Chair and Executive Director’s Message

For the last few years, times have been challenging for families across the nation. We know many families are feeling the pinch of higher unemployment, higher food and energy prices, and even the high cost of health care. It is our sincere hope that your families are prospering despite these macroeconomic conditions we are now experiencing.

The poor economy has also heightened scrutiny on defined benefit pension plans across the country. In particular, public plans have taken a good deal of criticism. Despite what you may have heard from the ill-informed or ill-intentioned, it is our firm position that properly funded defined benefit pension plans such as yours are the most cost-effective way to fund the retirement of our public servants.

Nevertheless, investing has not been an easy task in domestic and international markets these days. Having a sound process, conducting due diligence and engaging the right advisors have been a proven recipe for success for investors like us who continue to meticulously follow our sound investment policy. Our fund continues to invest defensively and assumes a modest rate of return of 7.75%.

As you’ll see in the pages that follow, our fund was able to achieve a return of 13.73% in 2010 despite difficult world economic conditions. We are also happy to announce that the fund reached the $1 billion mark in December 2010, which was a fundamental goal in the fund’s strategic plan from 2007.

In addition to the foregoing, here are some other fund initiatives we’d like to share with you in this annual report:

- We hired a legislative consultant in 2010 to monitor activity in Austin during the most recent state legislative session in 2011.
- The bylaws of the Board of Trustees were revised, approved and implemented in November, 2010;
- To enhance member voting and make it easier, we contracted electronic services to allow for online, telephone or paper ballot voting for all elections beginning in 2010; and
- To encourage the best customer service as possible and to enhance financial reporting, we hired an accountant and another Benefits Specialist in September, 2010.

On behalf of the entire Board of Trustees we submit this annual report for your review. We hope you find it informative and encouraging that the Board and the fund staff are diligently working on your behalf. Please accept our humble thanks for the privilege of serving you and your families.

Sincerely,

Mike Calderazzo
Chair, Board of Trustees
El Paso Firemen and Policemen’s Pension Fund

Robert J. Stanton
Executive Director
El Paso Firemen and Policemen’s Pension Fund

Thank You!!!
ACTUAL COST, MARGIN & FUNDING PERIOD

1. Current Payroll $ 1,320,300 $ 1,320,300
2. Actual present value of future pay $ 1,320,300 $ 1,320,300
3. Current contribution rates
   a. City 16.25% 16.25%
   b. Member 23.37% 23.37%
   c. Total 39.62% 39.62%
4. Normal cost rate
   a. City 2.51% 2.51%
   b. Member 19.03% 19.03%
   c. Total 21.54% 21.54%
5. Actual present value of future benefits
   a. Normal costs (x 3) $ 1,620,300 $ 1,620,300
   b. Actuarial present value of future normal costs (x 3) $ 1,620,300 $ 1,620,300
   c. Actuarial present value of assets $ 2,016,000 $ 2,016,000
   d. Actuarial present value of assets (x 3) $ 6,048,000 $ 6,048,000
   e. Actuarial present value of assets (x 3) $ 6,048,000 $ 6,048,000
6. 10-year funding cost for City
   a. Employer normal cost rate (x 3) 19.03% 19.03%
   b. Funding period 10 years
   c. Funding period to amortize (x 3) 10 years

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<th>MEMBERSHIP</th>
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<td>b. Terminated with deferred benefits</td>
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<tr>
<th>COMPENSATION</th>
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<td>b. Average</td>
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<th>ASSETS</th>
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<td>a. Market value</td>
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<td>b. Actuarial value</td>
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<th>VALUATION RESULTS</th>
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<td>a. Unfunded actuarial accrued liability (AAL)</td>
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<td>b. Actuarial present value of future normal costs (x 3)</td>
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<td>c. Actuarial present value of assets</td>
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<td>d. MARGIN</td>
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10-year funding cost is necessary for accounting purposes only. The actual funding period is calculated based on local contributions and reflects the provisions of the second tier plan for Members hired after June 30, 2008.

The Board's Statement of Investment Policy permits the Fund to invest in various assets in U.S. and non-U.S. equities, U.S. Fixed Income, Real Estate and Alternative Investments.

The Board recognizes that the asset allocation decision will be the single most important factor in determining the long-term performance of the Fund. The Board of Trustees therefore reserves complete discretion with respect to the asset allocation decision. The investment mix is designed to participate in rising markets, with defensive action expected in a greater degree in declining markets.
Financial Highlights

The Fund was up 16.36%, ranking in the 11th percentile for the year ending December 31, 2010. The assets of the Fund exceeded its liabilities as of the end of the fiscal year 2010 by $1,016,936,966.

The Fund’s total net assets increased by $83,541,143 in 2010.

Benefit payments made during fiscal year 2010 totaled $49,618,653, an increase of $393,559 over fiscal year 2009 primarily due to the net increase in the number of retirees and cost of living increases.

Fund Performance

Fund Operations: Net expenses for the period ending December 31, 2010 were $86,017,235. This total includes $1,061,279 in administrative expenses, $3,720,978 in depreciation expenses, $3,720,978 in refund of employee contributions and $49,618,653 in benefits paid to retired members and beneficiaries. A total of 5,358 fire and police officers were participants or beneficiaries.

For the year ended December 31, 2010 and 2009, the value of plan assets, after subtracting liabilities was $1,316,815,973 and $1,210,996,858, respectively.

The Fund experienced an increase in its net assets in the amount of $83,541,143. Total Fund earnings covered expectations for the year.

Pension Exposures 2010

Administrative: $1,061,279
Refund of Contributions: $3,720,978
Benefits Paid: $49,618,653
Depreciation: $126,606

Total: $56,017,235