagher's Investments practice. A spreadsheet tool created by this practice converts averages, standard deviations, and correlations from Gallagher's Capital Markets Assumptions ("CMA") that are used for stochastic forecasting into approximate percentile ranges for the arithmetic and geometric average returns. It is intended to suggest possible reasonable ranges for EROA without attempting to predict or select a specific best estimate rate of return. It takes into account the duration (horizon) of investment and the target allocation of assets in the portfolio to various asset classes. Based on the actuary's analysis, including consistency with other assumptions used in the valuation and the percentiles generated by the spreadsheet described above, and review of actuarial gain/loss analysis, the actuary believes the assumptions do not conflict with what, in the actuary's professional judgment, are reasonable for the purpose of the measurement.

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 the supervision of David Kershner and Elizabeth Hoalt. David and Elizabeth are both 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.

Respectfully submitted,

Gallagher Benefit Services, Inc. (Gallagher)

David J. Kershner, FSA, EA, MAAA, FCA	Elizabeth A. Wiley Hoalt, FSA, EA, MAAA, FCA
Principal	Director

Contents

Section 1 – Summary of Results

	September 1, 2025	September 1, 2024
Membership[1]		
Active		4,634
Terminated with deferred benefits[2]		185
Retired paid from Plan[3]		3,782
Compensation		
Total	$ 238,321,016[4]	$ 232,508,308
Average		$ 50,174
Assets		
Market value	$ 1,056,679,256	$ 995,722,888
Actuarial value	$ 1,058,293,157	$ 1,010,441,422
Valuation Results		
Actuarial Accrued Liability (AAL)	$ 1,359,400,776	$ 1,323,952,188
Actuarial Value of Assets (AVA)	$ 1,058,293,157	$ 1,010,441,422
Funded ratio (AVA/AAL)	77.8%	76.3%
Unfunded Actuarial Accrued Liability (UAAL)	$ 301,107,619	$ 313,510,766
UAAL funding period	15 years	16 years
City's Actuarially Determined Contribution (ADC)		
Normal cost rate (net of member contributions)	2.60%	2.60%
UAAL amortization rate[5]	9.32%	9.52%
Total rate	11.92%	12.12%
Excess of City's Fixed Contribution Rate Over ADC	2.13%	1.93%

[1] Census data was not collected for the September 1, 2025 interim 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.

[4] Estimate based on total compensation as of September 1, 2024.

[5] The amortization rate as of September 1, 2024 assumed end-of-year payment. The amortization rate as of September 1, 2025 assumes beginning-of-year payment and reflects a half-year interest adjustment to better reflect the expected timing of City contributions.

Section 2 – Comments on the Valuation

Overview

Due to a combination of FY25 asset performance and contributions in excess of the Actuarially Determined Contribution (ADC) rate, the following are the changes in key metrics from September 1, 2024 to September 1, 2025:

- Funded Status based on Actuarial Value of Assets: Increased from 76.3% to 77.8%
- Unfunded Actuarial Accrued Liability (UAAL): Decreased from $313.5M to $301.1M
- Years to Fund the UAAL: Decreased from 16 years to 15 years
- Excess of City's fixed contribution over ADC: Increased from 1.93% to 2.13%

Section 4 shows in more detail the changes to the UAAL.

Benefit Provisions

Schedule A summarizes the benefit provisions of the Plan. The provisions were changed effective September 1, 2011 so that members of the Plan prior to September 1, 2011 are eligible for the First Tier Plan, and members of the Plan on or after September 1, 2011 are eligible for the Second Tier Plan. There are no significant benefits which were not taken into account in this valuation. There were no changes to the benefit provisions since the previous valuation.

Actuarial Assumptions and Methods

Schedule B describes the assumptions and methods used in the valuation. These assumptions and methods were adopted by the Board based on the experience study for the period September 1, 2018 to August 31, 2022 and the funding policy that was formalized in 2019. The new assumptions were implemented effective with the September 1, 2023 interim valuation. There were no changes to the assumptions or methods since the previous valuation.

Financial Data

The financial data (unaudited) used in this report was provided by the City on October 13, 2025.

Section 3 shows a reconciliation of the Plan's assets between August 31, 2023 through August 31, 2024, and from August 31, 2024 through August 31, 2025, and shows the development of the Actuarial Value of Assets (AVA). To minimize volatility in contribution rates, we use an adjusted market value (AVA) which phases in market gains and losses over five years. The market returns for the two years since the last valuation were 13.1% and 8.7% for fiscal years 2024 and 2025, respectively. The actuarial returns were 7.4% and 7.2% for fiscal years 2024 and 2025, respectively.

Section 3 – Summary of Asset Information

Reconciliation of Plan Assets

		Period Ending	
		August 31, 2025	August 31, 2024
1.	Market value of assets at beginning of period	$ 995,722,888	$ 907,700,487
2.	Contributions		
	a. City	$ 38,532,579	$ 36,725,294
	b. Member	24,647,340	19,221,450
	c. Total	$ 63,179,919	$ 55,946,744
3.	Benefit payments and refunds	(87,321,304)	(83,777,939)
4.	Investment earnings (net of investment expenses)	87,243,039	120,071,544
5.	Administrative expenses	(2,145,286)	(2,783,773)
6.	Other	0	(1,434,175)[1]
7.	Market value of assets at end of period	$ 1,056,679,256	$ 995,722,888

[1]Legal settlement paid to the City regarding benefits owed to an individual who could not be located.

Section 3 – Summary of Asset Information (continued)

Determination of Investment Earnings Gain/(Loss) to be Deferred

		Period Ending	
		August 31, 2025	August 31, 2024
1.	Market value at beginning of period	$ 995,722,888	$ 907,700,487
2.	Cash flows		
	a. City contributions	$ 38,532,579	$ 36,725,294
	b. Member contributions	24,647,340	19,221,450
	c. Benefit payments	(83,036,129)	(80,000,333)
	d. Refunds	(4,285,175)	(3,777,606)
	e. Total	$ (24,141,385)	$ (27,831,195)
3.	Weighted cash flows (2e x 50%)	$ (12,070,693)	$ (13,915,598)
4.	Assets available (1 + 3)	$ 983,652,195	$ 893,784,889
5.	Assumed investment return rate	7.25%	7.25%
6.	Expected net return (4 x 5)	$ 71,314,784	$ 64,799,404
7.	Actual net return		
	a. Total investment return	$ 87,243,039	$ 120,071,544
	b. Administrative expenses	(2,145,286)	(2,783,773)
	c. Net return	$ 85,097,753	$ 117,287,771
8.	Gain/(loss) subject to deferral (7c - 6)	$ 13,782,969	$ 52,488,367

Section 3 – Summary of Asset Information (continued)

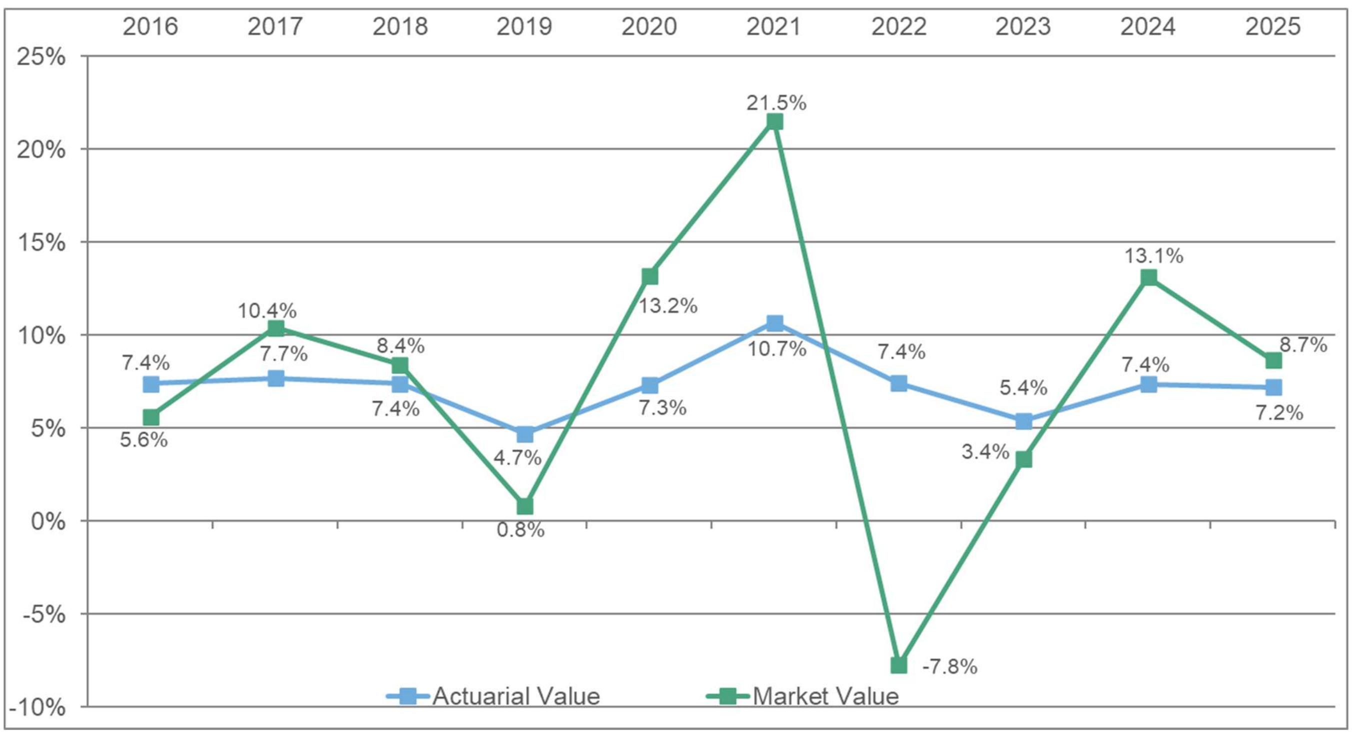
Calculation of Actuarial Value of Assets

1. Market value of assets as of August 31, 2025 $ 1,056,679,256
2. Deferral amounts

Year	Total Gain/(Loss)	Percent Deferred	Deferral Amount
2024-2025	$ 13,782,969	80%	$ 11,026,375
2023-2024	52,488,367	60%	31,493,020
2022-2023	(34,794,540)	40%	(13,917,816)
2021-2022	(151,077,400)	20%	(30,215,480)
Total			$ (1,613,901)

3. Actuarial value of assets as of September 1, 2025 (1 – 2) $ 1,058,293,157

Historical Asset Rates of Return



Section 4 – Schedule of UAAL Layered Amortizations

Analysis of Change in UAAL

1.	UAAL as of September 1, 2024	$	313,510,766
2.	Changes due to:		
	a. Expected increase/(decrease)		(279,800)
	b. Actual contributions greater than expected		(12,512,105)
	c. Other changes including liability experience		0
	d. Asset experience		388,758
	e. Assumption Changes		0
	f. 13th Check		0
	Total Changes	$	(12,403,147)
3.	UAAL as of September 1, 2025	$	301,107,619

Schedule of UAAL Layered Amortizations (Level Percent of Pay)

	Amortization Period		Balances		
Layer	Date Created	Years Remaining	Initial	Outstanding	Beginning-of-Year Payment
Initial[1]	9/1/2019	19	$ 217,986,352	$ 220,517,967	$ 16,922,521
Change in Assumptions	9/1/2020	20	20,343	20,569	1,529
FY20 Experience[2]	9/1/2020	20	(2,683,153)	(2,712,903)	(201,644)
FY21 Experience[3]	9/1/2021	21	(33,526,549)	(33,947,385)	(2,449,652)
FY22 Experience[4]	9/1/2022	22	38,929,517	39,396,167	2,765,753
FY23 Experience[5]	9/1/2023	23	3,276,148	3,307,561	226,337
Change in Assumptions	9/1/2023	23	24,374,715	24,608,430	1,683,961
FY24 Experience[6]	9/1/2024	24	61,698,914	62,040,560	4,145,377
FY25 Experience[7]	9/1/2025	25	(12,123,347)	(12,123,347)	(792,201)
Total				$ 301,107,619	$ 22,301,981

1 Based on the September 1, 2019 roll-forward valuation (includes the FY19 asset loss).
2 Combination of FY19/FY20 liability experience, FY20 asset experience, and contributions greater than expected.
3 Combination of FY21 asset experience and contributions greater than expected.
4 Combination of FY21/FY22 liability experience, FY22 asset experience, and contributions greater than expected.
5 Combination of FY23 asset experience and contributions greater than expected.
6 Combination of FY23/FY24 liability experience, FY24 asset experience, and contributions greater than expected.
7 Combination of FY25 asset experience and contributions greater than expected.

Schedule A - Summary of Benefit Provisions

First Tier Plan

Final Wages

The greatest of (i) average of Member's total earnings in the 36 months before retirement, (ii) average of Member's base pay for the year before retirement, or (iii) Member's base pay in the month preceding retirement.

Member

All classified civil service employees of the City of El Paso, except for members of the Policemen's or Firemen's Pension Fund. Permanent part-time employees and certain full-time employees not in the classified civil service are not required to participate but may elect to do so. Special rules apply to certain "grant-funded" employees. The First Tier Plan applies to employees who become plan participants prior to September 1, 2011.

Credited Service

Years and months of service while a Member. At retirement, a Member may convert unused sick leave to service under the plan. An unlimited amount of sick leave may be converted to benefit service. Alternatively, up to six months of sick leave may be applied to meet a benefit eligibility requirement, but if so used, such service cannot also be used in the calculation of the benefit amount.

Contribution Rates

Effective September 1, 2014, active members contribute 8.95% of his/her wages per year. The City contributes 14.05% of the member's wages per year.

Service Retirement Benefits

Normal Retirement Benefit

Eligibility

Age 55 with 10 years of Credited Service, age 60 with 7 years of Credited Service, or 30 years of Credited Service, if earlier.

Benefit

2.50% of Final Wages times years of Credited Service, subject to a minimum benefit of $75.

Early Retirement Benefit

Eligibility

Age 40 with 10 years of Credited Service, or age 45 with at least 7 years of Credited Service.

Benefit

2.50% of Final Wages times years of Credited Service, multiplied by the appropriate actuarial reduction factor.

Deferred Retirement Benefit

Eligibility

Age 40 with 10 years of Credited Service, or age 45 with at least 7 years of Credited Service.

Benefit

2.50% of Final Wages times years of Credited Service, payable at early retirement age reduced in accordance with the Early Retirement Benefit or unreduced at normal retirement age.

Schedule A - Summary of Benefit Provisions (continued)

Withdrawal (Refund) of Contributions

Eligibility

Immediate.

Benefit

Total employee contributions without interest. If the member has more than five years of service, contributions are paid with interest, credited annually at 5.5%. No other benefits are payable under the Plan once the contributions are withdrawn.

Survivor Benefits

Qualified Surviving Spouse or Child Benefit

Eligibility

Death of a Member due to a job-related accident or age 40 with ten years of service or age 45 with seven years of service.

Benefit

Amount payable if Member had retired immediately prior to death with a Joint and 100% option, subject to a $75 per month minimum benefit. If death is due to a job-related accident, there is a minimum $550 per month benefit and the benefit is computed as if the Member were age 70 with 30 years of service. Benefits payable to the surviving spouse continue for life or until remarriage. If Member was not eligible for Early Retirement or death was not due to a job-related accident, a refund of contributions is available to the beneficiary, as described above.

Disability Retirement Benefit

Eligibility

Disability as a result of a job-related cause or any injury not due to the Member's own fault if Member has seven years of service.

Benefit

2.50% of Final Wages times Credited Service, with a minimum benefit of $75 per month (or $250 per month if disability is job-related).

Normal Form of Retirement Benefit

Joint and 2/3 survivor annuity. Optional forms of benefit are life only, joint and 100% survivor, joint and 50% survivor, and modified cash refund.

Second Tier Plan

Final Wages

The average of Member's total earnings in the 36 months before retirement.

Member

All classified civil service employees of the City of El Paso, except for members of the Policemen's or Firemen's Pension Fund. Permanent part-time employees and certain full-time employees not in the classified civil service are not required to participate but may elect to do so. Special rules apply to certain "grant-funded" employees. The Second Tier Plan applies to employees who become plan participants after August 31, 2011.

Schedule A - Summary of Benefit Provisions (continued)

Credited Service

Years and months of service while a Member. At retirement, a Member may convert unused sick leave to service under the plan. An unlimited amount of sick leave may be converted to benefit service. Alternatively, up to six months of sick leave may be applied to meet a benefit eligibility requirement, but if so used, such service cannot also be used in the calculation of the benefit amount.

Contribution Rates

Effective September 1, 2014, active members contribute 8.95% of his/her wages per year. The City contributes 14.05% of the member's wages per year.

Service Retirement Benefits

Normal Retirement Benefit

Eligibility

Age 60 with 7 years of Credited Service, or 35 years of Credited Service, if earlier.

Benefit

2.25% of Final Wages times years of Credited Service, subject to a minimum benefit of $75, limited to 90% of the 3-year final average pay.

Early Retirement Benefit

Eligibility

Age 45 with 7 years of Credited Service.

Benefit

2.25% of Final Wages times years of Credited Service, multiplied by the appropriate actuarial reduction factor.

Deferred Retirement Benefit

Eligibility

Age 45 with 7 years of Credited Service.

Benefit

2.25% of Final Wages times years of Credited Service, payable at early retirement age reduced in accordance with the Early Retirement Benefit or unreduced at normal retirement age.

Withdrawal (Refund) of Contributions

Eligibility

Immediate.

Benefit

Total employee contributions without interest. If the member has more than seven years of service, contributions are paid with interest, credited annually at 3.0%. No other benefits are payable under the Plan once the contributions are withdrawn.

Schedule A - Summary of Benefit Provisions (continued)

Survivor Benefits

Qualified Surviving Spouse or Child Benefit

Eligibility

Death of a Member due to a job-related accident or age 45 with seven years of service.

Benefit

Amount payable if Member had retired immediately prior to death with a Joint and 100% option, subject to a $75 per month minimum benefit. If death is due to a job-related accident, there is a minimum $550 per month benefit and the benefit is computed as if the Member were age 70 with 30 years of service. Benefits payable to the surviving spouse continue for life or until remarriage. If Member was not eligible for Early Retirement or death was not due to a job-related accident, a refund of contributions is available to the beneficiary, as described above.

Disability Retirement Benefit

Eligibility

Disability as a result of a job-related cause or any injury not due to the Member's own fault if Member has seven years of service.

Benefit

2.25% of Final Wages times Credited Service, with a minimum benefit of $75 per month (or $250 per month if disability is job-related).

Normal Form of Retirement Benefit

Joint and 2/3 survivor annuity. Optional forms of benefit are life only, joint and 100% survivor, joint and 50% survivor, and modified cash refund.

Changes in plan provisions since the previous valuation

None.

Schedule B - Statement of Actuarial Methods and Assumptions

The Board's established practice is to review the experience of the Plan periodically to determine if any changes to the valuation assumptions are warranted. The economic and demographic assumptions used in this valuation were adopted by the Board in May 2023 in consultation with Gallagher based on the experience study for the period September 1, 2018 through August 31, 2022, and were reflected for the first time in the September 1, 2023 interim valuation.

Investment Return – 7.25% per year, net of expenses.

Occupational Death – 5% of deaths among active participants are assumed to be job-related deaths. The remaining 95% of deaths are assumed not to be job-related.

Payroll Growth – Total payroll is assumed to increase 2.50% per year. This increase rate is solely due to the effect of inflation on salaries, with no allowance for future membership growth. The payroll growth rate is used to amortize the unfunded liability on a level percent of pay basis.

Overtime – 4% of base and longevity pay.

Form of Payment – 85% of participants eligible for early retirement are assumed to be paid through a joint and 2/3 survivor annuity. The remaining 15% of participants eligible for early retirement are assumed to elect a refund of contributions.

Future Expenses – None assumed.

Separations Before Normal Retirement

Assumed annual rates of withdrawal are as follows:

	Withdrawal Years of Credited Service					
Age	<2	2	3	4	5	6+
<25	13.0%	16.0%	15.0%	15.0%	12.0%	10.0%
25-29	13.0	16.0	15.0	15.0	12.0	10.0
30-34	13.0	16.0	15.0	15.0	12.0	10.0
35-39	6.0	16.0	15.0	15.0	11.0	8.5
40-44	6.0	10.0	15.0	11.0	8.0	8.5
45-49	6.0	10.0	10.0	5.0	8.0	8.5
50-54	6.0	10.0	8.0	5.0	8.0	7.0
55-59	6.0	8.5	8.0	5.0	4.5	7.0
60+	6.0	8.5	8.0	5.0	4.5	7.0

Schedule B - Statement of Actuarial Methods and Assumptions (continued)

Mortality

Mortality rates for active and deferred vested participants are based on the Pub-2010 General Employee benefit-weighted table projected with Scale MP-2021 on a fully generational basis.

Mortality rates for healthy retirees are based on 112% of the Pub-2010 General Retiree benefit-weighted table projected with Scale MP-2021 on a fully generational basis.

Mortality rates for survivors are based on 112% of the Pub-2010 Contingent Annuitant benefit-weighted table projected with Scale MP-2021 on a fully generational basis.

Mortality rates for disabled retirees are based on the Pub-2010 Non-Safety Disabled benefit-weighted table projected with Scale MP-2021 on a fully generational basis.

Disability

Representative values of the assumed annual rates of disability are as follows:

Disability		
	Gender	
Age	Male	Female
<25	0.0000%	0.0000%
30	0.0275	0.0135
35	0.0650	0.0442
40	0.0749	0.0896
45	0.1027	0.1455
50	0.1484	0.2072
55	0.2477	0.3488
60+	0.3740	0.5583

Salary Increases

The assumed annual rates of future salary increase attributable to longevity and promotion are as follows:

Years of Service	Annual Rate of Salary Increase
Less than 3	5.00%
3-6	4.50
7-11	4.00
12-15	3.50
16+	3.25

Schedule B - Statement of Actuarial Methods and Assumptions (continued)

Retirement Rates

The percentage of those eligible for retirement assumed to retire at each age is shown below for Tier 1:

Tier 1 Retirement Rates					
Early			Normal		
Age	Male	Female	Age	Male	Female
40-49	3.5%	3.0%	40-49	n/a	n/a
50-54	5.0	4.0	50-54	10.0%	12.0%
55-59	5.0	8.0	55-59	13.5	13.5
60+	—	—	60-64	15.0	15.0
			65-74	30.0	30.0
			75+	100.0	100.0

The percentage of those eligible for retirement assumed to retire at each age is shown below for Tier 2:

Tier 2 Retirement Rates					
Early			Normal		
Age	Male	Female	Age	Male	Female
45-59	3.5%	3.0%	45-49	2.5%	2.5%
60+	—	—	50-52	1.5	1.5
			53-54	5.0	5.0
			55-61	8.0	7.0
			62	10.0	7.0
			63-65	10.0	12.0
			66	30.0	12.0
			67	45.0	12.0
			68-69	25.0	20.0
			70-72	40.0	20.0
			73-74	60.0	100.0
			75+	100.0	100.0

Spouses

100% of active members are assumed to be married with the male two years older than the female. No children's benefits were valued.

Changes in assumptions since the previous valuation

None.

Schedule C – Risk Information

Actuarial Standard of Practice No. 51 (ASOP 51) requires certain disclosures of potential risks to the plan and provides useful information for intended users of actuarial reports that determine plan contributions or evaluate the adequacy of specified contribution levels to support benefit provisions.

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.

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.

The Plan invests in a diversified portfolio with the objective of maximizing investment returns at a reasonable level of risk. Actuarial Standard of Practice No. 4 ("ASOP 4") requires the actuary to disclose a Low-Default-Risk Obligation Measure ("LDROM") of Plan liabilities and provide commentary to help intended users of this report understand the significance of the measure with respect to funded status, contributions, and participant benefit security.

The LDROM is to be based on "discount rates derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future." The LDROM shown here represents what the Plan's liability would be if the Plan invested its assets solely in a portfolio of high-quality bonds whose cash flows approximately match future benefit payments. Consequently, the difference between the LDROM and the Actuarial Accrued Liability can be thought of as representing the expected taxpayer savings / (cost) from investing in the Plan's diversified portfolio compared to investing only in high-quality bonds. It may also be thought of as the cost of reducing investment risk.

	September 1, 2025
1. LDROM	$1,639,058,601
2. Interest rate used for LDROM	5.67%

The interest rate used for the LDROM was determined by calculating a single equivalent discount rate using projected benefit payments and the Gallagher Above Median Yield Curve as of August 29, 2025. Note the interest rate used for the LDROM is based on bond yields applicable at the time of the measurement and will therefore vary for different measurement dates. All other assumptions are the same as those used for funding as shown in this report.

Actuaries play a role in helping plan sponsors determine funding methods and policies that can achieve affordable and appropriate contributions and risk management. The funded status based on Actuarial Accrued Liability and the Actuarially Determined Contributions are determined using the expected return on assets which reflects the actual investment portfolio. Since the assets are not invested in an all-bond portfolio, the LDROM does not indicate the Plan's funded status or progress, nor does it provide information on necessary Plan contributions.

Schedule C – Risk Information (continued)

With respect to security of participant benefits, if the Plan were to be funded on an LDROM basis, participant benefits currently accrued as of the measurement date may be considered more secure as investment risk may be significantly reduced. However, the assets being invested in a diversified portfolio does not mean the participant benefits are not secure. Security of participant benefits relies on a combination of the assets in the Plan, the investment returns generated on those assets, and the promise of future contributions from the Plan sponsor. Reducing investment risk by investing solely in bonds may significantly increase Actuarially Determined Contributions and therefore increase contribution risk by decreasing the ability of the Plan sponsor to make necessary contributions to fund the benefits. Unnecessarily high contribution requirements in the near term may not be affordable and could imperil Plan sustainability and benefit security. Participant benefits will remain secure if reasonable and appropriate contributions with managed risk are calculated and paid.

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, 2025 is 11.92% 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 the assets, which would cause the unfunded liability and ADC to increase over time.

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.

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.

Other Risks

Payroll does not grow as expected, thereby increasing future Actuarially Determined Contribution rates.

This information is provided to comply with ASOP 51 and furnish beneficial information on potential risks to the plan. **This list is not all-inclusive**; it is an attempt to identify the more significant risks and how those risks might affect the results shown in this report.

Note that ASOP 51 does not require the actuary to evaluate the ability or willingness of the plan sponsor to make contributions to the plan when due, or to assess the likelihood or consequences of potential future changes in law. In addition, this valuation report is not intended to provide investment advice or to provide guidance on the management or reduction of risk.

Schedule C – Risk Information (continued)

Historical Information

Monitoring certain information over time may help understand risks faced by the Plan. Historical information is included throughout this report. Some examples are:

- Historical Asset Rates of Return in Section 3 illustrates how the Plan's assets have performed over time.
- Funded Ratio History shown in Section 4 of the September 1, 2024 valuation report illustrates how the Plan's funded status (comparison of actuarial accrued liabilities to actuarial value of assets) has changed over time.
- Section 4 of the September 1, 2024 valuation report shows how the Actuarially Determined Contribution has changed over time.
- Schedule A of the September 1, 2024 valuation report shows how member census data has changed over time.

Plan Maturity Measures

There are certain measures that may aid in understanding the significant risks to the Plan.

Ratio of Cash Flow to Assets	September 1, 2018	September 1, 2020	September 1, 2022	September 1, 2024
1. Retiree and Beneficiary Actuarial Accrued Liability	$ 598,442,205	$ 677,266,185	$ 748,113,778	$ 813,239,298
2. Total Actuarial Accrued Liability	1,024,379,167	1,085,022,171	1,171,459,737	1,323,952,188
3. Ratio, (1) ÷ (2)	58.4%	62.4%	63.9%	61.4%

A high percentage of liability concentrated on participants in pay status indicates a mature plan (often a ratio above 60% - 65%). An increasing percentage may indicate a need for a less risky asset allocation, which may lead to a lower long-term return on asset assumption and increased costs. Higher percentages may also indicate greater investment risk as benefit payments may be greater than contributions creating an increased reliance on investment returns. This ratio should be monitored each year in the future.

Ratio of Cash Flow to Assets	FYE August 31, 2021	FYE August 31, 2022	FYE August 31, 2023	FYE August 31, 2024	FYE August 31, 2025
1. Contributions	$ 40,322,787	$ 42,088,753	$ 51,173,663	$ 55,946,744	$ 63,179,919
2. Benefit Payments and Refunds	75,230,941	84,876,133	81,008,869	83,777,939	87,321,304
3. Cash Flow, (1) - (2)	$ (34,908,154)	$ (42,787,380)	$ (29,835,206)	$ (27,831,195)	$ (24,141,385)
4. Fair Value of Assets	$ 1,028,462,335	$ 907,610,032	$ 907,700,487	$ 995,722,888	$ 1,056,679,256
5. Ratio, (3) ÷ (4)	(3.4%)	(4.7%)	(3.3%)	(2.8%)	(2.3%)

Schedule C – Risk Information (continued)

When this cash flow ratio is negative, more cash is being paid out than deposited in the trust. Negative cash flow indicates the trust needs to rely on investment returns to cover benefit payments and/or may need to invest in more liquid assets to cover the benefit payments. More liquid assets may not generate the same returns as less liquid assets, which can increase the investment risk. Currently, the low magnitude of the ratio implies there may already be enough liquid assets to cover the benefit payments, less investment return is needed to cover the shortfall, or only a small portion of assets will need to be converted to cash. Therefore, the investment risk is likely not amplified at this time. This maturity measure should be monitored in the future.

Contribution Volatility	FYE August 31, 2021	FYE August 31, 2022	FYE August 31, 2023	FYE August 31, 2024	FYE August 31, 2025
1. Fair Value of Assets	$ 1,028,462,335	$ 907,610,032	$ 907,700,487	$ 995,722,888	$ 1,056,679,256
2. Payroll	167,790,367	171,985,126	180,531,963	185,045,262	232,508,308
3. Asset to Payroll Ratio, (1) ÷ (2)	612.9%	527.7%	502.8%	538.1%	454.5%
4. Accrued Liability	$ 1,108,078,648	$ 1,171,459,737	$ 1,219,873,340	$ 1,323,952,188	$ 1,359,400,776
5. Liability to Payroll Ratio, (4) ÷ (2)	660.4%	681.1%	675.7%	715.5%	584.7%

Plans that have higher asset-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an asset-to-payroll ratio of 10% may experience twice the contribution volatility due to investment return volatility than a plan with an asset-to-payroll ratio of 5%. Plans that have higher liability-to-payroll ratios experience more volatile employer contributions (as a percentage of payroll) due to changes in liability. For example, if an assumption change increases the liability of two plans by the same percent, the plan with a liability-to-payroll ratio of 10% may experience twice the contribution volatility than a plan with a liability-to-payroll ratio of 5%.

Schedule D – Glossary of Terms

Actuarial Accrued Liability

The portion, as determined by a particular cost method, of the total present value of benefits that is attributable to past service credit.

Actuarial Assumptions

Estimates of future experience with respect to rates of mortality, disability, turnover, retirement rate or rates of investment income and salary increases. Actuarial assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Gain (Loss) or Liability/Asset Experience

A measure of the difference between actual and expected experience based upon a set of actuarial assumptions.

Actuarial Present Value of Future Benefits

Also referred to as the present value of benefits. It is the value, as of a specified date, of an amount payable in the future, where the amount has been adjusted to reflect both the time value of money and the probability that the payment is actually made.

Actuarial Present Value of Future Normal Costs

The value, as of a specified date, of future normal costs, equal to the employer normal cost rate times the actuarial present value of future pay.

Actuarial Present Value of Future Pay

The value, as of a specified date, of future pay where the amount has been adjusted to reflect both the future value of money and the probability that the payment is actually made.

Amortization Rate or UAAL Payment

That portion of the pension plan contribution which is designed to pay off (amortize) the unfunded actuarial accrued liability in a systematic fashion.

Cost-of-living adjustments

Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

Covered Payroll

The rate of pay as of a specified date adjusted with a half-year salary increase based on the assumed salary increase assumptions.

Entry Age Actuarial Cost Method

This method assumes that the annual costs are the level premiums needed from entry age until retirement age to fund the ultimate retirement benefit. These premiums are expressed as a percentage of salary. The portion of this actuarial present value allocated to a valuation year is called the normal cost.

Schedule D – Glossary of Terms (continued)

Normal Cost

The ongoing annual cost allocated to the system by a particular actuarial cost method for providing benefits (future cost). Normal cost payments are made during the working lifetime of the member.

Unfunded Actuarial Accrued Liability

The excess of the actuarial accrued liability over the actuarial value of assets.

Vested Benefit

The benefit an employee is entitled to, based on vesting service, even if the employee separates from active service prior to normal retirement age.

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