

A series of thin, light gray lines that curve and flow across the page, starting from the left edge and extending towards the right, creating a sense of movement and depth.

Report of Independent Auditors  
and Financial Statements with Required  
Supplementary Information and Other  
Supplementary Information for  
El Paso Firemen and Policemen's  
Pension Fund (A Component Unit of the  
City of El Paso, Texas)  
December 31, 2012 and 2011

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

## **CONTENTS**

---

	PAGE
REPORT OF INDEPENDENT AUDITORS	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
FINANCIAL STATEMENTS	
Statements of plan net position	8
Statements of changes in plan net position	9
Notes to financial statements	10-24
SUPPLEMENTARY INFORMATION	
Schedule 1 - Schedule of administrative and investment expenses	25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule 2 - Schedules of funding progress	26
Schedule 3 - Schedules of employer contributions	27
OTHER SUPPLEMENTARY INFORMATION	
Schedule 4 - Combining schedule of plan net position for 2012	28-29
Schedule 5 - Combining schedule of changes in plan net position for 2012	30-31
Schedule 6 - Combining schedule of plan net position for 2011	32-33
Schedule 7 - Combining schedule of changes in plan net position for 2011	34-35

## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
El Paso Firemen and Policemen's Pension Fund  
(A Component Unit of the City of El Paso, Texas)  
El Paso, Texas

### **Report on Financial Statements**

We have audited the accompanying statements of plan net position of El Paso Firemen and Policemen's Pension Fund (A Component Unit of the City of El Paso, Texas) (Fund) as of December 31, 2012 and 2011, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

### ***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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 auditor considers 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees  
El Paso Firemen and Policemen's Pension Fund  
(A Component Unit of the City of El Paso, Texas)

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of El Paso Firemen and Policemen's Pension Fund as of December 31, 2012 and 2011, and the changes in its plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters and Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 7 and the Schedules of Funding Progress and Schedules of Employer Contributions on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, 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 the 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 assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise El Paso Firemen and Policemen's Pension Fund's basic financial statements. The Schedule of Administrative and Investment Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Administrative and Investment Expenses 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 Schedule of Administrative and Investment Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Trustees  
El Paso Firemen and Policemen's Pension Fund  
(A Component Unit of the City of El Paso, Texas)

The Combining Schedules of Plan Net Position and Combining Schedule of Changes in Plan Net Position has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Mess Adams LLP*

Albuquerque, New Mexico  
July 12, 2013

# **EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**

## **(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

This section presents management's discussion and analysis of the El Paso Firemen and Policemen's Pension Fund's and its blended component unit Lomaland West, LLC's (the Fund) financial performance during the year ended December 31, 2012. Please read it in conjunction with the accompanying financial statements and the related notes.

This report is prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB). Investments are stated at fair value, and revenues include the recognition of unrealized gains and losses. The accrual basis of accounting is used to record assets, liabilities, revenues, and expenses. Revenue recognition occurs when earned without regard to the date of collection. Expense recognition occurs when the corresponding liabilities are incurred, regardless of payment date. The basis of contributions to the Fund follows the principles of level cost financing, with current service financed on a current basis. Buck Consultants, the consulting actuary, evaluates the funding status of the Fund.

#### **This report contains the following information:**

1. **Basic Financial Statements** including:
  - a. Statements of Plan Net Position
  - b. Statements of Changes in Plan Net Position
  - c. Notes to the Financial Statements
2. **Supplementary Information** including:
  - a. Schedule of Administrative and Investment Expenses
3. **Required Supplementary Information** including:
  - a. Schedule of Funding Progress
  - b. Schedule of Employer Contributions
4. **Other Supplementary Information** including:
  - a. Combining Schedules of Plan Net Position
  - b. Combining Schedules of Changes in Plan Net Position

The basic financial statements are described as follows:

- The Statement of Plan Net Position shows the account balances at year-end and includes the net assets available for future benefit payments. The liabilities for future benefit payments are not included in this statement; however, they are shown in the Schedule of Funding Progress that is included in the Required Supplementary Information.
- The Statement of Changes in Plan Net Position shows the sources and uses of funds during the year and illustrates the change in net position from the previous year.
- The Notes to the Financial Statements are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The required supplementary information provides historical trends that help reflect the ongoing plan perspective and the long-term nature of the defined benefit plan.

- The Schedule of Funding Progress contains actuarial information about the status of the plan.
- The Schedule of Employer Contributions contains historical trend information regarding the value of the total annual contributions the employer must pay and the actual contributions by employers in meeting that requirement.

**Financial Highlights**

- The Fund's investment return was up 11.80%, ranking in the 74<sup>th</sup> percentile, and down 1.74%, ranking in the 89<sup>th</sup> percentile of Public Pension Funds, for the years ending December 31, 2012 and 2011, respectively.
- The assets of the Fund exceeded its liabilities at the close of the fiscal years 2012 and 2011 by \$1,080,071,764 and \$985,430,831, respectively.
- The Fund's total net position increased by \$94,640,883 and decreased by \$37,605,074 in 2012 and 2011, respectively.

The Fund's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2012, the date of our last actuarial valuation, the funded ratio was approximately 78.89%. In general, this indicates that, as of January 1, 2012, for every dollar of benefits due we had approximately \$.79 of assets to cover them.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements. The Fund's basic financial statements contain three components; 1) the basic financial statements, 2) notes to the financial statements, and 3) supplementary Schedules 2 and 3 required by the Governmental Accounting Standards Board.

The Fund is accounted for on an economic resource measurement focus using the accrual basis of accounting principles generally accepted in the United States of America.

The financial statements include the statements of plan net position and the statements of changes in plan net position. The notes provide additional information that is essential to a full understanding of the data provided in the Fund's financial statements. In addition to the basic financial statements and required supplementary Schedules 2 and 3, this report also contains supplementary Schedule 1 and other supplementary Schedules 4 through 7 that is intended to enhance the reader's understanding of the financial condition of the Fund.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND  
(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**Summarized Financial Information**

The following table displays a summary of the net position available for benefits from fiscal years 2012, 2011 and 2010 for the Fund:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets	\$ 1,152,517,559	\$ 1,051,189,287	\$ 1,088,220,062
Liabilities	<u>72,445,795</u>	<u>65,758,406</u>	<u>65,184,107</u>
Net position held in trust for pension benefits	<u>\$ 1,080,071,764</u>	<u>\$ 985,430,881</u>	<u>\$ 1,023,035,955</u>

Total net position increased by \$94,640,883 or 9.63% during the fiscal year 2012 to \$1,080,071,764. The increase to net position is primarily due to the Fund's investment activities.

**Financial Analysis**

As previously noted, net position may serve over time as useful indication of the Fund's financial position. The assets of the Fund exceeded its liabilities at the close of the year. Currently, \$1,080,071,764 in net position is held in trust for future pension benefits. All of the net position are available to meet the Fund's ongoing obligations to plan members and their beneficiaries.

As of December 31, 2012, net position increased by 9.63% from the prior year primarily due to increases in the fair value of investments during 2012.

*Investments.* The investment decisions made by the Board of Trustees are made mindfully and with careful thought especially in the unpredictable global and domestic financial markets today. The portfolio continues to be structured to provide the best returns possible over the long-term within the risk parameters adopted by the Board.

*Revenues – Additions to Plan Net Position.* The assets needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and earnings on investments (net of investment expenses). Total additions to plan net position for the year ended December 31, 2012 was \$155,504,170.

*Expenses – Deductions from Plan Net Position.* The Fund was established to provide lifetime retirement annuities, survivor benefits and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring monthly benefit payments, as designated by the Fund, refund of employee contributions (without interest) to terminated employees, and the cost of administering the retirement system. The total cost of the Fund administrative expenses is 100% funded by investment proceeds earned throughout each fiscal year.

Deductions for the year ended December 31, 2012 totaled \$60,863,287, an increase of \$2,992,014 or 5.17% over the year ended December 31, 2011. The majority of this increase is comprised of benefit payments to retirees and beneficiaries and employee contribution refunds, including interest.



**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

*Comparison of Fiscal Year 2012 to 2011.* As of December 31, 2012, net position increased by 9.63% from the prior year primarily due to increases in the fair value of investments during 2012. Total additions to plan net position for the year ended December 31, 2012 was \$155,504,170. Deductions for the year ended December 31, 2012, totaled \$60,863,287 an increase of \$2,992,014 or 5.17% over the year ended December 31, 2011.

The following table displays the summary of the change in net position available for benefits from fiscal years 2012, 2011 and 2010 for the Fund:

	2012	2011	2010
Contributions	\$ 42,826,598	\$ 41,759,655	\$ 40,440,235
Net investment and other income (loss)	112,677,572	(21,493,456)	102,918,634
Total additions	<u>155,504,170</u>	<u>20,266,199</u>	<u>143,358,869</u>
Benefit payments	56,369,822	52,953,797	49,918,863
Refunds of employee contributions	3,383,904	3,637,957	3,710,978
Administrative expenses	986,240	1,152,618	1,261,279
Depreciation and amortization expense	123,321	126,901	126,606
Total deductions	<u>60,863,287</u>	<u>57,871,273</u>	<u>55,017,726</u>
Change in plan net position	<u>\$ 94,640,883</u>	<u>\$ (37,605,074)</u>	<u>\$ 88,341,143</u>

**Requests for Information**

This report is designed to provide an overview of the Fund's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the El Paso Firemen and Policemen's Pension Fund, Chase Tower, 201 E. Main Street, Suite 1616, El Paso, Texas 79901, (915) 771-8111, or email us at [info@elpasofireandpolice.org](mailto:info@elpasofireandpolice.org).

This page intentionally left blank.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**STATEMENTS OF PLAN NET POSITION**

	December 31,	
	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 13,482,385	\$ 11,280,486
<b>RECEIVABLES</b>		
Employer contributions	982,703	865,883
Employee contributions	790,064	695,417
Total receivables	1,772,767	1,561,300
<b>INVESTMENTS, AT FAIR VALUE</b>		
Fixed income securities	339,096,450	332,272,855
Domestic equities	336,565,256	312,108,348
International equities	338,870,826	296,071,174
Private equities	20,588,179	12,093,648
Limited partnerships	30,111,353	20,211,371
Securities lending collateral	71,284,681	64,721,122
Total investments	1,136,516,745	1,037,478,518
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and fixtures	52,090	52,090
Computer equipment	60,103	60,103
Machinery equipment	5,756	5,756
Pension administration system software	1,106,857	1,106,857
Total property and equipment	1,224,806	1,224,806
Less: Accumulated depreciation and amortization	(479,144)	(355,823)
Net property and equipment	745,662	868,983
Total assets	1,152,517,559	1,051,189,287
<b>LIABILITIES</b>		
Accrued expenses and other	1,161,114	1,037,284
Securities lending obligation	71,284,681	64,721,122
Total liabilities	72,445,795	65,758,406
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 1,080,071,764</b>	<b>\$ 985,430,881</b>

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**STATEMENTS OF CHANGES IN PLAN NET POSITION**

	For the Years Ended December 31,	
	2012	2011
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 23,972,581	\$ 23,423,641
Employee	18,854,017	18,336,014
Total contributions	<u>42,826,598</u>	<u>41,759,655</u>
Investment income		
Net change in fair value of investments	94,606,560	(37,323,057)
Interest income	10,015,458	8,802,137
Dividend income	12,135,651	11,265,105
Securities lending income	325,250	163,571
Less: Investment expenses	(4,406,486)	(4,423,835)
Net investment gain (loss)	<u>112,676,433</u>	<u>(21,516,079)</u>
Other income		
Other income	1,139	22,623
Total additions	<u>155,504,170</u>	<u>20,266,199</u>
<b>DEDUCTIONS</b>		
Benefits paid to participants	56,369,822	52,953,797
Refunds of employee contributions	3,383,904	3,637,957
Administrative expenses	986,240	1,152,618
Depreciation and amortization expense	123,321	126,901
Total deductions	<u>60,863,287</u>	<u>57,871,273</u>
Net change	94,640,883	(37,605,074)
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of year	<u>985,430,881</u>	<u>1,023,035,955</u>
End of year	<u>\$ 1,080,071,764</u>	<u>\$ 985,430,881</u>

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND  
(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)  
NOTES TO FINANCIAL STATEMENTS**

---

**Note 1 – Reporting Entity and Summary of Accounting Policies**

**Reporting entity** – The El Paso Firemen and Policemen's Pension Fund (the Fund) is a single-employer Public Employee Retirement System (PERS) plan established and administered by the Board of Trustees in accordance with authority granted by Article 6243b of Vernon's Annotated Texas Statutes. The fund is a component unit of the City of El Paso, Texas. It consists of separate divisions for firemen and policemen. The two divisions have been combined in the accompanying combining financial statements.

During the year ended December 31, 2007, the Fund formed Lomaland West, LLC which is a limited liability company and is presented as a blended component unit. Lomaland West, LLC was formed to acquire a building to house the Fund's operations. No building has been acquired by Lomaland West LLC as of December 31, 2012. As of December 31, 2012 and 2011, the primary activity of Lomaland West, LLC is to pay lease payments on the premises occupied by the Fund.

For the years ended December 31, 2012 and 2011, the accompanying financial statements include the accounts of the Fund and its blended component unit, Lomaland West, LLC.

**Basis of accounting** – The accounting policies of the Fund have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The Fund is accounted for on an economic resources measurement focus using the accrual basis of accounting.

**Valuation of investments** – Investments of the Fund were held by The Northern Trust Company in the custodian's name for the years ended December 31, 2012 and 2011.

Investments are stated at fair value in the accompanying combined statements of plan net position. The fair value of marketable investments is determined by the latest bid price, closing exchange price at year end, institutional bid evaluation and net asset value as considered appropriate for each investment type by the Northern Trust Company. The estimated fair value of alternative investments is based on the most recent valuations provided by the external investment managers. The Fund believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Third-party investment managers administer substantially all marketable securities of the Fund. Gains and losses resulting from securities transactions are recorded in investment income.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net change in fair value of investments reflected in the accompanying statements of changes in plan net position available for benefits represents the net realized and unrealized gains or losses on investments, which equals the difference between the cost and the market value of investments at the beginning versus the end of the year, plus or minus gains or losses realized during the year.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 1 – Reporting Entity and Summary of Accounting Policies (continued)**

The Northern Trust Company utilizes a master trust to account for investments of the Fund. As part of the master trust concept, all investments for each division are unitized. A unitization is an arrangement which allows multiple participants to share in the same commingled investment pool. Each division then owns a certain number of units of the master trust. Units are assets which represent an undivided ownership in the master trust. All activity of the master trust, including gains and losses and all expenses not otherwise specifically allocated to each division, are reflected in the master trust.

**Foreign currency transactions** – The Fund is a party to certain financial arrangements, utilizing put or call options, future contracts, options on futures, and any other type of financial futures transactions, only when used by International Managers or Index Managers if such transactions are for the purpose of currency hedging, investing cash to efficiently obtain market exposure prior to the purchase of actual securities or due to the delay in settlement of accrued dividends which have not yet been received as paid, respectively, or when used by core plus fixed income managers. Entering into these arrangements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts but also the risk associated with market fluctuations. Gains and losses on option and future arrangements are recorded as they are incurred. Gains and losses on forward contracts are recorded on the settlement date. The Fund does not have any put or call options, futures contracts, options on futures of any other type of financial futures transactions at December 31, 2012 or 2011.

Gains and losses resulting from foreign exchange contracts (transactions denominated in a currency other than the Fund's functional currency - United States dollars) are recorded by the Fund based on changes in market values and are combined with similar transactions in the accompanying statements of changes in plan net position and are included in net master trust investment gain (loss).

Investments and broker accounts denominated in foreign currencies outstanding at December 31, 2012 and 2011 were converted to the Fund's functional currency (United States dollars) at the foreign exchange rates quoted at December 31, 2012 and 2011. These foreign exchange gains and losses are included in net appreciation (depreciation) in fair value of investments in the accompanying statements of changes in plan net position.

**Revenue and expense recognition** – The accounts of the Fund are maintained and reported in the accompanying financial statements on the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed. Benefits, refunds and expenses paid are recognized as incurred.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 1 – Reporting Entity and Summary of Accounting Policies (continued)**

**Capital** – Capital is recorded at cost, less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred; whereas, major additions and significant improvements are capitalized.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, which is 5 years for computer equipment, 5-10 years for furniture and fixtures, and 10 years for the pension administration system. Depreciation expense related to these assets amounted to \$123,321 and \$126,901 for the years ended December 31, 2012 and 2011, respectively.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported changes in plan net position during the reporting period. Actual results may differ from estimates.

**Reclassifications** – Certain 2011 information was reclassified to conform to the 2012 presentation.

**Note 2 – Description of the Retirement Plans**

The designated purpose of the Fund is to provide retirement, death and disability benefits to participants or their beneficiaries. Cost-of-living adjustment (COLAs) are provided upon the earlier of the retiree having attained age 60 or the fifth anniversary for firemen or second anniversary for policemen of the pension commencement date and on each January first thereafter. The Fund is established by state statute and administered by a Board of Trustees comprised of 11 trustees as follows:

Three citizens of the City to be appointed by the mayor; two citizens of the City to be appointed by the city manager; three Member firemen of the City Fire Department, to be elected by the Firemen Members of the Fund; and three Member policemen of the City Police Department, to be elected by the Policemen Members of the Fund. The Board contracts with an independent custodian bank, investment managers, an investment consultant, and an actuary to assist in managing the Fund.

The City of El Paso is the only participating employer.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 2 – Description of the Retirement Plans (continued)**

The Fund's membership is estimated as follows as of December 31, 2012 and 2011:

	2012		2011	
	Firemen Division	Policemen Division	Firemen Division	Policemen Division
Retirees and beneficiaries of deceased retirees currently receiving benefits	671	901	659	887
Inactive employees entitled to benefits but not yet receiving them	7	6	14	11
Total retired and inactive members	<u>678</u>	<u>907</u>	<u>673</u>	<u>898</u>
Current active members	889	1,065	798	1,040

The Pension Fund was originally enacted under Chapter 101, Acts of the 43rd Legislature, 1st Called Sessions, 1933, subsequently modified from time to time, and has been restated, effective July 1, 2007, in two parts: Part I, The Base Plan, and Part II, The Second Tier Plan.

The Firemen Division of the Fund is a defined benefit, contributory retirement plan covering uniformed employees of the Fire Department. Participants are required to contribute 15.28% of their compensation to the Fund. In addition, the City of El Paso pays up to 18.5% of compensation into the Fund. Non-employer contributions are limited to participating employees.

The Policemen Division of the Fund is a defined benefit, contributory retirement plan covering uniformed employees of the Police Department. Participants are required to contribute 13.89% of their compensation to the Fund. In addition, the City of El Paso pays up to 18.5% of compensation into the Fund. Non-employer contributions are limited to participating employees.

Any person duly appointed and enrolled as a fireman or policeman in the fire or police departments of the city shall automatically become a member of the pension fund, provided such person shall have attained eighteen (18) years of age. Participant contributions are not refunded if a participant terminates with less than five years of service and all benefits under the Fund are terminated. Participant contributions (without interest) are refunded upon request if a participant terminates with five or more years of service but less than twenty years of service. All benefits under the Fund are terminated if contributions are refunded.

The Fund is maintained under the provisions of Article 6243b of Vernon's Annotated Texas Statutes. All current Fund provisions are set forth in the City of El Paso Firemen and Policemen's Pension Fund Plan Document as Restated Effective July 1, 2007. Benefit provisions, contribution obligations and funding policy of the Fund are established and amended in accordance with authority granted by Article 6243b of Vernon's Annotated Texas Statutes. The costs of administering the Fund are paid out of the Fund's assets. The complete Plan Document containing benefit and vesting provision in their entirety is available at the Pension office.

**Payment of Benefits** – Benefit payments to participants are recorded upon distributions.



**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND  
(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)  
NOTES TO FINANCIAL STATEMENTS**

---

**Note 3 - Cash and Investments**

**Custodial Risk-Cash and Cash Equivalents** - For cash deposits and cash equivalents, custodial risk is the risk that in the event of bank failure, the Fund's deposits may not be returned to it. The Fund's deposits are held by the Custodian, referred to cash and cash equivalent in the statement of plan net position. As of December 31, 2012 and 2011, the Fund's cash and cash equivalents in the custodian bank totaled \$13,482,385 and \$11,280,486, respectively. For purposes of this note, cash and cash equivalents is to include cash and short-term investments. The Fund does not have a deposit policy for custodial credit risk; however, management believes that the Fund's credit risk exposure for amounts not covered by Federal depository insurance is mitigated by the financial strength of the banking institution in which the deposits are held.

**Investments** - The Board has adopted a Statement of Investment Policy (Investment Policy) with the objective to invest the Fund's assets in a manner consistent with generally accepted standards of fiduciary responsibility. The safeguards which would guide a prudent man will be observed. Safety of principal shall be emphasized and the Fund will be diversified so as to avoid the risk of large loss. All transactions undertaken on behalf of the fund will be for the sole benefit of the Fund participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses.

The Fund's investments are managed by various investment managers who have discretionary authority over the assets managed by them, within the investment guidelines established by the Board under contracts with the Fund. The investments of the Fund are held by the Fund's custodian and are accessible by the investment managers. The investments generally consist of short-term securities, U.S. and foreign government securities, and domestic and foreign corporate debt and equity securities. Certain investment managers have invested in bank collective investment funds which invest primarily in U.S. corporate stocks and government bonds. The bank collective funds may also invest in foreign exchange contracts, stock index futures, and temporary collective investment funds and may enter into collateralized securities lending transactions.

Asset Type	Fair Value Measurement Method
Common Stock	
Corporate Stock	Last Trade of Official Close
Fixed Income	
Government Bonds	Net Asset Value
Municipal Provincial Bonds	Net Asset Value
Corporate Bonds	Net Asset Value
Venture Capital and Partnerships	
Limited Partnerships	Bid Evaluation or Total Market Value

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 3 - Cash and Investments (continued)**

The fair values of the Fund's investments as of December 31, 2012 and 2011, by type, are as follows:

Investment Description	<u>Fair Value at December 31, 2012</u>
Fixed Income -	
Corporate, Government and	
Municipal/Provincial Bonds	\$ 339,096,450
Domestic Equities	336,565,256
International Equities	338,870,826
Private Equities	20,588,179
Limited Partnerships	<u>30,111,353</u>
Investing before invested securities	
lending collateral	1,065,232,064
Invested in securities lending collateral	<u>71,284,681</u>
 Total	 <u><u>\$ 1,136,516,745</u></u>

Through adherence to the Fund's Investment Policy, management attempts to limit or mitigate certain risks. Certain of these requirements are listed below:

***Domestic Large Cap Equity Portfolio*** - The annual standard deviation of returns for the Fund's domestic large cap equity portfolio, if actively managed, is not expected to exceed 1.25 times the annual standard deviation of the S & P 500 Index. If passively managed, it is not expected to exceed 1.1 times the annual standard deviation of the S & P 500 Index.

***Domestic Small Cap Equity Portfolio*** - The annual standard deviation of returns for the Fund's domestic small cap equity portfolio, if actively managed, is not expected to exceed 1.5 times the annual standard deviation of the Russell 2000 Index.

***International Equity Portfolio*** - The annual standard deviation of returns for the Fund's international equity portfolio, if actively managed, is not expected to exceed 1.5 times the annual standard deviation of the returns for the International Equity Benchmark Index.

***Emerging Markets Equity Portfolio*** - The annual standard deviation of returns for the Fund's emerging markets equity portfolio, if actively managed, is not expected to exceed the 1.5 times the annual standard deviation of the returns for the Emerging Markets Equity Benchmark Index.

***Domestic Fixed Income Portfolio*** - The annual standard deviation of returns for the Fund's domestic fixed income portfolio, if actively managed, is not expected to exceed 1.3 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index. If passively managed, the portfolio is not expected to exceed 1.2 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND  
(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)  
NOTES TO FINANCIAL STATEMENTS**

---

**Note 3 – Cash and Investments (continued)**

**Real Estate Portfolio** – The annual standard deviation of returns for the Fund's real estate portfolio, if actively managed, is not expected to exceed 1.5 times the annual standard deviation of the returns for the NCREIF Index.

**Private Equity Portfolio** – The annual standard deviation for the Fund's private equity portfolio is not to exceed 1.5 times the annual standard deviation of the S & P 500 returns.

**Domestic Cash Equivalent Investments** – The risk objective shall be to stay within an acceptable risk level, as measured by standard deviations, which is equal to that of the 91-day Treasury Bill rate.

**Concentration of credit risk** – The asset allocation contains guideline percentages, at market value, of total Fund Assets to be invested in various asset classes. Actual asset allocations will be dictated by current and anticipated market conditions, the independent actions of the board and/or investment managers, and required cash flows to and from the Fund.

As of December 31, 2012 and 2011, the Funds' investment portfolio had no single holdings in excess of 5% of Fund net assets.

**Custodial credit risk – investments** – For an investment, custodial credit is the risk that, in the event of the failure of the custodial counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. At December 31, 2012 and 2011, the Fund's security investments that were not subject to custodial credit risk were the investments not registered on an exchange. The Fund's investments are held in the Fund's name and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risks.

**Interest rate risk – investments** – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Interest rate and market risk are the greatest risks faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. In accordance with the Investment Policy, the Board of Trustees provides each of the Fund's investment managers with a set of investment guidelines. These guidelines specify the following:

- The return objective for the Domestic Core Fixed Income Portfolio, if actively managed, is to exceed by 0.75% per year the return of the Lehman Brothers Aggregate Bond Index.
- The return objective for the Domestic Core Fixed Income Portfolio, if passively managed, is to approximate the return of the Lehman Brothers Aggregate Bond Index.
- The risk objective of the Domestic Fixed Income Portfolio shall be defined in terms of standard deviation of returns. The annual standard deviation of returns for the Fund's domestic fixed income portfolio, if actively managed, is not expected to exceed 1.3 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3 - Cash and Investments (continued)**

- The risk objective of the Domestic Fixed Income Portfolio shall be defined in terms of standard deviation of returns. The annual standard deviation of returns for the Fund's domestic fixed income portfolio, if passively managed, is not expected to exceed 1.2 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.

As of December 31, 2012, the fixed income portfolio had the following rating and maturities:

Rating		Investment Maturities	
US Tsy (incl GNMA MBS)	\$ 49,187,472	< 1 year	\$ 14,829,966
US Agcy (incl FN/FH MBS)	30,433,682	1 - 3 years	104,495,072
A1	1,126,841	3 - 5 years	69,569,521
AAA	135,171,699	5 - 7 years	113,689,985
AA	16,150,371	7 - 10 years	10,463,000
A	60,583,859	10 - 20 years	11,186,006
BBB	31,173,197	20 - 30 years	14,373,869
BB	8,563,991	over 30	489,032
B	2,028,314		<u>\$ 339,096,450</u>
Below B	3,380,523		
Committed Cash	1,296,502		
	<u>\$ 339,096,450</u>		

**Foreign currency risk** – The Fund's exposure to foreign currency risk at December 31, 2012 and 2011 was as follows:

Investment	Currency	2012 Fair Value	2011 Fair Value
Cash and cash equivalents	European Union Euro	\$ 191	\$ 32,712
Cash and cash equivalents	Swiss Franc	-	232,558
Cash and cash equivalents	Japanese Yen	-	30,779
Cash and cash equivalents	Swedish Krona	-	8,057
Partnerships	European Union Euro	16,571,629	9,734,277
		<u>\$ 16,571,820</u>	<u>\$ 10,038,383</u>

**Note 4 - Securities Lending Transactions**

Gross income from securities lending transactions are recorded in the operating statements as well as the various fees paid to the institutions that oversee the lending activity. The value of the collateral that is being held is represented as an asset and a liability on the Statement of Plan Net Position.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND  
(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)  
NOTES TO FINANCIAL STATEMENTS**

---

**Note 4 - Securities Lending Transactions (continued)**

**Securities lending** – The Fund has a securities lending agreement with its custodian, the Northern Trust Company (the Lending Agent), under which Fund owned investments are lent to one or more borrowers for a fee. The Lending Agent is responsible for collecting all required collateral in the form of U.S. dollar cash, securities issued or guaranteed by the United States Government or its agencies or instrumentalities, or irrevocable letters of credit issued by banks independent of the borrowers.

The lending agent is authorized to enter into securities lending transactions of U.S. and non-U.S. Securities (securities) in accordance with the terms of the Securities Lending Authorization Agreement (the agreement). The Lending Agent is authorized to lend the Funds securities to one or more borrowers as seen appropriate but limited to the listed or described borrowers as listed in the attachment to the aforementioned agreement.

The Lending Agent shall indemnify, defend and hold the Fund harmless from and against any losses, damages, costs and expenses (other than special, incidental, indirect or consequential losses, damages, costs or expenses) the Fund may incur if the Lending Agent is unable to recover borrowed securities and distributions made during the term of the loans with respect to those securities as a result of the Lending Agent's failure (a) to make a reasoned determination of the creditworthiness of a borrower, (b) to demand adequate and appropriate collateral on a prompt and timely basis and (c) to perform its duties and responsibilities under the agreement.

The agreement states that collateral must have a market value equal to no less than 100% of the market value of the borrowed securities.

Each business day the Lending Agent and the Fund shall determine the market value of the collateral and the borrowed securities. If on any business day the market value of all the collateral shall be less than the required value, the Lending Agent shall demand from the borrower, subject to a de minimis rule of change in value appropriate to the type of borrowed securities, additional collateral so that the market value of the additional collateral, when added to the market value of the collateral previously delivered to the Lending Agent, shall equal the required value. If on any business day the market value of all the collateral shall be greater than the required value, the Lending Agent shall, upon request from the borrower, subject to a de minimis rule of change in value appropriate to the type of borrowed securities, redeliver the borrower such amount of collateral selected by the borrower so that the market value of all collateral equals the required value. Credit risk is deflated as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund's policy requires investment Grade Securities.

The Fund is authorized to enter into securities lending transactions under Texas State Statutes Section 2256.0015.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 4 - Securities Lending Transactions (continued)**

Types of Securities Lent	2012		2011	
	Fair Value of Securities Lent	Fair Value of Collateral	Fair Value of Securities Lent	Fair Value of Collateral
U.S. Equities	\$ 70,542,054	\$ 71,284,681	\$ 64,121,701	\$ 64,721,122
		<u>2012</u>		<u>2011</u>
Collateral Report				
Agency Bonds		\$ 16,873,084		\$ 15,319,490
Repurchase Agreements		14,969,783		13,591,436
Time Deposits		14,720,287		13,364,912
Treasury Notes		4,711,917		4,278,066
Sweep Vehicle		4,027,584		3,656,743
Agency Discount Note		3,264,838		2,964,227
Other		12,717,187		11,546,248
Total Collateral		<u>\$ 71,284,681</u>		<u>\$ 64,721,122</u>

There were no losses from securities lending transactions during the years ended December 31, 2012 and 2011 resulting from a default of a borrower or the lending agent.

**Note 5 - Contributions**

Funding policies provide for periodic employer contributions are determined by City Charter, and employee contributions as established by the Board of Trustees and a vote of active participants in accordance with Article 6243b (Act) of Vernon's Annotated Texas Statutes.

Actuarial valuations are prepared biennially for the Fund.

The Fund's actuary has indicated that, under the current contribution requirements, the Fund will not accumulate sufficient assets to amortize the Unfunded Actuarial Accrued Liability (UAAL).

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 5 - Contributions (continued)**

In the event, based upon the results of the actuarial valuations:

- (a) If at any time a qualified actuary that meets the requirements of Subdivision (1), Subsection (b), Section 10A of this Act, determines that the total contribution rate, expressed as a percentage of wages, is insufficient to amortize the unfunded actuarial accrued liability, as defined under the Governmental Accounting Standards Board Statement No. 25, over a period not to exceed forty (40) years:
  - (1) the city's or town's governing body may increase the city or town contribution rate; and
  - (2) to the extent that the city or town contribution rate increases under Subdivision (1) of this subsection, the member contribution rate must increase by an amount equal to the member contribution rate before the increase multiplied by a fraction:
    - (A) the numerator of which is the increase in the amount of city or town contribution rate; and
    - (B) the denominator of which is the amount of the city or town contribution rate before the increase.
- (b) The sum of the city or town contribution rate and the member contribution rate after an increase under this section may not exceed the total contribution rate determined by the qualified actuary to be necessary to amortize the unfunded actuarial accrued liability over a forty (40) year period.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 5 - Contributions (continued)**

Contributions were made as follows during the years ended December 31, 2012 and 2011:

	2012		2011	
	Actual Amount	Stated % of Covered Payroll	Actual Amount	Stated % of Covered Payroll
Firemen Division				
Employer contributions	\$ 10,062,407	18.50%	\$ 9,568,557	18.50%
Employee contributions	8,413,389	15.28%	7,490,262	15.28%
Total contributions	\$ 18,475,796		\$ 17,058,819	
Policemen Division				
Employer contributions	\$ 13,910,173	18.50%	\$ 13,855,084	18.50%
Employee contributions	10,440,629	13.89%	10,845,752	13.89%
Total contributions	\$ 24,350,802		\$ 24,700,836	
Firemen and Policemen Divisions Combined				
Employer contributions	\$ 23,972,580	18.50%	\$ 23,423,641	18.50%
Employee contributions	18,854,018	N/A	18,336,014	N/A
Total contributions	\$ 42,826,598		\$ 41,759,655	



**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND  
(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)  
NOTES TO FINANCIAL STATEMENTS**

---

**Note 5 - Contributions (continued)**

The information presented in the required supplementary information was determined to as part of the actuarial valuation at the dates indicated. Actuarial information as of the last valuation follows:

Actuarial valuation date	1/1/2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage open
Amortization period	Firemen - 30 years * Policemen - 30 years *
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75% per year
Projected Salary increase	4.5% to 10.75%
General inflation rate	3.5% per year
Cost-of-living adjustment	3% annually
Mortality rates	RP-2000 mortality tables with separate healthy annuitant and employee tables with Scale AA forecasts of mortality improvement projected to seven years after valuation date for annuitants and 15 years after valuation date for non-annuitants
Termination rates - firemen	.5% to 2.0%
Termination rates - policemen	1.0% to 3.0%
Funding progress:	
Actuarial value of assets	\$1,057,556,050
Actuarial accrued liability	\$1,340,653,712
Unfunded actuarial accrued liability	\$283,096,605
Funded ratio	78.89%
Covered payroll	\$116,895,768
UAAL as % of covered payroll	242.18%

\*: The statutory contribution rate is not sufficient to meet the Board's objective of funding over 30 years.

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 6 - Plan Termination**

Although not anticipated, should the Fund terminate at some future time, its net position generally will not be available on a pro rata basis to provide participants' benefits. Under the current contribution requirements, each of the funds will not accumulate sufficient assets to cover their liabilities. Whether a particular participant's accumulated benefits will be paid depends on the priority of those benefits. Some benefits may be fully or partially provided for by the then existing assets while other benefits may not be provided for at all.

**Note 7 - Federal Income Taxes and ERISA**

The Fund is a Public Employee Retirement System (PERS) and is exempt from federal income taxes and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Note 8 - Operating Leases**

On April 1, 2008, Lomaland West, LLC, the blended component unit of the Fund, entered into a Lease Agreement with Borderplex 201 E. Main, L.L.C., for the rental of office space in the Chase Tower in downtown El Paso. Beginning March 31, 2013, the 5 year lease expired and office space was leased on a monthly basis. Additional rent can be assessed as described in paragraph 3 of the lease agreement if the landlord expects "operating costs" to exceed the expense stop provision.

On the accompanying financial statements for the years ended December 31, 2012 and 2011, total lease expenses for these operating leases were shown as part of administrative expenses as follows:

	2012	2011
Firemen Division	\$ 42,325	\$ 40,164
Policemen Division	42,325	40,164
Total lease expenses	\$ 84,650	\$ 80,328

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

	Firemen Division	Policemen Division	Combined Total
2013	\$ 9,911	\$ 9,911	\$ 19,822

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 9 - Risks and Uncertainties**

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net position.

The Fund's contribution rates and the actuarial information included in the notes and Schedules 2 and 3 are based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to change.

Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**SUPPLEMENTARY INFORMATION**

---

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES**  
**DECEMBER 31, 2012**

Schedule 1

	For the Years Ended December 31,	
	2012	2011
<b>Investment expenses</b>		
Brokerage fees	\$ 3,726,795	\$ 3,912,290
Investment consulting fees	557,610	429,727
Legal	71,000	40,850
Custodian fees	39,825	37,500
Due diligence	11,256	3,468
Total investment expenses	<u>4,406,486</u>	<u>4,423,835</u>
<b>Administrative Expenses</b>		
Salaries and benefits	480,239	580,599
Operating expenses	155,036	177,813
Legal	79,496	140,635
Actuary	141,500	108,905
Audit	51,300	44,900
Insurance	35,174	47,543
Travel for fiduciary education	33,495	48,046
Other	10,000	4,177
Total administrative expenses	<u>986,240</u>	<u>1,152,618</u>
Total investment and administrative expenses	<u>\$ 5,392,726</u>	<u>\$ 5,576,453</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

---

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**SCHEDULES OF FUNDING PROGRESS**  
**DECEMBER 31, 2012**

Schedule 2

Actuarial Valuation Date**	Actuarial Value of Assets (AVA) (a)*	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded (AAL) (b - a) *	AVA as Percentage of AAL (a / b)	Covered Payroll (c)*	UAAL as a percentage of Covered Payroll ((b - a) / (c))
<b>Firemen</b>						
1/1/2006	\$ 215,036,207	\$ 374,484,359	\$ 159,448,332	57.4%	\$ 38,326,296	416.0%
1/1/2008	317,924,960	431,938,611	114,013,651	73.6%	41,165,230	277.0%
1/1/2010	403,748,151	493,320,462	89,572,311	81.8%	48,172,561	185.9%
1/1/2012	431,209,946	539,792,477	108,582,531	79.9%	49,942,127	217.4%
<b>Policemen</b>						
1/1/2006	388,533,219	547,072,188	158,538,969	71.0%	53,274,624	297.6%
1/1/2008	515,354,403	613,942,215	98,587,812	83.9%	56,840,063	173.4%
1/1/2010	588,622,976	715,715,343	127,052,367	82.2%	62,537,734	203.2%
1/1/2012	626,346,104	800,860,178	174,514,074	78.2%	66,953,641	260.6%

\* Amounts reported in whole dollars (\$)

\*\* For financial reporting purposes, an actuarial valuation is performed biennially as allowed for under GASB 25.

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker, generally, the greater this percentage, the stronger the Fund. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**SCHEDULES OF EMPLOYER CONTRIBUTIONS**  
**DECEMBER 31, 2012**

---

Schedule 3

	Year Ended December 31	Annual Required Contribution	Percentage Contribution
<b>Firemen</b>	2006	\$ 15,343,321	52%
	2007	15,794,257	404%
	2008	13,255,005	65%
	2009	14,998,356	517%
	2010	11,747,947	82%
	2011	12,159,125	82%
	2012	12,946,310	78%
<b>Policemen</b>	2006	\$ 20,153,124	57%
	2007	20,800,595	263%
	2008	16,746,050	74%
	2009	17,648,266	312%
	2010	17,595,473	74%
	2011	18,211,315	74%
	2012	20,511,268	68%



**OTHER SUPPLEMENTARY INFORMATION**

---

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**COMBINING SCHEDULE OF PLAN NET POSITION**  
**DECEMBER 31, 2012**

	Pension Fund			Lomaland West, LLC		
	Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 5,495,770	\$ 7,966,679	\$ 13,462,449	\$ 8,138	\$ 11,798	\$ 19,936
Receivables						
Employer contributions	401,168	581,535	982,703	-	-	-
Employee contributions	322,527	467,537	790,064	-	-	-
Total receivables	723,695	1,049,072	1,772,767	-	-	-
Investments, at fair value						
Fixed income securities	138,429,170	200,667,280	339,096,450	-	-	-
Domestic equities	137,395,862	199,169,394	336,565,256	-	-	-
International equities	138,337,063	200,533,763	338,870,826	-	-	-
Private equities	8,404,702	12,183,477	20,588,179	-	-	-
Real estate	12,292,342	17,819,011	30,111,353	-	-	-
Securities lending collateral	29,100,509	42,184,172	71,284,681	-	-	-
Investment in subsidiary	8,138	11,798	19,936	-	-	-
Total investments	463,967,786	672,568,895	1,136,536,681	-	-	-
Property and equipment						
Furniture and fixtures	21,265	30,825	52,090	-	-	-
Computer equipment	24,536	35,567	60,103	-	-	-
Machinery equipment	2,350	3,406	5,756	-	-	-
Pension administration system software	451,852	655,005	1,106,857	-	-	-
Total property and equipment	500,003	724,803	1,224,806	-	-	-
Less: accumulated depreciation and amortization	(195,601)	(283,543)	(479,144)	-	-	-
Net property and equipment	304,402	441,260	745,662	-	-	-
Other assets						
Organizational costs	-	-	-	10,326	14,953	25,279
Less: accumulated amortization	-	-	-	(10,326)	(14,953)	(25,279)
Net other assets	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>470,491,653</b>	<b>682,025,906</b>	<b>1,152,517,559</b>	<b>8,138</b>	<b>11,798</b>	<b>19,936</b>
<b>LIABILITIES:</b>						
Accrued expenses and other	474,001	687,113	1,161,114	-	-	-
Securities lending collateral	29,100,509	42,184,172	71,284,681	-	-	-
<b>TOTAL LIABILITIES</b>	<b>29,574,510</b>	<b>42,871,285</b>	<b>72,445,795</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position held in trust for pension benefits</b>	<b>\$ 440,917,143</b>	<b>\$ 639,154,621</b>	<b>\$ 1,080,071,764</b>	<b>\$ 8,138</b>	<b>\$ 11,798</b>	<b>\$ 19,936</b>

Eliminating Entries			Combined		
Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
\$ -	\$ -	\$ -	\$ 5,503,908	\$ 7,978,477	\$ 13,482,385
-	-	-	401,168	581,535	982,703
-	-	-	322,527	467,537	790,064
-	-	-	723,695	1,049,072	1,772,767
-	-	-	138,429,170	200,667,280	339,096,450
-	-	-	137,395,862	199,169,394	336,565,256
-	-	-	138,337,063	200,533,763	338,870,826
-	-	-	8,404,702	12,183,477	20,588,179
-	-	-	12,292,342	17,819,011	30,111,353
-	-	-	29,100,509	42,184,172	71,284,681
(8,138)	(11,798)	(19,936)	-	-	-
(8,138)	(11,798)	(19,936)	463,959,648	672,557,097	1,136,516,745
-	-	-	21,265	30,825	52,090
-	-	-	24,536	35,567	60,103
-	-	-	2,350	3,406	5,756
-	-	-	451,852	655,005	1,106,857
-	-	-	500,003	724,803	1,224,806
-	-	-	(195,601)	(283,543)	(479,144)
-	-	-	304,402	441,260	745,662
-	-	-	10,326	14,953	25,279
-	-	-	(10,326)	(14,953)	(25,279)
-	-	-	-	-	-
(8,138)	(11,798)	(19,936)	470,491,653	682,025,906	1,152,517,559
-	-	-	474,001	687,113	1,161,114
-	-	-	29,100,509	42,184,172	71,284,681
-	-	-	29,574,510	42,871,285	72,445,795
\$ (8,138)	\$ (11,798)	\$ (19,936)	\$ 440,917,143	\$ 639,154,621	\$ 1,080,071,764

**EL PASO FIREMEN POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION**  
**DECEMBER 31, 2012**

	Pension Fund			Lomaland West, LLC		
	Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
<b>ADDITIONS:</b>						
Contributions						
Employer	\$ 10,062,408	\$ 13,910,173	\$ 23,972,581	\$ -	\$ -	\$ -
Employee	8,413,389	10,440,629	18,854,018	-	-	-
Other	-	-	-	34,557	50,093	84,650
Total contributions	<u>18,475,797</u>	<u>24,350,802</u>	<u>42,826,599</u>	<u>34,557</u>	<u>50,093</u>	<u>84,650</u>
Investment income						
Net change in fair value of investments	38,621,188	55,985,372	94,606,560	-	-	-
Interest	4,088,605	5,926,853	10,015,458	-	-	-
Dividends	4,954,131	7,181,520	12,135,651	-	-	-
Securities lending income	132,777	192,473	325,250	-	-	-
Less: investment expenses	<u>(1,798,858)</u>	<u>(2,607,628)</u>	<u>(4,406,486)</u>	-	-	-
Net investment income (loss)	<u>45,997,843</u>	<u>66,678,590</u>	<u>112,676,433</u>	-	-	-
Other income (loss)						
Net income in subsidiary	465	674	1,139	-	-	-
Other income	-	-	-	-	-	-
Rental income	-	-	-	-	-	-
Total other income	<u>465</u>	<u>674</u>	<u>1,139</u>	-	-	-
Total additions	<u>64,474,105</u>	<u>91,030,066</u>	<u>155,504,171</u>	<u>34,557</u>	<u>50,093</u>	<u>84,650</u>
<b>DEDUCTIONS:</b>						
Benefits paid to participants	24,464,831	31,904,991	56,369,822	-	-	-
Refunds of employee contributions	1,187,690	2,196,214	3,383,904	-	-	-
Administrative expenses	402,613	583,628	986,240	34,098	49,413	83,511
Depreciation and amortization expense	<u>50,343</u>	<u>72,978</u>	<u>123,321</u>	-	-	-
Total deductions	<u>26,105,477</u>	<u>34,757,811</u>	<u>60,863,287</u>	<u>34,098</u>	<u>49,413</u>	<u>83,511</u>
Net change	38,368,628	56,272,255	94,640,883	459	680	1,139
Net position held in trust for pension benefits						
Beginning - January 1, 2012	<u>402,548,515</u>	<u>582,882,366</u>	<u>985,430,881</u>	<u>7,679</u>	<u>11,118</u>	<u>18,797</u>
Ending - December 31, 2012	<u>\$ 440,917,143</u>	<u>\$ 639,154,621</u>	<u>\$ 1,080,071,764</u>	<u>\$ 8,138</u>	<u>\$ 11,798</u>	<u>\$ 19,936</u>

Eliminating Entries			Combined		
Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
\$ -	\$ -	\$ -	\$ 10,062,408	\$ 13,910,173	\$ 23,972,581
-	-	-	8,413,389	10,440,629	18,854,018
<u>(34,557)</u>	<u>(50,093)</u>	<u>(84,650)</u>	-	-	-
<u>(34,557)</u>	<u>(50,093)</u>	<u>(84,650)</u>	<u>18,475,797</u>	<u>24,350,802</u>	<u>42,826,599</u>
-	-	-	38,621,188	55,985,372	94,606,560
-	-	-	4,088,605	5,926,853	10,015,458
-	-	-	4,954,131	7,181,520	12,135,651
-	-	-	132,777	192,473	325,250
-	-	-	<u>(1,798,858)</u>	<u>(2,607,628)</u>	<u>(4,406,486)</u>
-	-	-	<u>45,997,843</u>	<u>66,678,590</u>	<u>112,676,433</u>
(465)	(674)	(1,139)	-	-	-
465	674	1,139	465	674	1,139
-	-	-	-	-	-
-	-	-	<u>465</u>	<u>674</u>	<u>1,139</u>
<u>(34,557)</u>	<u>(50,093)</u>	<u>(84,650)</u>	<u>64,474,105</u>	<u>91,030,066</u>	<u>155,504,171</u>
-	-	-	24,464,831	31,904,991	56,369,822
-	-	-	1,187,690	2,196,214	3,383,904
(34,098)	(49,413)	(83,511)	402,613	583,628	986,241
-	-	-	50,343	72,978	123,321
<u>(34,098)</u>	<u>(49,413)</u>	<u>(83,511)</u>	<u>26,105,477</u>	<u>34,757,811</u>	<u>60,863,288</u>
(459)	(680)	(1,139)	38,368,628	56,272,255	94,640,883
<u>(7,679)</u>	<u>(11,118)</u>	<u>(18,797)</u>	<u>402,548,515</u>	<u>582,882,366</u>	<u>985,430,881</u>
<u>\$ (8,138)</u>	<u>\$ (11,798)</u>	<u>\$ (19,936)</u>	<u>\$ 440,917,143</u>	<u>\$ 639,154,621</u>	<u>\$ 1,080,071,764</u>

**EL PASO FIREMEN POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**COMBINING SCHEDULE OF PLAN NET POSITION**  
**DECEMBER 31, 2011**

	Pension Fund			Lomaland West, LLC		
	Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 4,600,401	\$ 6,661,288	\$ 11,261,689	\$ 7,679	\$ 11,118	\$ 18,797
Receivables						
Employer contributions	353,713	512,170	865,883	-	-	-
Employee contributions	284,078	411,339	695,417	-	-	-
Total receivables	637,791	923,509	1,561,300	-	-	-
Investments, at fair value						
Fixed income securities	135,733,461	196,539,394	332,272,855	-	-	-
Domestic equities	127,496,260	184,612,088	312,108,348	-	-	-
International equities	120,945,075	175,126,099	296,071,174	-	-	-
Private equities	4,940,255	7,153,393	12,093,648	-	-	-
Real estate	8,256,345	11,955,026	20,211,371	-	-	-
Securities lending collateral	26,438,578	38,282,544	64,721,122	-	-	-
Investment in subsidiary	7,679	11,118	18,797	-	-	-
Total investments	423,817,653	613,679,662	1,037,497,315	-	-	-
Property and equipment						
Furniture and fixtures	21,279	30,811	52,090	-	-	-
Computer equipment	24,552	35,551	60,103	-	-	-
Machinery equipment	2,351	3,405	5,756	-	-	-
Pension administration system software	452,151	654,706	1,106,857	-	-	-
Total property and equipment	500,333	724,473	1,224,806	-	-	-
Less: accumulated depreciation and amortization	(145,354)	(210,469)	(355,823)	-	-	-
Net property and equipment	354,979	514,004	868,983	-	-	-
Other assets						
Organizational costs	-	-	-	10,326	14,953	25,279
Less: accumulated amortization	-	-	-	(10,326)	(14,953)	(25,279)
Net other assets	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>429,410,824</b>	<b>621,778,463</b>	<b>1,051,189,287</b>	<b>7,679</b>	<b>11,118</b>	<b>18,797</b>
<b>LIABILITIES:</b>						
Accrued expenses and other	423,731	613,553	1,037,284	-	-	-
Securities lending collateral	26,438,578	38,282,544	64,721,122	-	-	-
<b>TOTAL LIABILITIES</b>	<b>26,862,309</b>	<b>38,896,097</b>	<b>65,758,406</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position held in trust for pension benefits</b>	<b>\$ 402,548,515</b>	<b>\$ 582,882,366</b>	<b>\$ 985,430,881</b>	<b>\$ 7,679</b>	<b>\$ 11,118</b>	<b>\$ 18,797</b>

Eliminating Entries			Combined		
Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
\$ -	\$ -	\$ -	\$ 4,608,080	\$ 6,672,406	\$ 11,280,486
-	-	-	353,713	512,170	865,883
-	-	-	284,078	411,339	695,417
-	-	-	637,791	923,509	1,561,300
-	-	-	135,733,461	196,539,394	332,272,855
-	-	-	127,496,260	184,612,088	312,108,348
-	-	-	120,945,075	175,126,099	296,071,174
-	-	-	4,940,255	7,153,393	12,093,648
-	-	-	8,256,345	11,955,026	20,211,371
-	-	-	26,438,578	38,282,544	64,721,122
(7,679)	(11,118)	(18,797)	-	-	-
(7,679)	(11,118)	(18,797)	423,809,974	613,668,544	1,037,478,518
-	-	-	21,279	30,811	52,090
-	-	-	24,552	35,551	60,103
-	-	-	2,351	3,405	5,756
-	-	-	452,151	654,706	1,106,857
-	-	-	500,333	724,473	1,224,806
-	-	-	(145,354)	(210,469)	(355,823)
-	-	-	354,979	514,004	868,983
-	-	-	10,326	14,953	25,279
-	-	-	(10,326)	(14,953)	(25,279)
-	-	-	-	-	-
(7,679)	(11,118)	(18,797)	429,410,824	621,778,463	1,051,189,287
-	-	-	423,731	613,553	1,037,284
-	-	-	26,438,578	38,282,544	64,721,122
-	-	-	26,862,309	38,896,097	65,758,406
\$ (7,679)	\$ (11,118)	\$ (18,797)	\$ 402,548,515	\$ 582,882,366	\$ 985,430,881

**EL PASO FIREMEN POLICEMEN'S PENSION FUND**  
**(A COMPONENT UNIT OF THE CITY OF EL PASO, TEXAS)**  
**COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION**  
**DECEMBER 31, 2011**

	Pension Fund			Lomaland West, LLC		
	Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
<b>ADDITIONS:</b>						
Contributions						
Employer	\$ 9,568,557	\$ 13,855,084	\$ 23,423,641	\$ -	\$ -	\$ -
Employee	7,490,262	10,845,752	18,336,014	-	-	-
Other	-	-	-	33,950	49,159	83,109
Total contributions	<u>17,058,819</u>	<u>24,700,836</u>	<u>41,759,655</u>	<u>33,950</u>	<u>49,159</u>	<u>83,109</u>
Investment income						
Net change in fair value of investments	(15,246,469)	(22,076,588)	(37,323,057)	-	-	-
Interest	3,595,673	5,206,464	8,802,137	-	-	-
Dividends	4,601,795	6,663,310	11,265,105	-	-	-
Securities lending income	66,819	96,752	163,571	-	-	-
Less: investment expenses	<u>(1,773,714)</u>	<u>(2,568,303)</u>	<u>(4,379,517)</u>	-	-	-
Net investment income (loss)	<u>(8,755,896)</u>	<u>(12,678,365)</u>	<u>(21,471,761)</u>	-	-	-
Other income (loss)						
Net income in subsidiary	1,517	2,197	3,714	-	-	-
Other income	7,724	11,185	18,909	-	-	-
Rental income	-	-	-	-	-	-
Total other income	<u>9,241</u>	<u>13,382</u>	<u>22,623</u>	-	-	-
Total additions	<u>8,312,164</u>	<u>12,035,853</u>	<u>20,310,517</u>	<u>33,950</u>	<u>49,159</u>	<u>83,109</u>
<b>DEDUCTIONS:</b>						
Benefits paid to participants	21,631,626	31,322,171	52,953,797	-	-	-
Refunds of employee contributions	1,486,105	2,151,852	3,637,957	-	-	-
Administrative expenses	596,630	637,806	1,196,936	33,346	48,284	81,630
Depreciation and amortization expense	<u>51,839</u>	<u>75,062</u>	<u>126,901</u>	<u>7,895</u>	<u>12,618</u>	<u>20,513</u>
Total deductions	<u>23,766,200</u>	<u>34,186,891</u>	<u>57,915,591</u>	<u>41,241</u>	<u>60,902</u>	<u>102,143</u>
Net change	(15,454,036)	(22,151,038)	(37,605,074)	(7,291)	(11,743)	(19,034)
Net position held in trust for pension benefits						
Beginning - January 1, 2011	<u>418,002,551</u>	<u>605,033,404</u>	<u>1,023,035,955</u>	<u>14,970</u>	<u>22,861</u>	<u>37,831</u>
Ending - December 31, 2011	<u>\$ 402,548,515</u>	<u>\$ 582,882,366</u>	<u>\$ 985,430,881</u>	<u>\$ 7,679</u>	<u>\$ 11,118</u>	<u>\$ 18,797</u>



Eliminating Entries			Combined		
Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
\$ -	\$ -	\$ -	\$ 9,568,557	\$ 13,855,084	\$ 23,423,641
-	-	-	7,490,262	10,845,752	18,336,014
<u>(33,950)</u>	<u>(49,159)</u>	<u>(83,109)</u>	-	-	-
<u>(33,950)</u>	<u>(49,159)</u>	<u>(83,109)</u>	<u>17,058,819</u>	<u>24,700,836</u>	<u>41,759,655</u>
-	-	-	(15,246,469)	(22,076,588)	(37,323,057)
-	-	-	3,595,673	5,206,464	8,802,137
-	-	-	4,601,795	6,663,310	11,265,105
-	-	-	66,819	96,752	163,571
-	-	-	<u>(1,773,714)</u>	<u>(2,568,303)</u>	<u>(4,342,017)</u>
-	-	-	<u>(8,755,896)</u>	<u>(12,678,365)</u>	<u>(21,434,261)</u>
(1,517)	(2,197)	(3,714)	-	-	-
1,517	2,197	3,714	9,241	13,382	22,623
-	-	-	-	-	-
-	-	-	<u>9,241</u>	<u>13,382</u>	<u>22,623</u>
<u>(33,950)</u>	<u>(49,159)</u>	<u>(83,109)</u>	<u>8,312,164</u>	<u>12,035,853</u>	<u>20,348,017</u>
-	-	-	21,631,626	31,322,171	52,953,797
-	-	-	1,486,105	2,151,852	3,637,957
(33,346)	(48,284)	(81,630)	596,630	637,806	1,234,436
<u>(7,895)</u>	<u>(12,618)</u>	<u>(20,513)</u>	<u>51,839</u>	<u>75,062</u>	<u>126,901</u>
<u>(41,241)</u>	<u>(60,902)</u>	<u>(102,143)</u>	<u>23,766,200</u>	<u>34,186,891</u>	<u>57,953,091</u>
7,291	11,743	19,034	(15,454,036)	(22,151,038)	(37,605,074)
<u>(14,970)</u>	<u>(22,861)</u>	<u>(37,831)</u>	<u>418,002,551</u>	<u>605,033,404</u>	<u>1,023,035,955</u>
<u>\$ (7,679)</u>	<u>\$ (11,118)</u>	<u>\$ (18,797)</u>	<u>\$ 402,548,515</u>	<u>\$ 582,882,366</u>	<u>\$ 985,430,881</u>