



Report of Independent Auditors  
and Financial Statements with  
Required Supplementary Information  
and Supplementary Information for

El Paso Firemen and Policemen's  
Pension Fund

(A Fiduciary Fund of the  
City of El Paso, Texas)

December 31, 2016 and 2015

**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  
El Paso, Texas

### **Report on Financial Statements**

We have audited the accompanying financial statements of El Paso Firemen and Policemen's Pension Fund (the Fund), a fiduciary fund of the City of El Paso, Texas, which comprise the statements of fiduciary net position as of December 31, 2016 and 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

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 the Fund as of December 31, 2016 and 2015, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, schedules of changes in net pension liability and related ratios, schedules of employer contributions, and schedules of investment returns and related ratios (collectively, the required supplementary information) 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the Fund's financial statements. The schedules of administrative and investment expenses, combining schedules of fiduciary net position and combining schedules of changes in fiduciary net position (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the financial statements.

To the Board of Trustees  
El Paso Firemen and Policemen's Pension Fund

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2017 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
July 19, 2017

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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**

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This section presents management's discussion and analysis of the financial performance of El Paso Firemen and Policemen's Pension Fund (the Fund) for the years ended December 31, 2016 and 2015. 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. **Financial Statements** including:
  - a. Statements of Fiduciary Net Position
  - b. Statements of Changes in Fiduciary Net Position
  - c. Notes to the Financial Statements
2. **Required Supplementary Information** including:
  - a. Schedules of Changes in Net Pension Liability and Related Ratios
  - b. Schedules of Employer Contributions
  - c. Schedules of Investment Returns and Related Ratios
  - d. Notes to the Required Supplementary Information
3. **Supplementary Information** including:
  - a. Schedules of Administrative and Investment Expenses
  - b. Combining Schedules of Fiduciary Net Position
  - c. Combining Schedules of Changes in Fiduciary Net Position

The financial statements are described as follows:

- The Statements of Fiduciary Net Position show 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 Schedules of Changes in Net Pension Liability and Related Ratios that is included in the Required Supplementary Information.
- The Statements 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**

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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 Schedules 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 Schedules 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 Schedules 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 7.20%, ranking in the 52<sup>nd</sup> percentile, and up 0.57%, ranking in the 32<sup>nd</sup> percentile of public pension funds, for the years ended December 31, 2016 and 2015, respectively.
- The assets of the Fund exceeded its liabilities as of December 31, 2016 and 2015 by \$1,295,716,967 and \$1,245,378,586, respectively.
- The Fund's total net position increased by \$50,338,381 during fiscal 2016 and decreased by \$25,483,330 during fiscal 2015.

The Fund's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2016, the date of our last actuarial valuation for the Fire and Police Divisions, the funded ratio was approximately 79.2%. In general, this indicates that, as of January 1, 2016, for every dollar of benefits due for the Fire and Police Divisions, we had approximately \$0.79 of assets to cover it. As of January 1, 2016, the date of the first actuarial valuation for the Staff Plan, the funded ratio was approximately 283%. In general, this indicates that for every dollar of benefits due for the Staff Plan, we had \$2.83 of assets to cover it.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Fund's 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 statements 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 financial statements and required supplementary information, this report also contains supplementary information 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**

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**Summarized Financial Information**

The following table displays a summary of the Fund's net position available for benefits as of December 31, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets	\$ 1,382,915,145	\$ 1,345,534,438	\$ 1,372,126,575
Liabilities	<u>87,198,178</u>	<u>100,155,852</u>	<u>101,264,659</u>
Net position restricted for pension benefits	<u>\$ 1,295,716,967</u>	<u>\$ 1,245,378,586</u>	<u>\$ 1,270,861,916</u>

Net position restricted for pension benefits increased by \$50,338,381 or 4.04% during fiscal year 2016 to \$1,295,716,967. The increase to net position is primarily due to the Fund's investment activities and increases in net investment income during 2016.

**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, \$1,295,716,967 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.

*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, 2016 was \$131,847,260 and for the year ended December 31, 2015 was \$49,336,158.

*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, 2016 totaled \$81,508,879, an increase of \$6,689,391 or 8.94% over the year ended December 31, 2015. The majority of this increase is comprised of benefit payments to retirees and beneficiaries and employee contribution refunds.

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

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*Comparison of Fiscal Year 2016 to 2015* – As of December 31, 2016, net position increased by 4.04% from the prior year primarily due to increases in the fair value of investments during 2016. Total additions to fiduciary net position for the year ended December 31, 2016 was \$131,847,260. Deductions for the year ended December 31, 2016 totaled \$81,508,879, an increase of \$6,689,391 or 8.94% over the year ended December 31, 2015.

*Comparison of Fiscal Year 2015 to 2014* – As of December 31, 2015, net position decreased by 2.01% from the prior year primarily due to decreases in net investment income during 2015. Total additions to fiduciary net position for the year ended December 31, 2015 was \$49,336,158. Deductions for the year ended December 31, 2015, totaled \$74,819,488, an increase of \$4,870,229 or 6.96% over the year ended December 31, 2014.

The following table displays the summary of the change in net position available for benefits for fiscal years 2014 through 2016 for the Fund:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contributions	\$ 46,166,469	\$ 46,183,386	\$ 45,277,391
Net investment and other income	85,680,791	3,152,772	52,150,539
Total additions	<u>131,847,260</u>	<u>49,336,158</u>	<u>97,427,930</u>
Benefit payments	77,175,220	69,436,154	64,643,571
Refunds of employee contributions	2,549,712	3,524,591	3,810,892
Administrative expenses	1,609,869	1,685,929	1,368,428
Depreciation expense	174,078	172,814	126,368
Total deductions	<u>81,508,879</u>	<u>74,819,488</u>	<u>69,949,259</u>
Change in net position restricted for pension benefits	<u>\$ 50,338,381</u>	<u>\$ (25,483,330)</u>	<u>\$ 27,478,671</u>

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](mailto:info@elpasofireandpolice.org).

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

<b>ASSETS</b>		
	December 31,	
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 16,385,434	\$ 14,472,755
<b>RECEIVABLES</b>		
Employer contributions	528,435	348,595
Employee contributions	428,009	280,555
Other	7,088	-
Total receivables	963,532	629,150
<b>INVESTMENTS</b>		
Fixed income securities	336,781,927	361,616,714
Domestic equities	366,450,206	375,384,479
International equities	375,400,413	365,590,764
Private equities	76,090,715	51,170,313
Real estate	126,835,300	75,860,674
Securities lending collateral	82,219,120	98,856,278
Total investments	1,363,777,681	1,328,479,222
<b>PROPERTY AND EQUIPMENT</b>		
Building	1,580,246	1,580,246
Furniture and fixtures	92,318	90,997
Computer equipment	54,493	46,549
Pension administration system software	1,106,857	1,106,857
	2,833,914	2,824,649
Less: Accumulated depreciation	1,045,416	871,338
Net property and equipment	1,788,498	1,953,311
Total assets	1,382,915,145	1,345,534,438
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,302,639	1,299,574
DROP payable	3,676,419	-
Securities lending obligation	82,219,120	98,856,278
Total liabilities	87,198,178	100,155,852
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<b>\$ 1,295,716,967</b>	<b>\$ 1,245,378,586</b>

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

	Years Ended December 31,	
	2016	2015
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 25,846,489	\$ 25,645,959
Employee	20,319,980	20,537,427
Total contributions	<u>46,166,469</u>	<u>46,183,386</u>
Investment income		
Net change in fair value of investments	70,183,550	(14,037,776)
Interest	5,775,240	9,734,513
Dividends	14,508,082	11,920,916
Securities lending income	356,480	275,119
	<u>90,823,352</u>	<u>7,892,772</u>
Less investment expenses	5,142,561	4,765,024
Net investment income	<u>85,680,791</u>	<u>3,127,748</u>
Other income	-	25,024
Total additions	<u>131,847,260</u>	<u>49,336,158</u>
<b>DEDUCTIONS</b>		
Benefit payments	77,175,220	69,436,154
Refunds of employee contributions	2,549,712	3,524,591
Administrative expenses	1,609,869	1,685,929
Depreciation expense	174,078	172,814
Total deductions	<u>81,508,879</u>	<u>74,819,488</u>
<b>NET CHANGE</b>	50,338,381	(25,483,330)
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
Beginning of year	<u>1,245,378,586</u>	<u>1,270,861,916</u>
End of year	<u>\$ 1,295,716,967</u>	<u>\$ 1,245,378,586</u>

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

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**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 (the City). It consists of separate divisions for firemen, policemen and the Fund's staff. The three divisions are presented in combining financial statements in the supplementary information.

Lomaland West, LLC, a limited liability company and blended component unit of the Fund (Lomaland West), was formed during 2006 to acquire a building to house the Fund's operations. During 2014, Lomaland West purchased a building and the Fund relocated its operations to the building during 2015. During February 2016, the Fund's Board of Trustees passed a resolution to liquidate Lomaland West. Lomaland West was officially liquidated on May 18, 2016 and the assets, liabilities and net position were transferred to 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 are held by Northern Trust Corporation (the Custodian) in the Plan's name.

Investments are stated at fair value in the accompanying statements of fiduciary net position. The fair value of marketable investments is determined by the latest bid price, closing exchange price at year end, institutional bid evaluation or net asset value (NAV) as considered appropriate for each investment type by the Custodian. 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**

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

**Securities lending** – Earnings from securities lending transactions are reported net of security lending fees and rebates paid as securities lending income on the statement of changes in fiduciary net position. Cash and cash equivalents received as collateral on securities lending transactions held by the Fund and the fair value of investments made with the cash collateral are reported as an asset on the statements of fiduciary net position. The collateral received is reported as a liability on the statements 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 as of December 31, 2016 or 2015.

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 included in net change in fair value of investments.

Investments and broker accounts denominated in foreign currencies outstanding as of December 31, 2016 and 2015 were converted to the Fund's functional currency (United States dollars) at the foreign exchange rates quoted as of December 31, 2016 and 2015, respectively. These foreign exchange gains and losses are included in net change in fair value of investments in the accompanying statements of changes in fiduciary 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.

**Capital assets** – Capital assets are recorded at cost, less accumulated depreciation. 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 30 years on buildings, 5 years for computer equipment, 5-10 years for furniture and fixtures, and 10 years for the pension administration system. Depreciation expense totaled \$174,078 and \$172,814 for the years ended December 31, 2016 and 2015, respectively.

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

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

**Payment of benefits** – Benefit payments to members are recognized when paid.

**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.

**New Accounting Pronouncement** – Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72) addresses accounting and financial reporting related to fair value measurements of assets and liabilities. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and includes new disclosure requirements for those fair value measurements. The Fund has implemented GASB No. 72 for the year ended December 31, 2016. The fair value measurements and disclosures were applied on a retrospective basis as of December 31, 2015 in accordance with the guidance in GASB No. 72.

**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 statements of fiduciary net position.

The Fund's contribution rates and the actuarial information included in the footnotes and required supplementary information 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.

**Reclassifications** – Certain amounts in the statement of fiduciary net position for the year ended December 31, 2015 have been reclassified to conform to the presentation in the current year.

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

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

The designated purpose of the Fund is to provide retirement, death and disability benefits to members or their beneficiaries. The City 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 appointed by the mayor; two citizens of the City appointed by the city manager; three member firemen of the Fire Department, to be elected by the firemen members of the Fund; and three member policemen of the Police Department, to be elected by the policemen members of the Fund. The Board contracts with an independent custodian bank, investment managers, investment consultants, and an actuary to assist in managing the Fund.

The Fund's membership is estimated as follows as of December 31, 2016 and 2015:

	2016			2015		
	Firemen Division	Policemen Division	Staff Plan	Firemen Division	Policemen Division	Staff Plan
Active members	900	1,036	9	867	1,005	6
Retirees and beneficiaries of deceased retirees currently receiving benefits	776	1,028	-	744	1,004	-
Inactive members entitled to benefits but not yet receiving them	4	15	-	5	16	1
Total retired and inactive members	780	1,043	-	749	1,020	1
Total members	1,680	2,079	9	1,616	2,025	7

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, 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 originally 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**

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

The Staff Plan is a defined benefit retirement plan for the employees of the Fund. Members are required to contribute 5% of their compensation to the Fund. In addition, the Fund is required to contribute the annually an amount determined by the Fund's qualified actuary as necessary to satisfy the normal costs for that year, plus the amount necessary to pay the past service costs of the Staff Plan over a ten- year period. A person is eligible to participate in the Staff Plan on the date they become a full-time employee.

The Fund is maintained under the provisions of Article 6243b of Vernon's Annotated Texas Statutes. All current provisions for the Firemen and Policemen Divisions are set forth in the City of El Paso Firemen and Policemen's Pension Fund Plan Document, as restated effective July 1, 2016. All current provisions for the Staff Plan are set forth in the El Paso Firemen and Policemen's Staff Plan and Trust as restated effective July 20, 2016. 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 or their beneficiaries based on their enrollment in the Base Plan, Second Tier Plan, or Staff Plan. Benefits are calculated as follows for the Base Plan, Second Tier Plan, and Staff Plan:

**Base Plan** – Retirement benefits for members with at least 20 years of vested 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 vested 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 vested 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 1<sup>st</sup> thereafter.

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

**Second Tier Plan** – Retirement benefits for members with at least 25 years of service and the attainment of age 50 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 service, but less than 25 years of 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. COLAs are not provided to retirees under the Second Tier Plan.

**Staff Plan** – Retirement benefits for staff members with at least 10 years of service and the attainment of age 55 or more are calculated at 1.75% of the member's final wages multiplied by years of credited service. Retirement benefits for members with at least 10 years of service, but not having attained the age of 55 are calculated at 1.75% of the member's final wages multiplied by the member's years of credited service to be paid upon the member's attainment of age 60. Retiree benefits are suspended if the retiree is reemployed by the fund. COLAs are not provided to retirees under the Staff Plan.

Plan documents containing benefit and vesting provisions for the Base Plan, Second Tier Plan, and Staff Plan are available at the Fund's office.

**Deferred Retirement Option Program (DROP)**

**Back DROP** – Retiring members who meet the requirements below may elect to participate in the Back DROP until June 30, 2019, in which they receive a monthly benefit and a lump sum benefit at the time of retirement. The Back DROP monthly benefit is based on years of credited service and final wages as of the benefit computation date. The lump sum is the monthly benefit multiplied by the number of months between the benefit computation date and the retirement date. There are no account balances or accrued payables. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

- Members in the Base Plan who are at least 50 years of age and have over 20.5 years of credited service may participate in the Back DROP. Base Plan members may elect a lump sum accumulation period with a minimum of 6 months and a maximum of 36 months.

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

- Members in the Second Tier Plan who are at least 50.5 years of age and have over 25.5 years of credited service are eligible to participate in the Back DROP. Second Tier Plan members may elect a lump sum accumulation period with a minimum of 6 months and a maximum of 36 months.

**Forward DROP** – Effective July 1, 2016, the Forward DROP was implemented for eligible members. Base Plan members who are at least 45 years old with at least 20 years of service and Second Tier Plan members who are at least 50 years old with at least 25 years of service are eligible to participate in the Forward DROP by an irrevocable written election. At the date participation in the Forward DROP begins, the participant's years of credited service and average final compensation become frozen for purposes of determining pension benefits. The participant is considered retired related to the Fund and does not accrue additional retirement benefits, except for annual benefit cost-of-living adjustments, if applicable. Upon retirement, the participant receives the lump sum of the total of the monthly retirement benefits between the benefit computation date and the retirement date, and then begins receiving the monthly benefit.

Each Forward DROP participant's monthly pension is tracked by an individual DROP account between the date participation in the Forward DROP begins and the retirement date and accrued as a liability on the statement of fiduciary net position. Forward DROP balances are not credited with investment gains and losses. As of December 31, 2016, the DROP payable totaled \$3,676,419.

**Note 3 – Cash and Cash Equivalents**

Cash and cash equivalents consists of cash and short-term investments held by the Custodian. Custodial risk for cash and cash equivalents is the risk that in the event of bank failure, the Fund's deposits may not be returned. 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.

**Note 4 – Investments**

The Board of Trustees has adopted an investment policy and has the authority to establish or amend the policy, 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. The Fund's investment policy was updated during September 2016 with adjustments to the allowable ranges for certain investment classes.

The Fund's investments are managed by various investment managers who have discretionary authority over the assets managed by them under contract with the Fund and within the investment guidelines established by the Board of Trustees. 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.

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**Note 4 – Investments (continued)**

The Board of Trustees has adopted the following asset allocations as part of the Fund's investment policy:

Asset Classification	Allowable Range	Target Percentage
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% - 15.0%	10.00%
Fixed Income	25.0% - 35.0%	25.00%
Cash Equivalents	0.0% - 5.0%	0.00%

Management attempts to limit or mitigate certain risks through adherence to the Fund's investment policy. The investment policy includes the following requirements:

***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.

***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.

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**Note 4 – Investments (continued)**

**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 allocations in the Fund's investment policy contain guideline percentages of the Fund's investment portfolio to be invested by asset classification, at fair value. Actual asset allocations will be dictated by current and anticipated market conditions, the actions of the Board of Trustees and required cash flows to and from the Fund. As of December 31, 2016, the Fund has no single investment holdings in excess of 5% of the Fund's fiduciary net position.

**Custodial credit risk** – Custodial credit is the risk that, in the event of the failure of a custodial counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession the custodian. 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, 2016, 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.

**Credit risk** – Credit risk is the risk that the issuer of securities or another counterparty to an investment may be unable to fulfill its payments on a security under the original term. The Fund's investment policy prohibits investments in private placement debt securities and prohibits concentrations of fixed income investments of more than 10% with any one issuer other than the U.S. Government. As of December 31, 2016 and 2015, the Fund's fixed income portfolio had the following credit ratings:

	December 31,	
	2016	2015
U.S. Treasury	\$ 41,379,591	\$ 71,056,980
U.S. Agency	21,493,148	39,076,913
AAA	105,384,811	115,150,387
AA	60,137,167	42,123,022
A	56,017,661	28,128,327
BBB	27,971,781	44,035,297
BB	14,731,362	7,070,320
B	950,410	7,504,461
Below B	2,138,424	7,083,087
Committed cash	6,577,572	387,920
	<u>\$ 336,781,927</u>	<u>\$ 361,616,714</u>

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**Note 4 – Investments (continued)**

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. 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.
- 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, 2016 and 2015, the fixed income portfolio had the following investment maturities:

	December 31,	
	2016	2015
Less than 1 year	\$ (54,660,993)	\$ 16,826,195
1 - 3 years	49,226,030	43,718,959
3 - 5 years	102,257,892	115,864,350
5 - 7 years	137,671,592	93,515,451
7 - 10 years	21,215,446	29,048,937
10 - 20 years	46,167,483	25,794,097
20 - 30 years	34,380,810	36,182,822
Over 30 years	523,667	665,903
	\$ 336,781,927	\$ 361,616,714

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**Note 4 – Investments (continued)**

**Foreign currency risk** – The Fund’s exposure to foreign currency risk as of December 31, 2016 and 2015 was as follows:

Investment	Currency	2016	2015
Cash and cash equivalents	European Union Euro	\$ 353,408	\$ -
Limited partnerships	European Union Euro	12,916,808	15,751,663
		<u>\$ 13,270,216</u>	<u>\$ 15,751,663</u>

**Note 5 – Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy in accordance with GASB No. 72 that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.
- Level 2** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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**Note 5 – Fair Value Measurements (continued)**

The following tables disclose the Fund's assets fair value measurements by level as of December 31, 2016 and 2015:

	Fair Value at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Bond funds	\$ 99,179,309	\$ -	\$ 99,179,309	\$ -
Short-term investments	68,468,986	68,468,986	-	-
	<u>167,648,295</u>	<u>68,468,986</u>	<u>99,179,309</u>	<u>-</u>
Domestic equities				
Information technology	73,699,510	73,699,510	-	-
Financial services	58,759,810	58,759,810	-	-
Consumer spending	55,043,330	55,043,330	-	-
Manufacturing	54,663,472	54,663,472	-	-
Commercial services	53,432,677	53,432,677	-	-
Healthcare	41,102,689	41,102,689	-	-
Oil and gas	16,443,206	16,443,206	-	-
Real estate	13,066,478	13,066,478	-	-
Other	239,034	239,034	-	-
	<u>366,450,206</u>	<u>366,450,206</u>	<u>-</u>	<u>-</u>
Real Estate				
Real estate equities	61,247,881	61,247,881	-	-
Real estate limited partnerships	56,678,660	-	-	56,678,660
	<u>117,926,541</u>	<u>61,247,881</u>	<u>-</u>	<u>56,678,660</u>
International equities	58,701,963	58,701,963	-	-
Private equity funds	3,814,727	-	-	3,814,727
	<u>714,541,732</u>	<u>\$ 554,869,036</u>	<u>\$ 99,179,309</u>	<u>\$ 60,493,387</u>
Investments measured at NAV				
International equity funds	316,698,450			
Commingled fixed income fund	169,133,632			
Private equity funds	72,275,988			
Real estate limited partnerships	8,908,759			
	<u>567,016,829</u>			
Total investments measured at fair value	<u>\$ 1,281,558,561</u>			

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**Note 5 – Fair Value Measurements (continued)**

	Fair Value at December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Bond funds	\$ 99,674,436	\$ -	\$ 99,674,436	\$ -
High income fund	62,288,256	-	62,288,256	-
	<u>161,962,692</u>	<u>-</u>	<u>161,962,692</u>	<u>-</u>
Domestic equities				
Information technology	64,685,002	64,685,002	-	-
Financial services	51,572,643	51,572,643	-	-
Consumer spending	48,310,742	48,310,742	-	-
Manufacturing	47,977,346	47,977,346	-	-
Commercial services	46,897,095	46,897,095	-	-
Healthcare	36,075,241	36,075,241	-	-
Oil and gas	14,431,966	14,431,966	-	-
Real estate	65,224,647	65,224,647	-	-
Other	209,797	209,797	-	-
	<u>375,384,479</u>	<u>375,384,479</u>	<u>-</u>	<u>-</u>
Real estate limited partnerships	67,566,139	-	-	67,566,139
International equities	54,351,260	54,351,260	-	-
	659,264,570	<u>\$ 429,735,739</u>	<u>\$ 161,962,692</u>	<u>\$ 67,566,139</u>
Investments measured at NAV				
International equity funds	311,239,504			
Commingled fixed income fund	199,654,022			
Private equity funds	51,170,313			
Real estate limited partnerships	8,294,535			
	<u>570,358,374</u>			
Total investments measured at fair value	<u>\$ 1,229,622,944</u>			

The valuation method for investments measured at NAV practical equivalent is presented as follows:

Investments measured at NAV	Fair Value at December 31, 2016	Redemption Frequency	Required Redemption Notice
International equity funds	\$ 316,698,450	Daily	1 day
Commingled fixed income fund	169,133,632	Daily	1 day
Private equity funds	72,275,988	Not redeemable	Not redeemable
Real estate limited partnerships	8,908,759	Quarterly	45 days
	<u>\$ 567,016,829</u>		

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**Note 5 – Fair Value Measurements (continued)**

For Level 3 investments, the investment managers within each investment class determine the fair value of the underlying investments of the collective fund or limited partnership then allocate fair value to the Fund based on the percentage of the Fund's ownership percentage. In some instances, due to timing of reports from each manager, the fair value of the Fund's investments is adjusted by the incoming and outgoing cash flows for each fund. Investments in private equity and real estate limited partnerships are not eligible for redemption. Upon termination of partnership agreement, the Fund will receive its original investments plus or minus any unrealized gains or losses at the time of liquidation.

**International equity funds** – International equity funds include three investments with fund managers who focus on international equities. These funds focus on active on separate areas of the international market, including emerging markets equity, international developed value equity, and international developed growth equity, respectively; they follow the specified index as described in their respective agreements. The three funds report fair value at NAV as a practical equivalent. All three investments allow for daily redemptions with a one-day written notice. One investment has a maximum of 10 days before the redemption proceeds can be received.

**Commingled fixed income fund** – Commingled fixed income fund consists of a single investment that focuses on fixed income securities. The fund manager has the ability to invest in a variety of industry spaces, such as government and corporate bonds, and across a multitude of countries, both developed and emerging market, as outlined in the investment guidelines. The investment agreement allows daily redemptions with a one-day written notice. There is no restriction period related to redemption payments.

**Private equity funds** – Private equity funds consist of investments in limited partnerships. The partnerships qualify as investment companies under the GASB 72 guidance and are valued at NAV. The investment managers within each investment class determine the NAV of the underlying investments of the limited partnership then allocate the NAV to the Fund based on the percentage of the Fund's ownership percentage. Investments in these private equity funds are not eligible for redemption. Upon termination of partnership agreement, the Fund will receive its original investments plus or minus any unrealized gains or losses at the time of liquidation.

**Private real estate fund** – The private real estate fund consists of a real estate fund that generally invests in residential, office, retail, and industrial real estate. NAV is used in the measurement of the fair value of this investment. There are quarterly redemptions that require a 45-day written notice, depending on the fund. There are no lockup periods on these investments.

**Money-weighted rate of return** – For the years ended December 31, 2016 and 2015, the annual money-weighted rate of return on the Fund's investments, net of related investment expenses, was 7.20% and 0.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Unfunded commitments** – As of December 31, 2016 and 2015, the Fund has unfunded capital commitments to private equities and real estate limited partnerships totaling \$99.0 million and \$101.4 million, respectively.

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**Note 6 – Securities Lending**

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 the Custodian under which Fund-owned investments are lent to one or more approved borrowers for a fee. The Custodian, as lending agent, is responsible for collecting required collateral in the form of cash, securities issued or guaranteed by the U.S. Government or its agencies, 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 in accordance with the terms of a securities lending authorization agreement.

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. 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. As of December 31, 2016 and 2015, the Fund's securities lending obligation exceeded the fair value of the underlying securities.

The following tables summarize the fair value measurements of lent securities, cash collateral received, and the fair value of the reinvested cash collateral as of December 31, 2016 and 2015:

2016		
Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value
<u>\$ 80,070,729</u>	<u>\$ 82,219,120</u>	<u>\$ 82,623,373</u>

2015		
Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value
<u>\$ 96,087,741</u>	<u>\$ 98,856,278</u>	<u>\$ 99,472,522</u>

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**Note 6 – Securities Lending (continued)**

As of December 31, 2016 and 2015, the Fund also holds securities collateral that cannot be pledged or sold absent a borrower's default totaling \$5,690,844 and \$1,502,854, respectively. The securities collateral consists of U.S. Treasury Bills, U.S. Treasury Notes, and U.S. Treasury Bonds. There were no losses from securities lending transactions during the years ended December 31, 2016 and 2015 resulting from a default of a borrower or the lending agent.

**Note 7 – Net Pension Liability**

The components of the net pension liability of the Fund as of December 31, 2016 and 2015 are as follows:

	2016			Total
	Firemen Division	Policemen Division	Staff Plan	
Total pension liability	\$ 698,375,029	\$ 997,214,900	\$ 57,572	\$ 1,695,647,501
Plan fiduciary net position	<u>(526,344,624)</u>	<u>(769,097,564)</u>	<u>(274,779)</u>	<u>(1,295,716,967)</u>
Net pension liability	<u>\$ 172,030,405</u>	<u>\$ 228,117,336</u>	<u>\$ (217,207)</u>	<u>\$ 399,930,534</u>
Plan fiduciary net position as a percentage of the total pension liability	75.37%	77.12%	477.28%	76.41%

  

	2015			Total
	Firemen Division	Policemen Division	Staff Plan	
Total pension liability	\$ 652,863,658	\$ 987,219,263	\$ 57,572	\$ 1,640,140,493
Plan fiduciary net position	<u>(505,209,625)</u>	<u>(740,006,100)</u>	<u>(162,861)</u>	<u>(1,245,378,586)</u>
Net pension liability	<u>\$ 147,654,033</u>	<u>\$ 247,213,163</u>	<u>\$ (105,289)</u>	<u>\$ 394,761,907</u>
Plan fiduciary net position as a percentage of the total pension liability	77.38%	74.96%	282.88%	75.93%

The total pension liability was determined by an actuarial valuation as of January 1, 2016, 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

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**Note 7 – Net Pension Liability (continued)**

**Discount rate** – 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. Based on the actuarial assumptions applied, the Fund’s fiduciary net position is 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.

**Sensitivity of net pension liability to changes in discount rate** – 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:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
December 31, 2016			
Firemen Division	\$ 270,920,309	\$ 172,030,405	\$ 91,926,789
Police Division	371,319,396	228,117,336	112,240,965
Staff Plan	<u>(225,895)</u>	<u>(217,207)</u>	<u>(208,519)</u>
	<u>\$ 642,013,810</u>	<u>\$ 399,930,534</u>	<u>\$ 203,959,235</u>

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
December 31, 2015			
Firemen Division	\$ 237,218,478	\$ 147,654,033	\$ 74,477,513
Police Division	385,645,840	247,213,163	134,810,849
Staff Plan	<u>(100,688)</u>	<u>(105,289)</u>	<u>(109,205)</u>
	<u>\$ 622,763,630</u>	<u>\$ 394,761,907</u>	<u>\$ 209,179,157</u>

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

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**Note 7 – Net Pension Liability (continued)**

**Long-term expected rate of return** – The long-term expected rate of return on 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, 2016 are summarized in the following table (rates shown exclude inflation):

	<u>Long-term expected rate of return</u>	<u>Target allocation</u>
Equities		
Large cap domestic	6.07%	19.25%
Small cap domestic	6.11%	8.25%
International developed	6.41%	22.50%
Emerging markets	7.69%	5.00%
Real estate	4.00%	10.00%
Private equity	6.50%	10.00%
Fixed income		
Domestic	1.88%	20.00%
Bank loans	2.50%	5.00%

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**Schedule 1  
Page 1 of 3**

	Year Ended December 31, 2016			
	Firemen Division	Policemen Division	Staff Plan	Total
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 12,311,426	\$ 17,694,637	\$ -	\$ 30,006,063
Interest	51,423,417	73,399,505	-	124,822,922
Difference between expected and actual experience	6,786,957	(7,833,787)	-	(1,046,830)
Change of assumptions	8,142,272	(26,714,735)	-	(18,572,463)
Benefit payments	<u>(33,152,701)</u>	<u>(46,549,983)</u>	<u>-</u>	<u>(79,702,684)</u>
Net change in total pension liability	45,511,371	9,995,637	-	55,507,008
Total pension liability - beginning	<u>652,863,658</u>	<u>987,219,263</u>	<u>57,572</u>	<u>1,640,140,493</u>
Total pension liability - ending	<u>698,375,029</u>	<u>997,214,900</u>	<u>57,572</u>	<u>1,695,647,501</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	11,295,350	14,486,842	64,297	25,846,489
Contributions - employee	9,183,060	11,081,648	55,272	20,319,980
Net investment income	34,732,553	50,933,392	14,846	85,680,791
Benefit payments, including refunds of employee contributions	(33,152,701)	(46,549,983)	(22,248)	(79,724,932)
Administrative expenses	<u>(923,263)</u>	<u>(860,435)</u>	<u>(249)</u>	<u>(1,783,947)</u>
Net change in plan fiduciary net position	21,134,999	29,091,464	111,918	50,338,381
Plan fiduciary net position - beginning	<u>505,209,625</u>	<u>740,006,100</u>	<u>162,861</u>	<u>1,245,378,586</u>
Plan fiduciary net position - ending	<u>526,344,624</u>	<u>769,097,564</u>	<u>274,779</u>	<u>1,295,716,967</u>
Net pension liability (asset) - ending	<u>\$ 172,030,405</u>	<u>\$ 228,117,336</u>	<u>\$ (217,207)</u>	<u>\$ 399,930,534</u>
Plan fiduciary net position as a percentage of the total pension liability	75.37%	77.12%	477.28%	76.41%
Covered payroll	\$ 60,098,560	\$ 79,781,483	\$ 505,502	\$ 140,385,545
Net pension liability as a percentage of covered payroll	286.25%	285.93%	-42.97%	284.88%

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND  
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)  
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (continued)**

**Schedule 1  
Page 2 of 3**

	Year Ended December 31, 2015			
	Firemen Division	Policemen Division	Staff Plan	Total
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 13,242,130	\$ 17,514,129	\$ 53,431	\$ 30,809,690
Interest	48,111,236	72,525,801	4,141	120,641,178
Benefit payments	(31,487,924)	(41,472,821)	-	(72,960,745)
Net change in total pension liability	29,865,442	48,567,109	57,572	78,490,123
Total pension liability - beginning	622,988,216	938,652,154	-	1,561,640,370
Total pension liability - ending	652,853,658	987,219,263	57,572	1,640,130,493
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	10,785,306	14,754,441	106,212	25,645,959
Contributions - employee	9,133,372	11,347,467	56,588	20,537,427
Net investment income	397,347	2,582,550	61	2,979,958
Benefit payments, including refunds of employee contributions	(31,487,924)	(41,472,821)	-	(72,960,745)
Administrative expenses	(842,964)	(842,965)	-	(1,685,929)
Net change in plan fiduciary net position	(12,014,863)	(13,631,328)	162,861	(25,483,330)
Plan fiduciary net position - beginning	517,224,488	753,637,428	-	1,270,861,916
Plan fiduciary net position - ending	505,209,625	740,006,100	162,861	1,245,378,586
Net pension liability (asset) - ending	\$ 147,644,033	\$ 247,213,163	\$ (105,289)	\$ 394,751,907
Plan fiduciary net position as a percentage of the total pension liability	77.38%	74.96%	282.88%	75.93%
Covered payroll	\$ 54,605,415	\$ 68,424,487	\$ 505,502	\$ 123,535,404
Net pension liability as a percentage of covered payroll	270.38%	361.29%	-20.83%	319.55%

**EL PASO FIREMEN AND POLICEMEN'S PENSION FUND  
(A FIDUCIARY FUND OF THE CITY OF EL PASO, TEXAS)  
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (continued)**

Schedule 1

Page 3 of 3

	Year Ended December 31, 2014		
	Firemen Division	Policemen Division	Total
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 13,064,315	\$ 18,126,576	\$ 31,190,891
Interest	45,884,434	68,900,266	114,784,700
Benefit payments	(29,886,861)	(38,567,602)	(68,454,463)
Net change in total pension liability	29,061,888	48,459,240	77,521,128
Total pension liability - beginning	593,936,328	890,192,914	1,484,129,242
Total pension liability - ending	622,998,216	938,652,154	1,561,650,370
<b>PLAN FIDUCIARY NET PENSION</b>			
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	(29,886,861)	(38,567,602)	(68,454,463)
Net change in plan fiduciary net position	10,332,623	17,146,048	27,478,671
Plan fiduciary net position - beginning	506,891,865	736,491,380	1,243,383,245
Plan fiduciary net position - ending	517,224,488	753,637,428	1,270,861,916
Net pension liability - ending	\$ 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%
Covered payroll	\$ 53,872,177	\$ 70,817,206	\$ 124,689,383
Net pension liability as a percentage of covered 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)  
SCHEDULES OF EMPLOYER CONTRIBUTIONS**

**Schedule 2**

	Year Ended December 31,		
	2016	2015	2014
Actuarially determined contribution*			
Firemen	\$ 11,295,350	\$ 10,785,306	\$ 10,853,759
Policemen	14,486,842	14,754,441	14,776,141
Staff	64,297	106,212	-
	<u>25,846,489</u>	<u>25,645,959</u>	<u>25,629,900</u>
Contributions in relation to the actuarially determined contribution			
Firemen	11,295,350	10,785,306	10,853,759
Policemen	14,486,842	14,754,441	14,776,141
Staff	64,297	106,212	-
	<u>25,846,489</u>	<u>25,645,959</u>	<u>25,629,900</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll			
Firemen	\$ 60,098,560	\$ 54,605,415	\$ 53,872,177
Policemen	79,781,483	68,424,487	70,817,206
Staff	505,502	505,502	-
	<u>\$ 140,385,545</u>	<u>\$ 123,535,404</u>	<u>\$ 124,689,383</u>
Contributions as a percentage of covered-employee payroll	18.41%	20.76%	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 1, 2016 disclosed that the 30-year funding costs for the City are 20.84% and 23.45% for the Firemen and Policemen, respectively. The calculated contribution deficiency as of the January 1, 2016 is 2.34% and 5.12% for Firemen and Policemen, respectively.

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

Schedule 3

	Year Ended December 31,		
	2016	2015	2014
ANNUAL MONEY-WEIGHTED RATE OF RETURN NET OF INVESTMENT EXPENSE			
Firemen Division	7.20%	0.57%	4.27%
Policemen Division	7.20%	0.57%	4.27%
Staff Plan	6.48%	0.74%	-
Aggregate rate of return	<u>7.20%</u>	<u>0.57%</u>	<u>4.27%</u>

**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, 2016**

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Employee contributions as established by the Board of Trustees and a vote of active members in accordance with Article 6243b 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.

**SUPPLEMENTARY INFORMATION**

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

**Schedule 4**

	Year Ended December 31,	
	2016	2015
<b>INVESTMENT EXPENSES</b>		
Brokerage fees	\$ 4,480,266	\$ 4,115,540
Investment consulting fees	514,999	508,065
Legal	62,941	57,878
Custodian fees	50,000	73,792
Due diligence	34,355	9,749
	<u>5,142,561</u>	<u>4,765,024</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	895,146	861,440
Operating expenses	282,713	296,442
Legal	123,272	235,330
Actuary	171,352	99,314
Audit	56,100	56,100
Lomaland expenses	-	48,578
Fiduciary education	47,468	55,115
Insurance	33,818	33,610
	<u>1,609,869</u>	<u>1,685,929</u>
Total administrative and investment expenses	<u>\$ 6,752,430</u>	<u>\$ 6,450,953</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, 2016**

**Schedule 5**

	Firemen Division	Policemen Division	Staff Plan	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,646,915	\$ 9,735,052	\$ 3,467	\$ 16,385,434
Receivables				
Employer contributions	225,196	303,239	-	528,435
Employee contributions	194,192	233,817	-	428,009
Other Receivable	3,544	3,544	-	7,088
Total receivables	422,932	540,600	-	963,532
Investments, at fair value				
Fixed income securities	136,576,754	200,133,809	71,364	336,781,927
Domestic equities	148,608,271	217,764,285	77,650	366,450,206
International equities	152,237,890	223,082,976	79,547	375,400,413
Private equities	30,857,424	45,217,167	16,124	76,090,715
Real estate	51,436,114	75,372,310	26,876	126,835,300
Securities lending collateral	33,341,300	48,867,049	10,771	82,219,120
Investment in subsidiary	-	-	-	-
Total investments	553,057,753	810,437,596	282,332	1,363,777,681
Property and equipment				
Building	790,123	790,123	-	1,580,246
Furniture and fixtures	46,159	46,159	-	92,318
Computer equipment	27,246	27,247	-	54,493
Pension administration system software	553,428	553,429	-	1,106,857
Total property and equipment	1,416,956	1,416,958	-	2,833,914
Less: accumulated depreciation and amortization	522,708	522,708	-	1,045,416
Net property and equipment	894,248	894,250	-	1,788,498
<b>TOTAL ASSETS</b>	<b>561,021,848</b>	<b>821,607,498</b>	<b>285,799</b>	<b>1,382,915,145</b>
<b>LIABILITIES</b>				
Accrued expenses and other	540,512	761,878	249	1,302,639
DROP Payable	795,412	2,881,007	-	3,676,419
Securities lending collateral	33,341,300	48,867,049	10,771	82,219,120
<b>TOTAL LIABILITIES</b>	<b>34,677,224</b>	<b>52,509,934</b>	<b>11,020</b>	<b>87,198,178</b>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<b>\$ 526,344,624</b>	<b>\$ 769,097,564</b>	<b>\$ 274,779</b>	<b>\$ 1,295,716,967</b>

**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, 2016**

**Schedule 6**

	Firemen Division	Policemen Division	Staff Plan	Total
<b>ADDITIONS</b>				
Contributions				
Employer	\$ 11,295,350	\$ 14,486,842	\$ 64,297	\$ 25,846,489
Employee	9,183,060	11,081,648	55,272	20,319,980
Other	-	-	-	-
Total contributions	<u>20,478,410</u>	<u>25,568,490</u>	<u>119,569</u>	<u>46,166,469</u>
Investment income				
Net change in fair value of investments	28,451,129	41,720,031	12,390	70,183,550
Interest	2,341,326	3,432,865	1,049	5,775,240
Dividends	5,881,020	8,624,641	2,421	14,508,082
Securities lending income	144,565	211,839	76	356,480
Less: investment expenses	<u>(2,085,487)</u>	<u>(3,055,984)</u>	<u>(1,090)</u>	<u>(5,142,561)</u>
Net investment income	<u>34,732,553</u>	<u>50,933,392</u>	<u>14,846</u>	<u>85,680,791</u>
Total additions	<u>55,210,963</u>	<u>76,501,882</u>	<u>134,415</u>	<u>131,847,260</u>
DEDUCTIONS				
Benefit payments	32,304,561	44,870,659	-	77,175,220
Refunds of employee contributions	848,140	1,679,324	22,248	2,549,712
Administrative expenses	836,224	773,396	249	1,609,869
Depreciation and amortization expense	<u>87,039</u>	<u>87,039</u>	<u>-</u>	<u>174,078</u>
Total deductions	<u>34,075,964</u>	<u>47,410,418</u>	<u>22,497</u>	<u>81,508,879</u>
TRANSFERS				
Transfers in	(503,857)	(503,857)	-	(1,007,714)
Transfers out	<u>503,857</u>	<u>503,857</u>	<u>-</u>	<u>1,007,714</u>
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE	21,134,999	29,091,464	111,918	50,338,381
NET POSITION RESTRICTED FOR				
PENSION BENEFITS				
Beginning of year	<u>505,209,625</u>	<u>740,006,100</u>	<u>162,861</u>	<u>1,245,378,586</u>
End of year	<u>\$ 526,344,624</u>	<u>\$ 769,097,564</u>	<u>\$ 274,779</u>	<u>\$ 1,295,716,967</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, 2015**

**Schedule 7**

	Firemen Division	Policemen Division	Staff Plan	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,873,103	\$ 8,597,762	\$ 1,890	\$ 14,472,755
Receivables				
Employer contributions	151,364	197,060	-	348,424
Employee contributions	128,491	152,064	-	280,555
Dividend and interest receivable	-	-	-	-
Other Receivable	85	86	-	171
Total receivables	<u>279,940</u>	<u>349,210</u>	<u>-</u>	<u>629,150</u>
Investments, at fair value				
Fixed income securities	146,642,455	214,926,880	47,379	361,616,714
Domestic equities	152,225,001	223,110,296	49,182	375,384,479
International equities	148,253,477	217,289,387	47,899	365,590,763
Private equities	20,750,461	30,413,148	6,704	51,170,313
Real estate	30,762,836	45,087,899	9,939	75,860,674
Securities lending collateral	40,674,517	59,615,066	13,142	100,302,725
Investment in subsidiary	-	-	-	-
Total investments	<u>539,308,747</u>	<u>790,442,676</u>	<u>174,245</u>	<u>1,329,925,668</u>
Property and equipment				
Building	790,123	790,123	-	1,580,246
Furniture and fixtures	45,498	45,499	-	90,997
Computer equipment	23,275	23,274	-	46,549
Pension administration system software	553,428	553,429	-	1,106,857
Total property and equipment	<u>1,412,324</u>	<u>1,412,325</u>	<u>-</u>	<u>2,824,649</u>
Less: accumulated depreciation and amortization	<u>(435,668)</u>	<u>(435,670)</u>	<u>-</u>	<u>(871,338)</u>
Net property and equipment	<u>976,656</u>	<u>976,655</u>	<u>-</u>	<u>1,953,311</u>
Other assets				
Organizational costs	10,288	14,991	-	25,279
Less: accumulated amortization	<u>(10,288)</u>	<u>(14,991)</u>	<u>-</u>	<u>(25,279)</u>
Net other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>546,438,446</u>	<u>800,366,303</u>	<u>176,135</u>	<u>1,346,980,884</u>
<b>LIABILITIES</b>				
Accrued expenses and other	554,304	745,137	132	1,299,573
Securities lending collateral	<u>40,674,517</u>	<u>59,615,066</u>	<u>13,142</u>	<u>100,302,725</u>
<b>TOTAL LIABILITIES</b>	<u>41,228,821</u>	<u>60,360,203</u>	<u>13,274</u>	<u>101,602,298</u>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<u>\$ 505,209,625</u>	<u>\$ 740,006,100</u>	<u>\$ 162,861</u>	<u>\$ 1,245,378,586</u>

**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, 2015**

Schedule 8

	Firemen Division	Policemen Division	Staff Plan	Total
<b>ADDITIONS</b>				
<b>Contributions</b>				
Employer	\$ 10,785,306	\$ 14,754,441	\$ 106,212	\$ 25,645,959
Employee	9,133,372	11,347,467	56,588	20,537,427
Other	-	-	-	-
<b>Total contributions</b>	<b>19,918,678</b>	<b>26,101,908</b>	<b>162,800</b>	<b>46,183,386</b>
<b>Investment income</b>				
Net change in fair value of investments	(5,693,270)	(8,344,372)	(134)	(14,037,776)
Interest	3,947,991	5,786,222	300	9,734,513
Dividends	4,834,765	7,086,013	138	11,920,916
Securities lending income	111,566	163,517	36	275,119
Less: investment expenses	(1,932,446)	(2,832,299)	(279)	(4,765,024)
<b>Net investment income</b>	<b>1,268,606</b>	<b>1,859,081</b>	<b>61</b>	<b>3,127,748</b>
<b>Other income (loss)</b>				
Net income in subsidiary	-	-	-	-
Other income	(784,852)	809,876	-	25,024
Rental income	-	-	-	-
<b>Total other income</b>	<b>(784,852)</b>	<b>809,876</b>	<b>-</b>	<b>25,024</b>
<b>Total additions</b>	<b>20,402,432</b>	<b>28,770,865</b>	<b>162,861</b>	<b>49,336,158</b>
<b>DEDUCTIONS</b>				
Benefits paid to participants	29,855,222	39,580,932	-	69,436,154
Refunds of employee contributions	1,632,702	1,891,889	-	3,524,591
Administrative expenses	842,964	842,965	-	1,685,929
Depreciation and amortization expense	86,407	86,407	-	172,814
<b>Total deductions</b>	<b>32,417,295</b>	<b>42,402,193</b>	<b>-</b>	<b>74,819,488</b>
<b>NET CHANGE</b>	<b>(12,014,863)</b>	<b>(13,631,328)</b>	<b>162,861</b>	<b>(25,483,330)</b>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>				
Beginning of year	517,224,488	753,637,428	-	1,270,861,916
End of year	<b>\$ 505,209,625</b>	<b>\$ 740,006,100</b>	<b>\$ 162,861</b>	<b>\$ 1,245,378,586</b>