2.6 Calculation of estimated maximum deductible contribution

All monetary amounts shown in US Dollars

Based on Plan Year		2022
A	**Basic Maximum**	
	1 Funding target	393,052,569
	2 Target normal cost	9,817,585
	3 Actuarial value of assets	359,111,774
	4 50% of funding target	196,526,285
	5 Additional funding target for future compensation or benefit increases	29,846,767
	6 Basic maximum deductible contribution	269,931,432
B	**At-risk Maximum**[1]	
	1 Funding target (at-risk assumptions)	N/A
	2 Target normal cost (at-risk assumptions)	N/A
	3 Actuarial value of assets	N/A
	4 At-risk maximum deductible contribution	N/A
C	**Minimum Required Contribution**	0
D	**Estimated Maximum Deductible Contribution**	269,931,432

The estimated maximum deductible contribution applies to the tax year in which the plan year ends, and is based on our understanding of IRC §404(a)(1). No regulatory guidance has been provided by the IRS/Treasury. Allocations of costs to inventory have not been considered, and amounts deductible for state income tax purposes may differ. Deductibility can be influenced by timing of contributions, differences between fiscal year and plan year, and differences (if any) between the years to which prior contributions were assigned for minimum funding purposes and the years in which they were deducted. Our results have not been adjusted for non-deducted contributions included in the valuation assets, nor is it clear that such adjustment is appropriate post-PPA. We recommend the plan sponsor review with tax counsel the tax-deductibility of all contributions as Willis Towers Watson does not provide legal or tax advice.

In addition, the actuarial value of assets shown is the same as used for determining the minimum required contribution. Thus contributions receivable (if any) are discounted at stabilized rates, and the limit on the expected return on assets reflected in asset smoothing (if applicable) is the 3rd segment rate, reflecting stabilized rates as expressly allowed by IRS Notice 2012-61 when the stabilized 3rd segment rate is higher than the rate ignoring the corridors.

This limit has been determined without regard to the special rule of IRC §404(o)(2)(B) providing a potentially higher maximum deduction based on at-risk assumptions, which is available for plans that are not at risk.

1 At-risk maximum applies only for plans not in at-risk status for purposes of determining maximum deductible contributions for the plan year.

2.7 Calculation of PBGC premium

All monetary amounts shown in US Dollars

Premium Payment Year	2022
A Variable Rate Premium	
1 Assumptions and Methods Used to Determine Premium Funding Target	
a Premium funding target method	Standard
b Premium funding target method election date	2017
c UVB valuation date	January 1, 2022
d Discount rates	
i First segment rate	1.16%
ii Second segment rate	2.72%
iii Third segment rate	3.10%
2 Premium Funding Target	
a Attributable to active participants	114,677,053
b Attributable to terminated vested participants	23,330,395
c Attributable to retirees	243,909,314
d Total premium funding target[1]	381,916,762
3 Market Value of Assets	390,976,055
4 Unfunded Vested Benefits	0
5 Uncapped Variable Rate Premium[2]	0
6 Maximum VRP[3]	1,372,410
7 Variable Rate Premium	0

[1] Reflects at-risk status, if applicable.
[2] Using variable rate premium of $48 per $1,000 of unfunded vested benefits.
[3] Using maximum per-participant premium of $598.

Section 3: Participant data

3.1 Summary of participant data

All monetary amounts shown in US Dollars

Census Date			01/01/2022[1]	01/01/2021
A	**Active Employees**			
	1	Number	1,065	1,138
	2	Average expected plan compensation	88,005	88,258
	3	Average age	44.28	45.96
	4	Average credited service	12.00	14.01
B	**Participants with Deferred Benefits**			
	1	Number	351	344
	2	Deferred FAP annual benefits		
		Total	1,914,434	1,938,463
		Average	6,236	6,377
	3	Deferred CB benefits		
		Total	1,319,261	1,036,786
		Average	14,658	13,824
	4	Average age	53.34	53.39
C	**Participants Receiving Benefits**			
	1	Number	906	826
	2	Total annual pension	16,977,059	13,716,785
	3	Average annual pension	18,738	16,606
	4	Average age	71.54	71.61
	5	Distribution at January 1, 2022		

Age	Number	Annual Pension
Under 55	5	29,198
55-59	34	908,923
60-64	126	3,289,068
65-69	257	4,658,197
70-74	236	4,545,154
75-79	106	1,637,949
80-84	88	1,165,107
85 and over	54	743,463

[1] Headcounts as of 01/01/2022 reflect 43 alternate payees, 16 of whom have survived the original participant.

3.2 Participant reconciliation

		Active	Deferred Inactive	Currently Receiving Benefits	Total
1	Included in January 1, 2021 valuation	1,138	344	826	2,308
2	Change due to:				
	a New hire and rehire	91	(3)	0	88
	b Non-vested termination	(15)	0	0	(15)
	c Vested termination	(22)	22	0	0
	d Retirement	(87)	(9)	96	0
	e Disability	0	0	0	0
	f Death without beneficiary	(2)	0	(16)	(18)
	g Death with beneficiary	0	0	(13)	(13)
	h Cashout	(38)	(3)	0	(41)
	i New Alternative Payees	0	0	2	2
	j Beneficiary Commencement	0	0	13	13
	k Miscellaneous	0	0	(2)	(2)
	l Net change	(73)	7	80	14
3	Included in January 1, 2022 valuation[1]	1,065	351	906	2,322

[1] Headcounts as of 01/01/2022 reflect 43 alternate payees, 16 of whom have survived the original participant.

3.3 Age and service distribution of participating employees

Number and average plan compensation limited by IRC §401(a)(17) distributed by attained age and attained years of credited service

All monetary amounts shown in US Dollars

Attained Age	Attained Years of Credited Service[1] 0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
Under 25	12	7	5	1	0	3	0	0	0	0	0	0	0	28
25-29	19	17	15	2	10	29	0	0	0	0	0	0	0	92
30-34	17	10	22	5	10	76	10	0	0	0	0	0	0	150
35-39	17	8	13	2	9	67	31	7	0	0	0	0	0	154
40-44	11	4	7	1	4	48	37	17	5	0	0	0	0	134
45-49	6	5	6	0	3	40	32	32	15	8	1	0	0	148
50-54	3	8	6	1	1	19	23	21	12	21	16	0	0	131
55-59	2	2	2	0	0	10	18	10	13	23	20	8	2	110
60-64	1	1	2	0	1	9	10	10	5	17	19	9	12	96
65-69	0	0	0	0	1	0	2	2	0	2	0	3	8	18
70 & over	0	0	0	0	0	0	0	0	1	0	0	1	2	4
Total	88	62	78	12	39	301	163	99	51	71	56	21	24	1,065

Average:	Age	44	Number of Participants:	Fully vested	850	Males	782
	Service	12		Partially vested	0	Females	283

Census data as of January 1, 2022

[1] Age and service for purposes of determining category are based on exact (not rounded) values.

Section 4: Adjusted Funding Target Attainment Percentage (AFTAP)

El Paso Electric Company retained Willis Towers Watson US LLC to perform a valuation of its pension plan for the purpose of measuring the plan's AFTAP for the plan year beginning January 1, 2022 in accordance with ERISA and the Internal Revenue Code. This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The enrolled actuaries making this certification are members of the Society of Actuaries and other professional actuarial organizations and meet their "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States."

We hereby certify that the plan's AFTAP for the plan year beginning January 1, 2022 is 123.06%. This percentage is based on the assumptions, participant data, and plan provisions we relied upon to prepare the results shown in this report, reflects the valuation limitations discussed in this report and is also based on the following additional information:

Annuity Purchases

- El Paso Electric Company's representation is that there were no annuity purchases for non-highly compensated employees made by the plan in the plan years beginning in 2020 and 2021.

Funding Balances

- Our understanding is that El Paso Electric Company has not elected to increase the prefunding balance as of the first day of the 2022 plan year.
- Our understanding is that the plan is not subject to a deemed election to reduce the funding balances in 2022.
- Our understanding is that El Paso Electric Company has not elected to apply any of the plan's funding balances to the 2022 minimum required contribution.
- Our understanding is that El Paso Electric Company has elected to reduce the plan's funding balances as of the first day of the 2022 plan year by $6,000,000 as follows:

All monetary amounts shown in US Dollars

Date	Amount
January 1, 2022	6,000,000
Total	6,000,000

Contributions

- Our understanding is that El Paso Electric Company has made the following employer contributions after December 31, 2021 and before September 30, 2022, for the 2021 plan year, as follows:

All monetary amounts shown in US Dollars

Date	Amount
February 14, 2022	377,777
April 5, 2022	377,778
May 3, 2022	188,889
June 2, 2022	188,889
July 5, 2022	188,889
August 15, 2022	188,889
September 2, 2022	188,889
Total	1,700,000

Subsequent Events

- There were no plan amendments that took effect in the current plan year that were taken into account for the current plan year's AFTAP certification.
- There were no unpredictable contingent event benefits (UCEBs) that took effect in the current plan year that were taken in account for the current plan year's AFTAP certification.
- There were no previously suspended accruals restored during the current plan year that were taken into account for the current plan year's AFTAP certification.

Elections

- Our understanding of sponsor elections required under the Pension Protection Act of 2006 (PPA), with respect to interest rates, Actuarial Value of Assets and other methods and/or assumptions, as confirmed in the Sponsor's e-mail dated September 27, 2022.

In making this certification, we relied on asset, contribution, funding balance election, and annuity purchase information provided by the Company, including dates and amounts of contributions made to the plan through the date of this certification, dates and amounts of funding balance elections by the Company through the date of this certification, and amounts of annuity purchases for non-highly compensated employees in the past two years, as shown above. We have reviewed this information for overall reasonableness and consistency but, consistent with the scope of our engagement, have neither audited nor independently verified this information. We do not certify to the accuracy or completeness of asset, contribution, funding balance election and annuity purchase information, and this certification relies on and is contingent on the accuracy and completeness of this information.

The development of the AFTAP is shown below:

All monetary amounts shown in US Dollars

Plan Year Beginning	01/01/2022
Actuarial value of assets as of January 1, 2022[1]	359,111,774
Funding standard carryover balance at January 1, 2022[2]	0
Prefunding balance at January 1, 2022[2]	44,665,783
Funding target (disregarding at-risk assumptions)	291,811,983
AVA/funding target (disregarding at-risk assumptions)	123.06%
Assets for AFTAP calculation[3]	359,111,774
Annuity purchases for NHCEs during 2020 and 2021	0

Specific AFTAP	
Adjusted Funding Target Attainment Percentage (AFTAP)	123.06%

Immediate Implications of AFTAP Certification

We believe that the certified AFTAP of 123.06% for the 2022 plan year has the following implications for benefit limitations described in IRC §436. El Paso Electric Company should review these conclusions with ERISA counsel:

- Benefit accruals called for under the plan without regard to IRC §436 must continue
- Accelerated distributions called for under the plan without regard to IRC §436 must continue in full.
- Amendments that increase benefits must be evaluated at the time they would take effect to determine if they are permissible.
- Plant shutdown and other UCEBs must be evaluated at the time they would take effect to determine if they are permissible. However, El Paso Electric Company has advised us that the plan does not provide any benefits that would constitute UCEBs.

1 Reflects discounted contributions made for the 2021 plan year only if paid on or before the certification date. Includes security posted by the beginning of the plan year in the form of a bond or cash held in escrow.
2 Reflects elections made to-date (other than elections to apply the funding balances to 2022 MRC), and reflects any elections to revoke excess use.
3 AVA if AVA/Funding Target (disregarding at-risk assumptions) >=100%; otherwise (AVA-funding balances).

Implications of 2022 AFTAP for Presumptions in Next Plan Year

Because the AFTAP for the 2022 plan year is at least 90% the presumed AFTAP for 2023 will remain equal to the 2022 certified AFTAP, and changes in benefit restrictions will not occur, before the 2023 AFTAP is certified, provided that the 2023 AFTAP is certified before the first day of the tenth month of the plan year.

Note, however, that adoption of plan amendments and/or payment of UCEBs may change this result.

Cat Kenagy

Cat Kenagy, FSA, EA
Senior Director, Retirement
20-07490
September 29, 2022

David Anderson, ASA, EA
Senior Director, Retirement
20-07493
September 29, 2022

Willis Towers Watson US LLC

Appendix A: Statement of actuarial assumptions, methods and data sources

Assumptions and methods for contribution purposes

Economic Assumptions

Interest rate basis

■ Applicable month	January
■ Interest rate basis	Segment Rates from Valuation Date

Interest rates	**Reflecting Stabilization**	**Not Reflecting Stabilization**
■ First segment rate	4.75%	0.88%
■ Second segment rate	5.18%	2.61%
■ Third segment rate	5.92%	3.27%
■ Effective interest rate	5.41%	2.83%

As permitted by law, rates reflecting stabilization are used to determine the funding target and target normal cost, and thus the minimum required contribution under IRC §430 for the plan. Because these assumptions are subject to a corridor based on average interest rates over a 25-year period, they may differ from (and currently are higher than) current market interest rates, and may be inconsistent with other economic assumptions used in the valuation.

Rates not reflecting stabilization are used to determine PBGC variable rate premiums if the alternative method is used, and are used to determine the PBGC FTAP and the PBGC 4010 FS.

Annual rates of increase

■ Compensation:	4.50%
■ Statutory limits on compensation	2.40%
Plan-related expenses	$201,960
Cash balance interest crediting rate	3.80%

Demographic Assumptions	
Inclusion date	The valuation date coincident with or next following the date on which the employee becomes a participant.
New or rehired employees	It was assumed there will be no new or rehired employees.
Mortality	
■ Healthy	Separate rates for non-annuitants (based on RP-2014 "Employees" table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2020 and annuitants (based on RP-2014 "Healthy Annuitants" table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2020.
■ Disabled	Separate rates for non-annuitants (based on RP-2014 "Employees" table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2020 and annuitants (based on RP-2014 "Healthy Annuitants" table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2020.
Termination	Rates varying by age and gender

Representative Termination Rates

Percentage leaving during the year		
Attained Age	Males	Females
20	5.00%	6.00%
25	5.00%	6.00%
30	5.00%	6.00%
35	4.00%	6.00%
40	3.00%	6.00%
45	2.00%	4.00%
50	1.00%	2.00%

Disability

The rates at which participants become disabled by age and gender are shown below:

Percentage becoming disabled during the year	
Age	Males and Females
20	0.14%
25	0.15%
30	0.18%
35	0.19%
40	0.30%
45	0.45%
50	0.69%

Retirement

Rates varying by age

For purposes of determining the Funding Target and Target Normal Cost (both disregarding at-risk assumptions), the rates at which participants retire by age are shown below.

Percentage assumed to retire during the year				
	Active Participants			
	Final Average Pay			
Age	Reduced Early Retirement	Unreduced Retirement	Cash Balance	Terminated Vested Participants
55	3%	5%	10%	3%
56 - 59	3%	5%	10%	3%
60	3%	10%	10%	15%
61	3%	10%	10%	5%
62	20%	20%	20%	5%
63	10%	10%	10%	5%
64	10%	10%	10%	20%
65-69	25%	25%	25%	40%
70+	100%	100%	100%	100%

Benefit commencement date:

- Preretirement death benefit: The later of the death of the active participant or the date the participant would have attained age 55

■ Deferred vested benefit	The later of age 55 or termination of employment
■ Disability benefit	Upon disablement
■ Retirement benefit	Upon termination of employment
Form of payment	
■ Final Average Pay Participants	100% are assumed to elect a Single Life Annuity
■ Cash Balance Participants	90% of participants are assumed to elect a lump sum form of payment and 10% are assumed to elect a Single Life Annuity. Lump sums were valued using the substitution of annuity form under IRS Regulation §1.430(d)-1(f)(4) without application of generational mortality.
Lump Sum & Annuity Conversion	Cash balances are converted to annuities using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B). Cash balance participants' frozen FAP benefits are converted to lump sum using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B).
Percent married	75% of participants eligible for pre-retirement death benefits are assumed to have an eligible spouse.
Spouse age	Wife three years younger than husband.
Covered pay	Assumed plan compensation for the year beginning on the valuation date was determined as an employee's annualized rate of basic compensation, excluding overtime, bonuses, expense allowances, profit sharing, and any other extra compensation in any form.

Methods	
Valuation date	First day of plan year
Funding target	Present value of accrued benefits as required by regulations under IRC §430.

Target normal cost	Present value of benefits expected to accrue during the plan year plus plan-related expenses expected to be paid from plan assets during the plan year as required by regulations under IRC §430.
Decrement timing	The approach used is called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.
Actuarial value of assets for determining minimum required contributions	Average of the fair market value of assets on the valuation date and 3, 6, 9, 12, 15, 18, 21, and 24 months preceding the valuation date, adjusted for contributions, benefits, administrative expenses and expected earnings (with such expected earnings limited as described in IRS Notice 2009-22). The average asset value must be within 10% of market value, including discounted contributions receivable (discounted using the effective interest rate for the 2021 plan year.) The method of computing the actuarial value of assets complies with rules governing the calculation of such values under the Pension Protection Act of 2006 (PPA). These rules produce smoothed values that reflect the underlying market value of plan assets but fluctuate less than the market value. As a result, the actuarial value of assets will be lower than the market value in some years and greater in other years. However, over the long term under PPA's smoothing rules, the method has a significant bias to produce an actuarial value of assets that is below the market value of assets.
Benefits not valued	All benefits described in the Plan Provisions section of this report were valued. Willis Towers Watson has reviewed the plan provisions with the plan sponsor and, based on that

review, is not aware of any significant benefits required to be valued that were not.

Sources of Data and Other Information

The plan sponsor furnished participant data as of 1/1/2022. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available. A summary of these assumptions can be found in our email dated June 29, 2022.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate	The basis chosen was selected by the plan sponsor from among choices prescribed by law, all of which are based on observed market data over certain periods of time.
Cash Balance Interest crediting rate	The plan credits interest to cash balance accounts using the 30-year Treasury rate, but with a minimum interest credit rate of 3.80%.
Annuity conversion rate	As required by IRC §430, cash balances are converted to annuities using "annuity substitution", so that the interest rates assumed are effectively the same as described above for the discount rate.
Plan-related expenses	As required by regulations, plan-related expenses are calculated by estimating the expenses to be paid from the trust during the coming year (including, for example, expected PBGC premiums and actuarial, accounting, legal, administration and trustee fees to be paid from the trust).
Rates of increase in:	
■ Compensation	Assumed compensation increases are based on plan sponsor expectations.
■ Increases in statutory limits (CPI)	The assumed CPI increases are based on forecasts prepared by Russell Investments.

■ Assumed return for asset smoothing	The assumed return used for asset smoothing is the third segment rate.

Assumptions Rationale - Significant Demographic Assumptions	
Healthy Mortality	Assumptions used for funding purposes are as prescribed by IRC §430(h).
Disabled Mortality	Assumptions used for funding purposes are as prescribed by IRC §430(h).
Termination	Termination rates were based on an experience study conducted in 2017, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Disability	Disability rates were based on an experience study conducted in 2017, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Retirement	Retirement rates were based on an experience study conducted in 2017, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Benefit commencement date for deferred benefits:	
■ Preretirement death benefit	Surviving spouses are assumed to begin benefits at the earliest permitted commencement date because ERISA requires benefits to start then unless the spouse elects to defer. If the spouse elects to defer, actuarial increases from the earliest commencement date must be given, so that a later commencement date is expected to be of approximately equal value, and experience indicates that most spouses do take the benefit as soon as it is available.
■ Deferred vested benefit	Based on plan sponsor's historical experience and expectations for the future with periodic adjustment based on observed gains and losses.

Form of payment	The percentage of retiring participants assumed to take lump sums or an annuity is based on historical experience and best expectations for the future with consideration of whether any conditions have changed that would be expected to produce different results in the future.
Percent married	The assumed percentage married is based on historical experience of marital statuses, with consideration of changes expected to occur in marriage patterns of retirement age individuals in the future.
Spouse age	The assumed age difference for spouses is based on plan sponsor expectations.

Prescribed Methods	
Funding methods	The methods used for funding purposes as described in Appendix A, including the method of determining plan assets, are "prescribed methods set by law", as defined in the actuarial standards of practice (ASOPs). These methods are required by IRC §430, or were selected by the plan sponsor from a range of methods permitted by IRC §430.

Changes in Assumptions and Methods	
Change in assumptions since prior valuation	The segment interest rates used to calculate the funding target and target normal cost were updated to the current valuation date as required by IRC §430. The mortality table used to calculate the funding target and target normal cost was updated to include one additional year of projected mortality improvement, as required by IRC §430. The assumed plan-related expenses added to the target normal cost were changed from $741,864 for the prior valuation to $201,960 for the current valuation.
Change in methods since prior valuation	None

Model Descriptions and Disclosures (in accordance with ASOP No. 56)

Quantify	Quantify is the Willis Towers Watson centrally developed, tested and maintained Global actuarial valuation system. It is used to perform valuations of clients' benefit plans. Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports. Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations. Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected. Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence. Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.
Published Demographic Tables	Certain demographic tables described above are standard published tables or are based on standard published tables from models developed by organizations with the requisite expertise

Appendix B : Summary of principal plan provisions

Plan Provisions

The most recent amendment reflected in the following plan provisions was adopted on April 1, 2014.

Covered employees	All employees
Participation date	Prior to April 1, 2014, each employee who has completed a year of Eligibility Service shall become a Member in the plan. An employee receives a year of Eligibility Service if he completes 1,000 or more Hours of Service within a 12-month period commencing with his date of employment or any anniversary date. Effective April 1, 2014, an employee hired or re-hired on or after April 1, 2014 shall become a Cash Balance Member on his employment commencement date or re-employment commencement date. An employee hired or re-hired before December 31, 2013 could affirmatively elect to become a Cash Balance Member on April 1, 2014 to accrue future benefits under the Plan as a Cash Balance Benefits rather than as final average pay benefits. An employee who is hired or re-hired after December 31, 2013 and before April 1, 2014 shall become a Cash Balance Member on April 1, 2014.

Definitions

Vesting service	One year for each 1,000-hour calendar year of employment with El Paso Electric Company
Benefit service:	
■ Final Average Pay	One year for each 1,000-hour calendar year of employment.
■ Cash Balance	Prior to January 1, 2014, a Member receives credit for one full year for each Plan Year in which he completes 1,000 or more hours of service. A Cash Balance Member (other than a Cash Balance Member who is hired or re-hired after December 31, 2013 and before April 1, 2014) who completes at least one Hour of Service during the period beginning January 1,2014 and ending March 31, 2014 shall receive credit for 0.25 year of Benefit Accrual Service for the 2014 Plan Year. After March 31, 2014, no additional Benefit Service shall be earned by a Cash Balance Member.

Pensionable pay	An employee's annualized rate of basic compensation, excluding overtime, bonuses, expense allowances, profit sharing, and any other extra compensation in any form.
Average earnings:	
■ Final Average Pay	The monthly average of a participant's pensionable pay computed by summing his pensionable pay as of any date and for each of the days beginning the four years preceding such date and dividing by sixty.
■ Cash Balance	For a Cash Balance Member who is employed by the employer as of April 1, 2014 and becomes a Cash Balance Member as of April 1, 2014, the monthly average of a Member's pensionable pay computed by summing his pensionable pay as of March 31, 2014 and as of March 31 of the preceding four calendar years and dividing by sixty.
Normal retirement date (NRD)	First day of the month coinciding with or next following the attainment of age 65 with five years of benefit service
Accrued benefit:	
■ Final Average Pay	The monthly accrued benefit payable as a single life annuity upon Normal Retirement is the greater of (a), (b), (c) or (d) below, less any frozen benefit provided under group annuity contracts deemed purchased prior to August 1, 1989 as illustrated in Appendix A of the plan document: (a) 1-1/4% of Average Monthly Earnings multiplied by years of benefit service. (b) $25.00 multiplied by years of projected benefit service at normal retirement date, not to exceed 10. This amount multiplied by the ratio of years of benefit service earned to date, divided by years of projected benefit service at normal retirement date. This benefit shall be no greater than $250 per month. (c) Amount of benefit payable in accordance with the Plan in effect on June 30, 1982 with Earnings frozen at the rate on June 30, 1982. (d) Amount of accrued benefit earned as of October 17, 1990 under the prior benefit formula
■ Cash Balance	The Accrued Benefit for a Cash Balance Member is (a) plus (b), as follows:

(a) The benefit accrued under the Plan prior to becoming a Cash Balance Member, as determined under the Final Average Pay formula above.

(b) The Cash Balance Account, consisting of pay credits and interest credits.

- **Pay Credits**

For each Plan Year beginning on January 1, 2014, a Cash Balance Member shall receive a pay credit to his Cash Balance Account as of the last day of the Plan year (or termination date, if earlier). The pay crediting rate is based on the member's age and years of Vesting Service, as shown below:

Age Plus Vesting Service	Percentage of Base Pay for the Plan Year
Less than 30	3.00%
30-39	4.00%
40-49	5.00%
50-59	6.00%
60-69	7.00%
70-79	8.00%
80 or More	9.00%

- **Interest Credits**

Interest credits are allocated to the Cash Balance Account as of the last day of each month. The interest credit is determined by multiplying the Cash Balance Account as of the last day of the preceding month by the 30-Year Treasury Bond Rate for the month, which when compounded monthly for the 12 months of the Plan Year, is equal to the 30-Year Treasury Bond Rate for August of the preceding year (but no less than 3.80% for the Plan Year, compounded monthly).

Monthly preretirement death benefit:

- **Before Normal Retirement Age**

Payable upon the death of a participant employed by the Company who had completed 5 years of Vesting Service. If the participant dies before attaining age 50 with 10 years of service, the amount payable to the spouse, to whom the participant was legally married during the one year period immediately preceding his death, is 50% of the amount the participant would have been entitled to had the participant separated from service on the date of his death, survived to the earliest retirement age, retired with an immediate qualified joint and survivor annuity and died the day after the earliest retirement age. If the participant dies after attaining age 50 with 10 years of service, the amount payable to

	the eligible spouse is 50% of the participant's Accrued Benefit, commencing immediately.
■ After Normal Retirement Age	If the participant dies after his Normal Retirement Age but before benefit payments commence, survivorship benefits will be paid in accordance with the form in which the participant's benefits would be paid if he had retired on the first day of the month following his date of death.

Eligibility for Benefits

Normal retirement	Retirement on NRD
Early retirement:	
■ Final Average Pay	After attainment of age 55 and completion of 5 years of Vesting Service, the participant may elect to commence his Accrued Benefit on a reduced basis prior to age 65. If the participant retires with at least 20 years of Vesting Service, he may receive his Accrued benefit as early as age 62 without any reduction. If the sum of the participant's age and years of Vesting Service equals or exceeds 85, he may receive his Accrued Benefit without any reduction.
■ Cash Balance	Early retirement under the plan is age 55 and completion of 3 years of Vesting Service.
Postponed retirement	Retirement after NRD
Deferred vested termination	Termination for reasons other than death or retirement after completing five years of vesting service for a Final Average Pay participant or three years of vesting service for a Cash Balance Member
Disability	Permanent and total disability prior to NRD, and participant is receiving a Social Security disability benefit
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse

Benefits Paid Upon the Following Events

Normal retirement	The monthly pension benefit determined as of NRD
Early retirement:	

- Final Average Pay — The monthly pension benefit determined as of NRD reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.

- Cash Balance — The frozen accrued benefit excluding his Cash Balance Benefits determined as of NRD actuarially reduced to the commencement date. The Cash Balance Benefit determined as of the commencement date will be actuarially reduced to be equivalent to the member's Cash Balance Account.

Postponed retirement — The monthly pension benefit determined as of the actual retirement date.

Deferred vested termination:

- Final Average Pay — The participant may elect to commence as early as their Early Retirement with the monthly pension benefit determined as of NRD reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.

- Cash Balance — The frozen accrued benefit excluding Cash Balance Benefits will be payable as of NRD or may elect to commence at any time after termination with actuarial reductions. 100% of the Cash Balance account is payable on the first day of any month following termination.

Disablement:

- Final Average Pay — Payable to a participant beginning at NRD after becoming totally and permanently disabled while employed by the Company. The annuity payable is based on Average Monthly Earnings at date of Disability and Benefit Service, including all credit for all years while disabled, at NRD. The qualified joint and spouse survivor death benefit will apply.

- Cash Balance — Payable to a participant immediately after becoming totally and permanently disabled while employed by the Company. The benefit payable is the Frozen Final Average Pay Accrued Benefit as of March 31, 2014 and the Cash Balance Account based on Earnings and Vesting Service through date of Disability.

Preretirement death — If participant has attained age 50 and earned at least 10 years of vesting service, then the monthly preretirement death benefit payable on behalf of an active employee is unreduced for form of payment and early retirement.

In all other cases, the monthly preretirement death benefit payable is reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.

Other Plan Provisions

Forms of payment

Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of a 50% joint and survivor annuity option or, if the participant elects and the spouse consents, another actuarially equivalent optional form offered by the plan. Optional forms are a 25%, 75% and 100% joint and survivor annuity, a ten-year certain and life annuity, (for married participants) a life annuity, or (for Cash Balance Members) a lump sum distribution.

Actuarial equivalence for annuity forms uses the 1971 Group Annuity Mortality Table for males, set back three years, and an interest rate of 6% compounded annually. Actuarial equivalence for lump sum purposes is the "applicable mortality table" under Code Section 417(e)(3)(B) and the "applicable interest rate" under Code Section 417(e)(3)(C) determined as of the fifth month immediately preceding the first day of the Plan Year in which the distribution is being made.

Pension Increases

None

Plan participants' contributions

None

Automatic Cash Out

Upon termination of service, if the lump sum value of the accrued benefit is less than $1,000, the lump sum amount is paid as soon as practical after termination.

Maximum limits on benefits and pay

All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes take effect.

Future Plan Changes

No future plan changes were recognized in determining pension cost or funding requirements. Willis Towers Watson is not aware of any future plan changes that are required to be reflected.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Appendix C: Statement of funding-related risks of plan in accordance with ASOP No. 51

Potentially Significant Risks Associated with the Plan

The following sections discuss certain risks associated with the Retirement Income Plan. The specific risks discussed below do not represent a comprehensive list of all risks that could potentially affect the plan, its participants, the sponsor, or any other party. In our professional judgment, we believe these risks to be most relevant to the plan's future financial condition. Not all possible sources of risk were considered. We have not assessed the likelihood or consequences of potential future changes in applicable law. Nothing contained in this report is intended to provide investment advice.

The results shown in this report rely on assumptions regarding future economic and demographic experience. Actual future experience will deviate from the actuarial assumptions, and thus future actuarial measurements and future contribution requirements will differ (perhaps significantly) from the current measurements and contribution requirements presented in this report. Following is a discussion of some of the risks that have the potential to significantly increase the future contributions needed to satisfy legal requirements and secure the benefits of participants. While the discussion below focuses on elements that can increase contributions, contributions may also significantly decline, if these elements move in the opposite direction than discussed below. *Note also that any assessment of the risk provided below is speculative and made by the actuary who may not have all the information necessary to evaluate the significance of the risk to the company or plan participants of changes in the plan's funded status; the plan sponsor and its advisors should consider the assessment and any reasons given, and other information, and come to their own conclusions as to the significance of the risk presented.* A more complete understanding of these or other risks would require a separate analysis. Such analysis would provide information about the consequences of different plausible experience and about the severity of adverse experience that could be tolerated within a range of funding levels. We recommend that such an analysis be performed or considered.

We also note that the financial condition of a plan, as well as the contributions caused by this condition, tend to be highly leveraged amounts. When referring to a plan's financial condition below, we generally mean the difference between the plan's assets and its liabilities. As each of these numbers is typically much larger than their difference, even a small change in either one can cause a large percentage change in the financial condition and the resulting contributions.

Financial Risks

Willis Towers Watson's Cost & Risk Management Channel is updated each year based on the most recent funding actuarial valuation and performs a high-level projection of funding requirements over the next few years, taking into account the projected stabilized interest rates. El Paso Electric Company has access to this tool as well as the ability to perform their own "what-if" scenarios if so desired. This tool can assist in El Paso Electric Company's understanding and assessment of the financial risks in this plan.

Asset-Liability Mismatch Risk

There is generally a substantial risk to a plan's financial condition if the changes in asset values are not matched by changes in the value of liabilities. This risk exists because much of the plan's assets are invested in securities that would not be expected to move in any predictable pattern relative to plan liabilities. That said, there is a portion of the plan's assets which are invested in securities that are expected to move in the same direction as liabilities, which may serve to partially mitigate a portion of this risk.

Investment Risk

Much of the plan's assets are invested in return-seeking asset classes that can experience volatile returns. Several consecutive years of moderately poor returns or a single year of exceptionally poor returns may cause a significant increase in minimum required contributions or in contributions required to reach desired funding targets (e.g., to fully fund plan termination liability, to fully fund the plan under the minimum funding rules, to avoid PBGC variable rate premiums or an ERISA §4010 filing, to avoid benefit restrictions or to meet other goals of the plan sponsor). Failure to compensate for adverse investment experience with increased contributions could result in further degradation of the funded status of the plan over time, even if investments return at expected rates thereafter.

Generally there is a substantial risk to a plan's financial condition if investment returns are lower than expected. In this situation the risk is present because some of the plan's assets are allocated to investments that would not be expected to move in any predictable pattern relative to plan liabilities.

Interest Rate Risk

The funding requirements use a measure of plan obligations based on recent high quality (rated A or better) corporate bond yields, adjusted so that they do not deviate by more than a specified percentage (which differs by year) from a 25-year average of such yields. If yields trend downward, the pension obligations and required contributions may increase significantly and the higher contribution rates may persist for a long period of time. The 25-year average currently results in the use of interest rates that are higher than current market yields. Under current law the effect of the averaging will decline over time because the specified percentage will be increased from the current 10% to 30%. Together these two facts mean that the interest rates used to measure liabilities will decline over time if market yields remain at current levels, Therefore, we expect interest rates used to measure liabilities to decline, the plan's funded status to deteriorate and minimum required contributions to increase.

There is generally a substantial risk to a plan's financial condition due to changes in interest rates because plan liabilities increase as interest rates decline. In this situation the risk is somewhat mitigated because the plan's liabilities used to determine required contributions are determined based on stabilized interest rates that do not reflect current market conditions.

Demographic Risks

The demographic risks discussed below are typically not as significant as the economic risks discussed above since both the degree of variation from assumptions and the effect on funded status tend to be smaller. However, situations do exist such as certain plan designs or corporate activity where the risks below may be more significant.

Longevity Risk

Measurements of the plan obligations are based on the assumptions of participant longevity described in Appendix A. Expert opinions about future longevity vary widely. If lifespans of plan participants exceed those expected under the assumptions used in preparing the results presented in this report, future measures of the plan obligation and future contribution requirements will gradually increase over time. Furthermore, an emerging pattern of longer lifespans or new research that increases the plausibility of longer lifespans may require a future adjustment in the mortality assumptions that results in a permanent significant increase in the plan obligation measurements and contribution requirements.

Retirement Risk

The plan includes valuable early retirement subsidies. As a result, plan costs will increase if participants retire at younger ages than assumed. This might occur, for example, if business conditions were to cause reductions in force. Currently, retirements are expected to occur at various ages, using the retirement rates summarized in Appendix A.

Lump Sum Risk

The plan includes an annuity conversion of the cash balance accounts determined using interest rates under IRC §417(e). Due to the required use of annuity substitution under IRS funding rules, the amount of funding target included in the valuation will differ from the actual annuity amounts.

The risk of plan financial decline due to this assumption is mitigated under the current HATFA legislation given the funding target amount included in the valuation tends to exceed the actual annuity payments.

Other Risks

Additional risks exist, including but not limited to liquidity risk, inflation risk, business-specific risk, and compliance risk. However, at this time we do not believe these risks to be as relevant or significant to the plan's future financial condition as those outlined above. It is possible one or more of these risks (in addition to some that are not listed) could become more prevalent and significant in the future depending on a wide range of factors including, but not limited to, changes in employee demographics, de-risking activities, legislative changes, unexpected economic movements, etc.

Historical Information

The following information is provided to demonstrate how fair value of assets, funding target, and funded percentage have varied over time. In order to better illustrate market movements, the effect of interest rate stabilization (first enacted in the Moving Ahead for Progress in the 21st Century (MAP 21) and since extended by subsequent legislation) has been excluded (i.e., the measures summarized below are calculated without reflecting stabilized interest rates). Note that the asset values and funding targets shown below were affected by the levels of plan sponsor contributions and benefits accruing, respectively, in addition to interest rates, asset gains and losses, and other experience.

Plan Year	Fair Market Value of Assets	Funding Target	Funded Percentage
2022	389,309,759	393,052,569	99.05%
2021	375,327,497	370,706,150	101.25%
2020	327,152,316	330,215,292	99.07%

Appendix D: Descriptions of funded status measures

Calculations for Funding Ratios Chart in Section 1: Summary of Results

Prior Year Ratios

	Purpose of Ratio	Asset Measure	Obligation Measure
1	Test ability to apply funding balances to current year MRC	AVA – PFB	FTO
2	Quarterly contribution exemption test for current year	AVA – FSCB – PFB	FT
3	At-risk Prong 1 Test for current year	AVA – FSCB – PFB	FTO
4	At-risk Prong 2 Test for current year	AVA – FSCB – PFB	FTAR, but without loads

Current Year Ratios

	Purpose of Ratio	Asset Measure	Obligation Measure
1	Test ability to apply funding balances to next year's MRC	Same as for analogous Prior Year Ratio	
2	Quarterly contribution exemption test for next year		
3	At-risk Prong 1 Test for next year		
4	At-risk Prong 2 Test for next year		
5	PBGC 4010 filing gateway test (PBGC FTAP) (to determine whether a filing is required next year for the current plan year)	AVA – FSCB – PFB	FTO ignoring interest rate stabilization
6	Exemption from establishing SAB in current year:		
	- If PFB applied to current year MRC	AVA – PFB	FT
	- If PFB not applied to current year MRC	AVA	FT
7	Eliminate SABs in current year	AVA – FSCB – PFB	FT

Benefit Restriction Ratios

Purpose of Ratio for Plan Year	Assets	Obligations	Year Ratio is Determined
Adjusted Funding Target Attainment Percentage (AFTAP) – Application of Benefit Restrictions under IRC 436	[AVA if AVA/FTO >= 100%; AVA – FSCB – PFB otherwise] + annuity purchases for NHCEs in previous 2 years	FTO[1] + annuity purchases for NHCEs in previous 2 years	Current

[1] If plan sponsor is in bankruptcy, FTO is calculated using interest rates that are not stabilized for purposes of restrictions on accelerated payments.

Definitions of terms

Term	Short for	Definition
FTAP	Funding target attainment percentage	(AVA – FSCB – PFB) / FTO
PBGC FTAP	FTAP for exemption from ERISA 4010	(AVA – FSCB – PFB) / (FTO ignoring interest rate stabilization)
FSCB	Funding standard carryover balance	Accumulated contributions in excess of those required in pre-PPA plan years, less amounts applied to MRC or forfeited
PFB	Prefunding balance	Accumulated contributions in excess of those required since PPA applied to the plan, to the extent the plan sponsor elected to create PFB, less amounts subsequently applied to MRC or forfeited
Funding balance	FSCB + PFB	
FTO	Ongoing funding target	Funding target as described in IRC 430, ignoring at-risk assumptions; equals FT for a plan that is not at-risk.[1]
FTO ignoring stabilization	FTO calculated ignoring interest rate stabilization	Same as FTO if the full yield curve is used, or stabilized segment rates fall within the corridors
FTAR	At-risk funding target	Funding target reflecting at-risk assumptions and any applicable loads, as described in IRC 430(i), with no phase-in
FT	Funding target	Funding target used to calculate MRC. Equals: ■ FTO if the plan is not at-risk. ■ FTAR if the plan has been at risk for at least 5 consecutive plan years. ■ Otherwise, FTO + 20% * (# of consecutive years at-risk) * (the excess, if any, of FTAR over FTO).
FS	Funding shortfall (surplus)	FT – (AVA – funding balances)
PBGC 4010 FS	Funding shortfall for determining whether a controlled group is exempt from an ERISA 4010 filing	FT (ignoring interest rate stabilization) - AVA See PBGC reporting requirements section of the report for more information.
SAB	Shortfall amortization base	An SAB is established each year equal to the FS less the present value of the SAIs related to SABs established in earlier years. A plan may be exempt from establishing an SAB for a plan year in accordance with the test in the Funding Ratios chart in section 1.

[1] If plan sponsor is in bankruptcy, FTO is calculated using interest rates that are not stabilized for purposes of restrictions on accelerated payments.

Term	Short for	Definition
TNC	Target normal cost	Present value of benefits expected to accrue, and expenses expected to be paid from plan assets, for the year. Reflects at-risk assumptions if the plan is at-risk (phased-in if plan has been at-risk for fewer than 5 consecutive years as described above)
SAI	Shortfall amortization installment	Amortization for an SAB established in a particular year. SAIs are eliminated if FS is less than or equal to $0.
MRC	Minimum required contribution	TNC plus SAIs as of the valuation date (assumes no funding waivers and plan is not fully funded). See section 2.4 for more details on this calculation.
AVA	Actuarial value of assets	"Plan assets" under PPA, including discounted receivables and reflecting any smoothing. See section 2.3 for more details.

WillisTowersWatson

El Paso Electric Company

Retirement Income Plan

Actuarial Valuation Report

Employer Contributions for Plan Year Beginning January 1, 2021 Benefit Cost for Fiscal Year Beginning January 1, 2021 under US GAAP

September 2021

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Purposes of valuation

El Paso Electric Company (the Company) retained Willis Towers Watson US LLC ("Willis Towers Watson"), to perform an actuarial valuation of the Retirement Income Plan for Employees of El Paso Electric Company for the purpose of determining the following:

1. The minimum required contribution in accordance with ERISA and the Internal Revenue Code (IRC) for the plan year beginning January 1, 2021.
2. The estimated maximum tax-deductible contribution for the tax year in which the 2021 plan year ends in accordance with ERISA as allowed by the IRC. The maximum tax-deductible contribution should be finalized in consultation with the Company's tax advisor.
3. An assessment of ERISA §4010 reporting requirements for the plan for 2021.
4. Determination of the Funding Target Attainment Percentage (FTAP) under IRC §430(d)(2), as reported in the Annual Funding Notice required under ERISA §101(f).
5. The value of benefit obligations as of January 1, 2021 and El Paso Electric Company's pension cost for fiscal year ending December 31, 2021 in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715-30).
6. As requested by El Paso Electric Company, a "specific certification" of the Adjusted Funding Target Attainment Percentage (AFTAP) for the Retirement Income Plan for Employees of El Paso Electric Company under IRC §436 for the plan year beginning January 1, 2021. Please see Section 4 for additional information. Note that the AFTAP certification included herein may be superseded by a subsequent AFTAP certification for the Retirement Income Plan for Employees of El Paso Electric Company for the plan year beginning January 1, 2021.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. This report does not determine the plan's liquidity shortfall requirements (if any) under IRC §430(j)(4). If applicable, we will determine such requirements separately as requested by the Company.
2. This report does not present liabilities on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, as all such measures differ in some way from plan termination obligations. For example, measures shown in this report may reflect smoothed assets or interest rates, rather than current values, in accordance with funding and

accounting rules. In addition, funded status measures shown in this report do not reflect the current costs of settling the plan obligations by offering immediate lump sum payments to participants and/or purchasing annuity contracts for the remaining participants (e.g., insurer profit, insurer pricing of contingent benefits and/or provision for anti-selection in the choice of a lump sum vs. an annuity).

3. The cost method for the minimum required contribution is established under IRC §430 and may not in all circumstances produce adequate assets to pay benefits under all optional forms of payment available under the plan when benefit payments are due.

4. The comparison of the plan's funding target to its actuarial value of assets (the funding shortfall (surplus) shown in Section 1) is used in determining required contributions for the coming year, and a contribution made on the valuation date equal to the shortfall would be considered to "fully fund" the plan for benefits accrued as of the valuation date under the funding rules, and thus is useful for assessing the need for and amount of future contributions. However, the funding shortfall (surplus) cannot be relied upon to determine either the need for or the amount of future contributions. The funding shortfall (surplus) is based on the interest rates elected to be used for funding purposes, which may be smoothed rates not reflecting current market conditions and will in any event change over time. It is also based on the actuarial value of assets, so if an asset smoothing method is used, it would be different than if based on market value of assets. In addition, asset gains and losses, demographic experience different from assumed, and future benefit accruals (if any) will all affect the need for and amount of future contributions.

5. There may be certain events that occurred since the valuation date that are not reflected in this valuation. See Subsequent Events (under the "Basis for valuation" portion of Section 1 below) for more information.

6. This valuation reflects our understanding of the relevant provisions of the Pension Protection Act of 2006 (PPA); the Worker, Retiree and Employer Recovery Act of 2008 (WRERA); the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA); the Moving Ahead for Progress in the 21st Century Act (MAP-21); the Highway and Transportation Funding Act of 2014 (HATFA); the Bipartisan Budget Act of 2015; the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020, and the American Rescue Plan Act of 2021 (ARPA). The IRS has yet to issue final guidance with respect to certain aspects of these laws. It is possible that future guidance may conflict with our understanding of these laws based on currently available guidance and could therefore affect results shown in this report.

7. This report does not provide information for plan accounting and financial reporting under ASC 960.

Please note, the Company elected to adopt the ARPA interest rate corridors and 15-year shortfall amortization period effective for the January 1, 2020 funding valuation, but a revised January 1, 2020 actuarial valuation report was not issued. Results summarized within this report related to the January 1, 2020 funding valuation have been updated to reflect the impact of ARPA and may not match results summarized in the actuarial valuation report dated September 30, 2020.

Section 1: Summary of results

Summary of valuation results

All monetary amounts shown in US Dollars

Plan Year Beginning	01/01/2021	01/01/2020
Funding		
Market value of plan assets with discounted receivable contributions	382,488,580	334,318,551
Actuarial value of plan assets	344,239,722	316,157,560
Funding balances	45,988,729	32,768,713
Funding target	282,884,893	270,222,001
Target normal cost	8,377,826	8,666,613
Funding shortfall (surplus)	(15,366,100)	(13,166,846)
Funding target attainment percentage (FTAP)	105.43%	104.87%
Minimum required contribution		
Prior to application of funding balances	0	0
Net of available funding balances	0	0
Effective interest rate	5.59%	5.73%
U.S. GAAP Accounting (ASC 715) as of Measurement Date	**01/01/2021**	**01/01/2020**
Projected benefit obligation (PBO)	444,805,475	394,749,268
Fair value of plan assets, excluding receivable contributions	375,327,497	327,152,316
Funded status	(69,477,978)	(67,596,952)
Pension cost (excluding effects of settlements, curtailments and termination benefits) for fiscal year	4,484,232	4,591,228
Benefit cost/(income) due to special events	0	0
Total benefit cost/(income)	4,484,232	4,591,228
Equivalent Single Discount Rate for Benefit Obligations	2.66%	3.39%
Equivalent Single Discount Rate for Service Cost	2.97%	3.60%
Equivalent Single Discount Rate for Interest Cost	2.04%	2.99%
Participants as of Census Date	**01/01/2021**	**01/01/2020**
Active employees	1,138	1,126
Participants with deferred benefits	344	341
Participants receiving benefits	826	803
Total	2,308	2,270

Minimum required contribution and funding policy

All monetary amounts shown in US Dollars

Plan Year Beginning	01/01/2021	01/01/2020
Minimum Required Contribution (MRC)		
Prior to application of funding balances	0	0
Net of available funding balances	0	0

The plan sponsor's funding policy is to make the minimum required contribution with consideration for amounts included in customer rates. At its discretion, the Company may determine from time to time whether to make additional contributions. We understand the sponsor may deviate from this policy based on cash, tax or other considerations.

The minimum required contribution includes a contribution to cover the benefits expected to accrue in the coming year (if any) plus any expenses expected to be paid from the trust in the coming year (target normal cost), as well as a 15-year amortization of any funding shortfall (amortization installments). (See Section 2.4 for a break-down of the minimum required contribution into target normal cost and amortization installments, and see Section 2.5 for a schedule of amortization installments for future years.) Thus, assuming that all actuarial assumptions are realized and do not change and the plan sponsor contributes the minimum required contribution each year (target normal cost plus amortization installments), the plan would generally be expected to be fully funded in 15 years, and the minimum required contribution would be expected to drop to target normal cost. During the 15 year period, there will be some variability in minimum required contributions due to amortization installments from prior years dropping out as the 15-year amortization period ends (and for deferred asset gains or losses becoming reflected in assets if an asset smoothing method is used for the actuarial value of assets), and due to the gradual widening of ARPA's interest rate corridors. In reality, gains and losses will occur, and the plan sponsor may fail to contribute the minimum required contribution (or may contribute more than the minimum required contribution in accordance with the funding policy described above), which may cause the plan to take more or less than 15 years to become fully funded. Note that being fully funded under the funding rules is not the same as being fully funded on a plan termination basis, as different assumptions apply (e.g., the cost of annuity contracts or lump sums to participants) on plan termination.

Target normal cost for individual participants accruing benefits will grow from year to year as participants age (and as their salaries increase, if benefit accruals are pay related), but the changes in total target normal cost will depend on the numbers of participants earning benefits and their ages. Because the number and ages of active participants covered by the plan are not expected to change significantly from year to year, target normal cost is expected to remain relatively level. Of course, changes in discount rates and other assumptions in future years will also influence the pattern of future required contributions.

The minimum required contribution for the 2021 plan year must be satisfied by September 15, 2022. This requirement may be satisfied through contributions and/or an election to apply the available funding balances. No quarterly installments are required. The minimum required contribution is determined assuming it is paid as of the valuation date for the plan year. Contributions made on a date other than the valuation date must be adjusted for interest at the plan's effective interest rate.

Because the plan does not have a funding shortfall, no quarterly contributions will be required for the 2022 plan year based on this year's valuation results.

Change in minimum funding requirement and funding shortfall (surplus)

The minimum funding requirement is unchanged from $0 for the 2020 plan year to $0 for the 2021 plan year, and the funding surplus increased from $(13,166,846) on January 1, 2020 to $(15,366,100) on January 1, 2021.

Significant reasons for these changes include the following:

- The return on the actuarial value of assets since the prior valuation was greater than expected, which increased the funding surplus.
- The plan's effective interest rate declined 14 basis points compared to the prior year, which decreased the funding surplus.
- The valuation reflects the updated static mortality tables and updated IRC §417(e) mortality tables provided by IRS for 2021 plan years, which increased the funding surplus.

Funding ratios

The Pension Protection Act of 2006 (PPA) defines several Funding Ratios. All of these ratios are based on a ratio of plan assets to plan liabilities, but the assets and liabilities are defined differently for different purposes. Depending on the purpose, the assets may be market value or, if different, a smoothed actuarial value of assets, and may be reduced by the prefunding balance or all funding balances. The liabilities may be based on the funding target, funding target disregarding at-risk assumptions, or the funding target calculated using at-risk assumptions (see the At-Risk status section below) and may or may not reflect stabilized interest rates.

Following are the key funding ratios and their implications for the 2021 or 2022 plan years. See Appendix D for details on how each ratio is calculated.

January 1, 2020 Funding ratios

	Ratio Test Implications	Threshold	Ratio Value
1	Funding balances can be used to satisfy the 2021 Minimum Required Contribution (MRC) if threshold met	80%	104.87%
2	Quarterly contribution exemption applies in 2021 if threshold met	100%	104.87%
3	Plan is not at-risk for 2021 if the threshold for either the Prong 1 or Prong 2 test is met		
	- Prong 1 Test	80%	104.87%
	- Prong 2 Test	70%	104.87%

January 1, 2021 Funding ratios

	Ratio Test Implications	Threshold	Ratio Value
1	Funding balances can be used to satisfy the 2022 MRC if threshold met	80%	105.43%
2	Quarterly contribution exemption applies in 2022 if threshold met	100%	105.43%
3	Plan is not at-risk for 2022 if the threshold for either the Prong 1 or Prong 2 test is met		
	- Prong 1 Test	80%	105.43%
	- Prong 2 Test	70%	N/A
4	PBGC 4010 filing may be required in 2022 if threshold is not met by every plan in the controlled group	80%	80.45%
5	Plan is exempt from creating a new Shortfall Amortization Base (SAB) for 2021 when prefunding balance is applied to the 2021 MRC if threshold met	100%	105.43%
6	Plan is exempt from creating a new SAB for 2021 when prefunding balance is not applied to the 2021 MRC if threshold met	100%	121.68%
7	Previously established SABs are eliminated for 2021 if threshold met	100%	105.43%

Benefit limitations

The Adjusted Funding Target Attainment Percentage (AFTAP) for the plan year beginning January 1, 2021 is 121.68%. Note that this AFTAP reflects the plan sponsor's adoption of the interest rate stabilization provisions of ARPA for IRC §436 beginning with the 2020 plan year. This AFTAP may be changed by subsequent events.

Under the PPA, a plan may become subject to various benefit limitations if its AFTAP falls below certain thresholds.

If the AFTAP is below 60% (100%, calculated ignoring stabilized interest rates, if the plan sponsor is in bankruptcy), plans are prohibited from paying lump sums or other accelerated forms of distribution (such as Social Security level payment options). If the AFTAP is at least 60% but less than 80%, the amounts that can be paid are limited. In addition, lump sums to the 25 highest paid employees may be restricted if a plan's AFTAP is below 110%. These limitations do not apply to mandatory lump sum cash-outs of $5,000 or less. In addition, plans that were completely frozen before September 2005 are exempt from the restrictions on lump sums and other accelerated forms of distribution.

If the AFTAP is below 60%, benefit accruals must cease, amendments to improve benefits cannot take effect, and plant shutdown benefits and other Unpredictable Contingent Event Benefits (UCEBs) cannot be paid without being fully paid for. In addition, if the AFTAP would be below 80% reflecting a proposed amendment, the plan amendment cannot take effect unless actions are taken to increase plan assets.

To avoid these benefit limitations, a plan sponsor may take a variety of steps, including reducing the funding balances, contributing additional amounts to the plan for the prior plan year, contributing special "designated IRC §436 contributions" for the current plan year, or providing security outside the plan. Not all of these approaches are available for all of the restrictions discussed above. For example, restrictions on accelerated distributions cannot be avoided by making designated IRC §436 contributions.

As requested by El Paso Electric Company in your letter dated September 17, 2021, this report is intended to constitute a "specific certification" of the AFTAP, effective as of September 23 2021, for the plan year beginning January 1, 2021 for the purpose of determining benefit restrictions under IRC §436 for the Retirement Income Plan for Employees of El Paso Electric Company. This AFTAP certification is based on the data, methods, assumptions, plan provisions, annuity purchase information, and other information provided in this report. Please see the Appendices for additional information. Note that the AFTAP certification provided herein may be superseded by a subsequent AFTAP certification for the plan year beginning January 1, 2021. Please see Section 4 for a discussion of the implications of this certified AFTAP.

PBGC reporting requirements

Certain financial and actuarial information (i.e., a "4010 filing") must be provided to the PBGC if the PBGC Funding Target Attainment Percentage (PBGC FTAP) is less than 80% for any plan in the contributing sponsor's controlled group. However, this reporting requirement may be waived for controlled groups with no more than $15 million in aggregate funding shortfall (PBGC 4010 FS), or with fewer than 500 participants in all defined benefit plans. Note that interest rate stabilization does not apply for purposes of determining the PBGC FTAP or the PBGC 4010 FS.

The 2021 PBGC FTAP is 80.45%. In addition, we understand that there are no other pension plans within the Company's controlled group. As a result, no 4010 filing is expected to be required for 2021 as a result of the plan's funded status. However, the only plan we have considered in this analysis is the Retirement Income Plan; if there are other plans within the controlled group, a filing may be required.

At-Risk status for determining minimum required contributions

The plan is not in at-risk status, as defined in the PPA, for the 2021 plan year, because the plan's FTAP for the 2020 plan year was at least 80%, and/or the plan's FTAP measured using "at-risk assumptions" was at least 70%.

The plan will not be in at-risk status, as defined in the PPA, for the 2022 plan year, because the plan's FTAP for the 2021 plan year is at least 80%, and/or the plan's FTAP measured using "at-risk assumptions" is at least 70%.

When a plan is in at-risk status as defined in the PPA:

The plan is subject to potentially higher minimum contribution requirements. The funding target and target normal cost for purposes of determining the minimum required contribution must be measured reflecting certain mandated assumptions ("at-risk assumptions"). Specifically, participants eligible to retire within the next 11 years must be assumed to retire immediately when first eligible (but not before the end of the current year, except in accordance with the regular valuation assumptions), and all participants must be assumed to elect the most valuable form of payment available when they begin receiving benefits. In addition, plans that have been at-risk in past years may also be required to increase the funding target and target normal cost for prescribed assumed expenses. The net effect of these assumptions and expense adjustments in most cases is to increase required contributions and PBGC variable premiums.

The plan sponsor must indicate in the annual funding notice for the plan that the plan is at-risk and disclose additional at-risk funding targets.

Immediate taxation of non-qualified pension or deferred compensation for certain employees may occur if the plan sponsor is a public company. This may result when non-qualified pension or deferred compensation for such employees is funded during a period when a plan sponsored by the plan sponsor or another member of the plan sponsor's controlled group is in at-risk status.

Pension cost and funded position

The cost of the pension plan is determined in accordance with ASC 715. The Fiscal 2021 pension cost for the plan is $4,484,232.

Under ASC 715, the funded position (fair value of plan assets less the projected benefit obligation, or "PBO") of each pension plan at the plan sponsor's fiscal year-end (measurement date) is required to be reported as an asset (for overfunded plans) or a liability (for underfunded plans). The PBO is the actuarial present value of benefits attributed to service rendered prior to the measurement date, taking into consideration expected future pay increases for pay-related plans. The plan's overfunded/(underfunded) PBO as of January 1, 2021 was $(69,477,978), based on the fair value of plan assets of $375,327,497 and the PBO of $444,805,475.

Fiscal year-end financial reporting information and disclosures are prepared before detailed participant data and full valuation results are available. Therefore, the funded position at December 31, 2020 was derived from a roll forward of the January 1, 2020 valuation results, adjusted for the year-end discount rate, changes in other key assumptions and asset values, as well as significant changes in plan provisions and participant population. The fiscal year-end December 31, 2021 financial reporting information will be developed based on the results of the January 1, 2021 valuation, projected to the end of 2021 and similarly adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population.

Change in pension cost and funded position

The pension cost declined from $4,591,228 in fiscal 2020 to $4,484,232 in fiscal 2021 and the funded position declined from $(67,596,952) to $(69,477,978).

Significant reasons for these changes include the following:

- The actual return on the fair value of plan assets since the prior measurement date was greater than assumed, which improved the funded position.
- Contributions to the plan during the prior year improved the funded status and therefore reduced the net periodic cost.
- The single equivalent discount rate used to measure PBO declined 73 basis points compared to the prior year and the single equivalent discount rate used to measure interest cost declined 95 basis points, which resulted in a net increase the in the pension cost and caused the funded position to deteriorate.

Basis for valuation

Appendix A summarizes the assumptions, methods, models and sources of data and other information used in the valuation. Appendix B summarizes the principal provisions of the plan being valued. Both of these appendices include a summary of any changes since the prior valuation. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Certain models (as described in ASOP No. 56) were used in preparing the information presented herein. Further information on these models can be found in Appendix A.

Changes in assumptions

- For funding purposes, the segment interest rates used to calculate the funding target and target normal cost were updated from an applicable month of January 2020 to January 2021.
- For funding purposes, the assumed plan-related expenses added to the target normal cost were changed from $868,426 for 2020 to $741,864 for 2021.
- For funding purposes, the mortality table used to calculate the funding target and target normal cost was updated to include one additional year of projected mortality improvement, as required by IRC §430.
- For accounting purposes, the single equivalent discount rate used to measure PBO decreased from 3.39 to 2.66%.
- For accounting purposes, the mortality projection scale was updated from Scale MP-2019 to MP-2020.
- For accounting purposes, the expected return on assets was updated from 7.50% to 7.00%.

Changes in methods

None

Changes in estimation techniques

None

Changes in benefits valued

None

Subsequent events

The American Rescue Plan Act (ARPA) of 2021 was enacted in March, 2021. ARPA replaces PPA's 7-year shortfall amortization installments (SAIs) with a "fresh start" 15-year amortization beginning with either the 2019, 2020, 2021 or 2022 plan years. (Note that waiver amortization bases, if any, are not affected). The plan sponsor elected to adopt ARPA's 15-year amortization provisions effective with the 2020 plan year and that election is reflected in this report.

ARPA also revises PPA's interest rate stabilization provisions for IRC §430 (in a manner that will increase interest rates used in near-term funding valuations) beginning with either the 2020, 2021 or 2022 plan years. The plan sponsor elected to adopt ARPA's interest rate stabilization provisions effective with the 2020 plan year for IRC §430 and that election is reflected in this report.

ARPA also revises PPA's interest rate stabilization provisions for IRC §436 (benefit restriction) purposes, in a manner that will increase interest rates used in near-term AFTAP measurements (and thus increase AFTAPs) beginning with either the 2020, 2021 or 2022 plan years. The election to apply ARPA for §436 purposes can be deferred to a later plan year than for IRC §430 (funding) purposes, as described above. The plan sponsor elected to adopt ARPA's interest rate stabilization provisions for §436 purposes effective with the 2020 plan year and that election is reflected in this report.

Additional information

None

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information discussed below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, plan assets and sponsor elections provided by El Paso Electric Company and other persons or organizations designated by El Paso Electric Company. We may also have relied on certain models developed by others; any such reliance is discussed in Appendix A. See the Sources of Data and Other Information section in Appendix A for further information. In addition, the results in this report are dependent on contributions reported for the prior plan year and maintenance of funding balance elections after the valuation date.

We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

We have relied on all the information provided as complete and accurate. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or information regarding contributions or funding balance elections provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by El Paso Electric Company, may produce materially different results that could require that a revised report be issued.

Assumptions and methods under ERISA and the Internal Revenue Code for funding purposes

The plan sponsor selected, as prescribed by regulation, key assumptions and funding methods (including the mortality assumption, asset valuation method and the choice among prescribed interest rates) employed in the development of the contribution amounts and communicated them to us in the letter dated September 17, 2021.

To the extent not prescribed by ERISA, the Internal Revenue Code and regulatory guidance from the Treasury and the IRS, or selected by the sponsor, the actuarial assumptions and methods employed in the development of the contribution amounts have been selected by Willis Towers Watson, with the concurrence of the plan sponsor. It is beyond the scope of this actuarial valuation to analyze the reasonableness and appropriateness of prescribed methods and assumptions, or to analyze other sponsor elections from among the alternatives available for prescribed methods and assumptions.

Other than prescribed assumptions, ERISA and the Internal Revenue Code require the use of assumptions each of which is "reasonable (taking into account the experience of the plan and reasonable expectations), and which, in combination, offer the actuary's best estimate of anticipated experience under the plan." The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Willis Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions, methods, models and sources of data and other information used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the 2021 plan year will change the results shown in this report and could result in plan qualification issues under IRC §436 if the application of benefit restrictions is affected by the change.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the other postretirement benefit cost and other financial reporting have been selected by the Company. Willis Towers Watson has concurred with these assumptions and methods, except for the expected rate of return on plan assets selected as of January 1, 2021. Evaluation of the expected return assumption was outside the scope of Willis Towers Watson's assignment and would have required substantial additional work that we were not engaged to perform. U.S. GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Willis Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions, methods and sources of data and other information used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the January 1, 2021 measurement date will change the results shown in this report.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined by El Paso Electric Company in consultation with its tax advisors and independent accountants.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs or contribution requirements reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period) or additional contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future pension contributions, but we can do so upon request. See Appendix C for disclosures required under ASOP No. 51 of significant risks related to the plan.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated March 9, 2020 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of El Paso Electric Company and its auditors and any organization that provides benefit administration services for the plan, in connection with our actuarial valuation of the pension plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. El Paso Electric Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require El Paso Electric Company to provide them this report, in which case El Paso Electric Company will use best efforts to notify Willis Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Willis Towers Watson's prior written consent. Willis Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between El Paso Electric Company and our employer, Willis Towers Watson US LLC.

David Anderson, ASA, EA
Director, Retirement
20-07493
September 23, 2021

Elizabeth Welborne, FSA, EA
Senior Associate, Retirement
20-08703
September 23, 2021

Willis Towers Watson US LLC

September 2021

https://wtwonline.sharepoint.com/sites/tctclient_612160_2021RETANN/2021 Valuation/2021 EPE Consolidated Report.docx

Section 2: Actuarial exhibits

2.1 Summary of liabilities for minimum funding purposes

All monetary amounts shown in US Dollars

Plan Year Beginning	01/01/2021	01/01/2020
A Funding Target (Disregarding At-risk Assumptions)		
1 Funding target		
a Active employees – non-vested benefits [1]	7,374,569	7,722,592
b Active employees – vested benefits [1]	111,588,823	107,213,774
c Participants with deferred benefits	14,703,687	15,027,440
d Participants receiving benefits	149,217,814	140,258,195
e Total funding target	282,884,893	270,222,001
2 Target normal cost	8,377,826	8,666,613
B Funding Target (At-risk Assumptions)		
1 Funding target	N/A	N/A
2 Target normal cost	N/A	N/A
C Funding Target		
1 Number of consecutive years at-risk	0	0
2 Funding target		
a Active employees – non-vested benefits [1]	7,374,569	7,722,592
b Active employees – vested benefits [1]	111,588,823	107,213,774
c Participants with deferred benefits	14,703,687	15,027,440
d Participants receiving benefits	149,217,814	140,258,195
e Total funding target	282,884,893	270,222,001
3 Target normal cost	8,377,826	8,666,613

[1] See section 2.7 for definition of vested benefits.

2.2 Change in plan assets during plan year

All monetary amounts shown in US Dollars

Plan Year Beginning			January 1, 2020
A	**Reconciliation of Market Value of Plan Assets**		
	1	Market value of plan assets at January 1, 2020 (including discounted contributions receivable)	334,318,551
	2	Discounted contributions receivable at January 1, 2020	7,166,235
	3	Market value of plan assets at January 1, 2020 (excluding contributions receivable)	327,152,316
	4	Employer contributions	
		a For prior plan year	7,300,000
		b For current plan year	0
		c IRC §436 contributions for current plan year	0
		d Total	7,300,000
	5	Employee contributions	0
	6	Benefit payments	(16,450,193)
	7	Administrative expenses paid by plan	(2,326,143)
	8	Transfers from/(to) other plans	0
	9	Investment return	
		a Interest and dividends	0
		b Investment expenses	0
		c Realized gains/(losses)	59,651,517
		d Change in unrealized appreciation	0
		e Total	59,651,517
	10	Market value of plan assets at January 1, 2021 (excluding contributions receivable)	375,327,497
	11	Discounted contributions receivable at January 1, 2021	7,161,083
	12	Market value of plan assets at January 1, 2021 (including discounted contributions receivable)	382,488,580
B	**Rate of Return on Invested Plan Assets (i.e., for crediting unused funding balances)**		
	1	Weighted invested plan assets	322,551,950
	2	Rate of return	18.49%

C Discounted Receivable Contributions at January 1, 2021

Date	Prior Year Contributions	Discounted Value at January 1, 2021
January 29, 2021	811,112	807,605
February 2, 2021	811,111	807,229
March 2, 2021	811,111	803,489
April 2, 2021	811,111	799,767
May 4, 2021	811,111	795,816
June 3, 2021	811,111	792,252
July 3, 2021	811,111	788,582
August 3, 2021	811,111	784,929
September 2, 2021	811,111	781,414
Total		7,161,083

2.3 Development of actuarial value of plan assets

All monetary amounts shown in US Dollars

Plan Year Beginning				January 1, 2021
A	**Preliminary Actuarial Value of Plan Assets before Corridor as of January 1, 2021**			
1	Market value of plan assets as of January 1, 2021			375,327,497
2	Discounted receivable employer contributions			7,161,083
3	Deferred investment gains/(losses) for prior periods			

Plan Year Beginning	Gain/(Loss)	Percent Deferred	Deferred Amount
10/01/2020	27,182,080	88.889%	24,161,849
07/01/2020	9,199,237	77.778%	7,154,962
04/01/2020	30,517,977	66.667%	20,345,318
01/01/2020	(27,319,264)	55.556%	(15,177,369)
10/01/2019	5,947,569	44.444%	2,643,364
07/01/2019	7,608,464	33.333%	2,536,155
04/01/2019	10,255,310	22.222%	2,278,958
01/01/2019	23,091,379	11.111%	2,565,709
Total			46,508,945

4	Preliminary actuarial value of plan assets before application of corridor	335,979,633
B	**Lower Bound of Corridor**	344,239,722
C	**Upper Bound of Corridor**	420,737,438
D	**Actuarial Value of Plan Assets after Corridor as of January 1, 2021**	344,239,722
E	**Rate of Return**	6.11% for 2019 6.27% for 2020

2.4 Calculation of minimum required contribution

All monetary amounts shown in US Dollars

Reconciliation of Funding Balances as of January 1, 2021	Funding Standard Carryover Balance	Prefunding Balance	Total
A Determination of Funding Balances			
1 Funding balance as of January 1, 2020	0	32,768,713	32,768,713
2 Amount used to offset prior year minimum required contribution[1]	0	0	0
3 Adjustment for investment experience	0	6,058,935	6,058,935
4 Amount of additional prefunding balance created by election	N/A	7,161,081	7,161,081
5 Amount of funding balance reduction for current year by election or deemed election	0	0	0
6 Funding balance as of January 1, 2021	0	45,988,729	45,988,729

Plan Year Beginning	January 1, 2021
B Calculation of Minimum Required Contribution	
1 Target normal cost	8,377,826
2 Funding surplus	(15,366,100)
3 Net shortfall amortization installment (see section 2.5)	0
4 Waiver amortization installment	0
5 Minimum required contribution	0
6 Funding balance available	45,988,729
7 Remaining cash requirement (assuming sponsor elects full use of the available funding balances)	0

The minimum required contribution is determined as of the plan's valuation date. Any payment made on a date other than the valuation date must be adjusted for interest using the plan's effective interest rate of 5.59%.

Additional details regarding the calculation of the minimum required contribution may be obtained from the Form 5500 Schedule SB forms and attachments.

[1] Net of revoked excess application of funding balance, if any.

2.5 Schedule of minimum funding amortization bases

All monetary amounts shown in US Dollars

Type of Base	Date Established	Remaining Amortization Period (Years)	Outstanding Balance	Amortization Payment
Total			0	0

2.6 Calculation of estimated maximum deductible contribution

All monetary amounts shown in US Dollars

Based on Plan Year			2021
A	**Basic Maximum**		
	1	Funding target	370,706,150
	2	Target normal cost	11,595,721
	3	Actuarial value of plan assets	344,239,722
	4	50% of funding target	185,353,075
	5	Additional funding target for future compensation or benefit increases	30,733,439
	6	Basic maximum deductible contribution	254,148,663
B	**At-risk Maximum**[1]		
	1	Funding target (at-risk assumptions)	N/A
	2	Target normal cost (at-risk assumptions)	N/A
	3	Actuarial value of plan assets	N/A
	4	At-risk maximum deductible contribution	N/A
C	**Minimum Required Contribution**		0
D	**Estimated Maximum Deductible Contribution**		254,148,663

The estimated maximum deductible contribution applies to the tax year in which the plan year ends, and is based on our understanding of IRC §404(a)(1). No regulatory guidance has been provided by the IRS/Treasury. Allocations of costs to inventory have not been considered, and amounts deductible for state income tax purposes may differ. Deductibility can be influenced by timing of contributions, differences between fiscal year and plan year, and differences (if any) between the years to which prior contributions were assigned for minimum funding purposes and the years in which they were deducted. Our results have not been adjusted for non-deducted contributions included in the valuation assets, nor is it clear that such adjustment is appropriate post-PPA. We recommend the plan sponsor review with tax counsel the tax-deductibility of all contributions as Willis Towers Watson does not provide legal or tax advice.

In addition, the actuarial value of plan assets shown is the same as used for determining the minimum required contribution. Thus contributions receivable (if any) are discounted at stabilized rates, and the limit on the expected return on assets reflected in asset smoothing (if applicable) is the 3rd segment rate, reflecting stabilized rates as expressly allowed by IRS Notice 2012-61 when the stabilized 3rd segment rate is higher than the rate ignoring the corridors.

This limit has been determined without regard to the special rule of IRC §404(o)(2)(B) providing a potentially higher maximum deduction based on at-risk assumptions, which is available for plans that are not at risk.

[1] At-risk maximum applies only for plans not in at-risk status for purposes of determining maximum deductible contributions for the plan year.

2.7 Calculation of PBGC variable rate premium

All monetary amounts shown in US Dollars

Premium Payment Year	2021
A Assumptions and Methods Used to Determine Premium Funding Target	
1 Premium funding target method	Standard
2 Premium funding target method election date	2017
3 UVB valuation date	January 1, 2021
4 Discount rates	
a First segment rate	0.51%
b Second segment rate	2.26%
c Third segment rate	3.01%
B Premium Funding Target	
1 Attributable to active participants	173,000,188
2 Attributable to terminated vested participants	23,738,510
3 Attributable to retirees and beneficiaries receiving payment	197,615,165
4 Total premium funding target[1]	394,353,863
C Market Value of Plan Assets	382,488,580
D Unfunded Vested Benefits	11,866,000
E Uncapped Variable Rate Premium[2]	545,836
F Maximum VRP[3]	1,327,542
G Variable Rate Premium	545,836

[1] Reflects at-risk status, if applicable.
[2] Using variable rate premium of $46 per $1,000 of unfunded vested benefits.
[3] Using maximum per-participant premium of $582.

2.8 Pension obligations and funded position under U.S. GAAP (ASC 715)

All monetary amounts shown in US Dollars

Measurement Date			01/01/2021	01/01/2020
A	**Obligations**			
	1	Accumulated Benefit Obligation (ABO)		
		a. Active participants	183,729,251	163,032,582
		b. Participants with deferred benefits	23,866,489	22,164,766
		c. Participants receiving benefits	201,015,437	175,830,377
		d. Total	408,611,177	361,027,725
	2	Future salary increases	36,194,298	33,721,543
	3	Projected benefit obligation (PBO)	444,805,475	394,749,268
B	**Plan Assets**			
	1	Fair value [FV], excluding receivable contributions	375,327,497	327,152,316
	2	Investment losses/(gains) not yet in market-related value	(38,364,313)	(15,430,932)
	3	Market-related value	336,963,184	311,721,384
C	**Funded Position**			
	1	Overfunded/(underfunded) PBO	(69,477,978)	(67,596,952)
	2	PBO funded percentage	84.4%	82.9%
D	**Amounts in Accumulated Other Comprehensive Income**			
	1	Prior service cost/(credit)	(10,008,300)	(13,475,378)
	2	Net actuarial loss/(gain)	119,386,284	118,263,564
	3	Total	109,377,984	104,788,186
E	**Key Assumptions**			
	1a	Equivalent single discount rate for benefit obligations	2.66%	3.39%
	1b	Equivalent single discount rate for service cost	2.97%	3.60%
	1c	Equivalent single discount rate for interest cost	2.04%	2.99%
	2	Rate of compensation increase	4.50%	4.50%
F	**Census Date**		01/01/2021	01/01/2020

The results above may differ from the amounts reported in El Paso Electric Company's December 31, 2020 financial statements because year-end financial reporting is prepared before the corresponding valuation results are available.

2.9 Changes in plan benefit obligations and assets

All monetary amounts shown in US Dollars

Period Beginning		01/01/2021	01/01/2020
A	**Change in Projected Benefit Obligation (PBO)**		
1	PBO at beginning of prior fiscal year	394,749,268	335,931,648
2	Employer service cost	11,628,833	9,490,539
3	Interest cost	11,517,230	13,451,291
4	Actuarial loss/(gain)	45,686,480	53,194,924
5	Plan participants' contributions	0	0
6	Benefits paid from plan assets	(16,450,193)	(15,955,118)
7	Administrative expenses paid, if accrued through service cost	(2,326,143)	(1,364,016)
8	Plan change	0	0
9	Acquisitions/divestitures	0	0
10	Curtailments	0	0
11	Settlements	0	0
12	Special/contractual termination benefits	0	0
13	PBO at beginning of current fiscal year	444,805,475	394,749,268
B	**Change in Plan Assets**		
1	Fair value of plan assets at beginning of prior fiscal year	327,152,316	272,803,260
2	Actual return on plan assets	59,651,517	64,368,190
3	Employer contributions	7,300,000	7,300,000
4	Plan participants' contributions	0	0
5	Benefits paid	(16,450,193)	(15,955,118)
6	Administrative expenses paid	(2,326,143)	(1,364,016)
7	Acquisitions/divestitures	0	0
8	Settlements	0	0
9	Fair value of plan assets at beginning of current fiscal year	375,327,497	327,152,316

2.10 Pension cost under U.S. GAAP (ASC 715)

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2021	12/31/2020
A	**Pension Cost**		
1	Service cost	12,701,901	11,628,833
2	Interest cost	8,874,193	11,517,230
3	Expected return on plan assets	(23,065,859)	(22,977,561)
4	Net prior service cost/(credit) amortization	(3,467,078)	(3,467,078)
5	Net loss/(gain) amortization/recognition	9,441,075	7,889,604
6	Net periodic pension cost/(income)	4,484,232	4,591,228
7	Curtailment gain or loss	0	0
8	Settlement gain or loss	0	0
9	Special/contractual termination benefits	0	0
10	Total pension cost	4,484,232	4,591,228
B	**Key Assumptions** (See Appendix A for interim measurements, if any)		
1a	Equivalent single discount rate for benefit obligations	2.66%	3.39%
1b	Equivalent single discount rate for service cost	2.97%	3.60%
1c	Equivalent single discount rate for interest cost	2.04%	2.99%
2	Expected long-term rate of return on plan assets	7.00%	7.50%
3	Rate of compensation increase	4.50%	4.50%
4	Cash balance (or similar formula) interest crediting rate	3.80%	3.80%
C	**Census Date**	01/01/2021	01/01/2020

2.11 Development of market-related value of plan assets under U.S. GAAP (ASC 715)

All monetary amounts shown in US Dollars

Fiscal Year Ending				12/31/2021
Market-Related Value of Plan Assets as of January 1, 2021				
1	Fair value of plan assets as of January 1, 2021			375,327,497
2	Deferred investment (gains)/losses for prior periods			
Fiscal Year		**(Gain)/Loss**	**Percent Deferred**	**Deferred Amount**
a	12/31/2020	(35,451,529)	66.67%	(23,634,471)
b	12/31/2019	(44,188,641)	33.33%	(14,729,842)
c	12/31/2018	42,084,086	0.00%	0
d	Total			(38,364,313)
3	Market-Related Value of Plan Assets			336,963,184

2.12 Summary of net balances

All monetary amounts shown in US Dollars

A Reconciliation of Prior Service Cost/(Credit) Bases

Measurement Date Established	Original Amount	Net Amount at prior financial year end	Remaining Amortization Period	Amortization Amount	Effect of Curtailments	Other Events
02/28/2014	(33,700,000)	(10,008,300)	2.88666	(3,467,078)	0	0
Total		(10,008,300)		(3,467,078)	0	0

B Reconciliation of Net Loss/(Gain) (see Appendix A for a description of amortization method)

Net Amount at 12/31/2020	Amortization in 2021	Effect of Curtailments	Effect of Settlements	Other Events (Identify)
119,386,284	9,441,075	0	0	0

Section 3: Participant data

3.1 Summary of participant data

All monetary amounts shown in US Dollars

Census Date		01/01/2021[1]	01/01/2020
A	Active Employees		
	1 Number	1,138	1,126
	3 Average plan compensation	88,258	87,036
	4 Average age	45.96	46.02
	5 Average credited service	14.01	14.20
B	Participants with Deferred Benefits		
	1 Number	344	341
	2 Deferred annuity benefit		
	Total	1,938,463	2,022,062
	Average	5,635	6,379
	3 Average annual pension		
	Total	1,036,786	652,859
	Average	13,824	10,363
	4 Average age	53.39	53.43
C	Participants Receiving Benefits		
	1 Number	826	803
	2 Total annual pension	13,716,785	13,001,200
	3 Average annual pension	16,606	16,191
	4 Average age	71.61	71.35
	5 Distribution at January 1, 2021		

Age	Number	Annual Pension
Under 55	7	50,335
55-59	22	326,772
60-64	111	2,418,135
65-69	244	3,832,108
70-74	214	3,838,866
75-79	94	1,422,505
80-84	81	1,113,832
85 and over	53	714,232

[1] Headcounts as of 01/01/2021 reflect 41 alternate payees, 14 of whom have survived the original participant.

3.2 Participant reconciliation

	Active	Deferred Inactive	Currently Receiving Benefits	Total
1 Included in January 1, 2020 valuation	1,126	341	803	2,270
2 Change due to:				
a New hire and rehire	78	(2)	0	76
b Non-vested termination	(11)	0	0	(11)
c Vested termination	(20)	20	0	0
d Retirement	(25)	(11)	36	0
e Disability	0	0	0	0
f Death without beneficiary	0	0	(13)	(13)
g Death with beneficiary	(1)	(3)	(15)	(19)
h Cashout	(9)	(3)	0	(12)
i New Alternate Payees	0	0	2	2
j Beneficiary Commencement	0	0	15	15
k Miscellaneous[1]	0	2	(2)	0
l Net change	12	3	23	38
3 Included in January 1, 2021 valuation	1,138	344	826	2,308

[1] Miscellaneous data movements are data corrections made by El Paso Electric Company

3.3 Age and service distribution of participating employees

Number distributed by attained age and attained years of credited service

Attained Age	Attained Years of Credited Service[1]												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	Total
Under 25	10	12	1	2	8	2	0	0	0	0	0	0	0	35
25-29	16	20	1	13	19	21	0	0	0	0	0	0	0	90
30-34	15	18	5	11	23	62	6	0	0	0	0	0	0	140
35-39	10	17	2	6	12	62	30	4	0	0	0	0	0	143
40-44	2	5	1	4	5	57	32	15	5	0	0	0	0	126
45-49	7	8	0	3	7	39	34	30	14	10	1	0	0	153
50-54	8	4	2	1	4	16	20	24	8	21	15	1	0	124
55-59	2	3	0	0	1	12	16	12	11	30	35	13	4	139
60-64	1	2	0	2	1	10	11	7	8	22	31	13	25	133
65-69	0	0	0	0	0	1	3	2	2	5	2	8	23	46
70 & over	0	0	0	0	0	1	1	1	2	0	0	1	3	9
Total	71	89	12	42	80	283	153	95	50	88	84	36	55	1,138

Average:	Age	46	Number of Participants:	Fully vested	953	Males	824
	Service	14		Partially vested	0	Females	314

Census data as of January 1, 2021

[1] Age and service for purposes of determining category are based on exact (not rounded) values.

Section 4: Adjusted Funding Target Attainment Percentage (AFTAP)

El Paso Electric Company retained Towers Watson Delaware Inc., a subsidiary of Willis Towers Watson PLC ("Willis Towers Watson") to perform a valuation of its pension plan for the purpose of measuring the plan's AFTAP for the plan year beginning January 1, 2021 in accordance with ERISA and the Internal Revenue Code. This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The enrolled actuaries making this certification are members of the Society of Actuaries and other professional actuarial organizations and meet their "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States."

We hereby certify that the plan's AFTAP for the plan year beginning January 1, 2021 is 121.68%. This percentage is based on the assumptions, participant data, and plan provisions we relied upon to prepare the results shown in this report, reflects the valuation limitations discussed in this report and is also based on the following additional information:

Annuity Purchases

- El Paso Electric Company's representation is that there were no annuity purchases made for non-highly compensated employees by the plan in the plan years beginning in 2019 and 2020.

Funding Balances

- Our understanding is that El Paso Electric Company has not elected to reduce the plan's funding balance as of the first day of the 2021 plan year.
- Our understanding is that the plan is not subject to a deemed election to reduce the funding balances in 2021.
- Our understanding is that El Paso Electric Company has not elected to apply any of the plan's funding balances to the 2021 minimum required contribution.
- Our understanding is that El Paso Electric Company has elected to increase the prefunding balance as of the first day of the 2021 plan year as follows:

Date	Amount
January 1, 2021	$7,161,081
Total	$7,161,081

Contributions

- Our understanding is that El Paso Electric Company has made the following employer contributions after December 31, 2020 and before September 15, 2021, for the 2020 plan year, as follows:

Date	Amount
January 29, 2021	811,112
February 2, 2021	811,111
March 2, 2021	811,111
April 2, 2021	811,111
May 4, 2021	811,111
June 3, 2021	811,111
July 3, 2021	811,111
August 3, 2021	811,111
September 2, 2021	811,111
Total	$7,300,000

Subsequent Events

- The American Rescue Plan Act (ARPA) of 2021 was enacted in March, 2021. ARPA revises PPA's interest rate stabilization provisions (in a manner that will increase interest rates used in near-term funding valuations) beginning with either the 2020, 2021 or 2022 plan years. The plan sponsor elected to adopt ARPA's interest rate stabilization provisions effective with the 2020 plan year and that election is reflected in this report.

  ARPA also revises PPA's interest rate stabilization provisions for IRC §436 (benefit restriction) purposes, in a manner that will increase interest rates used in near-term AFTAP measurements (and thus increase AFTAPs) beginning with either the 2020, 2021 or 2022 plan years. The election to apply ARPA for §436 purposes can be deferred to a later plan year than for IRC §430 (funding) purposes, as described above. The plan sponsor elected to adopt ARPA's interest rate stabilization provisions for §436 purposes effective with the 2020 plan year and that election is reflected in this report.

- There were no plan amendments that took effect in the current plan year that were taken into account for the current plan year's AFTAP certification.

- There were no unpredictable contingent event benefits (UCEBs) that took effect in the current plan year that were taken into account for the current plan year's AFTAP certification.

- There were no previously suspended accruals restored during the current plan year that were taken into account for the current plan year's AFTAP certification.

Elections

Our understanding of sponsor elections required under the Pension Protection Act of 2006 (PPA) , with respect to interest rates, Actuarial Value of Plan Assets and other methods and/or assumptions, as confirmed in the Sponsor's letter dated September 17, 2021.

In making this certification, we relied on asset, contribution, funding balance election, and annuity purchase information provided by the Company, including dates and amounts of contributions made to the plan through the date of this certification, dates and amounts of funding balance elections by the Company through the date of this certification, and amounts of annuity purchases in the past two years, as shown above. We have reviewed this information for overall reasonableness and consistency but, consistent with the scope of our engagement, have neither audited nor independently verified this information. We do not certify to the accuracy or completeness of asset, contribution, funding balance election and annuity purchase information, and this certification relies on and is contingent on the accuracy and completeness of this information.

The development of the AFTAP is shown below:

All monetary amounts shown in US Dollars

Plan Year Beginning	01/01/2021
Actuarial value of plan assets as of January 1, 2021[1]	344,239,722
Funding standard carryover balance at January 1, 2021[2]	0
Prefunding balance at January 1, 2021[11]	45,988,729
Funding target (disregarding at-risk assumptions)	282,884,893
AVA/funding target (disregarding at-risk assumptions)	121.68%
Plan assets for AFTAP calculation[3]	344,239,722
Annuity purchases for NHCEs during 2019 and 2020	0
Specific AFTAP	
Adjusted Funding Target Attainment Percentage (AFTAP)	**121.68%**

Immediate Implications of AFTAP Certification

We believe that the certified AFTAP of 121.68% for the 2021 plan year has the following implications for benefit limitations described in IRC §436. El Paso Electric Company should review these conclusions with ERISA counsel:

Benefit accruals called for under the plan without regard to IRC §436 must continue.

[1] Reflects discounted contributions made for the 2020 plan year only if paid on or before the certification date. Includes security posted by the beginning of the plan year in the form of a bond or cash held in escrow.
[2] Reflects elections made to-date (other than elections to apply the funding balances to 2021 MRC).
[3] AVA if AVA/Funding Target (disregarding at-risk assumptions) >=100%; otherwise (AVA-funding balances).

Accelerated distributions called for under the plan without regard to IRC §436 must continue in full.

Amendments that increase benefits must be evaluated at the time they would take effect to determine if they are permissible.

Plant shutdown and other UCEBs must be evaluated at the time they would take effect to determine if they are permissible. However, El Paso Electric Company has advised us that the plan does not provide any benefits that would constitute UCEBs.

Implications of 2021 AFTAP for Presumptions in Next Plan Year

Because the AFTAP for the 2021 plan year is at least 90%, the presumed AFTAP for 2022 will remain equal to the 2021 certified AFTAP, and changes in benefit restrictions will not occur, before the 2022 AFTAP is certified, provided that the 2022 AFTAP is certified before the first day of the tenth month of the plan year.

Note, however, that adoption of plan amendments and/or payment of UCEBs may change this result.

David Anderson, ASA, EA
Director, Retirement
20-07493
September 23, 2021

Elizabeth Welborne, FSA, EA
Senior Associate, Retirement
20-08703
September 23, 2021

Willis Towers Watson US LLC

Appendix A: Statement of actuarial assumptions, methods and data sources

Assumptions and methods for contribution purposes

Economic Assumptions		
Interest rate basis		
▪ Applicable month	January	
▪ Interest rate basis	Segment Rates from Valuation Date	
Interest rates	**Reflecting Stabilization**	**Not Reflecting Stabilization**
▪ First segment rate	4.75%	1.75%
▪ Second segment rate	5.36%	3.04%
▪ Third segment rate	6.11%	3.65%
▪ Effective interest rate	5.59%	3.25%
Annual rates of increase		
▪ Compensation:	4.50%	
▪ Statutory limits on compensation	2.40%	
Plan-related expenses	$741,864	
Cash balance interest crediting rate	3.80%	

Rates not reflecting stabilization are used to determine PBGC variable rate premiums if the alternative method is used, and are used to determine the PBGC FTAP and the PBGC 4010 FS.

Demographic Assumptions

Inclusion date — The valuation date coincident with or next following the date on which the employee becomes a participant.

New or rehired employees — It was assumed there will be no new or rehired employees.

Mortality

- Healthy — Separate rates for non-annuitants (based on RP-2014 "Employees" table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2019 and annuitants (based on RP-2014 "Healthy Annuitants" table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2019.

- Disabled — Separate rates for non-annuitants (based on RP-2014 "Employees" table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2019 and annuitants (based on RP-2014 "Healthy Annuitants" table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2019.

Termination — Rates varying by age and gender

Representative Termination Rates

Percentage leaving during the year		
Attained Age	Males	Females
20	5.00%	6.00%
25	5.00%	6.00%
30	5.00%	6.00%
35	4.00%	6.00%
40	3.00%	6.00%
45	2.00%	4.00%
50	1.00%	2.00%

Disability

The rates at which participants become disabled by age and gender are shown below:

Percentage becoming disabled during the year	
Age	Males and Females
20	0.14%
25	0.15%
30	0.16%
35	0.19%
40	0.30%
45	0.45%
50	0.69%

Retirement

Rates varying by age

For purposes of determining the Funding Target and Target Normal Cost (both disregarding at-risk assumptions), the rates at which participants retire by age are shown below.

Percentage assumed to retire during the year				
	Active Participants			
	Final Average Pay			
Age	Reduced Early Retirement	Unreduced Retirement	Cash Balance	Terminated Vested Participants
55	3%	5%	10%	3%
56 - 59	3%	5%	10%	3%
60	3%	10%	10%	15%
61	3%	10%	10%	5%
62	20%	20%	20%	5%
63	10%	10%	10%	5%
64	10%	10%	10%	20%
65-69	25%	25%	25%	40%
70+	100%	100%	100%	100%

Benefit commencement date:

- Preretirement death benefit — The later of the death of the active participant or the date the participant would have attained age 55

■ Deferred vested benefit	The later of age 55 or termination of employment
■ Disability benefit	Upon disablement
■ Retirement benefit	Upon termination of employment

Form of payment

■ Final Average Pay Participants	100% are assumed to elect a Single Life Annuity
■ Cash Balance Participants	90% of participants are assumed to elect a lump sum form of payment and 10% are assumed to elect a Single Life Annuity. Lump sums were valued using the substitution of annuity form under IRS Regulation §1.430(d)-1(f)(4) without application of generational mortality.

Lump Sum & Annuity Conversion	Cash balances are converted to annuities using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B). Cash balance participants' frozen FAP benefits are converted to lump sum using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B).
Percent married	75% of participants eligible for pre-retirement death benefits are assumed to have an eligible spouse.
Spouse age	Wife three years younger than husband.
Covered pay	Assumed plan compensation for the year beginning on the valuation date was determined as an employee's annualized rate of basic compensation, excluding overtime, bonuses, expense allowances, profit sharing, and any other extra compensation in any form.

Methods	
Valuation date	First day of plan year
Funding target	Present value of accrued benefits as required by regulations under IRC §430.

Target normal cost	Present value of benefits expected to accrue during the plan year plus plan-related expenses expected to be paid from plan assets during the plan year as required by regulations under IRC §430.
Decrement timing	The approach used is called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.
Actuarial value of assets for determining minimum required contributions	Average of the fair market value of assets on the valuation date and 3, 6, 9, 12, 15, 18, 21, and 24 months preceding the valuation date, adjusted for contributions, benefits, administrative expenses and expected earnings (with such expected earnings limited as described in IRS Notice 2009-22). The average asset value must be within 10% of market value, including discounted contributions receivable (discounted using the effective interest rate for the 2019 plan year.) The method of computing the actuarial value of assets complies with rules governing the calculation of such values under the Pension Protection Act of 2006 (PPA). These rules produce smoothed values that reflect the underlying market value of plan assets but fluctuate less than the market value. As a result, the actuarial value of assets will be lower than the market value in some years and greater in other years. However, over the long term under PPA's smoothing rules, the method has a significant bias to produce an actuarial value of assets that is below the market value of assets.
Benefits not valued	All benefits described in the Plan Provisions section of this report were valued. Willis Towers Watson has reviewed the plan provisions with the plan sponsor and, based on that

review, is not aware of any significant benefits required to be valued that were not.

Sources of Data and Other Information

The plan sponsor furnished participant data as of 1/1/2021. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available. A summary of these assumptions can be found in our email dated August 12, 2021.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate	The basis chosen was selected by the plan sponsor from among choices prescribed by law, all of which are based on observed market data over certain periods of time.
Cash Balance Interest crediting rate	The plan credits interest to cash balance accounts using the 30-year Treasury rate, but with a minimum interest credit rate of 3.80%.
Annuity conversion rate	As required by IRC §430, cash balances are converted to annuities using "annuity substitution", so that the interest rates assumed are effectively the same as described above for the discount rate.
Plan-related expenses	As required by regulations, plan-related expenses are calculated by estimating the expenses to be paid from the trust during the coming year (including, for example, expected PBGC premiums and actuarial, accounting, legal, administration and trustee fees to be paid from the trust).
Rates of increase in:	
■ Compensation	Assumed compensation increases are based on plan sponsor expectations.
■ Increases in statutory limits (CPI)	The assumed CPI increases are based on forecasts prepared by Russell Investments.

- Assumed return for asset smoothing — The assumed return used for asset smoothing is the third segment rate.

Assumptions Rationale - Significant Demographic Assumptions	
Healthy Mortality	Assumptions used for funding purposes are as prescribed by IRC §430(h).
Disabled Mortality	Assumptions used for funding purposes are as prescribed by IRC §430(h).
Termination	Termination rates were based on an experience study conducted in 2017, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Disability	Disability rates were based on an experience study conducted in 2017, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Retirement	Retirement rates were based on an experience study conducted in 2017, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Benefit commencement date for deferred benefits:	
■ Preretirement death benefit	Surviving spouses are assumed to begin benefits at the earliest permitted commencement date because ERISA requires benefits to start then unless the spouse elects to defer. If the spouse elects to defer, actuarial increases from the earliest commencement date must be given, so that a later commencement date is expected to be of approximately equal value, and experience indicates that most spouses do take the benefit as soon as it is available.
■ Deferred vested benefit	Based on plan sponsor's historical experience and expectations for the future with periodic adjustment based on observed gains and losses.
Form of payment	The percentage of retiring participants assumed to take lump sums or an annuity is based on historical experience and best

	expectations for the future with consideration of whether any conditions have changed that would be expected to produce different results in the future.
Percent married	The assumed percentage married is based on historical experience of marital statuses, with consideration of changes expected to occur in marriage patterns of retirement age individuals in the future.
Spouse age	The assumed age difference for spouses is based on plan sponsor expectations.

Prescribed Methods	
Funding methods	The methods used for funding purposes as described in Appendix A, including the method of determining plan assets, are "prescribed methods set by law", as defined in the actuarial standards of practice (ASOPs). These methods are required by IRC §430, or were selected by the plan sponsor from a range of methods permitted by IRC §430.

Changes in Assumptions and Methods	
Change in assumptions since prior valuation	The segment interest rates used to calculate the funding target and target normal cost were updated to the current valuation date as required by IRC §430. The mortality table used to calculate the funding target and target normal cost was updated to include one additional year of projected mortality improvement, as required by IRC §430. The assumed plan-related expenses added to the target normal cost were changed from $868,426 for the prior valuation to $741,864 for the current valuation to account for higher expected expenses to be paid from the trust.
Change in methods since prior valuation	None

Assumptions and methods for pension cost purposes

Actuarial Assumptions and Methods — Pension Cost	
Economic Assumptions	
Pre-tax rate of return on assets for	7.00%
Discount rate:	
■ Equivalent single discount rate for benefit obligations	2.66%
■ Equivalent single discount rate for service cost	2.97%
■ Equivalent single discount rate for interest cost	2.04%
Annual rates of increase:	
■ Inflation	2.40%
■ Compensation:	4.50%
■ Statutory limits on compensation and benefits	2.40%
■ Cash balance interest credit rate	3.80%
Annuity conversion	Cash balances are converted to annuities using "annuity substitution" with valuation interest rates and the "applicable mortality table" under Code Section 417(e)(B)

The return on assets shown above is gross of investment expenses. Administrative expenses are accounted for as an addition to Service Cost, as described below.

As required by the U.S. GAAP accounting standard, the yield curve reflecting returns on high quality corporate bonds (AA and AAA) is used to determine the obligations and service cost, and thus the net periodic benefit cost for the plan. Because these assumptions are required by the U.S. GAAP accounting standard, and reflect current market conditions (specifically, the market conditions as of the measurement date) they may from time to time be inconsistent with other economic assumptions used in the valuation, which may reflect both current economic conditions and assumed future conditions.

Demographic Assumptions
(where different from those used for contribution purposes)

Mortality:

- Healthy mortality rates

Base Mortality Table (Male Table used for males; Female Table used for Females)

1. Base table: Pri-2012
2. Base mortality table year: 2012
3. Table type: White Collar for non-union participants, Blue-Collar for union participants, and Total Dataset for participants with an unknown union status
4. Healthy or Disabled: Healthy
5. Table weighting: Benefit
6. Blending of annuitants and non-annuitants: Separate rates for annuitants and non-annuitants (based on Employees table)
7. Blending of retirees and contingent annuitants: Retiree mortality is used for both retirees and contingent annuitants.

Mortality Improvement Scale (Male Table used for males; Female Table used for Females)

1. Base scale: MP-2020
2. Projection Type: Generational

- Disabled life mortality rates

Base Mortality Table

1. Base table: Pri-2012 Disabled Retiree
2. Base mortality table year: 2012
3. Table type: No Collar
4. Healthy or Disabled: Disabled
5. Blending of annuitants and non-annuitants: Single blended table of rates for annuitants and non-annuitants

Mortality Improvement Scale

1. Base scale: MP-2020
2. Projection Type: Generational

Additional Assumptions

Administrative expenses

Service cost includes $1,501,310 in administrative expenses expected to be paid from the trust during the current year.

Cash flow

- Decrement timing

The assumptions used are collectively called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.

■ Timing of benefit payments	Benefit payments are assumed to be made uniformly throughout the year and, on average, at mid-year.
■ Amount and timing of contributions	Contributions are assumed to be made on the schedule specified by the Company.
Funding policy	El Paso Electric Company's funding policy is to contribute an amount equal to the minimum required contribution with consideration for amounts included in customer rates. El Paso Electric Company considers each year whether to contribute additional amounts (e.g., to reach certain funded status thresholds to avoid benefit restrictions, at-risk status, ERISA §4010 filings or other requirements).

Methods – Pension Cost and Funded Position

Census date	January 1, 2021
Measurement date	January 1, 2021
Service cost and projected benefit obligation	The Unit Credit Cost Method is used to determine the Projected Benefit Obligation (PBO) and related current service cost. Under this method, the accrued benefit is calculated based upon service as of the measurement date. The PBO is the present value of this benefit and the service cost is the present value of the increase in the benefit due to service in the upcoming year. In normal circumstances the "accrued benefit" is based upon the Plan's accrual formula. However, if service in later years leads to a materially higher level of benefit than in earlier years, the "accrued benefit" is calculated by attributing benefits on a straight-line basis over the relevant period.
	The benefits described above are used to determine both ABO and PBO except that final average pay is assumed to remain constant in the future when calculating ABO.
	PBO and service cost are measured by separately discounting the projected benefit payments underlying these measures, determined using the methodology described above, using the spot rates on the December 31, 2020 Willis Towers Watson RATE:Link 40:90 yield curve. Interest cost was measured by summing the individual interest costs associated with each future benefit payment underlying the PBO and service cost. These individual interest costs are developed by multiplying the present value of each benefit payment, discounted using the applicable spot rate on the yield curve relating to the future benefit payment, by that spot rate. Equivalent single discount rates that would reproducing the resulting benefit obligation, service cost and interest cost have been determined and disclosed.

Market-related value of assets The market-related value of assets is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 2 years at the rate of 33% per year. Expected investment return is a component of NPBC.

Amortization of unamortized amounts:

- Recognition of past service cost/(credit)

Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Benefit Cost/(Income) in the year first recognized and every year thereafter until it is fully amortized. The annual amortization payment is determined in the first year as the increase in PBO due to the plan change divided by the average remaining service period of active participants expected to receive benefits under the plan.

However, when a plan change reduces the PBO, existing positive prior service costs are reduced or eliminated starting with the earliest established before a new prior service credit base is established.

- Recognition of gains or losses

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Benefit Cost/(Income) for a year.

If, as of the beginning of the year, that net gain or loss exceeds 10% of the greater of the PBO and the market-related value of plan assets, the amortization is that excess divided by the average remaining service period of active plan participants.

Under this methodology, the gain/loss amounts recognized in AOCI are not expected to be fully recognized in benefit cost until the plan is terminated (or an earlier event, like a settlement, triggers recognition) because the average expected remaining service of active participants expected to benefit under the plan over which the amounts are amortized is redetermined each year and amounts that fall within the corridor described above are not amortized.

Benefits not valued All benefits described in the Plan Provisions section of this report were valued. Willis Towers Watson has reviewed the plan provisions with the plan sponsor and, based on that review, is not aware of any significant benefits required to be valued that were not.

Sources of Data and Other Information

The plan sponsor furnished participant data and claims data as of January 1, 2021. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available. A summary of these assumptions can be found in our email dated August 12, 2021.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with the Company's tax advisors and auditors.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate(s)	As required by U.S. GAAP the discount rate methodology was chosen by the plan sponsor based on market information on the measurement date.
Expected return on plan assets	We understand that the expected return on assets assumption reflects the plan sponsor's estimate of future experience for trust asset returns, reflecting the plan's current asset allocation and any expected changes during the current plan year, current market conditions and the plan sponsor's expectations for future market conditions.
Cash balance interest crediting rate	Based on 20-year expectation of long-term government bonds, since the plan credits interest to cash balance accounts using the 30-year Treasury rate, but with a minimum interest credit rate of 3.80%.
Annuity conversion rate	Cash balances are converted to annuities using "annuity substitution".
Rates of increase in compensation	Assumed increases were chosen by the plan sponsor and, as required by U.S. GAAP they represent an estimate of future experience.
Administrative expenses	Administrative expenses are estimated based on an assumption of past expenses paid from the trust assets as a percentage of held assets.

Assumptions Rationale - Significant Demographic Assumptions *(where different from those used for contribution purposes)*	
Healthy Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP represent a best estimate of future experience.
Disabled Mortality	Assumptions used for accounting purposes were selected by the plan sponsor and, as required by U.S. GAAP represent a best estimate of future experience.
Source of Prescribed Methods (Required for ASOP compliance, otherwise optional)	
Accounting methods	The methods used for accounting purposes as described in Appendix A, including the method of determining the market-related value of plan assets, are "prescribed methods set by another party", as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.
Changes in Assumptions, Methods and Estimation Techniques	
Change in assumptions since prior valuation	The single equivalent PBO discount rate decreased from 3.39% as of January 1, 2020 to 2.66% as of January 1, 2021 to reflect the change in yields on high-quality corporate bonds.
	The single equivalent service cost discount rate decreased from 3.60% as of January 1, 2020 to 2.97% as of January 1, 2021 to reflect the change in yields on high-quality corporate bonds.
	The single equivalent interest cost discount rate decreased from 2.99% as of January 1, 2020 to 2.04% as of January 1, 2021 to reflect the change in yields on high-quality corporate bonds.
	The mortality pprojection scale was updated from Scale MP-2019 to the Scale MP-2020.
	The annuity conversion assumptions were updated to the IRC Section 417(e)(3) applicable interest rates for August 2020 and applicable mortality table for lump sum payments in 2021.
	Expected return on assets decreased from 7.50% to 7.00%.
Change in methods since prior valuation	None.
Change in estimation techniques since prior valuation	None.
Model Descriptions and Disclosures (in accordance with ASOP No. 56)	
Quantify	Quantify is the Willis Towers Watson centrally developed, tested and maintained Global actuarial valuation system. It is used to perform valuations of clients' benefit plans.
	Quantify provides the ability to process data, calculate benefits and value benefit liabilities, develop results using applicable standards, and generate client reports.

Quantify parameters provide significant flexibility to model populations and plan designs. Various demographic, economic and benefit related assumptions exist for users to model multiple demographic and economic situations.

Plan liabilities are calculated based on standard actuarial techniques, developing actuarially reasonable results using the population and parameters entered. The calculation and presentation of liabilities in Quantify relies on the assumptions used and the reasonability of the assumptions selected.

Quantify incorporates standard liability methodologies that are intended to reasonably reflect a variety of economic or demographic conditions. The model itself does not evaluate any assumptions entered for reasonableness, consistency or probability of occurrence.

Quantify is designed specifically for these purposes, and we know of no material limitations that would prevent the system from being suitable for these intended purposes. The actuaries signing this report have relied on the actuaries who develop, test and maintain this system, and have also performed a limited review of results to ensure that system parameters have been set appropriately and plan provisions coded correctly.

RateCalc/RATE:Link

RateCalc is used as one component isn developing the single equivalent discount rate that reflects the characteristics of the client's employee benefit plan. It references a yield curve (often a RATE:Link curve) and expected plan benefit payments. The projected benefit payments from the client's plan are matched to the spot rates along the yield curve to determine their present values. A single equivalent discount rate is then solved for, which produces the same total present value as the spot rates.

RATE:Link is a methodology to develop spot rates to be used for liability and cost measurements related to employee benefit plans. The same core methodology is used to develop all RATE:Link curves. The RATE:Link process develops term structures of interest rates from corporate bond data for each covered geography (e.g., the U.S. for this valuation).

The construction of RATE:Link yield curves relies on bond data collected as of the measurement date.

Information regarding quoted bond prices, yields and other bond related data is from Bloomberg Finance L.P.

Published Demographic Tables

Certain demographic tables described above are standard published tables or are based on standard published tables from models developed by organizations with the requisite expertise

Appendix B: Summary of principal plan provisions

Plan Provisions

The most recent amendment reflected in the following plan provisions was adopted on April 1, 2014.

Covered employees	All employees
Participation date	Prior to April 1, 2014, each employee who has completed a year of Eligibility Service shall become a Member in the plan. An employee receives a year of Eligibility Service if he completes 1,000 or more Hours of Service within a 12-month period commencing with his date of employment or any anniversary date. Effective April 1, 2014, an employee hired or re-hired on or after April 1, 2014 shall become a Cash Balance Member on his employment commencement date or re-employment commencement date. An employee hired or re-hired before December 31, 2013 could affirmatively elect to become a Cash Balance Member on April 1, 2014 to accrue future benefits under the Plan as a Cash Balance Benefits rather than as final average pay benefits. An employee who is hired or re-hired after December 31, 2013 and before April 1, 2014 shall become a Cash Balance Member on April 1, 2014.

Definitions

Vesting service	One year for each 1,000-hour calendar year of employment with El Paso Electric Company
Benefit service:	
■ Final Average Pay	One year for each 1,000-hour calendar year of employment.
■ Cash Balance	Prior to January 1, 2014, a Member receives credit for one full year for each Plan Year in which he completes 1,000 or more hours of service. A Cash Balance Member (other than a Cash Balance Member who is hired or re-hired after December 31, 2013 and before April 1, 2014) who completes at least one Hour of Service during the period beginning January 1,2014 and ending March 31, 2014 shall receive credit for 0.25 year of Benefit Accrual Service for the 2014 Plan Year. After March 31, 2014, no additional Benefit Service shall be earned by a Cash Balance Member.

Pensionable pay An employee's annualized rate of basic compensation, excluding overtime, bonuses, expense allowances, profit sharing, and any other extra compensation in any form.

Average earnings:

- Final Average Pay: The monthly average of a participant's pensionable pay computed by summing his pensionable pay as of any date and for each of the days beginning the four years preceding such date and dividing by sixty.

- Cash Balance: For a Cash Balance Member who is employed by the employer as of April 1, 2014 and becomes a Cash Balance Member as of April 1, 2014, the monthly average of a Member's pensionable pay computed by summing his pensionable pay as of March 31, 2014 and as of March 31 of the preceding four calendar years and dividing by sixty.

Normal retirement date (NRD) First day of the month coinciding with or next following the attainment of age 65 with five years of benefit service

Accrued benefit:

- Final Average Pay: The monthly accrued benefit payable as a single life annuity upon Normal Retirement is the greater of (a), (b), (c) or (d) below, less any frozen benefit provided under group annuity contracts deemed purchased prior to August 1, 1989 as illustrated in Appendix A of the plan document:

  (a) 1-1/4% of Average Monthly Earnings multiplied by years of benefit service.

  (b) $25.00 multiplied by years of projected benefit service at normal retirement date, not to exceed 10.
    This amount multiplied by the ratio of years of benefit service earned to date,
    divided by years of projected benefit service at normal retirement date. This benefit shall be no greater than $250 per month.

  (c) Amount of benefit payable in accordance with the Plan in effect on June 30, 1982 with Earnings frozen at the rate on June 30, 1982.

  (d) Amount of accrued benefit earned as of October 17, 1990 under the prior benefit formula

- Cash Balance: The Accrued Benefit for a Cash Balance Member is (a) plus (b), as follows:

(a) The benefit accrued under the Plan prior to becoming a Cash Balance Member, as determined under the Final Average Pay formula above.

(b) The Cash Balance Account, consisting of pay credits and interest credits.

- Pay Credits

For each Plan Year beginning on January 1, 2014, a Cash Balance Member shall receive a pay credit to his Cash Balance Account as of the last day of the Plan year (or termination date, if earlier). The pay crediting rate is based on the member's age and years of Vesting Service, as shown below:

Age Plus Vesting Service	Percentage of Base Pay for the Plan Year
Less than 30	3.00%
30-39	4.00%
40-49	5.00%
50-59	6.00%
60-69	7.00%
70-79	8.00%
80 or More	9.00%

- Interest Credits

Interest credits are allocated to the Cash Balance Account as of the last day of each month. The interest credit is determined by multiplying the Cash Balance Account as of the last day of the preceding month by the 30-Year Treasury Bond Rate for the month, which when compounded monthly for the 12 months of the Plan Year, is equal to the 30-Year Treasury Bond Rate for August of the preceding year (but no less than 3.80% for the Plan Year, compounded monthly).

Monthly preretirement death benefit:

- Before Normal Retirement Age

Payable upon the death of a participant employed by the company who had completed 5 years of Vesting Service. If the participant dies before attaining age 50 with 10 years of service, the amount payable to the spouse, to whom the participant was legally married during the one year period immediately preceding his death, is 50% of the amount the participant would have been entitled to had the participant separated from service on the date of his death, survived to the earliest retirement age, retired with an immediate qualified joint and survivor annuity and died the day after the earliest retirement age. If the participant dies after attaining age 50 with 10 years of service, the amount payable to

	the eligible spouse is 50% of the participant's Accrued Benefit, commencing immediately.
■ After Normal Retirement Age	If the participant dies after his Normal Retirement Age but before benefit payments commence, survivorship benefits will be paid in accordance with the form in which the participant's benefits would be paid if he had retired on the first day of the month following his date of death.

Eligibility for Benefits

Normal retirement	Retirement on NRD
Early retirement:	
■ Final Average Pay	After attainment of age 55 and completion of 5 years of Vesting Service, the participant may elect to commence his Accrued Benefit on a reduced basis prior to age 65. If the participant retires with at least 20 years of Vesting Service, he may receive his Accrued benefit as early as age 62 without any reduction. If the sum of the participant's age and years of Vesting Service equals or exceeds 85, he may receive his Accrued Benefit without any reduction.
■ Cash Balance	Early retirement under the plan is age 55 and completion of 3 years of Vesting Service.
Postponed retirement	Retirement after NRD
Deferred vested termination	Termination for reasons other than death or retirement after completing five years of vesting service for a Final Average Pay participant or three years of vesting service for a Cash Balance Member
Disability	Permanent and total disability prior to NRD, and participant is receiving a Social Security disability benefit
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse

Benefits Paid Upon the Following Events

Normal retirement	The monthly pension benefit determined as of NRD
Early retirement:	

■ Final Average Pay	The monthly pension benefit determined as of NRD reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.
■ Cash Balance	The frozen accrued benefit excluding his Cash Balance Benefits determined as of NRD actuarially reduced to the commencement date. The Cash Balance Benefit determined as of the commencement date will be actuarially reduced to be equivalent to the member's Cash Balance Account.
Postponed retirement	The monthly pension benefit determined as of the actual retirement date.
Deferred vested termination:	
■ Final Average Pay	The participant may elect to commence as early as their Early Retirement with the monthly pension benefit determined as of NRD reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.
■ Cash Balance	The frozen accrued benefit excluding Cash Balance Benefits will be payable as of NRD or may elect to commence at any time after termination with actuarial reductions. 100% of the Cash Balance account is payable on the first day of any month following termination.
Disablement:	
■ Final Average Pay	Payable to a participant beginning at NRD after becoming totally and permanently disabled while employed by the company. The annuity payable is based on Average Monthly Earnings at date of Disability and Benefit Service, including all credit for all years while disabled, at NRD. The qualified joint and spouse survivor death benefit will apply.
■ Cash Balance	Payable to a participant immediately after becoming totally and permanently disabled while employed by the company. The benefit payable is the Frozen Final Average Pay Accrued Benefit as of March 31, 2014 and the Cash Balance Account based on Earnings and Vesting Service through date of Disability.
Preretirement death	If participant has attained age 50 and earned at least 10 years of vesting service, then the monthly preretirement death benefit payable on behalf of an active employee is unreduced for form of payment and early retirement.

In all other cases, the monthly preretirement death benefit payable is reduced 6.667% for each of the first five years and 3.333% for each of the next five years that payment precedes the participant's NRD.

Other Plan Provisions

Forms of payment

Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of a 50% joint and survivor annuity option or, if the participant elects and the spouse consents, another actuarially equivalent optional form offered by the plan. Optional forms are a 25%, 75% and 100% joint and survivor annuity, a ten-year certain and life annuity, (for married participants) a life annuity, or (for Cash Balance Members) a lump sum distribution.

Actuarial equivalence for annuity forms uses the 1971 Group Annuity Mortality Table for males, set back three years, and an interest rate of 6% compounded annually. Actuarial equivalence for lump sum purposes is the "applicable mortality table" under Code Section 417(e)(3)(B) and the "applicable interest rate" under Code Section 417(e)(3)(C) determined as of the fifth month immediately preceding the first day of the Plan Year in which the distribution is being made.

Pension Increases

None

Plan participants' contributions

None

Automatic Cash Out

Upon termination of service, if the lump sum value of the accrued benefit is less than $1,000, the lump sum amount is paid as soon as practical after termination.

Maximum limits on benefits and pay

All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes take effect.

Future Plan Changes

No future plan changes were recognized in determining pension cost or funding requirements. Willis Towers Watson is not aware of any future plan changes that are required to be reflected.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Appendix C: Statement of funding-related risks of plan in accordance with ASOP No. 51

Potentially Significant Risks Associated with the Plan

The following sections discuss certain risks associated with the Retirement Income Plan. The specific risks discussed below do not represent a comprehensive list of all risks that could potentially affect the plan, its participants, the sponsor, or any other party. In our professional judgment, we believe these risks to be most relevant to the plan's future financial condition. Not all possible sources of risk were considered. We have not assessed the likelihood or consequences of potential future changes in applicable law. Nothing contained in this report is intended to provide investment advice.

The results shown in this report rely on assumptions regarding future economic and demographic experience. Actual future experience will deviate from the actuarial assumptions, and thus future actuarial measurements and future contribution requirements will differ (perhaps significantly) from the current measurements and contribution requirements presented in this report. Following is a discussion of some of the risks that have the potential to significantly increase the future contributions needed to satisfy legal requirements and secure the benefits of participants. While the discussion below focuses on elements that can increase contributions, contributions may also significantly decline, if these elements move in the opposite direction than discussed below. *Note also that any assessment of the risk provided below is speculative and made by the actuary who may not have all the information necessary to evaluate the significance of the risk to the company or plan participants of changes in the plan's funded status; the plan sponsor and its advisors should consider the assessment and any reasons given, and other information, and come to their own conclusions as to the significance of the risk presented.* A more complete understanding of these or other risks would require a separate analysis. Such analysis would provide information about the consequences of different plausible experience and about the severity of adverse experience that could be tolerated within a range of funding levels. We recommend that such an analysis be performed or considered.

We also note that the financial condition of a plan, as well as the contributions caused by this condition, tend to be highly leveraged amounts. When referring to a plan's financial condition below, we generally mean the difference between the plan's assets and its liabilities. As each of these numbers is typically much larger than their difference, even a small change in either one can cause a large percentage change in the financial condition and the resulting contributions.

Financial Risks

Willis Towers Watson's Cost & Risk Management Channel is updated each year based on the most recent funding actuarial valuation and performs a high-level projection of funding requirements over the next few years, taking into account the projected stabilized interest rates. El Paso Electric Company has access to this tool as well as the ability to perform their own "what-if" scenarios if so desired. This tool can assist in El Paso Electric Company's understanding and assessment of the financial risks in this plan.

Asset-Liability Mismatch Risk

There is generally a substantial risk to a plan's financial condition if the changes in asset values are not matched by changes in the value of liabilities. This risk exists because much of the plan's assets are invested in securities that would not be expected to move in any predictable pattern relative to plan liabilities. That said, there is a portion of the plan's assets which are invested in securities that are expected to move in the same direction as liabilities, which may serve to partially mitigate a portion of this risk.

Investment Risk

Much of the plan's assets are invested in return-seeking asset classes that can experience volatile returns. Several consecutive years of moderately poor returns or a single year of exceptionally poor returns may cause a significant increase in minimum required contributions or in contributions required to reach desired funding targets (e.g., to fully fund plan termination liability, to fully fund the plan under the minimum funding rules, to avoid PBGC variable rate premiums or an ERISA §4010 filing, to avoid benefit restrictions or to meet other goals of the plan sponsor). Failure to compensate for adverse investment experience with increased contributions could result in further degradation of the funded status of the plan over time, even if investments return at expected rates thereafter.

Generally there is a substantial risk to a plan's financial condition if investment returns are lower than expected. In this situation the risk is present because some of the plan's assets are allocated to investments that would not be expected to move in any predictable pattern relative to plan liabilities.

Interest Rate Risk

The funding requirements use a measure of plan obligations based on recent high quality (rated A or better) corporate bond yields, adjusted so that they do not deviate by more than a specified percentage (which differs by year) from a 25-year average of such yields. If yields trend downward, the pension obligations and required contributions may increase significantly and the higher contribution rates may persist for a long period of time. The 25-year average currently results in the use of interest rates that are higher than current market yields. Under current law the effect of the averaging will decline over time because the specified percentage will be increased from the current 10% to 30%. Together these two facts mean that the interest rates used to measure liabilities will decline over time if market yields remain at current levels, Therefore, we expect interest rates used to measure liabilities to decline, the plan's funded status to deteriorate and minimum required contributions to increase.

There is generally a substantial risk to a plan's financial condition due to changes in interest rates because plan liabilities increase as interest rates decline. In this situation the risk is somewhat mitigated because the plan's liabilities used to determine required contributions are determined based on stabilized interest rates that do not reflect current market conditions.

Demographic Risks

The demographic risks discussed below are typically not as significant as the economic risks discussed above since both the degree of variation from assumptions and the effect on funded status tend to be smaller. However, situations do exist such as certain plan designs or corporate activity where the risks below may be more significant.

Longevity Risk

Measurements of the plan obligations are based on the assumptions of participant longevity described in Appendix A. Expert opinions about future longevity vary widely. If lifespans of plan participants exceed those expected under the assumptions used in preparing the results presented in this report, future measures of the plan obligation and future contribution requirements will gradually increase over time. Furthermore, an emerging pattern of longer lifespans or new research that increases the plausibility of longer lifespans may require a future adjustment in the mortality assumptions that results in a permanent significant increase in the plan obligation measurements and contribution requirements.

Retirement Risk

The plan includes valuable early retirement subsidies. As a result, plan costs will increase if participants retire at younger ages than assumed. This might occur, for example, if business conditions were to cause reductions in force. Currently, retirements are expected to occur at various ages, using the retirement rates summarized in Appendix A.

Lump Sum Risk

The plan includes an annuity conversion of the cash balance accounts determined using interest rates under IRC §417(e). Due to the required use of annuity substitution under IRS funding rules, the amount of funding target included in the valuation will differ from the actual annuity amounts.

The risk of plan financial decline due to this assumption is mitigated under the current HATFA legislation given the funding target amount included in the valuation tends to exceed the actual annuity payments.

Other Risks

Additional risks exist, including but not limited to liquidity risk, inflation risk, business-specific risk, and compliance risk. However, at this time we do not believe these risks to be as relevant or significant to the plan's future financial condition as those outlined above. It is possible one or more of these risks (in addition to some that are not listed) could become more prevalent and significant in the future depending on a wide range of factors including, but not limited to, changes in employee demographics, de-risking activities, legislative changes, unexpected economic movements, etc.

Historical Information

The following information is provided to demonstrate how fair value of assets, funding target, and funded percentage have varied over time. In order to better illustrate market movements, the effect of interest rate stabilization (first enacted in the Moving Ahead for Progress in the 21st Century (MAP 21) and since extended by subsequent legislation) has been excluded (i.e., the measures summarized below are calculated without reflecting stabilized interest rates). Note that the asset values and funding targets shown below were affected by the levels of plan sponsor contributions and benefits accruing, respectively, in addition to interest rates, asset gains and losses, and other experience.

Plan Year	Fair Market Value of Assets	Funding Target	Funded Percentage
2021	375,327,497	370,706,150	101.25%
2020	327,152,316	330,215,292	99.07%
2019	272,803,260	318,093,168	85.76%

Appendix D: Descriptions of funded status measures

Calculations for Funding Ratios Chart in Section 1: Summary of Results

Prior Year Ratios

	Purpose of Ratio	Asset Measure	Obligation Measure
1	Test ability to apply funding balances to current year MRC	AVA - PFB	FTO
2	Quarterly contribution exemption test for current year	AVA – FSCB - PFB	FT
3	At-risk Prong 1 Test for current year	AVA – FSCB - PFB	FTO
4	At-risk Prong 2 Test for current year	AVA – FSCB - PFB	FTAR, but without loads

Current Year Ratios

	Purpose of Ratio	Asset Measure	Obligation Measure
1	Test ability to apply funding balances to next year's MRC	Same as for analogous Prior Year Ratio	
2	Quarterly contribution exemption test for next year		
3	At-risk Prong 1 Test for next year		
4	At-risk Prong 2 Test for next year		
5	PBGC 4010 filing gateway test (PBGC FTAP) (to determine whether a filing is required next year for the current plan year)	AVA – FSCB - PFB	FTO ignoring interest rate stabilization
6	Exemption from establishing SAB in current year:		
	- If PFB applied to current year MRC	AVA - PFB	FT
	- If PFB not applied to current year MRC	AVA	FT
7	Eliminate SABs in current year	AVA – FSCB – PFB	FT

Benefit Restriction Ratios

Purpose of Ratio for Plan Year	Plan assets	Obligations	Year Ratio is Determined
Adjusted Funding Target Attainment Percentage (AFTAP) – Application of Benefit Restrictions under IRC 436	[AVA if AVA/FTO >= 100%; AVA – FSCB – PFB otherwise] + annuity purchases for NHCEs in previous 2 years	FTO[1] + annuity purchases for NHCEs in previous 2 years	Current

[1] If plan sponsor is in bankruptcy, FTO is calculated using interest rates that are not stabilized for purposes of restrictions on accelerated payments.

Definitions of terms

Term	Short for	Definition
FTAP	Funding target attainment percentage	(AVA – FSCB – PFB) / FTO
PBGC FTAP	FTAP for exemption from ERISA 4010	(AVA – FSCB – PFB) / (FTO ignoring interest rate stabilization)
FSCB	Funding standard carryover balance	Accumulated contributions in excess of those required in pre-PPA plan years, less amounts applied to MRC or forfeited
PFB	Prefunding balance	Accumulated contributions in excess of those required since PPA applied to the plan, to the extent the plan sponsor elected to create PFB, less amounts subsequently applied to MRC or forfeited
Funding balance	FSCB + PFB	
FTO	Ongoing funding target	Funding target as described in IRC 430, ignoring at-risk assumptions; equals FT for a plan that is not at-risk.[1]
FTO ignoring stabilization	FTO calculated ignoring interest rate stabilization	Same as FTO if the full yield curve is used, or stabilized segment rates fall within the corridors
FTAR	At-risk funding target	Funding target reflecting at-risk assumptions and any applicable loads, as described in IRC 430(i), with no phase-in
FT	Funding target	Funding target used to calculate MRC. Equals: ■ FTO if the plan is not at-risk. ■ FTAR if the plan has been at risk for at least 5 consecutive plan years. ■ Otherwise, FTO + 20% * (# of consecutive years at-risk) * (the excess, if any, of FTAR over FTO).
FS	Funding shortfall (surplus)	FT – (AVA – funding balances)
PBGC 4010 FS	Funding shortfall for determining whether a controlled group is exempt from an ERISA 4010 filing	FT (ignoring interest rate stabilization) - AVA See PBGC reporting requirements section of the report for more information.
SAB	Shortfall amortization base	An SAB is established each year equal to the FS less the present value of the SAIs related to SABs established in earlier years. A plan may be exempt from establishing an SAB for a plan year

[1] If plan sponsor is in bankruptcy, FTO is calculated using interest rates that are not stabilized for purposes of restrictions on accelerated payments.

Term	Short for	Definition
		in accordance with the test in the Funding Ratios chart in section 1.
TNC	Target normal cost	Present value of benefits expected to accrue, and expenses expected to be paid from plan assets, for the year. Reflects at-risk assumptions if the plan is at-risk (phased-in if plan has been at-risk for fewer than 5 consecutive years as described above)
SAI	Shortfall amortization installment	Amortization for an SAB established in a particular year. SAIs are eliminated if FS is less than or equal to $0.
MRC	Minimum required contribution	TNC plus SAIs as of the valuation date (assumes no funding waivers and plan is not fully funded). See section 2.4 for more details on this calculation.
AVA	Actuarial value of plan assets	"Plan assets" under PPA, including discounted receivables and reflecting any smoothing. See section 2.3 for more details.