



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 Fiduciary Fund of the City
of El Paso, Texas)
December 31, 2014

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

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

Report on Financial Statements

We have audited the accompanying statement of fiduciary net position of El Paso Firemen and Policemen's Pension Fund (A Fiduciary Fund of the City of El Paso, Texas) as of December 31, 2014 and the related statements of changes in fiduciary 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.

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

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of El Paso Firemen and Policemen's Pension Fund as of December 31, 2014 and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1 to the financial statements, El Paso Firemen and Policemen's Pension Fund adopted Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*, effective January 1, 2014.

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 Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, Schedule of Investment Returns and Related Ratios on pages 23 to 26 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.

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

Other Supplementary 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, Combining Schedules of Fiduciary Net Position and Combining Schedule of Changes in Fiduciary Net Position 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, Combining Schedules of Fiduciary Net Position and Combining Schedule of Changes in Fiduciary Net Position on pages 27 to 31 are the responsibility of management and were 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, Combining Schedules of Fiduciary Net Position and Combining Schedule of Changes in Fiduciary Net Position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mess Adams LLP

Albuquerque, New Mexico
July 24, 2015

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EL PASO FIREMEN AND POLICEMEN'S PENSION FUND (A FIDUCIARY FUND 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 and its blended component unit Lomaland West, LLC's (the Fund) financial performance during the year ended December 31, 2014. 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.

This report contains the following information:

1. **Basic Financial Statements** including:
 - a. Statement of Fiduciary Net Position
 - b. Statement of Changes in Fiduciary Net Position
 - c. Notes to the Financial Statements
2. **Required Supplementary Information** including:
 - a. Schedule of Changes in Net Pension Liability and Related Ratios
 - b. Schedule of Contributions
 - c. Schedule of Investment Returns and Related Ratios
 - d. Notes to the Required Supplementary Information
3. **Other Supplementary Information** including:
 - a. Schedule of Administrative and Investment Expenses
 - b. Combining Schedule of Fiduciary Net Position
 - c. Combining Schedule of Changes in Fiduciary Net Position

The basic financial statements are described as follows:

- The Statement of Fiduciary 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 Changes in Net Pension Liability and Related Ratios that is included in the Required Supplementary Information.
- The Statement of Changes in Fiduciary 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 FIDUCIARY FUND 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 Changes in Net Pension Liability and Related Ratios contains the total pension liability, fiduciary net position and the net pension liability for the plan.
- The Schedule of 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.
- The Schedule of Investment Returns and Related Ratios contains money-weighted rate of return, net of investment expense.

Financial Highlights

- The Fund's investment return was up 4.60%, ranking in the 89th percentile, and up 17.78%, ranking in the 41st percentile of Public Pension Funds, for the years ending December 31, 2014 and 2013, respectively.
- The assets of the Fund exceeded its liabilities at the close of the fiscal years 2014 and 2013 by \$1,270,861,916 and \$1,243,383,245, respectively.
- The Fund's total net position increased by \$27,478,671 and \$163,311,481 in 2014 and 2013, respectively.

The Fund's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2014, the date of our last actuarial valuation, the funded ratio was approximately 79.22%. In general, this indicates that, as of January 1, 2014, 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 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 Statement of Fiduciary Net Position and the Statements of Changes in Fiduciary 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 1 through 3, this report also contains other supplementary Schedules 4 through 6 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 FIDUCIARY FUND 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 2014 and 2013 for the Fund:

	<u>2014</u>	<u>2013</u>
Assets	\$ 1,372,126,575	\$ 1,324,419,251
Liabilities	<u>101,264,659</u>	<u>81,036,006</u>
Net position restricted for pension benefits	<u>\$ 1,270,861,916</u>	<u>\$ 1,243,383,245</u>

Total net position increased by \$27,478,671 or 2.21% during the fiscal year 2014 to \$1,270,861,916. 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, \$1,270,861,916 in net position is held in trust for future pension benefits. All of the net positions are available to meet the Fund's ongoing obligations to plan members and their beneficiaries.

As of December 31, 2014, net position increased by 2.21% from the prior year primarily due to increases in the fair value of investments during 2014.

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 Fiduciary 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, 2014 was \$97,427,930.

Expenses – Deductions from Fiduciary 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, 2014 totaled \$69,949,259, an increase of \$4,747,058 or 7.28% over the year ended December 31, 2013. 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 FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Comparison of Fiscal Year 2014 to 2013 – As of December 31, 2014, net position increased by 2.21% from the prior year primarily due to increases in the fair value of investments during 2014. Total additions to fiduciary net position for the year ended December 31, 2014 was \$97,427,930. Deductions for the year ended December 31, 2014, totaled \$69,949,259, an increase of \$4,747,058 or 7.28% over the year ended December 31, 2013.

Comparison of Fiscal Year 2013 to 2012 – As of December 31, 2013, net position increased by 15.12% from the prior year primarily due to increases in the fair value of investments during 2013. Total additions to fiduciary net position for the year ended December 31, 2013 was \$228,513,682. Deductions for the year ended December 31, 2013, totaled \$65,202,201 an increase of \$4,338,914 or 7.13% over the year ended December 31, 2012.

The following table displays the summary of the change in net position available for benefits from fiscal years 2014 and 2013 for the Fund:

	2014	2013
Contributions	\$ 45,277,391	\$ 44,380,916
Net investment and other income (loss)	52,150,539	184,132,766
Total additions	97,427,930	228,513,682
Benefit payments	64,643,571	60,101,603
Refunds of employee contributions	3,810,892	3,953,970
Administrative expenses	1,368,428	1,024,429
Depreciation and amortization expense	126,368	122,199
Total deductions	69,949,259	65,202,201
Change in plan net position	\$ 27,478,671	\$ 163,311,481

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, 909 East San Antonio Avenue, El Paso, Texas, 79901-2523, (915) 771-8111, or email us at info@elpasofireandpolice.org.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
STATEMENT OF FIDUCIARY NET POSITION**

ASSETS

	December 31, 2014
CURRENT ASSETS	
Cash and cash equivalents	\$ 16,970,347
RECEIVABLES	
Employer contributions	938,418
Employee contributions	752,348
Dividend and interest receivable	406,322
Other Receivable	171
Total receivables	<u>2,097,259</u>
INVESTMENTS	
Fixed income securities	389,333,373
Domestic equities	388,272,540
International equities	376,253,674
Private equities	35,582,094
Limited partnerships	62,411,531
Securities lending collateral	99,972,828
Total investments	<u>1,351,826,040</u>
PROPERTY AND EQUIPMENT	
Building	721,135
Furniture and fixtures	52,090
Computer equipment	74,801
Machinery equipment	5,756
Pension administration system software	1,106,857
Total property and equipment	<u>1,960,639</u>
Less: Accumulated depreciation and amortization	<u>(727,710)</u>
Net property and equipment	<u>1,232,929</u>
 Total assets	 <u>1,372,126,575</u>

LIABILITIES

Accrued expenses and other liabilities	1,291,831
Securities lending obligation	<u>99,972,828</u>
 Total liabilities	 <u>101,264,659</u>
 NET POSITION RESTRICTED FOR PENSION BENEFITS	 <u>\$ 1,270,861,916</u>

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	For the Year Ending December 31, 2014
ADDITIONS	
Contributions	
Employer	\$ 25,629,900
Employee	19,647,491
Total contributions	45,277,391
Investment income	
Net change in fair value of investments	32,971,424
Interest income	7,282,716
Dividend income	16,030,479
Securities lending income	436,156
Less: Investment expenses	(4,570,236)
Net investment gain	52,150,539
Other income	-
Total additions	97,427,930
DEDUCTIONS	
Benefits paid to participants	64,643,571
Refunds of employee contributions	3,810,892
Administrative expenses	1,368,428
Depreciation and amortization expense	126,368
Total deductions	69,949,259
Net increase in fiduciary net position	27,478,671
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	1,243,383,245
End of year	\$ 1,270,861,916

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND 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 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 fiduciary fund 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, presented as other supplementary information.

In 2007, the Fund formed Lomaland West, LLC, which is a limited liability company. Lomaland West, LLC was formed to acquire a building to house the Fund's operations. Lomaland West, LLC purchased a building during 2013 and have begun remodeling the building in 2014. The Fund plans to relocate operations to the new location in 2015. As of December 31, 2014 the primary activity of Lomaland West, LLC is to pay lease payments on the premises occupied by the Fund and pay for the building remodel. Lomaland West, LLC is presented as a blended component unit of the Fund.

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, 2014.

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. 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 fiduciary 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 FIDUCIARY FUND 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.

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 Fiduciary Net Position.

Foreign currency transactions – The Fund may be a party to certain financial derivatives, 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, 2014.

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, 2014 were converted to the Fund's functional currency (United States dollars) at the foreign exchange rates quoted at December 31, 2014. These foreign exchange gains and losses are included in net appreciation 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 FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
NOTES TO FINANCIAL STATEMENTS**

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

Capital assets – Capital assets are 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 \$126,368 for the year ended December 31, 2014.

Payment of benefits – Benefit payments to members are recorded upon distributions.

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 fiduciary net position during the reporting period. Actual results may differ from estimates.

Federal income taxes and ERISA – The Fund is exempt from federal income taxes and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

New Accounting Pronouncement – The Fund implemented GASB Statement No. 67, *“Financial Reporting for Pension Plans”* during 2014, which significantly changed the disclosure requirements for the notes to the financial statements and the required supplementary information. Additional information is provided about the Fund’s actuarial valuations, assumptions used to value the Fund, and the annual money-weighted rates of return for the Fund’s investments. As a result, comparative information has not been included in the basic financial statements.

Refund of contributions – Member contributions (without interest) are refunded upon request if a member 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.

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 1 through 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.

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

Note 2 – Description of the Retirement Plans

The designated purpose of the Fund is to provide retirement, death and disability benefits to members or their beneficiaries. The City of El Paso is the only participating employer. 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 Fund's membership is estimated as follows as of December 31, 2014:

	2014	
	Firemen Division	Policemen Division
Retirees and beneficiaries of deceased retirees currently receiving benefits	732	975
Inactive employees entitled to benefits but not yet receiving them	4	17
Total retired and inactive members	736	992
Current active members	876	1,017

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 retirement plan covering uniformed employees of the Fire Department. Members enrolled in the Base Plan and Second Tier Plan 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 whether the member is enrolled in the Base Plan or the Second Tier Plan. Non-employer contributions are limited to participating employees.

The Policemen Division of the Fund is a defined benefit retirement plan covering uniformed employees of the Police Department. Members enrolled in the Base Plan and Second Tier Plan 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 whether the member is enrolled in the Base Plan or the Second Tier Plan. 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. Any member enrolled on July 1, 2007 or thereafter is automatically enrolled in the Second Tier Plan.

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

Note 2 – Description of the Retirement Plans (continued)

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 by the Board of Trustees 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 Fund provides retirement, death and disability benefits to members enrolled in the Base Plan or the Second Tier Plan or their beneficiaries. In the following paragraphs the retiree benefits are described for the Base Plan and Second Tier Plan.

Base Plan – Retirement benefits for members with at least 20 years of Vesting Service and the attainment of age 45 or more are calculated at 2.75% of the member's final wages multiplied by years of service. Retirement benefits for members with at least 20 years of Vesting Service, but not having attained the age of 45 are calculated at 2.75% of the member's final wages multiplied by the member's years of service reduced by a factor proportionate to the number of months and years below the age 45. Retirement benefits for members with at least 10 years of Vesting Service and at least 50 years of age are calculated as 2.75% of the member's final wages.

Plan members are eligible for Service-Connected Disability benefits and for Ordinary Disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.75% of the member's final wages multiplied by years of service. Death benefits are calculated as the greater of 50% of the member's final wages or the calculation of a retiree as mentioned in the preceding paragraph. A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit.

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 1st thereafter. The Plan Document containing benefit and vesting provision in their entity is available at the Pension office.

Members who are at least 50 years of age and have in excess of 20.5 years of credited service are eligible to participate in the Back Deferred Retirement Option Program. This program allows members to receive a lump sum distribution at the time of retirement, and in addition to a pension to which the member is entitled to receive. A member may elect a lump sum accumulation period for a minimum of 6 months and for not more than 36 months provided the member shall have at least 20 years of credited service remaining. The member receives the distribution at the time of their retirement. No amounts are held by the Fund on behalf of member's who elect to participate in this program.

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

Note 2 – Description of the Retirement Plans (continued)

Second Tier Plan – Retirement benefits for members with at least 25 years of Vesting Service and the attainment of age 55 or more are calculated at 2.50% of the member's final wages multiplied by years of service. Retirement benefits for members with at least 10 years of Vesting Service, but less than 25 years of vesting service, and attainment of age 50 or more are calculated at 2.50% of the member's final wages multiplied by the member's years of service.

Plan members are eligible for Service-Connected Disability benefits and for Ordinary Disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.50% of the member's final wages multiplied by years of service. Death benefits are calculated as the greater of 50% of the member's final wages or 75% of the calculation of a retiree as mentioned in the preceding paragraph. A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit.

Cost-of-living adjustments (COLAs) are not provided to retirees under the Second Tier Plan. The Plan Document containing benefit and vesting provision in their entity is available at the Pension office.

Members who are at least 50.5 years of age and have in excess of 25.5 years of credited service are eligible to participate in the Back Deferred Retirement Option Program. This program allows members to receive a lump sum distribution at the time of retirement, and in addition to a pension to which the member is entitled to receive. A member may elect a lump sum accumulation period for a minimum of 6 months and for not more than 36 months provided the member shall have at least 25 years of credited service remaining. The member receives the distribution at the time of their retirement. No amounts are held by the Fund on behalf of member's who elect to participate in this program.

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, which are classified as cash and cash equivalent in the statement of plan net position. As of December 31, 2014 the Fund's cash and cash equivalents in the custodian bank totaled \$16,971,196. 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.

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

Note 3 – Cash and Investments (continued)

Investments – The Board has adopted an investment policy and has the authority to establish or amend the policy for time to time, with the objective to invest the Fund’s assets in a manner consistent with generally accepted standards of fiduciary responsibility. Safety of principal is emphasized and the Fund’s objective is to be diversified. No changes to their investment policy were made during 2014.

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. The Board has adopted the following asset allocation policy as of December 16, 2013:

<u>Asset Allocation</u>	<u>Allowable Range</u>	<u>Target Percentage</u>
Large Cap Domestic Equity	15.0% - 25.0%	19.25%
Small Cap Domestic Equity	5.0% - 15.0%	8.25%
International Equity	20.0% - 30.0%	22.50%
Emerging Markets Equity	4.0% - 9.0%	5.00%
Private Equity	0.0% - 10.0%	10.00%
Real Estate	0.0% - 10.0%	10.00%
Fixed Income	25.0% - 30.0%	25.00%
Cash Equivalents	0.0% - 5.0%	0.00%

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.

<u>Asset Type</u>	<u>Fair Value Measurement Method</u>
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	Fair Market Value

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND 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, 2014, by type, are as follows:

Investment Description	Fair Value at December 31, 2014
Fixed Income Securities	\$ 389,333,373
Domestic Equities	388,272,540
International Equities	376,253,674
Private Equities	35,582,094
Limited Partnerships	62,411,531
Investing before invested securities lending collateral	1,251,853,212
Invested in securities lending collateral	99,972,828
Total	\$ 1,351,826,040

Management attempts to limit or mitigate certain risks through adherence to the Fund's Investment Policy. 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 FIDUCIARY FUND 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 Equivalents 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, 2014 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, 2014 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 FIDUCIARY FUND 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, 2014, the fixed income portfolio had the following rating and maturities:

Rating		Investment Maturities	
US Tsy (incl GNMA MBS)	\$ 75,068,372	< 1 year	\$ 28,787,621
US Agcy (incl FN/FH MBS)	42,728,495	1 - 3 years	78,655,244
AAA	91,284,272	3 - 5 years	94,498,392
AA	62,918,148	5 - 7 years	120,074,272
A	59,477,900	7 - 10 years	22,315,015
BBB	47,619,093	10 - 20 years	15,355,576
BB	3,699,993	20 - 30 years	28,783,546
B	2,386,305	over 30	863,707
Below B	3,037,116		<u>\$ 389,333,373</u>
Committed Cash	1,113,679		
	<u>\$ 389,333,373</u>		

Foreign currency risk – The Fund's exposure to foreign currency risk at December 31, 2014 and 2013 was as follows:

Investment	Currency	2014 Fair Value
Cash and cash equivalents	European Union Euro	\$ 1,490,513
Cash and cash equivalents	Swiss Franc	-
Cash and cash equivalents	Japanese Yen	-
Cash and cash equivalents	Swedish Krona	-
Partnerships	European Union Euro	<u>15,774,032</u>
		<u>\$ 17,264,545</u>

Money-Weighted Rate of Return – For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.27%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Note 4 – Securities Lending Transactions

The Fund is authorized to enter into securities lending transactions under Texas State Statutes Section 2256.0015. The Fund has a securities lending agreement with its custodian under which Fund owned investments are lent to one or more borrowers for a fee. The lending agent is responsible for collecting 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 a securities lending authorization agreement. The lending agent is authorized to lend the Fund's securities to one or more borrowers, as appropriate, but limited to only central approved borrowers listed.

The lending agent has indemnified the Fund harmless from any losses, damages, costs or expenses the Fund may incur if the lending agent is unable to recover borrowed securities or distributions made during the term of the loans with respect to those securities as a result of the lending agent's failure to make a reasonable determinations of the creditworthiness of a borrower, demand adequate and appropriate collateral on a timely basis or to perform its duties under the agreement with the Fund. 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 determine the market value of the collateral and the borrowed securities. If on any business day the market value of all the collateral is less than the required value, the lending agent will demand from the borrower, 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 equal the required value. If on any business day the market value of all the collateral is greater than the required value, the lending agent will, upon request from the borrower, redeliver the borrower such amount of collateral selected by the borrower so that the market value of all collateral equals the required value. The Fund's security lending policy requires investment grade securities. Cash collateral received from the borrower is subsequently reinvested in a securities lending collateral investment pool.

	2014		
	Fair Value of Underlying Securities	Cash Collateral Received/ Securities Collateral Value	Cash Collateral Investment Value
Securities Lent			
Lent for cash collateral			
Domestic Equities	\$ 97,239,648	\$ 99,700,692	\$ 99,686,868
Lent for securities collateral			
Domestic Equities	264,686	272,136	-
Total	<u>\$ 97,504,334</u>	<u>\$ 99,972,828</u>	<u>\$ 99,686,868</u>

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

Note 4 – Securities Lending Transactions (continued)

The securities collateral received consists of U.S. Treasury bonds, notes and bills, which have the lowest custodial credit risk. There were no losses from securities lending transactions during the year ended December 31, 2014 resulting from a default of a borrower or the lending agent.

Note 5 – Net Pension Liability

The components of the net pension liability, by division, of the Fund as of December 31, 2014, were as follows:

	Firemen Division	Policemen Division	Total
Total pension liability	\$ 622,998,216	\$ 938,652,154	\$ 1,561,650,370
Plan fiduciary net position	(517,224,488)	(753,637,428)	(1,270,861,916)
Net pension liability	\$ 105,773,728	\$ 185,014,726	\$ 290,788,454
Plan fiduciary net position as a percentage of the total pension liability	83.02%	80.29%	81.38%

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

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

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the Fund's contributions will continue to follow the current funding policy. Total covered employee payroll is assumed to grow at 3.5% per year. In addition, employer payroll contribution percentage, and employee payroll contribution percentage are assumed to remain constant for the entire projection period. The normal cost rate for future members is assumed to be 19.19% and 17.78% for Firemen and Policemen, respectively, for all years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.75%. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability.

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

Note 5 – Net Pension Liability (continued)

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
Firemen division	\$ 191,982,180	\$ 105,773,728	\$ 35,441,143
Police division	318,831,849	185,014,726	76,561,849
Total	<u>\$ 510,814,029</u>	<u>\$ 290,788,454</u>	<u>\$ 112,002,992</u>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan administrative and investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table (note that the rates shown below exclude the inflation component):

	Long-term expected rate of return	Target asset allocation
Domestic equity	6.21%	27.50%
International equity	7.30%	22.50%
Emerging markets equity	8.50%	5.00%
Private equity	9.80%	10.00%
Fixed income	3.14%	25.00%
Real estate	7.00%	10.00%

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2014

Schedule 1

	Firemen Division	Policemen Division	Total
Total pension liability			
Service cost	\$ 13,064,315	\$ 18,126,576	\$ 31,190,891
Interest	45,884,434	68,900,266	114,784,700
Changes in benefit terms	-	-	-
Differences in expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Benefit payments	<u>(29,886,861)</u>	<u>(38,567,602)</u>	<u>(68,454,463)</u>
Net change in total pension liability	29,061,888	48,459,240	77,521,128
Total pension liability - beginning	<u>593,936,328</u>	<u>890,192,914</u>	<u>1,484,129,242</u>
Total pension liability - ending	<u>622,998,216</u>	<u>938,652,154</u>	<u>1,561,650,370</u>
Plan fiduciary net position			
Contributions - employer	10,853,759	14,776,141	25,629,900
Contributions - employee	8,749,488	10,898,003	19,647,491
Net investment income	20,616,237	30,039,506	50,655,743
Benefit payments, including refunds of employee contributions	<u>(29,886,861)</u>	<u>(38,567,602)</u>	<u>(68,454,463)</u>
Net change in plan fiduciary net position	10,332,623	17,146,048	27,478,671
Plan fiduciary net position - beginning	<u>506,891,865</u>	<u>736,491,380</u>	<u>1,243,383,245</u>
Plan fiduciary net position - ending	<u>517,224,488</u>	<u>753,637,428</u>	<u>1,270,861,916</u>
Net pension liability - ending	<u>\$ 105,773,728</u>	<u>\$ 185,014,726</u>	<u>\$ 290,788,454</u>
Plan fiduciary net position as a percentage of the total pension liability	83.02%	80.29%	81.38%
Covered-employee payroll	\$ 53,872,177	\$ 70,817,206	\$ 124,689,383
Net pension liability as a percentage of covered-employee payroll	196.34%	261.26%	233.21%

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
 (A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 DECEMBER 31, 2014**

Schedule 2

	<u>2014</u>
Actuarially determined contribution*	
Firemen	\$ 10,853,759
Policemen	<u>14,776,141</u>
Total	<u>25,629,900</u>
Contributions in relation to the actuarially determined contribution	
Firemen	10,853,759
Policemen	<u>14,776,141</u>
Total	<u>25,629,900</u>
Contributions deficiency (excess)	<u><u>\$ -</u></u>
Covered-employee payroll	
Firemen	\$ 53,872,177
Policemen	<u>70,817,206</u>
Total	<u>124,689,383</u>
Contributions as a percentage of covered-employee payroll	20.55%

*The amounts listed above are the actual employer contributions since the actuarially determined contributions were not determined. The City of El Paso's contribution rates are established by ordinance. However, the actuarial valuation dated January 1st 2014 disclosed that the 30 year funding costs for the City are 21.81% and 26.45% for the Firemen and Policemen, respectively. The calculated contribution deficiency is 3.31% and 7.95% for Firemen and Policemen, respectively.

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
SCHEDULE OF INVESTMENT RETURNS AND RELATED RATIOS
DECEMBER 31, 2014**

Schedule 3

	<u>2014</u>
Annual money-weighted rate of return net of investment expense	
Firemen Division	4.27%
Policemen Division	<u>4.27%</u>
Aggregate rate of return	4.27%

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014**

Employee contributions as established by the Board of Trustees and a vote of active members in accordance with Article 6243b (Act) of Vernon's Annotated Texas Statutes. The City's funding policies provide for periodic employer contributions.

In the event, based upon the results of the actuarial valuations, a qualified actuary determines that the total contribution rate, is insufficient to amortize an unfunded actuarial accrued liability. The City's governing body may increase its contribution rate.

The sum of the City's contribution rate and the member contribution rate, after an increase, may not exceed the total contribution rate determined by the actuary necessary to amortize the unfunded actuarial accrued liability over a forty (40) year period.

OTHER SUPPLEMENTARY INFORMATION

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
DECEMBER 31, 2014**

Schedule 4

	<u>For the Year Ending</u> <u>December 31, 2014</u>
Investment Expenses	
Brokerage fees	\$ 3,826,593
Investment consulting fees	538,654
Legal	62,881
Custodian fees	122,083
Due diligence	20,025
Total investment expenses	<u>4,570,236</u>
Administrative Expenses	
Salaries and benefits	655,149
Operating expenses	261,353
Legal	163,792
Actuary	110,999
Audit	82,000
Insurance	33,173
Travel for fiduciary education	50,595
Other	11,367
Total administrative expenses	<u>1,368,428</u>
Total investment and administrative expenses	<u>\$ 5,938,664</u>

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
DECEMBER 31, 2014**

	Pension Fund			Lomaland West, LLC		
	Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
ASSETS:						
Cash and cash equivalents	\$ 6,904,889	\$ 10,060,976	\$ 16,965,865	\$ 1,824	2,658	\$ 4,482
Receivables						
Employer contributions	381,924	556,494	938,418	-	-	-
Employee contributions	306,196	446,152	752,348	-	-	-
Dividend and interest receivable	165,368	240,954	406,322	-	-	-
Other Receivable	-	-	-	70	101	171
Total receivables	853,488	1,243,600	2,097,088	70	101	171
Investments, at fair value						
Fixed income securities	158,453,686	230,879,687	389,333,373	-	-	-
Domestic equities	158,021,940	230,250,600	388,272,540	-	-	-
International equities	153,130,416	223,123,258	376,253,674	-	-	-
Private equities	14,481,456	21,100,638	35,582,094	-	-	-
Real estate	25,400,692	37,010,839	62,411,531	-	-	-
Securities lending collateral	40,687,658	59,285,170	99,972,828	-	-	-
Investment in subsidiary	284,377	414,360	698,737	-	-	-
Total investments	550,460,225	802,064,552	1,352,524,777	-	-	-
Property and equipment						
Building	-	-	-	293,491	427,644	721,135
Furniture and fixtures	21,200	30,890	52,090	-	-	-
Computer equipment	30,443	44,358	74,801	-	-	-
Machinery equipment	2,343	3,413	5,756	-	-	-
Pension administration system software	450,477	656,380	1,106,857	-	-	-
Total property and equipment	504,463	735,041	1,239,504	293,491	427,644	721,135
Less: accumulated depreciation and amortization	(296,169)	(431,541)	(727,710)	-	-	-
Net property and equipment	208,294	303,500	511,794	293,491	427,644	721,135
Other assets						
Organizational costs	-	-	-	10,288	14,991	25,279
Less: accumulated amortization	-	-	-	(10,288)	(14,991)	(25,279)
Net other assets	-	-	-	-	-	-
TOTAL ASSETS	558,426,896	813,672,628	1,372,099,524	295,385	430,403	725,788
LIABILITIES:						
Accrued expenses and other	514,750	750,030	1,264,780	11,008	16,043	27,051
Securities lending collateral	40,687,658	59,285,170	99,972,828	-	-	-
TOTAL LIABILITIES	41,202,408	60,035,200	101,237,608	11,008	16,043	27,051
Net position held in trust for pension benefits	\$ 517,224,488	\$ 753,637,428	\$ 1,270,861,916	\$ 284,377	\$ 414,360	\$ 698,737

Schedule 5

Eliminating Entries			Combined		
Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
\$ -	\$ -	\$ -	\$ 6,906,713	\$ 10,063,634	\$ 16,970,347
-	-	-	381,924	556,494	938,418
-	-	-	306,196	446,152	752,348
-	-	-	165,368	240,954	406,322
-	-	-	70	101	171
-	-	-	853,558	1,243,701	2,097,259
-	-	-	158,453,686	230,879,687	389,333,373
-	-	-	158,021,940	230,250,600	388,272,540
-	-	-	153,130,416	223,123,258	376,253,674
-	-	-	14,481,456	21,100,638	35,582,094
-	-	-	25,400,692	37,010,839	62,411,531
-	-	-	40,687,658	59,285,170	99,972,828
(284,377)	(414,360)	(698,737)	-	-	-
(284,377)	(414,360)	(698,737)	550,175,848	801,650,192	1,351,826,040
-	-	-	293,491	427,644	721,135
-	-	-	21,200	30,890	52,090
-	-	-	30,443	44,358	74,801
-	-	-	2,343	3,413	5,756
-	-	-	450,477	656,380	1,106,857
-	-	-	797,954	1,162,685	1,960,639
-	-	-	(296,169)	(431,541)	(727,710)
-	-	-	501,785	731,144	1,232,929
-	-	-	10,288	14,991	25,279
-	-	-	(10,288)	(14,991)	(25,279)
-	-	-	-	-	-
(284,377)	(414,360)	(698,737)	558,437,904	813,688,671	1,372,126,575
-	-	-	525,758	766,073	1,291,831
-	-	-	40,687,658	59,285,170	99,972,828
-	-	-	41,213,416	60,051,243	101,264,659
\$ (284,377)	\$ (414,360)	\$ (698,737)	\$ 517,224,488	\$ 753,637,428	\$ 1,270,861,916

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31, 2014**

	Pension Fund			Lomaland West, LLC		
	Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
ADDITIONS:						
Contributions						
Employer	\$ 10,853,759	\$ 14,776,141	\$ 25,629,900	\$ -	\$ -	\$ -
Employee	8,749,488	10,898,003	19,647,491	-	-	-
Other	-	-	-	-	-	-
Total contributions	<u>19,603,247</u>	<u>25,674,144</u>	<u>45,277,391</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment income						
Net change in fair value of investments	13,418,946	19,552,478	32,971,424	-	-	-
Interest	2,963,972	4,318,744	7,282,716	-	-	-
Dividends	6,524,199	9,506,280	16,030,479	-	-	-
Securities lending income	177,510	258,646	436,156	-	-	-
Less: investment expenses	<u>(1,860,027)</u>	<u>(2,710,209)</u>	<u>(4,570,236)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	<u>21,224,600</u>	<u>30,925,939</u>	<u>52,150,539</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other income (loss)						
Net income in subsidiary	22,637	34,063	56,700	-	-	-
Other income	-	-	-	-	-	-
Rental income	-	-	-	48,677	70,926	119,603
Total other income	<u>22,637</u>	<u>34,063</u>	<u>56,700</u>	<u>48,677</u>	<u>70,926</u>	<u>119,603</u>
Total additions	<u>40,850,484</u>	<u>56,634,146</u>	<u>97,484,630</u>	<u>48,677</u>	<u>70,926</u>	<u>119,603</u>
DEDUCTIONS:						
Benefits paid to participants	27,839,232	36,804,339	64,643,571	-	-	-
Refunds of employee contributions	2,047,629	1,763,263	3,810,892	-	-	-
Administrative expenses	530,500	772,981	1,303,481	75,109	109,441	184,550
Depreciation and amortization expense	51,431	74,937	126,368	-	-	-
Total deductions	<u>30,468,792</u>	<u>39,415,520</u>	<u>69,884,312</u>	<u>75,109</u>	<u>109,441</u>	<u>184,550</u>
TRANSFERS:						
Transfers In	-	-	-	49,069	72,578	121,647
Transfers Out	<u>(49,069)</u>	<u>(72,578)</u>	<u>(121,647)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Transfers	<u>(49,069)</u>	<u>(72,578)</u>	<u>(121,647)</u>	<u>49,069</u>	<u>72,578</u>	<u>121,647</u>
Net change	10,332,623	17,146,048	27,478,671	22,637	34,063	56,700
Net position held in trust for pension benefits						
Beginning - January 1, 2014	<u>506,891,865</u>	<u>736,491,380</u>	<u>1,243,383,245</u>	<u>261,740</u>	<u>380,297</u>	<u>642,037</u>
Ending - December 31, 2014	<u>\$ 517,224,488</u>	<u>\$ 753,637,428</u>	<u>\$ 1,270,861,916</u>	<u>\$ 284,377</u>	<u>\$ 414,360</u>	<u>\$ 698,737</u>

Schedule 6

Eliminating Entries			Combined		
Firemen Division	Policemen Division	Combined Total	Firemen Division	Policemen Division	Combined Total
\$ -	\$ -	\$ -	\$ 10,853,759	\$ 14,776,141	\$ 25,629,900
-	-	-	8,749,488	10,898,003	19,647,491
-	-	-	-	-	-
-	-	-	19,603,247	25,674,144	45,277,391
-	-	-	13,418,946	19,552,478	32,971,424
-	-	-	2,963,972	4,318,744	7,282,716
-	-	-	6,524,199	9,506,280	16,030,479
-	-	-	177,510	258,646	436,156
-	-	-	(1,860,027)	(2,710,209)	(4,570,236)
-	-	-	21,224,600	30,925,939	52,150,539
(22,637)	(34,063)	(56,700)	-	-	-
-	-	-	-	-	-
(48,677)	(70,926)	(119,603)	-	-	-
(71,314)	(104,989)	(176,303)	-	-	-
(71,314)	(104,989)	(176,303)	40,827,847	56,600,083	97,427,930
-	-	-	27,839,232	36,804,339	64,643,571
-	-	-	2,047,629	1,763,263	3,810,892
(48,677)	(70,926)	(119,603)	556,932	811,496	1,368,428
-	-	-	51,431	74,937	126,368
(48,677)	(70,926)	(119,603)	30,495,224	39,454,035	69,949,259
(49,069)	(72,578)	(121,647)	-	-	-
49,069	72,578	121,647	-	-	-
-	-	-	-	-	-
(22,637)	(34,063)	(56,700)	10,332,623	17,146,048	27,478,671
(261,740)	(380,297)	(642,037)	506,891,865	736,491,380	1,243,383,245
\$ (284,377)	\$ (414,360)	\$ (698,737)	\$ 517,224,488	\$ 753,637,428	\$ 1,270,861,916