

EL PASO COUNTY RETIREMENT PLAN

**Management's Discussion and Analysis
and Financial Statements**

For the Years Ended December 31, 2016 and 2015,

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, 2016 and 2015 and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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, 2016 and 2015, 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 Supplemental 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 Supplemental Information (collectively, the required supplemental 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 supplemental 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 Supplemental 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 22, 2017

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, 4th 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 Supplemental 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.

FINANCIAL HIGHLIGHTS

Fiduciary Net Position

Net position restricted for pensions increased during 2016 by \$22.0 million to \$345.8 million. The primary reason for the 2016 increase in net position was net investment income of \$29.4 million, along with contributions of \$23.1 million, offset by benefits paid of \$29.8 million. The statements of fiduciary net position are summarized below:

Condensed Statements of Fiduciary Net Position
(in thousands)

| | 2016 | 2015 | 2014 |
|---|-------------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,231 | \$ 3,697 | \$ 13,468 |
| Investments | 341,607 | 319,871 | 317,814 |
| Receivables | 270 | 83 | 596 |
| Capital assets, net | <u>423</u> | <u>469</u> | <u>555</u> |
| Total assets | 346,531 | 324,120 | 332,433 |
| LIABILITIES | <u>766</u> | <u>382</u> | <u>951</u> |
| NET POSITION RESTRICTED FOR PENSIONS | <u>\$ 345,765</u> | <u>\$ 323,738</u> | <u>\$ 331,482</u> |

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):

| | 2016 | 2015 | 2014 |
|--------------------------|------------------|------------------|------------------|
| Investment income (loss) | \$ 29,393 | \$ (2,031) | \$ 21,581 |
| Employer contributions | 11,315 | 10,639 | 10,322 |
| Employee contributions | 11,758 | 11,621 | 10,389 |
| Other income | <u>7</u> | <u>28</u> | <u>16</u> |
| Total additions | <u>\$ 52,473</u> | <u>\$ 20,257</u> | <u>\$ 42,308</u> |

Investment income of \$29.4 million in 2016 consisted primarily of net appreciation in fair value of investments of \$27.0 million. The appreciation in fair value was mainly the result of the strong performance of the equity and real estate markets during 2016. The Plan had gains on its equity portfolio of \$17.5 million and gains on its real estate portfolio of \$6.0 million during 2016.

The investment loss of \$2.0 million in 2015 consisted primarily of net depreciation in fair value of investments of \$3.9 million. The depreciation in fair value was mainly the result of the poor performance of equity markets during 2015. The Plan had losses on its equity portfolio of \$9.2 million and losses on its fixed income portfolio of \$1.4 million, offset by gains on its real estate portfolio of \$6.8 million during 2015.

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.

Employer and employee contributions increased in 2016 due mainly to an increase in the number of participants and employee compensation increases. This was offset by a decrease in purchased service contributions of \$540,000. Employee contributions increased in 2015 due mainly to an increase in purchased service contributions of \$915,000. Employer and employee contributions also increased in 2015 due to an increase in the number of participants and employee compensation increases.

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 \$30.4 million during 2016. Deductions from fiduciary net position are summarized below (in thousands):

| | 2016 | 2015 | 2014 |
|-------------------------|------------------|------------------|------------------|
| Pension benefits | \$ 26,160 | \$ 23,583 | \$ 21,848 |
| Termination refunds | 2,751 | 2,670 | 1,812 |
| Death benefits | 850 | 1,081 | 1,100 |
| Administrative expenses | <u>685</u> | <u>667</u> | <u>590</u> |
| Total deductions | <u>\$ 30,446</u> | <u>\$ 28,001</u> | <u>\$ 25,350</u> |

Deductions from fiduciary net position for 2016 and 2015 increased by 8.7% and 10.5%, 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 2016 and 2015.

NET PENSION LIABILITY

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, 2015 and rolled forward to December 31, 2016 (the measurement date). The net pension liability is calculated as the total pension liability less the plan fiduciary net position. As of December 31, 2016 and 2015, the Plan's net pension liability was \$161,084,179 and \$155,513,027, respectively. The Plan's fiduciary net position as a percentage of the total pension liability as of December 31, 2016 and 2015 was 68.22% and 67.55%, respectively. The long-term expected investment rate of return on plan investments is assumed to be 8.00%. For the years ended December 31, 2016 and 2015, the annual money-weighted rate of return on plan investments was 9.20% and (0.66)%, respectively.

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% from 2014 through 2016, as compared with 13% in 2010. The employer contribution deficiency decreased from approximately \$4.2 million in 2013 to \$282,000 in 2014, \$124,000 in 2015 and \$314,000 in 2016.

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.

In November 2014, the Retirement Board approved an increase in the participant contribution rate to 8.5%, contingent on the approval of a matching increase to 8.5% by the Board of County Commissioners. The increase to 8.5% has not been approved 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.

In 2016, the Board of County Commissioners voted to reimburse the Plan's administrative costs annually up to a maximum of \$600,000 commencing in 2017.

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 19 through 23.

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, 2016 AND 2015

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| CASH AND CASH EQUIVALENTS | \$ 4,230,851 | \$ 3,696,710 |
| INVESTMENTS | | |
| Equities: | | |
| Domestic | 141,774,314 | 131,184,324 |
| International | 60,259,571 | 58,321,610 |
| Fixed income | 47,213,983 | 52,347,698 |
| Real estate | 75,444,194 | 61,471,141 |
| Hedge fund of funds | <u>16,915,414</u> | <u>16,546,660</u> |
| Total investments | <u>341,607,476</u> | <u>319,871,433</u> |
| RECEIVABLES | | |
| Securities sold | 115,426 | 10,731 |
| Other | <u>154,208</u> | <u>71,803</u> |
| Total receivables | <u>269,634</u> | <u>82,534</u> |
| CAPITAL ASSETS, NET | <u>423,261</u> | <u>468,766</u> |
| TOTAL ASSETS | <u>346,531,222</u> | <u>324,119,443</u> |
| LIABILITIES | | |
| ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | 480,530 | 330,099 |
| PAYABLE FOR SECURITIES PURCHASED | <u>286,137</u> | <u>51,568</u> |
| TOTAL LIABILITIES | <u>766,667</u> | <u>381,667</u> |
| NET POSITION RESTRICTED FOR PENSIONS | <u>\$ 345,764,555</u> | <u>\$ 323,737,776</u> |

See notes to financial statements.

EL PASO COUNTY RETIREMENT PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| ADDITIONS | | |
| INVESTMENT INCOME (LOSS) | | |
| Net appreciation (depreciation) in fair value of investments | \$ 27,028,478 | \$ (3,938,048) |
| Interest and dividends | 3,432,955 | 3,027,206 |
| Investment expenses | <u>(1,068,507)</u> | <u>(1,120,238)</u> |
| Net investment income (loss) | <u>29,392,926</u> | <u>(2,031,080)</u> |
| CONTRIBUTIONS | | |
| Employers | 11,315,200 | 10,638,797 |
| Employees | <u>11,757,671</u> | <u>11,620,764</u> |
| Total contributions | <u>23,072,871</u> | <u>22,259,561</u> |
| OTHER INCOME | <u>7,438</u> | <u>28,420</u> |
| TOTAL ADDITIONS | <u>52,473,235</u> | <u>20,256,901</u> |
| DEDUCTIONS | | |
| BENEFITS PAID TO PARTICIPANTS | | |
| Pension | 26,159,836 | 23,582,687 |
| Termination refunds | 2,750,891 | 2,669,776 |
| Death | <u>850,174</u> | <u>1,080,902</u> |
| Total | 29,760,901 | 27,333,365 |
| ADMINISTRATIVE EXPENSES | <u>685,555</u> | <u>667,752</u> |
| TOTAL DEDUCTIONS | <u>30,446,456</u> | <u>28,001,117</u> |
| NET INCREASE (DECREASE) IN NET POSITION | 22,026,779 | (7,744,216) |
| NET POSITION RESTRICTED FOR PENSIONS: | | |
| Beginning of year | <u>323,737,776</u> | <u>331,481,992</u> |
| End of year | <u>\$ 345,764,555</u> | <u>\$ 323,737,776</u> |

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 Retirement Plan. 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, 2015 (the most recent actuarial valuation date):

| | |
|--|--------------|
| Inactive plan members currently receiving benefits | 1,466 |
| Inactive plan members entitled to but not yet receiving benefits | 309 |
| Active plan members | <u>2,585</u> |
| Total | <u>4,360</u> |

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% of covered payroll for both 2016 and 2015.

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. Effective July 2016, service credit purchases may also be made by rollover contributions from an eligible retirement plan. 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. In 2016, the Board of County Commissioners voted to reimburse the Plan's administrative costs annually up to a maximum of \$600,000 commencing in 2017.

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. If the participant met the rule of 75 while working and had not applied for retirement nor ceased employment as of date of death, 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.

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.

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. Fair value is the amount the Plan can reasonably expect to receive to sell an investment in an orderly transaction between market participants. See Note 5 for further information on the fair values of investments. Investment income is recognized when earned by the Plan. Investment income from funds and limited partnerships measured at net asset value is included in net appreciation (depreciation) in fair value of investments consistent with the presentation provided by the asset custodian.

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 — In February 2015, the Governmental Accounting Standards Board (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 adopted the provisions of Statement No. 72 during the year ending December 31, 2016. There were no restatements of reported values of the Plan’s assets or liabilities as of December 31, 2015 resulting from the implementation of Statement No. 72. See Note 5 for the expanded disclosures regarding fair value measurements.

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.

3. NET PENSION LIABILITY

Net Pension Liability — The measurement date for the net pension liability is the Plan’s year-end, December 31, 2016. Plan fiduciary net position is measured at December 31, 2016. The total pension liability is determined by an actuarial valuation as of December 31, 2015, and rolled forward to the measurement date of December 31, 2016. 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, 2016. The components of the net pension liability as of December 31, 2016 are as follows:

| | |
|-----------------------------|-----------------------|
| Total pension liability | \$ 506,848,734 |
| Plan fiduciary net position | <u>(345,764,555)</u> |
| Net pension liability | <u>\$ 161,084,179</u> |

| | |
|---|--------|
| Plan fiduciary net position as a percentage of the total pension liability. | 68.22% |
|---|--------|

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of December 31, 2016:

| | |
|---------------------------|---|
| Inflation | 3.50% |
| Salary increases | Graded by service, from 7.76% to 3.75% |
| 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, 2015 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 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 | 8.61% |
| Private equity | 11.30% |
| Fixed income | 0.72% |
| Real estate | 6.57% |
| Hedge funds of funds | 5.04% |

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 | <u>\$ 219,550,147</u> | <u>\$ 161,084,179</u> | <u>\$ 111,771,590</u> |

4. DEPOSITS

The Plan has bank balances of \$2,981,089 and \$2,676,697 on deposit with banking institutions at December 31, 2016 and 2015, respectively. Of the bank balances, up to \$250,000 per institution is insured by the Federal Deposit Insurance Corporation at December 31, 2016 and 2015. The uninsured balance is collateralized with securities held by the banking institutions but not in the Plan's name. In addition, \$1,249,762 and \$1,020,013 was held by money managers in banking institutions at December 31, 2016 and 2015, respectively.

5. INVESTMENTS

Fair Value Measurements — The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level 3), as follows:

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Observable inputs other than quoted market prices.

Level 3 Valuation derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The Plan has the following fair value measurements as of December 31, 2016:

| | December 31, 2016 | Fair Value Measurements Using | | |
|--|----------------------|---|--|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level: | | | | |
| Domestic common stocks | \$ 55,609,895 | \$ 55,609,895 | | |
| International equity mutual funds | 60,259,571 | 60,259,571 | | |
| Fixed income securities: | | | | |
| U.S. Government agencies | 5,961,786 | | \$ 5,961,786 | |
| U.S. Treasuries | 4,065,760 | | 4,065,760 | |
| Corporate securities | <u>4,976,063</u> | | <u>4,976,063</u> | |
| Total investments by fair value level | <u>130,873,075</u> | <u>\$115,869,466</u> | <u>\$15,003,609</u> | <u>\$ —</u> |
| Investments measured at NAV: | | | | |
| Domestic equity funds | 86,164,419 | | | |
| Real estate limited partnerships | 75,444,194 | | | |
| Fixed income funds | 32,210,374 | | | |
| Hedge fund of funds | <u>16,915,414</u> | | | |
| Total investments measured at NAV | <u>210,734,401</u> | | | |
| Total investments measured at fair value | <u>\$341,607,476</u> | | | |

Domestic common stocks and international equity mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued primarily using quoted prices in inactive markets, as well as other pricing methods using observable inputs.

Investments Measured at NAV:

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|----------------------|-------------------------|-------------------------|--------------------------------|
| Domestic equity funds ⁽¹⁾ | \$ 86,164,419 | \$ 12,965,000 | Daily, None | Daily, N/A |
| Real estate limited partnerships ⁽²⁾ | 75,444,194 | 10,915,000 | Qtrly, None | 90 days, N/A |
| Fixed income funds ⁽³⁾ | 32,210,374 | None | Daily, Monthly | 3-30 days |
| Hedge fund of funds ⁽⁴⁾ | <u>16,915,414</u> | None | Quarterly | 70 days |
| Total investments measured at NAV | <u>\$210,734,401</u> | | | |

1. Domestic equity funds – 97% of domestic equity funds consist of an investment in the State Street S&P 500 Flagship Fund (“S&P Fund”). The investment objective of the S&P Fund is to approximate as closely as practicable, before expenses, the performance of the S&P 500 Index over the long term. The S&P Fund allows daily redemptions and the Plan has no unfunded commitments relating to this fund. The remaining domestic equity funds consist of 4 limited partnerships that are diversified by investment type and cannot be redeemed. Instead, the nature of the investments in these funds are that distributions are received through the liquidation of the underlying assets over estimated periods of 10 to 12 years.

2. Real estate limited partnerships – 53% of real estate limited partnerships consist of an investment in a core-style, open-end real estate fund that holds a strategically diversified portfolio of real estate assets across the four main property types in major markets throughout the United States. The primary performance objective is to combine an attractive income yield with long-term capital growth. This fund allows for quarterly redemptions with 90 days notice and values its underlying real estate investments using income, cost and sales comparison approaches. The remaining 47% of real estate limited partnerships consist of investments in 4 limited partnerships that are diversified by investment type and cannot be redeemed. Instead, the nature of the investments in these limited partnerships are that distributions are received through the liquidation of the underlying properties over 7 to 10 years.

3. Fixed income funds – The fixed income funds consist of a \$15.3 million collective trust and two limited partnership investments totaling \$16.9 million. The collective trust’s investment objective is high total investment return through a combination of current income and capital appreciation and to outperform its benchmark, the Barclays Capital Aggregate Bond Index. The collective trust is redeemable daily with 3 days notice. The limited partnerships have the objectives of investing in bank loans and bonds and senior secured loans. The limited partnerships are redeemable monthly with 30 days notice.

4. Hedge fund of funds – The hedge fund of funds is a limited partnership which invests in a portfolio of funds. The underlying funds generally implement non-traditional or alternative investment strategies. The hedge fund of funds is redeemable quarterly with 70 days notice.

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, 2016:

| 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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.20%. 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 Plan's exposure to fixed income credit risk based on Standard & Poor's ratings is as follows as of December 31, 2016:

| S&P Rating | US Govt Agencies | US Treasuries | Corporate Securities | Fixed Income Funds | Total |
|-----------------------|-------------------------|----------------------|-----------------------------|---------------------------|----------------------|
| AAA | | \$ 4,065,760 | | | \$ 4,065,760 |
| AA+ | \$ 5,961,786 | | \$ 604,449 | | 6,566,235 |
| AA | | | 457,366 | | 457,366 |
| A | | | 774,646 | \$ 15,321,432 | 16,096,078 |
| A- | | | 1,485,517 | | 1,485,517 |
| BBB+ | | | 1,247,745 | | 1,247,745 |
| BBB | | | 406,340 | | 406,340 |
| B | | | | 16,888,942 | 16,888,942 |
| Total | <u>\$ 5,961,786</u> | <u>\$ 4,065,760</u> | <u>\$ 4,976,063</u> | <u>\$ 32,210,374</u> | <u>\$ 47,213,983</u> |

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, 2016 and 2015.

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, 2016, the effective duration of the Plan's \$47,213,983 fixed income portfolio is 4.2 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, 2016, none of the Plan's investments were denominated in currencies other than the United States dollar.

Appreciation (Depreciation) in Fair Value of Investments — During the years ended December 31, 2016 and 2015, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value as follows:

| | 2016 | 2015 |
|--|----------------------|-----------------------|
| Equities: | | |
| Domestic | \$ 16,193,160 | \$ (7,255,810) |
| International | 1,316,545 | (1,987,202) |
| Fixed income | 3,137,686 | (1,431,058) |
| Real estate | 6,012,333 | 6,768,430 |
| Hedge fund of funds | <u>368,754</u> | <u>(32,408)</u> |
| Net appreciation (depreciation) in fair value of investments | <u>\$ 27,028,478</u> | <u>\$ (3,938,048)</u> |

6. CAPITAL ASSETS

Capital assets consist of the following at December 31:

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Software | \$ 650,000 | \$ 605,000 |
| Furniture and equipment | <u>29,094</u> | <u>29,094</u> |
| Total | 679,094 | 634,094 |
| Less: accumulated depreciation and amortization | <u>255,833</u> | <u>165,328</u> |
| Capital assets, net | <u>\$ 423,261</u> | <u>\$ 468,766</u> |

7. CONTINGENCY

The Plan has been notified of a potential governmental claim seeking to recover from the Plan costs of up to \$3.3 million attributable to acts or omissions of a third party. The Plan has signed a Tolling Agreement to facilitate settlement discussions. No lawsuit has been filed. The Plan's legal counsel has expressed no judgment at this time as to the eventual outcome of this matter. The Plan has recorded no liability related to this contingency in the accompanying financial statements.

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTAL INFORMATION

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTAL INFORMATION SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014 (2007-2013 not readily available)

| | 2016 | 2015 | 2014 |
|---|-----------------------|-----------------------|-----------------------|
| TOTAL PENSION LIABILITY | | | |
| Service cost | \$ 13,323,018 | \$ 12,598,114 | \$ 12,000,723 |
| Interest | 38,646,606 | 36,512,406 | 34,726,814 |
| Differences between expected and actual experience | 5,389,208 | 1,041,616 | |
| Benefit payments | <u>(29,760,901)</u> | <u>(27,333,365)</u> | <u>(24,759,906)</u> |
| | | | |
| Net change in total pension liability | 27,597,931 | 22,818,771 | 21,967,631 |
| Total pension liability – Beginning | <u>479,250,803</u> | <u>456,432,032</u> | <u>434,464,401</u> |
| Total pension liability – Ending (a) | <u>\$ 506,848,734</u> | <u>\$ 479,250,803</u> | <u>\$ 456,432,032</u> |
| | | | |
| PLAN FIDUCIARY NET POSITION | | | |
| Contributions - employer | \$ 11,315,200 | \$ 10,638,797 | \$ 10,321,799 |
| Contributions - member | 11,757,671 | 11,620,764 | 10,389,283 |
| Net investment income (loss) | 29,392,926 | (2,031,080) | 21,581,313 |
| Benefit payments | (29,760,901) | (27,333,365) | (24,759,906) |
| Administrative expense | (685,555) | (667,752) | (589,681) |
| Other | <u>7,438</u> | <u>28,420</u> | <u>16,083</u> |
| Net change in plan fiduciary net position | 22,026,779 | (7,744,216) | 16,958,891 |
| Recognition of pension liability under GASB 68 | | (160,000) | |
| Plan fiduciary net position – Beginning | <u>323,737,776</u> | <u>331,641,992</u> | <u>314,683,101</u> |
| Plan fiduciary net position – Ending (b) | <u>\$ 345,764,555</u> | <u>\$ 323,737,776</u> | <u>\$ 331,641,992</u> |
| Employer net pension liability – Ending ((a) – (b)) | <u>\$ 161,084,179</u> | <u>\$ 155,513,027</u> | <u>\$ 124,790,040</u> |

See notes to required supplemental information.

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014 (2007-2013 not readily available)

| | 2016 | 2015 | 2014 |
|--|-----------------------|-----------------------|-----------------------|
| Total pension liability | \$ 506,848,734 | \$ 479,250,803 | \$ 456,432,032 |
| Plan fiduciary net position | <u>345,764,555</u> | <u>323,737,776</u> | <u>331,641,992</u> |
| Employers' net pension liability | <u>\$ 161,084,179</u> | <u>\$ 155,513,027</u> | <u>\$ 124,790,040</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 68.22% | 67.55% | 72.66% |
| Covered-employee payroll | \$ 138,679,959 | \$ 130,478,820 | \$ 123,889,837 |
| Employer net pension liability as a percentage of covered-employee payroll | 116.16% | 119.19% | 100.73% |

See notes to required supplemental information.

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEARS ENDED DECEMBER 31, 2007 THROUGH 2016 (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 |
|------|---|--|----------------------------|---------------------------------|--|
| 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 |
| 2015 | 10,763 | 10,639 | 124 | 130,479 | 8.2 |
| 2016 | 11,629 | 11,315 | 314 | 138,680 | 8.2 |

See notes to required supplemental information.

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF INVESTMENT RETURNS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014 (2007-2013 not readily available)

| | 2016 | 2015 | 2014 |
|--|-------|---------|-------|
| Annual money-weighted rate of return, net of investment expense | 9.20% | (0.66)% | 6.89% |

See notes to required supplemental information.

EL PASO COUNTY RETIREMENT PLAN

NOTES TO REQUIRED SUPPLEMENTAL 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, 2015

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 3.75% |
| 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, 2016 AND 2015

| | 2016 | 2015 |
|-------------------------------|-------------------|-------------------|
| PERSONNEL SERVICES | | |
| Staff salaries | \$ 165,752 | \$ 160,608 |
| Retirement | 41,207 | 12,832 |
| Insurance | 18,829 | 19,816 |
| Social Security | <u>11,576</u> | <u>11,219</u> |
| Total personnel services | <u>237,364</u> | <u>204,475</u> |
| PROFESSIONAL SERVICES | | |
| Legal and accounting | 130,959 | 139,067 |
| Actuarial | 93,182 | 79,684 |
| Audit | <u>25,000</u> | <u>22,500</u> |
| Total professional services | <u>249,141</u> | <u>241,251</u> |
| COMMUNICATION | | |
| Printing and copying | 4,767 | 3,992 |
| Conferences and travel | 2,897 | 11,051 |
| Other | <u>6,312</u> | <u>8,119</u> |
| Total communication | <u>13,976</u> | <u>23,162</u> |
| MISCELLANEOUS | | |
| Depreciation | 90,505 | 86,847 |
| Software maintenance | 54,854 | 73,845 |
| Insurance | 36,746 | 35,023 |
| Other | <u>2,969</u> | <u>3,149</u> |
| Total miscellaneous | <u>185,074</u> | <u>198,864</u> |
| TOTAL ADMINISTRATIVE EXPENSES | <u>\$ 685,555</u> | <u>\$ 667,752</u> |

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES

SCHEDULE OF INVESTMENT EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|-----------------------------------|----------------------------|----------------------------|
| Direct investment management fees | \$ 940,200 | \$ 958,802 |
| Investment consulting fees | 87,634 | 87,025 |
| Custodian fees | <u>40,673</u> | <u>74,411</u> |
| TOTAL INVESTMENT EXPENSES | <u>\$ 1,068,507</u> | <u>\$ 1,120,238</u> |

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES

SCHEDULE OF CONSULTANT EXPENSES ⁽¹⁾

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Legal – Bryan Cave, LLP | \$ 108,159 | \$ 112,667 |
| Actuarial – Conduent | 93,182 | 79,684 |
| Accounting – L. Lomas & Company, Inc. | 22,800 | 26,400 |
| Audit – Stockman Kast Ryan & Company, LLP | <u>25,000</u> | <u>22,500</u> |
| Total consultant expenses | <u>\$ 249,141</u> | <u>\$ 241,251</u> |

⁽¹⁾ See the Schedule of Investment Expenses for fees paid to investment professionals.