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EL PASO COUNTY RETIREMENT PLAN

Management's Discussion and Analysis
and Financial Statements

For the Years Ended December 31, 2014 and 2013,

Supplemental Information

And

Independent Auditors' Report

EL PASO COUNTY RETIREMENT PLAN

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INDEPENDENT AUDITORS' REPORT

Board of Retirement
El Paso County Retirement Plan
Colorado Springs, Colorado

We have audited the accompanying financial statements of the El Paso County Retirement Plan (the Plan), which comprise the statements of fiduciary net position as of December 31, 2014 and 2013 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the El Paso County Retirement Plan at December 31, 2014 and 2013, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Employers' Net Pension Liability, Schedule of Employers' Net Pension Liability, Schedule of Employer Contributions, Schedule of Investment Returns, and Notes to Required Supplementary Information (collectively, the required supplementary information), as listed in the Table of Contents, 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.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The Supporting Schedules of Administrative Expenses, Investment Expenses and Consultant Expenses, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such schedules are the responsibility of management and were derived from and relate 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 audit 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Stockman Kast Ryan & Co., LLP

May 18, 2015

EL PASO COUNTY RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management is pleased to provide this overview and analysis of the financial activities of the El Paso County Retirement Plan (the Plan). Please read it in conjunction with the Plan's financial statements and accompanying notes.

The Plan is a cost-sharing, multiple employer defined benefit plan covering all permanent, full-time and job-share employees of El Paso County, El Paso County Public Health, Pikes Peak Library District, 4^{th} Judicial District Attorney and El Paso County Board of Retirement.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Fiduciary Net Position* provides a statement of account balances at the end of the year. This statement reports the assets available for future payments to retirees and any current liabilities that are owed at the end of the year. These assets, less liabilities, represent the net amount of funds that are available for future payments. The *Statement of Changes in Fiduciary Net Position* reports additions and deductions in the Plan's net position during the current year.

The financial statements report the resources available to pay benefits to retirees and other beneficiaries as of the end of the year, as well as the changes in resources during the year. These statements include all assets and liabilities, using an economic resources measurement focus and the accrual basis of accounting. The notes to the financial statements are an integral part of the financial statements. The notes communicate information that is not displayed on the face of the financial statements that is essential for the fair presentation of the financial statements. These financial statements should be reviewed along with the Required Supplementary Information and Supporting Schedules to determine whether the Plan is financially strong and to understand changes over time in the financial status of the Plan.

The Plan adopted the provisions of Governmental Accounting Standards Board Statement No. 67 during 2014. The objective of this pronouncement is to gain greater transparency and clarity with respect to the unfunded liability of the Plan, and the Plan's ability to meet the future pension obligations to its members. The statement establishes new requirements for footnote disclosures and other required supplemental information.

FINANCIAL HIGHLIGHTS

Fiduciary Net Position

Net position restricted for pensions increased during 2014 by $17.0 million to $331.6 million. The primary reason for the 2014 increase in plan net position was net investment income of $21.6 million, along with contributions of $20.7 million. Benefits paid totaled $24.8 million. The statements of fiduciary net position are summarized below:

Condensed Statements of Fiduciary Net Position
(in thousands)

	2014	2013	2012
ASSETS			
Cash and cash equivalents	$ 13,468	$ 3,915	$ 5,037
Investments	317,814	306,718	274,414
Receivables	596	3,768	586
Capital assets, net	555	653	504
Total assets	332,433	315,054	280,541
LIABILITIES	791	371	448
NET POSITION RESTRICTED FOR PENSIONS	$ 331,642	$ 314,683	$ 280,093

Additions To Fiduciary Net Position

The collection of employee and employer contributions, as well as income from investments, provides the reserves needed to finance retirement benefits. Additions to fiduciary net position are summarized below (in thousands):

	2014	2013	2012
Investment income	$ 21,581	$ 40,044	$ 30,909
Employer contributions	10,322	8,931	8,732
Employee contributions	10,389	9,130	9,173
Other income	16	2	10
Total additions	$ 42,308	$ 58,107	$ 48,824

The $21.6 million of investment income in 2014 consisted primarily of net appreciation in fair value of investments of $18.9 million. The appreciation in fair value was mainly the result of gains on the Plan's domestic equity portfolio of $18.0 million and its real estate funds of $3.3 million, offset by losses on the Plan's international equity funds of $1.5 million.

The $40 million of investment income in 2013 consisted primarily of the net appreciation in fair value of investments of $37.7 million. The appreciation in fair value was mainly the result of the strong performance of the equity markets during 2013. The Plan had gains on its equity portfolio of $35.9 million in 2013.

The $30.9 million of investment income in 2012 consisted primarily of the net appreciation in fair value of investments of $26.7 million. The appreciation in fair value was mainly the result of gains on its equity portfolio of $20.6 million.

Employee and employer contributions increased in 2014 primarily as the result of the Plan's contribution rate for both employers and employees increasing from 7.5% in 2013 to 8.0% in 2014, an increase in the number of active participants and employee compensation increases. Employee contributions decreased slightly in 2013 due to a decrease in purchased service contributions from $442,000 in 2012 to $199,000 in 2013.

Deductions From Fiduciary Net Position

The principal purpose for which the Plan was created was to provide retirement annuities and survivor benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the Plan, refunds of contributions to terminated employees, and the cost of administering the Plan. These costs resulted in deductions from fiduciary net position of $25.3 million during 2014. Deductions from fiduciary net position are summarized below (in thousands):

	2014	2013	2012
Pension benefits	$ 21,848	$ 19,821	$ 18,381
Termination refunds	1,812	2,153	1,549
Death benefits	1,100	996	918
Administrative expenses	590	547	518
Total deductions	$ 25,350	$ 23,517	$ 21,366

Deductions from fiduciary net position for 2014 and 2013 increased by 7.8% and 10.0%, respectively, from the prior year, primarily due to increased pension benefit payments. The increase in pension benefit payments is mainly the result of an increase in the number of retirees in both 2014 and 2013.

NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS

The Plan's fundamental financial objective is to meet long-term benefit obligations through employer and employee contributions and investment income. Actuarial valuations, using various assumptions, examine the Plan's assets as compared to liabilities and determine annual contribution rates necessary to pay current and future benefit obligations.

The total pension liability of the Plan is determined by an actuarial valuation as of December 31, 2013 and rolled forward to December 31, 2014 (the measurement date). The net pension liability is calculated as the total pension liability less the plan fiduciary net position. As of December 31, 2014, the Plan’s net pension liability was $124,790,040. The Plan’s fiduciary net position as a percentage of the total pension liability was 72.66%. The net pension liability was calculated using a discount rate of 8%. See Note 3 to the financial statements for information on the sensitivity of the net pension liability to changes in the discount rate.

Current actuarial required contribution levels necessary to meet the Plan's future obligations exceeded the Plan's actual contributions for each of the past 10 years. The Plan was amended during 2009 to increase the participant contribution rate to 6.5% effective January 1, 2010, 7% effective January 1, 2011 and 7.5% effective January 1, 2012. The Plan was further amended in 2013 to increase the participant contribution rate to 8% effective January 1, 2014. Such increases have been matched by the employer, resulting in a total contribution rate of 16% in 2014, as compared with 13% in 2010. The employer contribution deficiency decreased from approximately $4.2 million in 2013 to $282,000 in 2014.

The Retirement Board also made benefit changes during 2011 which included increasing the required months of continuous service for normal retirement to 96 months for participants hired after December 31, 2012, reducing the maximum benefit for participants hired after December 31, 2012 to 60% of average monthly compensation, and increasing the required years of credited service for early retirement from 5 years to 8 years for participants hired after December 31, 2012

In an effort to get the Plan on par with the annual required contribution rate as determined under established guidelines and to be able to fund the current liabilities over the Plan's established 30 year amortization period the Board has studied many proposed plan changes. Plan changes studied, but not acted on include: eliminating the supplemental death benefit, increasing the years needed to vest and decreasing the benefit level further. All of these options will be re-evaluated in future years. We have also studied contribution rate increases and having the Plan sponsor reimburse administrative expenses of the Plan. In November 2014, the Retirement Board approved an increase in the participant contribution rate to 8.5% effective January 1, 2016, contingent on the approval of a matching increase to 8.5% by the Board of County Commissioners. The Retirement Board also approved that employees hired on or after January 1, 2016 must be a minimum age of 50 to be eligible for special early retirement benefits if the sum of the participant's age and credited service equals 75 or more.

For more detail on the Plan's net pension liability and required contribution levels, see Note 3 to the financial statements and the Required Supplemental Information section on pages 18 through 22.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Plan's finances. If you have any questions about this report or need additional financial information, contact the Executive Director, 2880 International Circle, Suite N030, Colorado Springs, CO 80910.

EL PASO COUNTY RETIREMENT PLAN

STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CASH AND CASH EQUIVALENTS	$ 13,467,805	$ 3,914,695
INVESTMENTS		
Equities:		
Domestic equities and equity funds	148,573,672	139,253,082
International equity funds	45,989,059	58,312,568
Fixed income:		
Fixed income funds	62,757,441	72,132,226
Corporate securities	109,732	142,536
Real estate funds	43,805,028	24,499,907
Fund of hedge funds	16,579,068	12,378,010
Total investments	317,814,000	306,718,329
RECEIVABLES		
Securities sold	519,026	36,577
Interest and dividends	43,866	174,835
Investment distributions receivable		3,478,616
Other	32,944	78,264
Total receivables	595,836	3,768,292
CAPITAL ASSETS, NET	555,614	652,886
TOTAL ASSETS	332,433,255	315,054,202
LIABILITIES		
PAYABLE FOR SECURITIES PURCHASED	556,603	10,781
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	234,660	360,320
TOTAL LIABILITIES	791,263	371,101
NET POSITION RESTRICTED FOR PENSIONS	$ 331,641,992	$ 314,683,101

See notes to financial statements.

EL PASO COUNTY RETIREMENT PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
ADDITIONS		
INVESTMENT INCOME		
Net appreciation in fair value of investments	$ 18,911,263	$ 37,730,726
Interest and dividends	3,556,063	3,276,611
Investment expenses	(886,013)	(963,363)
Net investment income	21,581,313	40,043,974
CONTRIBUTIONS		
Employers	10,321,799	8,930,855
Employees	10,389,283	9,130,143
Total contributions	20,711,082	18,060,998
OTHER INCOME	16,083	2,479
TOTAL ADDITIONS	42,308,478	58,107,451
DEDUCTIONS		
BENEFITS PAID TO PARTICIPANTS		
Pension	21,847,461	19,821,448
Termination refunds	1,812,170	2,152,586
Death	1,100,275	995,772
Total	24,759,906	22,969,806
ADMINISTRATIVE EXPENSES	589,681	547,115
TOTAL DEDUCTIONS	25,349,587	23,516,921
NET INCREASE IN NET POSITION	16,958,891	34,590,530
NET POSITION RESTRICTED FOR PENSIONS:		
Beginning of year	314,683,101	280,092,571
End of year	$ 331,641,992	$ 314,683,101

See notes to financial statements.

EL PASO COUNTY RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following brief description of the El Paso County Retirement Plan (the Plan) is provided for informational purposes only. Participants should refer to the plan document for more complete information.

General — The Plan is a cost-sharing multiple employer defined benefit plan covering all permanent, full-time and job-share employees of the participating employers upon their date of employment. Employers, as defined in the plan document, include El Paso County, El Paso County Public Health, Pikes Peak Library District, 4th Judicial District Attorney and El Paso County Board of Retirement. All employees hired after September 1, 1967 are required to participate. Employees hired from 1974 through 1981 who were age 60 or older at their date of employment could elect to become a member as of January 1, 1982.

The participants of the Plan consisted of the following as of December 31, 2013 (the most recent actuarial valuation date):

Inactive plan members currently receiving benefits	1,306
Inactive plan members entitled to but not yet receiving benefits	375
Active plan members	2,480
Total	4,161

The El Paso County Board of Retirement (the Board) manages and administers the Plan. The Board consists of five members, one of whom is the El Paso County Treasurer, two of whom are appointed by the El Paso County Board of Commissioners (the Board of Commissioners) and two of whom are employees of the participating employers elected by participants. The Board shall have all powers necessary to effect the management and administration of the Plan in accordance with its terms. The Board has the powers set forth in Part 1, Title 24, Article 54, of the Colorado Revised Statutes.

Plan Amendments — The Board has the right to alter, amend, or terminate the Plan or any part thereof in such manner as it may determine; provided that no such alteration or amendment shall provide that a retirement benefit payable to any retired member shall be less than that provided by his or her accumulated contributions or affect the right of any member to receive a refund of his accumulated contributions and provided further that no alteration, amendment or termination of the Plan or any part thereof shall permit any part of the Plan to revert to or be recoverable by any employer or be used for or diverted to purposes other than the exclusive benefit of members, retired members, terminated vested members or beneficiaries under the Plan, except such funds, if any, as may remain at termination of the Plan after satisfaction of all liabilities with respect to members, retired members, terminated vested members and beneficiaries under the Plan and are due solely to erroneous actuarial calculations.

The Plan is intended to comply with the requirements of the applicable provisions of Internal Revenue Service Code Section 401(a) as now in effect or hereafter amended, and any modification or amendment of the Plan may be made retroactive, as necessary or appropriate, to establish and maintain such compliance.

Contributions — Contribution requirements are established and may be amended by the Board. Through December 31, 2009, participants contributed 6% of their monthly compensation to the Plan. The Plan was amended during 2009 to increase the participant monthly contribution rate to 6.5% effective January 1, 2010, 7.0% effective January 1, 2011 and 7.5% effective January 1, 2012. The Plan was further amended in 2013 to increase the participant monthly contribution rate to 8.0% effective January 1, 2014. The participating employers make monthly contributions at least equal to the contributions made by the participants. Interest is credited on employee contributions at the rate of 3% per annum, compounded monthly. Employee and employer basic contributions amounted to 16% and 15% of covered payroll for 2014 and 2013, respectively.

Contributions are tax-deferred to the participants for federal income tax purposes. If participants have at least five or eight years of credited service (see Retirement Benefits below), they are eligible to receive a future monthly retirement benefit. Any refund of contributions paid waives all future rights to any benefits. However, eligible participants who return to employment with a participating employer within 48 months and were previously refunded their contributions may reinstate withdrawn service if they repay the Plan the amount received when employment was terminated, plus interest, within twelve months of rehire.

Active participants who have completed five years of service if hired before January 1, 2013 and eight years of service if hired on or after January 1, 2013 may purchase up to five years of service credit for any period of full-time, nonvested previous employment with any public or private employer. One month of service credit may be purchased for each full month of full-time, nonvested, noncovered employment. The cost to purchase one month of service credit for noncovered employment is the “actuarial equivalent cost”, as determined by the actuary for the Plan.

Participants may elect to pay for purchases of service credit in a lump sum or on an installment basis. Payments may be made on a monthly, quarterly or annual basis with interest due at the actuarial equivalent interest rate for periodic benefits. The period over which installment payments may be made cannot exceed a period equal to the total amount of credited service to be purchased. Purchased service is recognized when paid.

Administrative Expenses — The Plan's administrative expenses are paid from the assets of the Plan accumulated from contributions and investment earnings.

Termination Benefits — Participants vest in accumulated contributions as follows:

(a) If hired before January 1, 2013 and credited with less than five years of service or hired on or after January 1, 2013 and credited with less than eight years of service: Refund of the participant's accumulated contributions.

(b) If hired before January 1, 2013 and credited with five or more years of service or hired on or after January 1, 2013 and credited with eight or more years of service:

(i) The participant may elect to receive a deferred retirement benefit which shall be equal to the participant's accrued benefit as of the date of termination and payable on the participant's normal retirement date. The participant may elect to receive a reduced retirement benefit beginning on the first day of any month subsequent to the participant's attainment of age 55. The reduction shall be 3% for each year by which payments commence prior to the first of the month following the participant's normal retirement date.

(ii) In lieu of (i), a participant may elect a current refund of accumulated contributions made by the participant.

Retirement Benefits — Participants hired before January 1, 2010 are eligible for normal retirement on the first of the month coincident with attainment of age 62. Participants hired after December 31, 2009 are eligible for normal retirement after attainment of age 62, but not before the completion of 60 months of continuous service. Participants hired after December 31, 2012 are eligible for normal retirement after attainment of age 62, but not before the completion of 96 months of continuous service.

If hired before January 1, 2010, the monthly benefit payable at normal retirement is equal to 2.22% times the final average monthly compensation, times years of credited service earned through December 31, 2012 and 2.00% times the final average monthly compensation, times years of credited service earned after December 31, 2012. If hired on or after January 1, 2010, the monthly benefit payable at normal retirement is equal to 2.00% times final average monthly compensation times years of credited service.

The normal retirement benefit will not be greater than 75% of the participant's final average monthly compensation if hired before January 1, 2013 and not greater than 60% of final average monthly compensation if hired on or after January 1, 2013. Final average compensation is the highest monthly average of considered compensation during the 36 consecutive calendar months of credited service out of the last 120 calendar months of credited service.

A participant is eligible for an early retirement benefit at age 55, provided the member has completed five or eight years of credited service. If the participant is hired before January 1, 2013, five years is required. If hired on or after January 1, 2013, eight years is required. The monthly pension is based on the vested portion of the normal retirement benefit, reduced by 3% for each year the early retirement date precedes the normal retirement date.

A participant is eligible for special early retirement benefits if the sum of the participant's age and credited service equals 75 or more. Employees hired on or after January 1, 2016 must be a minimum age of 50 to be eligible under this provision. The monthly benefit is equal to the normal retirement benefit and is not reduced for early commencement.

The annuity for delayed retirement is computed by the normal retirement formula considering credited service and compensation to actual retirement.

Disability Benefits — A participant is eligible for disability benefits if the participant's employment is terminated due to total and permanent disability as determined by eligibility for and receipt of disability benefits continuously until the normal retirement date under (1) the employer's long-term disability plan, or (2) Title II of the Federal Social Security Act. The annuity, payable at age 62, shall be calculated as for normal retirement considering the credited service that would have accrued had the participant been employed until the normal retirement date and the final average compensation during the calendar year preceding the year of the member's disability retirement.

Payment of Benefits — The monthly benefit, computed as set forth above, shall be paid in equal monthly payments commencing one month after the actual retirement date continuing at monthly intervals for the retired participant's lifetime thereafter. If the retired participant's death occurs prior to the payment of 120 monthly payments, the remainder of the 120 payments shall be paid to the participant's beneficiary.

Death Benefits Prior to Retirement — Death benefits prior to retirement are as follows:

In the event that an active participant or vested participant dies prior to their normal retirement date, the participant's surviving beneficiary will be entitled to either two times the participant's accumulated contributions payable immediately or a monthly benefit equal to 60% of the monthly retirement benefit earned by the member prior to the date of death. Payment of the monthly benefit to the beneficiary will begin on the first of the month following the death or the date the member would have attained age 55, if later.

Between normal and delayed retirement — In the event that a participant dies after their normal retirement date but prior to their actual retirement, their beneficiary will be entitled to a monthly benefit. Under these circumstances, the participant will be deemed to have retired on the first day of the month of their death. If no optional benefit had been elected prior to death, the participant shall be deemed to have elected the full joint and survivor benefit and such benefit shall be payable for the life of the participant's designated beneficiary, if living, following the participant's death.

Death Benefits After Retirement — Death benefits after retirement consist of a lump-sum benefit of $3,000 payable upon the death of a retired participant.

Plan Termination — Although not presently contemplated, the Board has the right to terminate the Plan at any time, subject to limitations. In the event of termination, after payment of expenses, accumulated contributions would be returned to the participants, and the remaining assets distributed on a pro rata method to the participants based on accrued benefits. Participating employers would not receive any Plan assets.

Subsequent Events — The Plan has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — The Plan is considered a multi-employer cost-sharing pension trust fund.

Basis of Accounting and Presentation — The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America that apply to governmental accounting for fiduciary funds. Employee and employer contributions are recognized in the period they are due. Investment earnings are recognized in the period earned. Expenses are recognized when incurred. Benefits and refunds are recognized when due and payable in accordance with the plan provisions.

Investments — Investments are stated at fair value. Securities and mutual funds that are actively traded are valued based on quoted market prices. Fixed income securities that are not actively traded are valued primarily based on equivalent values of comparable securities. Collective equity and fixed income funds are valued based on the fair values of the underlying investments, which are primarily based on quoted market prices. Collective real estate fund fair values are valued by the respective fund managers based on capital account balances as of the financial statement date. Hedge funds of funds are valued by the fund of funds managers based on the valuations of each of the individual portfolio fund values. The individual portfolio fund managers use data such as redemption and subscription prices and other observable inputs to value the individual funds.

Capital Assets — Capital assets are recorded at cost. Depreciation is calculated using the straight-line method over useful lives of 3 to 7 years.

Tax Status — The Plan is a governmental plan within the meaning of the Internal Revenue Code (the Code). The Internal Revenue Service has determined and informed the Plan by a letter dated July 1, 2014, that the Plan is designed in accordance with the applicable sections of the Code. The Plan has been subsequently amended; however, management of the Plan believes that the Plan is designed and operating in accordance with the Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Adoption of Accounting Pronouncement — During the year ended December 31, 2014, the Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement establishes standards for financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability. Statement No. 67 requires the use of a discount rate for measurement of the pension liability equal to the long-term expected rate of return on investments to the extent the Plan's net position is projected to be sufficient to make projected benefit payments and plan assets are expected to be invested using a strategy to achieve that return. To the extent such conditions are not met, the discount rate is required to be a rate equivalent to the rate on 20-year, tax-exempt general obligation municipal bonds with a rating of AA/Aa or higher. The Statement also establishes new requirements with respect to footnote disclosures and required supplemental information.

Recent Accounting Pronouncement — In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The Plan will be required to adopt the provisions of Statement No. 72 for the year ending December 31, 2016.

Management of the Plan has not yet determined the impact that Statement No. 72 will have on the Plan's financial statements.

3. NET PENSION LIABILITY

Net Pension Liability — The measurement date for the net pension liability is the Plan's year-end, December 31, 2014. Plan fiduciary net position is measured at December 31, 2014. The total pension liability is determined by an actuarial valuation as of December 31, 2013, and rolled forward to the measurement date of December 31, 2014. Adjustments to roll forward the total pension liability include service cost, interest on total pension liability and benefit payments. The net pension liability is the difference between the total pension liability and fiduciary net position as of December 31, 2014. The components of the net pension liability as of December 31, 2014 are as follows:

Total pension liability	$ 456,432,032
Plan fiduciary net position	(331,641,992)
Net pension liability	$ 124,790,040
Plan fiduciary net position as a percentage of the total pension liability.	72.66%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of December 31, 2014:

Inflation	3.50%
Salary increases	Graded by service, from 7.76% to 3.5%
Investment rate of return	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.5% and a real rate of return of 4.5%.

Mortality rates were based on the RP-2000 sex-distinct mortality table projected generationally using Projection Scale AA, with a one year setback used for females. Mortality rates used for disabled members is based on the RP-2000 Disabled Mortality Table.

The actuarial assumptions used in the December 31, 2013 actuarial valuation were based on the results of an actuarial experience study for the period from January 1, 2008 to December 31, 2012, resulting in changes in actuarial assumptions adopted by the Board to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as shown in the July 1, 2008 – June 30, 2013 experience study are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Long-Term Expected Real Rate of Return
Public equity	6.92%
Private equity	11.60%
Fixed income	0.69%
Real estate	4.83%
Hedge funds of funds	4.34%

Discount Rate — The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policy adopted by the Board. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate — The following presents the net pension liability, calculated using the discount rate of 8.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability	$ 179,548,891	$ 124,790,040	$ 77,698,859

4. DEPOSITS

The Plan has bank balances of $7,864,872 and $87,095 on deposit with banking institutions at December 31, 2014 and 2013, respectively. Of the bank balances, up to $250,000 is insured by the Federal Deposit Insurance Corporation at December 31, 2014 and 2013. The uninsured balance is collateralized with securities held by the banking institutions but not in the Plan's name. In addition, $5,602,933 and $3,827,600 was held by money managers in banking institutions at December 31, 2014 and 2013, respectively.

5. INVESTMENTS

Investment Policies — Funds of the Plan are managed in accordance with Colorado statutes and any other applicable law, and in compliance with the prudent investor rule. The investment of the Plan's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries, and paying the Plan's administrative expenses. The investments shall be prudently selected and properly diversified to fulfill fiduciary responsibilities.

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. The following is the Plan's asset allocation targets as of December 31, 2014:

Asset Class	Target Allocation
Public equity	55%
Private equity	5%
Fixed income	15%
Real estate	20%
Hedge funds of funds	5%

Rate of Return — For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Credit Risk — Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Plan's general investment policy is to limit its investments in fixed income securities to those with an S&P/Moody's rating of investment grade BBB/Baa or better, unless expressly permitted by the Board. However, the fixed income portfolio manager is allowed to hold fixed income securities with a rating of BB or B. The manager's total foreign securities and securities with a rating of BB or B may not exceed 20% of the portfolio.

The Plan's exposure to fixed income security credit risk based on Standard & Poor's ratings is as follows as of December 31, 2014:

S&P Rating	Fixed Income Funds	Corporate Securities	Total
AA-	$ 14,798,196		$ 14,798,196
A	31,753,851		31,753,851
B	16,205,394		16,205,394
Unrated		$ 109,732	109,732
Total	$ 62,757,441	$ 109,732	$ 62,867,173

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan limits its investments in any one issuer of equity securities, fixed income securities, short-term investments and commercial paper to no more than 5% of the applicable portfolio. No limitation is placed on investments in U.S. Government guaranteed obligations. No individual investments exceeded 5% of the Plan's net position at December 31, 2014 and 2013.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. Unless expressly permitted by the Board, the effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the broad market benchmark included in the instructions to the portfolio manager.

As of December 31, 2014, the effective duration of the Plan's $62,867,173 of fixed income instruments is 4.27 years.

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of December 31, 2014, none of the Plan's investments were denominated in currencies other than the United States dollar.

Redemption Restrictions — Certain of the Plan's investments are subject to redemption restrictions as follows as of December 31, 2014:

	Fair Value	Redemption Restriction
Fixed income funds:		
Senior loan fund	$ 8,248,630	30 day notice
Floating rate income fund	7,956,764	30 day notice
Real estate funds:		
Properties fund	34,295,674	90 day notice
United States real estate fund	4,856,856	10 year closed end fund
Real estate debt fund	3,263,230	7 year closed end fund
Fund of hedge funds	16,579,068	60 days following general partner approval

Appreciation in Fair Value of Investments — During the years ended December 31, 2014 and 2013, the Plan's investments (including investments bought, sold and held during the year) appreciated in value as follows:

	2014	2013
Equities:		
Domestic equities and equity funds	$ 18,038,797	$ 34,374,555
International equity funds	(1,492,693)	1,512,434
Fixed income	(958,972)	(1,351,357)
Real estate funds	3,265,190	3,543,961
Fund of hedge funds	58,941	(348,867)
Net appreciation in fair value of investments	$ 18,911,263	$ 37,730,726

6. CAPITAL ASSETS

Capital assets consist of the following at December 31:

		2014		2013
Software	$	821,102	$	821,102
Furniture and equipment		29,094		52,930
Leasehold improvements				10,312
Total		850,196		884,344
Less: accumulated depreciation and amortization		294,582		231,458
Capital assets, net	$	555,614	$	652,886

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2014 (2005-2013 not readily available)
(Dollar Amounts in Thousands)

TOTAL PENSION LIABILITY	
Service cost	$ 12,000,723
Interest	34,726,814
Benefit payments	(24,759,906)
Net change in total pension liability	21,967,631
Total pension liability – Beginning	434,464,401
Total pension liability – Ending (a)	$ 456,432,032
PLAN FIDUCIARY NET POSITION	
Contributions - employer	$ 10,321,799
Contributions - member	10,389,283
Net investment income	21,581,313
Benefit payments	(24,759,906)
Administrative expense	(589,681)
Other	16,083
Net change in plan fiduciary net position	16,958,891
Plan fiduciary net position – Beginning	314,683,101
Plan fiduciary net position – Ending (b)	$ 331,641,992
Employer net pension liability – Ending ((a) – (b))	$ 124,790,040

See notes to required supplementary information.

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2014 (2005-2013 not readily available)
(Dollar Amounts in Thousands)

Total pension liability	$ 456,432,032
Plan fiduciary net position	331,641,992
Employers' net pension liability	$ 124,790,040
Plan fiduciary net position as a percentage of the total pension liability	72.66%
Covered-employee payroll	$ 123,889,837
Employer net pension liability as a percentage of covered-employee payroll	100.73%

See notes to required supplementary information.

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 THROUGH 2014
(Dollar Amounts in Thousands)

	Actuarially Determined Employer Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2005	$ 6,394	$ 5,697	$ 697	$ 92,758	6.1%
2006	7,069	6,156	913	98,916	6.2
2007	8,025	6,276	1,749	103,403	6.1
2008	7,658	6,349	1,309	105,140	6.0
2009	10,995	6,137	4,858	102,703	6.0
2010	9,315	7,175	2,140	106,957	6.7
2011	10,633	7,909	2,724	112,232	7.0
2012	11,247	8,736	2,511	116,611	7.5
2013	13,160	8,931	4,229	115,762	7.7
2014	10,604	10,322	282	123,890	8.3

See notes to required supplementary information.

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED DECEMBER 31, 2014 (2005-2013 not readily available)

Annual money-weighted rate of return, net of investment expense	6.89%

See notes to required supplementary information.

EL PASO COUNTY RETIREMENT PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. CHANGES IN BENEFIT TERMS

None

2. CHANGES IN ASSUMPTIONS

None

3. METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Valuation date: December 31, 2013

Actuarially determined contribution rates are calculated as of December 31.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, open
Amortization period	30 years
Asset valuation method	Actuarial value that smooths investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
Inflation	3.5% per annum
Salary increases	Graded by service, from 7.76% to 3.5%
Investment rate of return	8.0%, net of pension plan investment expenses. This is based on an average inflation rate of 3.5% and a real rate of return of 4.5%.
Retirement age	An age-related assumption is used for members not yet receiving payments.
Mortality	RP-2000 Mortality Table using sex-distinct rates, projected generationally using Projection Scale AA, with one year setback for females. The mortality for disabled members is based on the RP-2000 Disabled Mortality Table.

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
PERSONNEL SERVICES		
Staff salaries	$ 160,653	$ 151,765
Insurance	20,626	18,405
Retirement	12,801	11,365
Social Security	11,346	10,946
Total personnel services	205,426	192,481
PROFESSIONAL SERVICES		
Legal and accounting	84,518	105,210
Actuarial	49,243	57,691
Audit	15,000	15,050
Other professional	2,350	4,524
Total professional services	151,111	182,475
COMMUNICATION		
Postage and delivery	5,194	3,918
Conferences and travel	3,888	2,877
Printing and copying	3,765	3,489
Telephone	2,459	2,411
Dues and subscriptions	1,320	4,015
Total communication	16,626	16,710
MISCELLANEOUS		
Depreciation	97,273	32,569
Software maintenance	73,895	91,670
Insurance	31,678	29,121
Other	13,672	2,089
Total miscellaneous	216,518	155,449
TOTAL ADMINISTRATIVE EXPENSES	$ 589,681	$ 547,115

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Direct investment management fees	$ 740,281	$ 810,345
Investment consulting fees	86,334	85,058
Custodian fees	59,398	67,960
TOTAL INVESTMENT EXPENSES	$ 886,013	$ 963,363

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES
SCHEDULE OF CONSULTANT EXPENSES [1]
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Legal – Bryan Cave, LLP	$ 57,518	$ 78,810
Actuarial – Buck Consultants	49,243	57,691
Accounting – DMLG and Associates, LLP		26,400
Accounting – L. Lomas & Company, Inc.	26,400	
Audit – Stockman Kast Ryan & Company, LLP	15,000	15,050
Other	2,950	4,524
Total consultant expenses	$ 151,111	$ 182,475

[1] See the Schedule of Investment Expenses for fees paid to investment professionals.