



REPORT OF INDEPENDENT AUDITORS AND FINANCIAL
STATEMENTS WITH REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY INFORMATION

EL PASO FIREMEN AND POLICEMEN'S PENSION FUND
(A Fiduciary Fund of the City of El Paso, Texas)

December 31, 2019 and 2018

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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 the 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, 2019 and 2018, and the related 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have 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, 2019 and 2018, 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, schedules of investment returns, and notes to required supplementary information (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 the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 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 any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's financial statements. The schedules of administrative and investment expenses, schedule of investment management fees, combining schedules of fiduciary net position as of December 31, 2019 and 2018, combining schedules of changes in fiduciary net position for the years ended December 31, 2019 and 2018, and combining schedules of changes in net pension liability (asset) and related ratios (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 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 supplementary information is fairly stated, in all material respects, in relation to the basic 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 23, 2020 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 solely 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 the effectiveness of the Fund's 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 23, 2020

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 financial performance of El Paso Firemen and Policemen's Pension Fund (the Fund) for the years ended December 31, 2019 and 2018. 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

- a. Statements of Fiduciary Net Position
- b. Statements of Changes in Fiduciary Net Position
- c. Notes to the Financial Statements

2. Required Supplementary Information

- a. Schedules of Changes in Net Pension Liability and Related Ratios
- b. Schedules of Employer Contributions
- c. Schedules of Investment Returns
- d. Notes to the Required Supplementary Information

3. Supplementary Information

- a. Schedules of Administrative and Investment Expenses
- b. Schedule of Investment Management Fees
- c. Combining Schedules of Fiduciary Net Position
- d. Combining Schedules of Changes in Fiduciary Net Position
- e. Combining Schedules of Changes in Net Pension Liability (Asset) and Related Ratios

The financial statements are described as follows:

- The Statements of Fiduciary Net Position show the account balances at year-end and include the net position 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 show 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 Schedules of Changes in Net Pension Liability and Related Ratios contain the total pension liability, fiduciary net position and the net pension liability for the Fund.
- The Schedules of Contributions contain 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 contain historical money-weighted rate of returns, net of investment expense.

Financial Highlights

- The Fund's investment return was up 22%, ranking in the 9th percentile of public pension funds, and down 5%, ranking in the 71st percentile of public pension funds, for the years ended December 31, 2019 and 2018, respectively.
- The assets of the Fund exceeded its liabilities as of December 31, 2019 and 2018 by \$1,580,885,582 and \$1,349,957,443, respectively.
- The Fund's net position increased by \$230,928,139 and decreased by \$122,911,628 during fiscal years 2019 and 2018, respectively.

The Fund's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2018, the date of our last actuarial valuation rolled forward to a measurement date of December 31, 2019 for the Fire and Police Divisions, the funded ratios were approximately 79.7% and 80.5%, respectively. In general, this indicates that, as of December 31, 2019, for every dollar of benefits due for the Fire and Police Divisions, the Fund had approximately \$0.80 of assets to cover it. As of January 1, 2018, the date of our last actuarial valuation for the Staff Plan rolled forward to a measurement date of December 31, 2019, the funded ratio was approximately 123.9%. In general, this indicates that for every dollar of benefits due for the Staff Plan, we had \$1.24 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

Summarized Financial Information

The following tables display a summary of the Fund's net position available for benefits:

	December 31,		
	2019	2018	2017
Assets	\$ 1,671,861,861	\$ 1,436,469,781	\$ 1,553,882,211
Liabilities	90,976,279	86,512,338	81,013,140
Net position restricted for pension benefits	<u>\$ 1,580,885,582</u>	<u>\$ 1,349,957,443</u>	<u>\$ 1,472,869,071</u>

Net position restricted for pension benefits increased by \$230,928,139 or 17.1% during fiscal year 2019 to \$1,580,885,582. The increase to net position is primarily due to the Fund's investment activities and net investment income during fiscal 2019. Net position restricted for pension benefits decreased by \$122,911,628 or 8.4% during fiscal year 2018 to \$1,349,957,443. The decrease to net position is primarily due to net investment losses during fiscal 2018.

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, \$1,580,885,582 in net position is held in trust for future pension benefits. All of the net position is 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). During fiscal 2019, total contributions of \$55,797,704 and net investment income of \$278,974,664 resulted in total additions of \$334,772,368 to fiduciary net position before deductions.

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, refunds 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 the Fund's assets.

Deductions for fiscal year 2019 totaled \$103,844,229, an increase of \$6,827,944 or 7.0% over deductions for fiscal year 2018. The majority of this increase represents benefit payments to new retirees and beneficiaries.

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 2019 to 2018 – As of December 31, 2019, net position increased by 17.1% from the prior year primarily due to increases in the fair value of investments during fiscal year 2019. Total additions to fiduciary net position for fiscal year 2019 was \$334,772,368. Deductions for fiscal year 2019 totaled \$103,844,229, an increase of \$6,827,944 or 7.0% over fiscal year 2018.

Comparison of Fiscal Year 2018 to 2017 – As of December 31, 2018, net position decreased by 8.4% from the prior year primarily due to decreases in the fair value of investments during fiscal year 2018. Additions from contributions totaling \$51,173,536 to the Fund's net position for fiscal 2018 were offset by net investment loss of \$77,068,089 resulting in an overall decrease in the fiduciary position. Deductions for fiscal year 2018 totaled \$97,016,285, an increase of \$3,239,029 or 3.5% over fiscal year 2017.

The following table displays the summary of the change in net position available for benefits:

	Year Ended December 31,		
	2019	2018	2017
Contributions	\$ 55,797,704	\$ 51,173,536	\$ 48,449,509
Net investment income (loss) and other	278,974,664	(77,068,879)	222,479,851
Net additions (deductions)	<u>334,772,368</u>	<u>(25,895,343)</u>	<u>270,929,360</u>
Benefit payments	97,874,558	92,815,990	88,058,642
Refunds of employee contributions	4,129,708	2,521,075	3,810,385
Administrative expenses	1,681,248	1,524,330	1,476,422
Depreciation expense	158,715	154,890	431,807
Total deductions	<u>103,844,229</u>	<u>97,016,285</u>	<u>93,777,256</u>
Change in net position restricted for pension benefits	<u>\$ 230,928,139</u>	<u>\$ (122,911,628)</u>	<u>\$ 177,152,104</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:

El Paso Firemen and Policemen's Pension Fund
909 East San Antonio Avenue
El Paso, Texas, 79901-2523
(915) 771-8111
info@epfppf.org

El Paso Firemen and Policemen's Pension Fund
(A Fiduciary Fund of the City of El Paso, Texas)
Statements of Fiduciary Net Position

ASSETS		December 31,	
		2019	2018
CASH AND CASH EQUIVALENTS		\$ 27,482,270	\$ 29,143,892
RECEIVABLES			
Employer contributions		858,424	1,486,608
Member contributions		756,972	618,028
Other		171	171
Total receivables		<u>1,615,567</u>	<u>2,104,807</u>
INVESTMENTS			
Fixed income securities		371,380,361	339,404,892
Domestic equities		487,833,133	388,066,227
International equities		438,766,836	369,914,784
Private equities		170,334,171	131,805,211
Real estate		123,482,561	115,402,273
Securities lending collateral		48,907,743	58,463,819
Total investments		<u>1,640,704,805</u>	<u>1,403,057,206</u>
PROPERTY AND EQUIPMENT			
Building		1,663,939	1,663,256
Furniture and fixtures		97,500	102,020
Computer equipment		61,145	49,568
Pension administration system software		887,500	843,500
		<u>2,710,084</u>	<u>2,658,344</u>
Less: Accumulated depreciation		650,865	494,468
Net property and equipment		<u>2,059,219</u>	<u>2,163,876</u>
Total assets		<u>1,671,861,861</u>	<u>1,436,469,781</u>
LIABILITIES			
Accounts payable and accrued liabilities		1,787,539	1,197,024
DROP payable		40,225,549	26,703,286
Securities lending obligation		48,963,191	58,612,028
Total liabilities		<u>90,976,279</u>	<u>86,512,338</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS		<u>\$ 1,580,885,582</u>	<u>\$ 1,349,957,443</u>

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

	Year Ended December 31,	
	2019	2018
ADDITIONS		
Contributions		
Employer	\$ 30,476,769	\$ 28,377,713
Member	25,320,935	22,795,823
Total contributions	<u>55,797,704</u>	<u>51,173,536</u>
Investment income (loss)		
Net change in fair value of investments	254,164,333	(100,975,287)
Interest	10,860,954	9,446,937
Dividends	19,502,193	20,331,425
Securities lending income (loss)	294,853	(217,070)
	<u>284,822,333</u>	<u>(71,413,995)</u>
Less investment expenses	5,847,669	5,654,884
Net investment income (loss)	<u>278,974,664</u>	<u>(77,068,879)</u>
Net additions (deductions)	<u>334,772,368</u>	<u>(25,895,343)</u>
DEDUCTIONS		
Benefit payments	97,874,558	92,815,990
Refunds of employee contributions	4,129,708	2,521,075
Administrative expenses	1,681,248	1,524,330
Depreciation expense	158,715	154,890
Total deductions	<u>103,844,229</u>	<u>97,016,285</u>
NET CHANGE	230,928,139	(122,911,628)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	<u>1,349,957,443</u>	<u>1,472,869,071</u>
End of year	<u>\$ 1,580,885,582</u>	<u>\$ 1,349,957,443</u>

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 (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.

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 Fund'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.

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.

**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)

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 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, 2019 or 2018.

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, 2019 and 2018 were converted to the Fund's functional currency (United States dollars) at the foreign exchange rates quoted as of December 31, 2019 and 2018. 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.

Property and Equipment

Property and equipment 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 \$158,715 and \$154,890 for the years ended December 31, 2019 and 2018, respectively.

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)

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.

Refund of Contributions

Member contributions are refunded (without interest) 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.

Note 2 – Description of the Fund

The designated purpose of the Fund is to provide retirement, death and disability benefits to members or their beneficiaries. 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.

**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 Fund (continued)

The Fund’s membership is estimated as follows as of December 31, 2019 and 2018:

	2019			2018		
	Firemen Division	Policemen Division	Staff Plan	Firemen Division	Policemen Division	Staff Plan
Active members	898	1,162	10	889	1,101	9
Retirees and beneficiaries of deceased retirees currently receiving benefits	790	1,080	-	791	1,066	-
Inactive members entitled to benefits but not yet receiving them	4	14	-	4	15	-
Total retired and inactive members	794	1,094	-	795	1,081	-
Total members	1,692	2,256	10	1,684	2,182	9

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.

Any person duly appointed 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.

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 16.368% of their compensation to the Fund. In addition, the City of El Paso pays up to 18.50% 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 15.534% of their compensation to the Fund. In addition, the City of El Paso pays up to 18.50% 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.

During fiscal year 2017, the Fund passed an amendment to increase participating employee contribution percentages to 18.0% of compensation for Firemen and Policemen Divisions. The amendment designates the increase to occur incrementally through fiscal year 2022.

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 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.

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 Fund (continued)

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. All current provisions for the Staff Plan are set forth in the El Paso Firemen and Policemen's Staff Plan and Trust. 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 or Second Tier Plan. Additionally, the Fund provides retirement benefits to members or their beneficiaries based on Fund staff's enrollment in the 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 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 credited 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 credited 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 credited 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 adjustments (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.

Second Tier Plan

Retirement benefits for members with at least 20 years of vesting service and the attainment of age 45 or more are calculated at 2.50% of the member's final wages multiplied by years of credited service.

Retirement benefits for members with at least 10 years of vesting service, but less than 20 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 credited service.

**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 Fund (continued)

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 credited 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 vesting 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 vesting 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 met the requirements below could elect to participate in the Back DROP until June 30, 2019, in which they received a monthly benefit and a lump sum benefit at the time of retirement. The Back DROP monthly benefit was based on years of credited service and final wages as of the benefit computation date. The lump sum was 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 were at least 50 years of age and had over 20.5 years of credited service could participate in the Back DROP. Base Plan members could elect a lump sum accumulation period with a minimum of 6 months and a maximum of 36 months.
- Members in the Second Tier Plan who were at least 50.5 years of age and had over 20.5 years of credited service were eligible to participate in the Back DROP. Second Tier Plan members could elect a lump sum accumulation period with a minimum of 6 months and a maximum of 36 months.

El Paso Firemen and Policemen's Pension Fund

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Notes to Financial Statements

Note 2 – Description of the Fund (continued)

Forward DROP

Effective July 1, 2016, the Forward DROP was implemented for eligible members. Base Plan and Second Tier Plan members who are at least 45 years old with at least 20 years of credited 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, 2019 and 2018, the DROP payable totaled \$40,225,549 and \$26,703,286, respectively.

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 February 2019 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.

**El Paso Firemen and Policemen’s Pension Fund
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Notes to Financial Statements**

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% - 25%	19.25%
Small Cap Domestic Equity	5% - 15%	8.25%
International Equity	20% - 30%	22.50%
Emerging Markets Equity	4% - 9%	5.00%
Private Equity	0% - 10%	10.00%
Real Estate	0% - 15%	10.00%
Fixed Income	25% - 35%	25.00%
Cash Equivalents	0% - 5%	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 1.10 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 1.50 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 1.50 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 1.50 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 1.30 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 1.20 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 1.50 times the annual standard deviation of the returns for the NCREIF Index.

El Paso Firemen and Policemen’s Pension Fund (A Fiduciary Fund of the City of El Paso, Texas) Notes to Financial Statements

Note 4 – Investments (continued)

Private Equity Portfolio – The annual standard deviation for the Fund’s private equity portfolio is not to exceed 1.50 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, 2019, the Fund has 6 investment holdings in excess of 5% of the Fund’s fiduciary net position. These are funds holding hundreds of domestic or international equity securities and domestic fixed income securities.

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. As of December 31, 2019, the Fund’s security investments that are not subject to custodial credit risk consisted of 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. The Fund’s fixed income portfolio has the following credit ratings:

	December 31,	
	2019	2018
U.S. Treasury	\$ -	\$ 47,679,602
U.S. Agency	-	22,535,806
AAA	160,800,337	102,918,310
AA	44,085,793	11,294,041
A	53,016,359	33,654,013
BAA	38,791,571	-
BBB	14,519,158	30,070,902
BB	2,041,662	6,572,334
B	-	8,215,418
Below B	2,041,662	3,286,167
Committed cash	1,542,451	839,531
Not rated	54,541,368	72,338,768
	<u>\$ 371,380,361</u>	<u>\$ 339,404,892</u>

**El Paso Firemen and Policemen’s Pension Fund
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Notes to Financial Statements**

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.

The Fund’s fixed income portfolio has the following investment maturities:

	December 31,	
	2019	2018
Less than 1 year	\$ 1,676,577	\$ 30,601,027
1 - 3 years	24,465,659	55,871,177
3 - 5 years	164,083,922	91,390,126
5 - 7 years	62,643,458	42,211,653
7 - 10 years	9,891,805	28,923,228
10 - 20 years	26,590,858	5,172,813
20 - 30 years	26,760,197	12,192,209
Over 30 years	726,517	679,229
No contractual maturity	54,541,368	72,363,430
	\$ 371,380,361	\$ 339,404,892

El Paso Firemen and Policemen’s Pension Fund
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Note 4 – Investments (continued)

Foreign Currency Risk

The Fund’s exposure to foreign currency risk is summarized as follows:

Investment	Currency	December 31,	
		2019	2018
Limited partnerships	European Union Euro	\$ 7,786,874	\$ 8,793,591
Cash and cash equivalents	British Pounds	108,707	-
		<u>\$ 7,895,581</u>	<u>\$ 8,793,591</u>

Note 5 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy 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.

El Paso Firemen and Policemen's Pension Fund
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Note 5 – Fair Value Measurements (continued)

The following tables disclose the Fund's assets fair value measurements by level:

	Fair Value December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic equities				
Information technology	\$ 59,410,271	\$ 59,410,271	\$ -	\$ -
Manufacturing	58,070,920	58,070,920	-	-
Healthcare	54,570,618	54,570,618	-	-
Consumer spending	52,192,758	52,192,758	-	-
Financial services	53,115,312	53,115,312	-	-
Commercial services	33,544,364	33,544,364	-	-
Real estate	14,501,086	14,501,086	-	-
Oil and gas	7,256,356	7,256,356	-	-
	<u>332,661,685</u>	<u>332,661,685</u>	<u>-</u>	<u>-</u>
Real estate				
Real estate equities	56,085,257	56,085,257	-	-
Real estate limited partnerships	24,991,203	-	-	24,991,203
	<u>81,076,460</u>	<u>56,085,257</u>	<u>-</u>	<u>24,991,203</u>
International equities				
Private equity funds	69,712,144	69,712,144	-	-
Securities lending collateral	10,647,627	-	-	10,647,627
	<u>48,907,743</u>	<u>48,907,743</u>	<u>-</u>	<u>-</u>
	<u>542,921,759</u>	<u>\$ 509,601,741</u>	<u>\$ -</u>	<u>\$ 33,320,018</u>
Investments measured at NAV				
Commingled fixed income fund	371,380,361			
International equity funds	369,054,692			
Private equity funds	159,686,544			
Domestic equities fund	155,171,448			
Real estate limited partnerships	42,406,101			
	<u>1,097,783,046</u>			
Total investments measured at fair value	<u>\$ 1,640,704,805</u>			

El Paso Firemen and Policemen's Pension Fund
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Note 5 – Fair Value Measurements (continued)

	Fair Value December 31, 2018	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	\$ 102,757,766	\$ -	\$ 102,757,766	\$ -
Domestic equities				
Information technology	82,567,021	82,567,021	-	-
Financial services	65,285,039	65,285,039	-	-
Consumer spending	58,598,776	58,598,776	-	-
Manufacturing	57,423,850	57,423,850	-	-
Commercial services	55,557,230	55,557,230	-	-
Healthcare	40,624,306	40,624,306	-	-
Oil and gas	15,136,632	15,136,632	-	-
Real estate	12,873,373	12,873,373	-	-
Other	-	-	-	-
	<u>388,066,227</u>	<u>388,066,227</u>	<u>-</u>	<u>-</u>
Real estate				
Real estate equities	51,074,732	51,074,732	-	-
Real estate limited partnerships	22,764,006	-	-	22,764,006
	<u>73,838,738</u>	<u>51,074,732</u>	<u>-</u>	<u>22,764,006</u>
International equities	57,614,416	57,614,416	-	-
Private equity funds	10,700,030	-	-	10,700,030
Securities lending collateral	58,463,819	58,463,819	-	-
	691,440,996	<u>\$ 555,219,194</u>	<u>\$ 102,757,766</u>	<u>\$ 33,464,036</u>
Investments measured at NAV				
International equity funds	312,300,368			
Commingled fixed income fund	236,647,126			
Private equity funds	121,105,181			
Real estate limited partnerships	41,563,535			
	<u>711,616,210</u>			
Total investments measured at fair value	<u>\$ 1,403,057,206</u>			

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

Investments Measured at NAV	Fair Value as of December 31,		Redemption Frequency	Required Redemption Notice
	2019	2018		
Commingled fixed income fund	\$ 371,380,361	\$ 236,647,126	Daily	1 day
International equity funds	369,054,692	312,300,368	Daily	1 day
Private equity funds	159,686,544	121,105,181	Not redeemable	Not redeemable
Domestic equities fund	155,171,448	-	Daily	1 day
Real estate limited partnerships	42,406,101	41,563,535	Quarterly	45 days
	<u>\$ 1,097,699,146</u>	<u>\$ 711,616,210</u>		

El Paso Firemen and Policemen's Pension Fund (A Fiduciary Fund of the City of El Paso, Texas) Notes to Financial Statements

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. 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. The partnerships have various termination dates through 2031.

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 and are valued at NAV. 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

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested during the year. For the years ended December 31, 2019 and 2018, the annual money-weighted rate of return on the Fund's investments was 20.7% and (5.6)%, respectively.

El Paso Firemen and Policemen’s Pension Fund
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Notes to Financial Statements

Note 5 – Fair Value Measurements (continued)

Unfunded Commitments

As of December 31, 2019 and 2018, the Fund has unfunded capital commitments to private equities and real estate limited partnerships totaling \$111 million and \$135 million, respectively.

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, 2019 and 2018, 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:

Securities Lent	December 31, 2019		
	Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value
Domestic equities	\$ 47,785,925	\$ 48,963,191	\$ 48,907,743

Securities Lent	December 31, 2018		
	Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value
Domestic equities	\$ 57,479,958	\$ 58,612,028	\$ 58,463,819

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Note 6 – Securities Lending (continued)

As of December 31, 2019 and 2018, the Fund also holds securities collateral that cannot be pledged or sold absent a borrower’s default totaling \$7,226,056 and \$12,007,139, 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, 2019 and 2018 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 are as follows:

	December 31, 2019			
	Firemen Division	Policemen Division	Staff Plan	Total
Total pension liability	\$ 809,329,976	\$ 1,161,704,605	\$ 554,990	\$ 1,971,589,571
Plan fiduciary net position	(645,011,593)	(935,186,328)	(687,661)	(1,580,885,582)
Net pension liability (asset)	<u>\$ 164,318,383</u>	<u>\$ 226,518,277</u>	<u>\$ (132,671)</u>	<u>\$ 390,703,989</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>79.70%</u>	<u>80.50%</u>	<u>123.91%</u>	<u>80.18%</u>
	December 31, 2018			
	Firemen Division	Policemen Division	Staff Plan	Total
Total pension liability	\$ 778,513,800	\$ 1,119,916,473	\$ 448,189	\$ 1,898,878,462
Plan fiduciary net position	(550,808,167)	(798,668,086)	(481,190)	(1,349,957,443)
Net pension liability (asset)	<u>\$ 227,705,633</u>	<u>\$ 321,248,387</u>	<u>\$ (33,001)</u>	<u>\$ 548,921,019</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>70.75%</u>	<u>71.31%</u>	<u>107.36%</u>	<u>71.03%</u>

The total pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to a measurement date of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75% per year
Projected Salary increase	3.00% to 4.00%
General inflation rate	3.00% per year
Cost-of-living adjustment	3.00% annually
Mortality rates	RP-2014 Health Annuitant Tables for males and for females (sex distinct) with Blue Collar adjustment projected to 2030

El Paso Firemen and Policemen’s Pension Fund
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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 (Asset) to Changes in Discount Rate

The following presents the net pension liability (asset), calculated using the discount rate of 7.75%, as well as what the Fund’s net pension liability (asset) 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%)
December 31, 2019			
Firemen Division	\$ 278,727,095	\$ 164,318,383	\$ 74,694,225
Police Division	390,849,864	226,518,277	97,796,880
Staff Plan	(51,563)	(132,671)	(200,677)
	<u>\$ 669,525,396</u>	<u>\$ 390,703,989</u>	<u>\$ 172,290,428</u>
December 31, 2018			
Firemen Division	\$ 336,704,869	\$ 227,705,633	\$ 139,202,729
Police Division	478,435,092	321,248,387	193,595,217
Staff Plan	36,615	(33,001)	(90,572)
	<u>\$ 815,176,576</u>	<u>\$ 548,921,019</u>	<u>\$ 332,707,374</u>

**El Paso Firemen and Policemen’s Pension Fund
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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, 2019 are summarized in the following table (rates shown exclude inflation):

	Long-term expected rate of return	Target allocation
Equities		
Large cap domestic	6.00%	19.25%
Small cap domestic	6.11%	8.25%
International developed	6.44%	22.50%
Emerging markets	7.76%	5.00%
Real estate	3.90%	10.00%
Private equity	6.45%	10.00%
Fixed income		
Domestic	1.87%	20.00%
Bank loans	2.45%	5.00%

Note 8 – Subsequent Event

During March 2020, the World Health Organization assessed the outbreak of a novel coronavirus (COVID-19) as a global pandemic and public health emergency. The outbreak has disrupted economic markets and the Fund has experienced a decline in the market value of its investments. This decline in the Fund's investment values and potential impact to the actuarial assumptions such as the mortality rates, the long-term expected rate of return and the discount rate used in the measurement of the Fund's net pension liability as of December 31, 2019 are unknown. The Board of Trustees and the Fund's management are monitoring the duration of the COVID-19 outbreak and potential economic impact, which are currently uncertain.

Required Supplementary Information

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

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 29,238,943	\$ 28,387,324	\$ 31,003,544	\$ 30,006,063	\$ 30,809,690	\$ 31,190,891
Interest	145,476,432	140,006,860	130,255,531	124,822,922	120,641,178	114,784,700
Changes of benefit provisions	-	-	5,894,216	-	-	-
Difference between expected and actual experience	-	41,047,811	-	(1,046,830)	-	-
Change of assumptions	-	13,841,767	-	(18,572,463)	-	-
Benefit payments	(102,004,266)	(95,337,065)	(91,869,027)	(79,702,684)	(72,960,745)	(68,454,463)
Net change in total pension liability	72,711,109	127,946,697	75,284,264	55,507,008	78,490,123	77,521,128
Total pension liability - beginning	1,898,878,462	1,770,931,765	1,695,647,501	1,640,140,493	1,561,640,370	1,484,129,242
Total pension liability - ending	1,971,589,571	1,898,878,462	1,770,931,765	1,695,647,501	1,640,130,493	1,561,650,370
PLAN FIDUCIARY NET POSITION						
Contributions - employer	30,476,769	28,377,713	27,110,440	25,846,489	25,645,959	25,629,900
Contributions - employee	25,320,935	22,795,823	21,339,069	20,319,980	20,537,427	19,647,491
Net investment income	278,974,664	(77,068,879)	222,479,851	85,680,791	2,979,958	50,655,743
Benefit payments, including refunds of employee contributions	(102,004,266)	(95,337,065)	(91,869,027)	(79,724,932)	(72,960,745)	(68,454,463)
Administrative and depreciation expense	(1,839,963)	(1,679,220)	(1,908,229)	(1,783,947)	(1,685,929)	-
Net change in plan fiduciary net position	230,928,139	(122,911,628)	177,152,104	50,338,381	(25,483,330)	27,478,671
Plan fiduciary net position - beginning	1,349,957,443	1,472,869,071	1,295,716,967	1,245,378,586	1,270,861,916	1,243,383,245
Plan fiduciary net position - ending	1,580,885,582	1,349,957,443	1,472,869,071	1,295,716,967	1,245,378,586	1,270,861,916
Net pension liability - ending	\$ 390,703,989	\$ 548,921,019	\$ 298,062,694	\$ 399,930,534	\$ 394,751,907	\$ 290,788,454
Plan fiduciary net position as a percentage of the total pension liability	80.18%	71.03%	83.17%	76.41%	75.93%	81.38%
Covered payroll	\$ 164,816,541	\$ 155,414,041	\$ 147,089,266	\$ 140,385,545	\$ 123,535,404	\$ 124,689,383
Net pension liability as a percentage of covered payroll	237.05%	353.20%	202.64%	284.88%	319.55%	233.21%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Fund will present information for those years for which information is available.

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,					
	2019	2018	2017	2016	2015	2014
Actuarially determined contribution*						
Firemen	\$ 12,789,438	\$ 12,271,270	\$ 11,796,406	\$ 11,295,350	\$ 10,785,306	\$ 10,853,759
Policemen	17,627,625	16,051,567	15,261,366	14,486,842	14,754,441	14,776,141
Staff	59,706	54,876	52,668	64,297	106,212	-
	<u>30,476,769</u>	<u>28,377,713</u>	<u>27,110,440</u>	<u>25,846,489</u>	<u>25,645,959</u>	<u>25,629,900</u>
Contributions in relation to the actuarially determined contribution						
Firemen	\$ 12,789,438	\$ 12,271,270	11,796,406	11,295,350	10,785,306	10,853,759
Policemen	17,627,625	16,051,567	15,261,366	14,486,842	14,754,441	14,776,141
Staff	59,706	54,876	52,668	64,297	106,212	-
	<u>30,476,769</u>	<u>28,377,713</u>	<u>27,110,440</u>	<u>25,846,489</u>	<u>25,645,959</u>	<u>25,629,900</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll						
Firemen	\$ 68,727,915	\$ 65,506,552	\$ 62,828,632	\$ 60,098,560	\$ 54,605,415	\$ 53,872,177
Policemen	95,292,546	89,173,129	84,260,634	79,781,483	68,424,487	70,817,206
Staff	796,080	734,360	505,502	505,502	505,502	-
	<u>\$ 164,816,541</u>	<u>\$ 155,414,041</u>	<u>\$ 147,594,768</u>	<u>\$ 140,385,545</u>	<u>\$ 123,535,404</u>	<u>\$ 124,689,383</u>
Contributions as a percentage of covered-employee payroll	18.49%	18.26%	18.37%	18.41%	20.76%	20.55%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Fund will present information for those years for which information is available.

*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. In the actuarial valuations as of January 1, 2018, the actuarially determined periods for amortizing the unfunded actuarial accrued liability were 28 years for the Firemen's Fund and 31 years for the Policemen's Fund. The Staff Plan had an overfunded actuarial accrued liability.

El Paso Firemen and Policemen's Pension Fund
(A Fiduciary Fund of the City of El Paso, Texas)
Schedules of Investment Returns

Schedule 3

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
ANNUAL MONEY-WEIGHTED RATE OF RETURN NET OF INVESTMENT EXPENSE						
Firemen Division	20.53%	-5.68%	16.92%	7.20%	0.57%	4.27%
Policemen Division	20.80%	-5.06%	17.05%	7.20%	0.57%	4.27%
Staff Plan	19.81%	-6.49%	16.52%	6.48%	0.74%	-
Aggregate rate of return	<u>20.69%</u>	<u>-5.62%</u>	<u>16.56%</u>	<u>7.20%</u>	<u>0.57%</u>	<u>4.27%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Fund will present information for those years for which information is available.

**El Paso Firemen and Policemen's Pension Fund
(A Fiduciary Fund of the City of El Paso, Texas)
Notes to Required Supplementary Information
Year Ended December 31, 2019**

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

**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,	
	2019	2018
INVESTMENT EXPENSES		
Brokerage fees	\$ 5,127,982	\$ 4,955,050
Investment consulting fees	509,744	531,024
Legal	71,753	55,209
Custodian fees	90,000	80,000
Due diligence	48,190	33,601
	<u>5,847,669</u>	<u>5,654,884</u>
ADMINISTRATIVE EXPENSES		
Salaries and benefits	1,052,753	942,961
Operating expenses	374,208	322,294
Legal	42,803	33,423
Actuary	54,011	103,564
Audit	51,250	50,350
Fiduciary education	70,788	37,335
Insurance	35,435	34,403
	<u>1,681,248</u>	<u>1,524,330</u>
TOTAL ADMINISTRATIVE AND INVESTMENT EXPENSES	<u>\$ 7,528,917</u>	<u>\$ 7,179,214</u>

**El Paso Firemen and Policemen's Pension Fund
(A Fiduciary Fund of the City of El Paso, Texas)
Schedule of Investment Management Fees
Year Ended December 31, 2019**

Schedule 5

<u>Asset Class</u>	<u>Management Fees Paid From Trust</u>	<u>Management Fees Netted From Returns</u>	<u>Total Investment Management Fees</u>	<u>Asset Value</u>
Public equity	\$ 4,143,033	\$ -	\$ 4,143,033	\$ 926,599,969
Fixed income	540,660	216,283	756,943	371,380,361
Real estate	444,289	850,885	1,295,174	123,482,561
Private equity	-	2,295,695	2,295,695	170,334,171
	<u>5,127,982</u>	<u>\$ 3,362,863</u>	<u>\$ 8,490,845</u>	<u>\$ 1,591,797,062</u>
Other fees paid from trust				
Investment consulting	509,744			
Legal	71,753			
Custodian	90,000			
Due diligence	48,190			
	<u>719,687</u>			
	<u>\$ 5,847,669</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, 2019

Schedule 6

	Firemen Division	Policemen Division	Staff Plan	Total
ASSETS				
Cash and cash equivalents	\$ 11,142,518	\$ 16,328,093	\$ 11,659	\$ 27,482,270
Receivables				
Employer contributions	355,123	503,301	-	858,424
Member contributions	322,926	434,046	-	756,972
Other	85	86	-	171
Total receivables	<u>678,134</u>	<u>937,433</u>	<u>-</u>	<u>1,615,567</u>
Investments, at fair value				
Fixed income securities	150,492,802	220,729,633	157,926	371,380,361
Domestic equities	197,682,437	289,943,249	207,447	487,833,133
International equities	177,799,521	260,780,733	186,582	438,766,836
Private equities	69,023,754	101,237,984	72,433	170,334,171
Real estate	50,038,286	73,391,765	52,510	123,482,561
Securities lending collateral	19,955,085	28,931,377	21,281	48,907,743
Total investments	<u>664,991,885</u>	<u>975,014,741</u>	<u>698,179</u>	<u>1,640,704,805</u>
Property and equipment				
Building	831,969	831,970	-	1,663,939
Furniture and fixtures	48,750	48,750	-	97,500
Computer equipment	30,572	30,573	-	61,145
Pension administration system software	443,750	443,750	-	887,500
Total property and equipment	<u>1,355,041</u>	<u>1,355,043</u>	<u>-</u>	<u>2,710,084</u>
Less: accumulated depreciation and amortization	<u>325,432</u>	<u>325,433</u>	<u>-</u>	<u>650,865</u>
Net property and equipment	<u>1,029,609</u>	<u>1,029,610</u>	<u>-</u>	<u>2,059,219</u>
TOTAL ASSETS	<u>677,842,146</u>	<u>993,309,877</u>	<u>709,838</u>	<u>1,671,861,861</u>
LIABILITIES				
Accrued expenses and other	742,294	1,044,565	680	1,787,539
DROP payable	12,110,463	28,115,086	-	40,225,549
Securities lending collateral	19,977,554	28,964,333	21,304	48,963,191
TOTAL LIABILITIES	<u>32,830,311</u>	<u>58,123,984</u>	<u>21,984</u>	<u>90,976,279</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 645,011,835</u>	<u>\$ 935,185,893</u>	<u>\$ 687,854</u>	<u>\$ 1,580,885,582</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
Year Ended December 31, 2019**

Schedule 7

	Firemen Division	Policemen Division	Staff Plan	Total
ADDITIONS				
Contributions				
Employer	\$ 12,789,438	\$ 17,627,625	\$ 59,706	\$ 30,476,769
Member	11,000,590	14,280,541	39,804	25,320,935
Total contributions	<u>23,790,028</u>	<u>31,908,166</u>	<u>99,510</u>	<u>55,797,704</u>
Investment income				
Net change in fair value of investments	103,042,369	151,024,716	97,248	254,164,333
Interest	4,401,436	6,455,186	4,332	10,860,954
Dividends	7,904,772	11,589,907	7,514	19,502,193
Securities lending income	119,491	175,246	116	294,853
Less: Investment expenses	<u>(2,434,459)</u>	<u>(3,411,154)</u>	<u>(2,056)</u>	<u>(5,847,669)</u>
Net investment loss	<u>113,033,609</u>	<u>165,833,901</u>	<u>107,154</u>	<u>278,974,664</u>
Net additions	<u>136,823,637</u>	<u>197,742,067</u>	<u>206,664</u>	<u>334,772,368</u>
DEDUCTIONS				
Benefit payments	39,860,013	58,014,545	-	97,874,558
Refunds of employee contributions	1,839,610	2,290,098	-	4,129,708
Administrative expenses	840,993	840,255	-	1,681,248
Depreciation expense	<u>79,357</u>	<u>79,358</u>	<u>-</u>	<u>158,715</u>
Total deductions	<u>42,619,973</u>	<u>61,224,256</u>	<u>-</u>	<u>103,844,229</u>
TRANSFERS				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE	94,203,664	136,517,811	206,664	230,928,139
NET POSITION RESTRICTED FOR PENSION BENEFITS				
Beginning of year	<u>550,808,171</u>	<u>798,668,082</u>	<u>481,190</u>	<u>1,349,957,443</u>
End of year	<u>\$ 645,011,835</u>	<u>\$ 935,185,893</u>	<u>\$ 687,854</u>	<u>\$ 1,580,885,582</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, 2018

Schedule 8

	Firemen Division	Policemen Division	Staff Plan	Total
ASSETS				
Cash and cash equivalents	\$ 11,829,130	\$ 17,304,574	\$ 10,188	\$ 29,143,892
Receivables				
Employer contributions	811,150	675,458	-	1,486,608
Member contributions	277,185	340,843	-	618,028
Other	85	86	-	171
Total receivables	<u>1,088,420</u>	<u>1,016,387</u>	<u>-</u>	<u>2,104,807</u>
Investments, at fair value				
Fixed income securities	137,664,891	201,621,004	118,997	339,404,892
Domestic equities	157,402,253	230,527,916	136,058	388,066,227
International equities	150,039,907	219,745,183	129,694	369,914,784
Private equities	53,461,074	78,297,926	46,211	131,805,211
Real estate	46,807,932	68,553,881	40,460	115,402,273
Securities lending collateral	23,713,316	34,730,006	20,497	58,463,819
Total investments	<u>569,089,373</u>	<u>833,475,916</u>	<u>491,917</u>	<u>1,403,057,206</u>
Property and equipment				
Building	831,628	831,628	-	1,663,256
Furniture and fixtures	51,010	51,010	-	102,020
Computer equipment	24,784	24,784	-	49,568
Pension administration system software	421,750	421,750	-	843,500
Total property and equipment	<u>1,329,172</u>	<u>1,329,172</u>	<u>-</u>	<u>2,658,344</u>
Less: accumulated depreciation and amortization	<u>247,234</u>	<u>247,234</u>	<u>-</u>	<u>494,468</u>
Net property and equipment	<u>1,081,938</u>	<u>1,081,938</u>	<u>-</u>	<u>2,163,876</u>
TOTAL ASSETS	<u>583,088,861</u>	<u>852,878,815</u>	<u>502,105</u>	<u>1,436,469,781</u>
LIABILITIES				
Accrued expenses and other	500,047	696,611	366	1,197,024
DROP payable	8,007,212	18,696,074	-	26,703,286
Securities lending collateral	23,773,431	34,818,048	20,549	58,612,028
TOTAL LIABILITIES	<u>32,280,690</u>	<u>54,210,733</u>	<u>20,915</u>	<u>86,512,338</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 550,808,171</u>	<u>\$ 798,668,082</u>	<u>\$ 481,190</u>	<u>\$ 1,349,957,443</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
Year Ended December 31, 2018

Schedule 9

	Firemen Division	Policemen Division	Staff Plan	Total
ADDITIONS				
Contributions				
Employer	\$ 12,271,270	\$ 16,051,567	\$ 54,876	\$ 28,377,713
Member	10,128,623	12,630,482	36,718	22,795,823
Total contributions	<u>22,399,893</u>	<u>28,682,049</u>	<u>91,594</u>	<u>51,173,536</u>
Investment income (loss)				
Net change in fair value of investments	(43,308,670)	(57,628,664)	(37,953)	(100,975,287)
Interest	3,830,492	5,613,362	3,083	9,446,937
Dividends	8,243,353	12,081,742	6,330	20,331,425
Securities lending income	(92,966)	(124,023)	(81)	(217,070)
Less: Investment expenses	<u>(2,346,244)</u>	<u>(3,307,030)</u>	<u>(1,610)</u>	<u>(5,654,884)</u>
Net investment income	<u>(33,674,035)</u>	<u>(43,364,613)</u>	<u>(30,231)</u>	<u>(77,068,879)</u>
Total additions (deductions)	<u>(11,274,142)</u>	<u>(14,682,564)</u>	<u>61,363</u>	<u>(25,895,343)</u>
DEDUCTIONS				
Benefit payments	38,197,647	54,618,343	-	92,815,990
Refunds of employee contributions	679,508	1,841,567	-	2,521,075
Administrative expenses	753,808	770,506	16	1,524,330
Depreciation expense	<u>77,445</u>	<u>77,445</u>	<u>-</u>	<u>154,890</u>
Total deductions	<u>39,708,408</u>	<u>57,307,861</u>	<u>16</u>	<u>97,016,285</u>
TRANSFERS				
Transfers in	(540,461)	(540,461)	-	(1,080,922)
Transfers out	<u>540,461</u>	<u>540,461</u>	<u>-</u>	<u>1,080,922</u>
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE	(50,982,550)	(71,990,425)	61,347	(122,911,628)
NET POSITION RESTRICTED FOR PENSION BENEFITS				
Beginning of year	<u>601,790,721</u>	<u>870,658,507</u>	<u>419,843</u>	<u>1,472,869,071</u>
End of year	<u>\$ 550,808,171</u>	<u>\$ 798,668,082</u>	<u>\$ 481,190</u>	<u>\$ 1,349,957,443</u>

El Paso Firemen and Policemen's Pension Fund
(A Fiduciary Fund of the City of El Paso, Texas)
Combining Schedules of Changes in Net Pension Liability (Asset) and Related Ratios

Schedule 10

	Year Ended December 31, 2019			
	Firemen Division	Policemen Division	Staff Plan	Total
TOTAL PENSION LIABILITY				
Service cost	\$ 12,804,493	\$ 16,367,567	\$ 66,883	\$ 29,238,943
Interest	59,711,307	85,725,208	39,917	145,476,432
Difference between expected and actual experience	-	-	-	-
Change of assumptions	-	-	-	-
Benefit payments and contribution refunds	(41,699,623)	(60,304,643)	-	(102,004,266)
Net change in total pension liability	30,816,177	41,788,132	106,800	72,711,109
Total pension liability - beginning	778,513,800	1,119,916,473	448,189	1,898,878,462
Total pension liability - ending	809,329,977	1,161,704,605	554,989	1,971,589,571
PLAN FIDUCIARY NET POSITION				
Contributions - employer	12,789,438	17,627,625	59,706	30,476,769
Contributions - employee	11,000,590	14,280,541	39,804	25,320,935
Net investment income	113,033,371	165,834,332	106,961	278,974,664
Benefit payments, including refunds of employee contributions	(41,699,623)	(60,304,643)	-	(102,004,266)
Administrative expenses	(920,350)	(919,613)	-	(1,839,963)
Net change in plan fiduciary net position	94,203,426	136,518,242	206,471	230,928,139
Plan fiduciary net position - beginning	550,808,167	798,668,086	481,190	1,349,957,443
Plan fiduciary net position - ending	645,011,593	935,186,328	687,661	1,580,885,582
Net pension liability (asset) - ending	\$ 164,318,384	\$ 226,518,277	\$ (132,672)	\$ 390,703,989
Plan fiduciary net position as a percentage of the total pension liability (asset)	79.70%	80.50%	123.91%	80.18%
Covered payroll	\$ 68,727,915	\$ 95,292,546	\$ 796,080	\$ 164,816,541
Net pension liability (asset) as a percentage of covered payroll	239.09%	237.71%	-16.67%	237.05%

El Paso Firemen and Policemen's Pension Fund
(A Fiduciary Fund of the City of El Paso, Texas)
Combining Schedules of Changes in Net Pension Liability (Asset) and Related Ratios
(continued)

Schedule 10

	Year Ended December 31, 2018			
	Firemen Division	Policemen Division	Staff Plan	Total
TOTAL PENSION LIABILITY				
Service cost	\$ 12,431,547	\$ 15,890,842	\$ 64,935	\$ 28,387,324
Interest	57,393,326	82,581,298	32,236	140,006,860
Difference between expected and actual experience	13,674,129	27,354,947	18,735	41,047,811
Change of assumptions	4,558,043	9,118,315	165,409	13,841,767
Benefit payments and contribution refunds	<u>(38,877,155)</u>	<u>(56,459,910)</u>	<u>-</u>	<u>(95,337,065)</u>
Net change in total pension liability	49,179,890	78,485,492	281,315	127,946,697
Total pension liability - beginning	<u>729,333,910</u>	<u>1,041,430,981</u>	<u>166,874</u>	<u>1,770,931,765</u>
Total pension liability - ending	<u>778,513,800</u>	<u>1,119,916,473</u>	<u>448,189</u>	<u>1,898,878,462</u>
PLAN FIDUCIARY NET POSITION				
Contributions - employer	12,271,270	16,051,567	54,876	28,377,713
Contributions - employee	10,128,623	12,630,482	36,718	22,795,823
Net investment income	(33,674,035)	(43,364,613)	(30,231)	(77,068,879)
Benefit payments, including refunds of employee contributions	(38,877,155)	(56,459,910)	-	(95,337,065)
Administrative expenses	<u>(831,257)</u>	<u>(847,947)</u>	<u>(16)</u>	<u>(1,679,220)</u>
Net change in plan fiduciary net position	(50,982,554)	(71,990,421)	61,347	(122,911,628)
Plan fiduciary net position - beginning	<u>601,790,721</u>	<u>870,658,507</u>	<u>419,843</u>	<u>1,472,869,071</u>
Plan fiduciary net position - ending	<u>550,808,167</u>	<u>798,668,086</u>	<u>481,190</u>	<u>1,349,957,443</u>
Net pension liability (asset) - ending	<u>\$ 227,705,633</u>	<u>\$ 321,248,387</u>	<u>\$ (33,001)</u>	<u>\$ 548,921,019</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	70.75%	71.31%	107.36%	71.03%
Covered payroll	\$ 65,506,552	\$ 89,173,129	\$ 734,360	\$ 155,414,041
Net pension liability (asset) as a percentage of covered payroll	347.61%	360.25%	-4.49%	353.20%