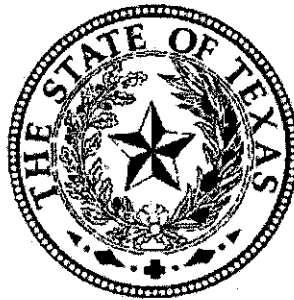


AUDITED
ANNUAL FINANCIAL REPORT
For The Year Ended August 31, 2017



Texas Emergency Services Retirement System

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Austin TX 78701
(800) 919-3372
www.tesrs.texas.gov



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Texas Emergency Services Retirement System



Frank Torres, Chairman
Kevin Deiters, Executive Director

P.O. Box 12577 Austin, TX 78711-2577

(800) 919-3372

www.tesrs.texas.gov

December 20, 2017

Honorable Greg Abbott, Governor
Honorable Dan Patrick, Lieutenant Governor
Honorable Joe Straus, Speaker of the House
Honorable Glenn Hegar, Texas Comptroller
Ms. Ursula Parks, Director, Legislative Budget Board
Ms. Lisa Collier, First Assistant State Auditor

Dear Lady and Gentlemen:

I am pleased to submit the Audited Annual Financial Report of the Texas Emergency Services Retirement System for the year ending August 31, 2017, in compliance with the Texas Government Code Ann. 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

Weaver and Tidwell, L.L.P. has audited the accompanying Annual Financial Report and their opinion of the financial statements is contained in this report.

If you have any questions, please contact Judy Johnson, CFO at (512) 565-1735.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin B. Deiters".

Kevin B. Deiters
Executive Director





Independent Auditor's Report

Board of Trustees and Executive Director
Texas Emergency Services Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas Emergency Services Retirement System (the System), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Texas Emergency Services Retirement System, as of August 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Fund Financial Statements

As discussed in Note 1, the financial statements present only the System, a fiduciary fund of the State of Texas and do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2017 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Investments with Values that are not Readily Determined

As discussed in Notes 1 and 3, the financial statements include investments valued at approximately \$16,345,000 as of August 31, 2017, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and schedule of investment returns as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The information in Schedules 1 through 4 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information in Schedules 1 through 3 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information in Schedule 4 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

We have previously audited the System's fiscal year 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
December 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provides an overview of the financial activities of the Texas Emergency Services Retirement System ('TESRS' or the 'System') for the year ending August 31, 2017. Please review this narrative in conjunction with the Basic Financial Statements, which begin after this discussion.

Using this Annual Financial Report

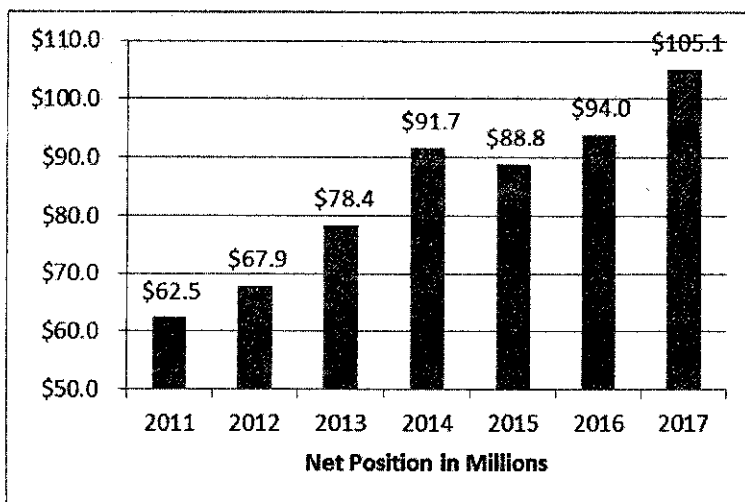
The Texas Emergency Services Retirement System administers death, disability, and pension benefits, to eligible volunteer fire and emergency services personnel and their beneficiaries from member departments statewide. At the close of fiscal year 2017, there were 235 member departments in the System.

This discussion and analysis is intended to serve as an introduction to the System's basic financial presentation, which presents the net position held in trust for pension benefits as of August 31, 2017, and summarizes the changes. The information available in each of these sections is briefly summarized below.

- **Financial Statements** – Fund Financial statements are presented as of August 31, 2017, and reflect the resources available to pay benefits to retirees and other beneficiaries for covered plan participants, and for System administration costs.
- **Notes to the Financial Statements** – The notes to the financial statements provide information essential to a full understanding of the financial statements.
- **Required Supplementary Information** -- Required supplementary information consists of a Schedule of Changes in the System's Net Pension Liability and Related Ratios and a Schedule of Investment Returns.
- **Other Supplementary Schedules** – Other schedules include information on System investments, administrative expenses, investing expenses, and Trustees.

Statement of Plan Net Position

Net position held in trust at the end of fiscal year 2017 totaled \$105.1 million, which represents an increase of \$11.1 million over funds held at the close of fiscal year 2017.



The majority of plan assets are held as investments. The money weighted net real rate of return on investments was 10.32% as of August 31, 2017.

As part of its investment Policy, the Board of Trustees sets asset allocation targets for each of its investment strategies. Actual asset allocations are monitored by staff and reviewed by the Trustees on a regular basis. Amounts invested in funding categories are considered for rebalancing when actual allocations fall outside of the approved target ranges. At the close of fiscal year 2017, system investment details were as follows:

Summary of Assets as of August 31, 2017				
Investment Category	Actual Amounts	Actual Allocation	Target Allocation	Allocation Range
Cash and equivalents	\$614,340	0.6%	0.0%	0%-10%
Short Term Investments	\$1,395,000	1.3%	0.0%	0.0%
US Market Equities-Large Cap				
Value	\$17,293,428	16.7%	16.0%	11%-21%
Growth	\$17,011,193	16.4%	16.0%	11%-21%
US Market Equities-Small/Mid Cap				
Value	\$7,609,643	7.3%	7.5%	2.5%-12.5%
Growth	\$7,763,817	7.5%	7.5%	2.5%-12.5%
International Equity-Developed Markets				
	\$16,345,003	15.8%	15.0%	10%-20%
International Equity-Emerging Markets				
	\$7,327,336	7.1%	5.0%	0%-10%
Core Fixed Income	\$24,138,787	23.3%	23.0%	10%-30%
Master Limited Partnerships (Energy)				
	\$4,074,348	3.9%	5.0%	0%-10%
US Core Real Estate		0.0%	5.0%	0%-10%
Other				
Payables and other liabilities	-\$162,829	N/A	N/A	N/A
Receivables	\$1,709,722	N/A	N/A	N/A
Total assets as of August 31, 2017	\$105,119,788	100.0%	100.0%	

Statement of Fiduciary Net Position

The TESRS System is a pension program exclusively for volunteer fire and emergency services personnel, which is financed by local contributions (each department must have a political subdivision designated as its 'governing entity' that enters into an irrevocable agreement with the System on behalf of the department), state contributions, and investment income.

Governing entities contribute a minimum of \$36 per member per month based on rosters of active participants – these payments are reflected as 'Dues' in the financial statements. Additionally, within two years of joining the System, member departments may purchase up to ten years credit for active volunteers with service prior to a department's entry into the System. Payments made of this nature, are shown as 'Prior Service' in the financial statements. The following illustrates the changes in the fiduciary net position from fiscal years 2016 to 2017:

Description	2017	2016	Increase/ (Decrease)	% Change
Total Assets	\$105,282,617	\$94,646,858	\$10,635,759	11.2%
Total Liabilities	\$162,829	\$682,850	-\$520,021	-76.2%
Total Net Position	\$105,119,788	\$93,964,008	\$11,155,780	11.9%

Statement of Changes in Fiduciary Net Position of Pension Fund

Additions

The primary additions as of August 31, 2017 are shown below, along with those same categories in fiscal year 2016 for comparative purposes. The amount shown as Net Investment Income is comprised of net appreciation in fair value of investments, plus treasury interest, plus interest and investment income, less investing activities expenses. Additions (as well as deductions) may all be found on Exhibit IV in the Combined Statement of Changes in Fiduciary Net Position.

Description	2017	2016	Increase/ (Decrease)	% Change
Original Appropriations	\$1,583,825	\$1,583,825	\$0	0.0%
Dues	\$3,641,179	\$3,320,122	\$321,057	9.7%
Prior Service	\$1,370,953	\$145,562	\$1,225,391	841.8%
Net Investment Income	\$9,774,046	\$4,954,649	\$4,819,397	97.3%

Deductions

Total deductions are comprised of benefit payments and the cost of administering the system, as shown below.

Description	2017	2016	Increase/ (Decrease)	% Change
Death Benefits	\$73,357	\$93,501	-\$20,144	-21.5%
Retirement Benefits	\$4,405,843	\$4,058,689	\$347,154	8.6%
Disability Benefits	\$34,200	\$34,200	\$0	0.0%
Survivor Benefits	\$518,857	\$515,380	\$3,477	0.7%
Administrative Expenses	\$184,314	\$166,840	\$17,474	10.5%

Actuarial Status

On December 13, 2016, the Board received and accepted the August 31, 2016 actuarial valuation report from Rudd and Wisdom, Inc. that concluded that the System has an adequate contribution arrangement, assuming that:

- the state will continue to appropriate the maximum annual contribution as needed in accordance with the state law governing the System;
- the state will contribute \$725,000 each year to pay for part of the System's administrative expenses; and
- the participating departments will contribute an additional two percent of annual contributions as required by Board rule to pay the normal cost and to amortize the unfunded actuarial accrued liabilities in 30 years.

The calculated August 31, 2016 amortization period needed to pay for the \$24,439,317 in unfunded actuarial accrued liabilities of the system is 30 years. The funding ratio is 80.1%.

It should be noted that without expected appropriations from the state and the expected additional contributions from participating departments, the System would have an inadequate contribution arrangement because the unfunded actuarial accrued liability (UAAL) will never be amortized, but instead will increase every year. According to state statute, the state must contribute the sum necessary to make the fund actuarially sound each year, with the caveat that the state's contribution may not exceed the amount of one-third of the total of all contributions by governing bodies in one year.

The Schedule of Changes in the System's Net Pension Liability and Related Ratios for the Last 10 fiscal Years (under Section II-Required Supplementary Information) shows a total Net Pension Liability of \$29,128,103 and a related funding ratio of 76.3% for the fiscal year ending August 31, 2016. The difference between these numbers and those reflected in the August 31, 2016 actuarial valuation is due to the valuation methodology of investment assets. The actuarial valuation utilizes a smoothing method which tends to produce less volatility than the market value method, which is required in the Annual Financial Report.

Request for Information

This financial report is designed to provide a general overview of the Texas Emergency Services Retirement System finances for those with an interest in the System. Questions concerning any of the information provided in this report should be emailed to info@tesrs.texas.gov.

AUDITED

**Texas Emergency Services Retirement System
Exhibit I - Governmental Fund Balance Sheet/Statement of Net Position
August 31, 2017**

	General Fund			
	Balance Sheet 2017	Adjustments*	Statement of Net Position	
	2017		2017	2016
ASSETS				
Current Assets:				
Legislative Appropriations	\$ 94,609	\$	\$ 94,609	\$ 118,147
Consumable Inventories	3,826		3,826	3,705
Total Current Assets	<u>\$ 98,435</u>	<u>\$ -</u>	<u>\$ 98,435</u>	<u>\$ 121,852</u>
Non-Current Assets:				
Capital Assets:				
Depreciable:				
Other Capital Assets (Note 2)	\$			
Less Accumulated Depreciation (Note 2)				
Total Non-Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 98,435</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,435</u></u>	<u><u>\$ 121,852</u></u>
LIABILITIES AND FUND BALANCES/NET POSITION				
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 94,624	\$	\$ 94,624	\$ 116,814
Employees' Compensable Leave (Note 4)		24,681	24,681	25,533
Total Current Liabilities	<u>\$ 94,624</u>	<u>\$ 24,681</u>	<u>\$ 119,305</u>	<u>\$ 142,347</u>
Non-Current Liabilities:				
Employees' Compensable Leave (Note 4)	\$	\$ 14,037	\$ 14,037	\$ 15,763
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ 14,037</u>	<u>\$ 14,037</u>	<u>\$ 15,763</u>
Total Liabilities	<u>\$ 94,624</u>	<u>\$ 38,718</u>	<u>\$ 133,342</u>	<u>\$ 158,110</u>
FUND BALANCES/NET POSITION				
Fund Balances (Deficits):				
Nonspendable	\$ 3,826	\$ (3,826)	\$	\$
Unassigned	(15)	15		
Total Fund Balances	<u>\$ 3,811</u>	<u>\$ (3,811)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:				
Unrestricted	\$	\$ (34,907)	\$ (34,907)	\$ (36,258)
Total Net Position	<u>\$ -</u>	<u>\$ (34,907)</u>	<u>\$ (34,907)</u>	<u>\$ (36,258)</u>
Total Liabilities and Fund Balances/Net Position	<u><u>\$ 98,435</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,435</u></u>	<u><u>\$ 121,852</u></u>

* Adjustments represent Capital Assets and the liability for Compensable Leave, and the conversion from Fund Balance to Net Position.

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Texas Emergency Services Retirement System
Exhibit II - Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances/Statement of Activities
For the Fiscal Year Ended August 31, 2017

	General Fund			
	Statement of Revenues, Expenditures, and Changes in Fund Balance		Statement of Activities	
	2017	Adjustments*	2017	2016
REVENUES				
Legislative Appropriations:				
Original Appropriations	\$ 751,028	\$	\$ 751,028	\$ 750,668
Additional Appropriations	167,868		167,868	164,954
Total Revenues	<u>\$ 918,896</u>	<u>\$ -</u>	<u>\$ 918,896</u>	<u>\$ 915,622</u>
EXPENDITURES/EXPENSES				
Salaries and Wages	\$ 529,376	\$ (2,578)	\$ 526,798	\$ 565,366
Payroll Related Costs	179,315		179,315	166,741
Professional Fees and Services	109,112		109,112	85,814
Travel	18,932		18,932	18,496
Materials and Supplies	27,144		27,144	58,054
Communication and Utilities	10,172		10,172	10,980
Repairs and Maintenance	17,445		17,445	
Rentals & Leases	4,675		4,675	7,558
Printing and Reproduction	1,220		1,220	391
Other Expenditures	6,805		6,805	13,862
Total Expenditures/Expenses	<u>\$ 904,196</u>	<u>\$ (2,578)</u>	<u>\$ 901,618</u>	<u>\$ 927,262</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures/Expenses	<u>\$ 14,700</u>	<u>\$ 2,578</u>	<u>\$ 17,278</u>	<u>\$ (11,640)</u>
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	<u>\$ 14,700</u>	<u>\$ 14,700</u>		
Change in Net Position	<u>\$ 14,700</u>	<u>\$ 2,578</u>	<u>\$ 17,278</u>	<u>\$ (11,640)</u>
Fund Balances/Net Position				
Fund Balances/Net Position--Beginning of Year	\$ 5,038		\$ (36,258)	\$ (16,807)
Appropriations Lapsed	(15,927)		(15,927)	(259)
Restatements				(7,552)
Fund Balances/Net Position--End of Year	<u>\$ 3,811</u>		<u>\$ (34,907)</u>	<u>\$ (36,258)</u>

*Adjustments are associated with compensable leave and capital outlay, and the conversion from Fund Balance to Net Position.

AUDITED

**Texas Emergency Services Retirement System
Exhibit III - Statement of Fiduciary Net Position
Pension Trust Funds
August 31, 2017**

	Pension Trust	
	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash in State Treasury (Note 3)	\$ 614,340	\$ 254,605
Short Term Investments (Note 3, Schedule 1)	1,395,000	1,976,805
Receivables:		
Retirement System Contributions	890,600	835,260
Interest and Dividends	161,991	161,372
Sale of Investments	26,549	245,076
Total Current Assets	\$ 3,088,480	\$ 3,473,118
Non-Current Assets:		
Receivables:		
Retirement System Contributions	\$ 630,582	\$ 249,529
Investments (Note 3, Schedule 1)		
Corporate Equity	53,752,429	42,214,587
US Government Obligations	14,260,193	13,996,586
Corporate Obligations	9,878,594	9,803,102
Other Investments	23,672,339	24,909,936
Total Non-Current Assets	\$ 102,194,137	\$ 91,173,740
Total Assets	\$ 105,282,617	\$ 94,646,858
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payables	\$ 126,028	\$ 142,851
Investment Purchases Payable	26,517	513,799
Unearned Revenue	10,284	26,200
Total Current Liabilities	\$ 162,829	\$ 682,850
Total Liabilities	\$ 162,829	\$ 682,850
NET POSITION		
Restricted for Pensions	\$ 105,119,788	\$ 93,964,008

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

AUDITED

Texas Emergency Services Retirement System
Exhibit IV - Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended August 31, 2017

	Pension Trust	
	2017	2016
ADDITIONS		
Contributions:		
Dues	\$ 3,641,179	\$ 3,318,041
Prior Service	1,349,630	114,282
Interest on Contracts to Purchase		
Prior Service	21,323	31,280
Appropriations from General Revenue	1,583,825	1,583,825
Total Contributions	<u>\$ 6,595,957</u>	<u>\$ 5,047,428</u>
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	\$ 8,665,241	\$ 3,969,707
Treasury Interest	14,727	4,073
Interest and Investment Income	1,661,672	1,584,980
Total	<u>\$ 10,341,640</u>	<u>\$ 5,558,760</u>
Less Investing Activities Expense		
(Schedule 3)	567,594	604,111
Net Increase/Loss	<u>\$ 9,774,046</u>	<u>\$ 4,954,649</u>
Other Additions:		
Voided checks	\$ 2,348	\$ 2,081
Total Other Additions	<u>\$ 2,348</u>	<u>\$ 2,081</u>
Total Additions	<u>\$ 16,372,351</u>	<u>\$ 10,004,158</u>
DEDUCTIONS		
Retirement System Benefits Paid:		
Death Benefits	\$ 73,357	\$ 93,501
Retirement Benefits	4,405,843	4,058,689
Disability Benefits	34,200	34,200
Survivor's Benefits	518,857	515,380
Administrative Expenses (Schedule 2)	184,314	166,840
Total Deductions	<u>\$ 5,216,571</u>	<u>\$ 4,868,610</u>
Net Increase	\$ 11,155,780	\$ 5,135,548
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year	\$ 93,964,008	\$ 88,828,460
End of Year	<u>\$ 105,119,788</u>	<u>\$ 93,964,008</u>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Texas Emergency Services Retirement System (TESRS) is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine-member Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report.

This report includes all activities and organizations for which TESRS exercises fiscal control and responsibility and includes all funds that comprise its legal entity. No blended or discretely presented component units have been identified as having a relationship to the TESRS.

B. BASIS OF ACCOUNTING

The accounts of TESRS are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a complete set of self-balancing accounts that comprise its assets, liabilities, additions, deductions, revenues and expenses/expenditures. Separate financial statements are provided for each fund. The following fund types are used to reflect its transactions:

GOVERNMENTAL FUND TYPE

The general fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The general fund Statement of Net Position and Statement of Activities are maintained on the full accrual basis of accounting and the economic resources measurement focus.

FIDUCIARY FUND TYPES

The fiduciary fund reports assets held in a trustee or agency capacity on behalf of others. Financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Additions are recognized when earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows. Contributions are recognized immediately upon billing, reflecting actual participation in the member fire department during the prior quarter. Benefits are recognized when due and payable in accordance with the terms of the plan.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd.

All economic resources, including financial and capital assets, and related liabilities, both current and long-term, and the changes therein are reported in the fund's financial statements. Capital assets are depreciated.

C. BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor.

Encumbrance accounting is employed for budgetary control purposes. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

D. ASSETS, LIABILITIES AND FUND BALANCES/NET POSITION

ASSETS

Cash and Cash Equivalents

The category Cash and Cash Equivalents includes cash on hand, cash in state treasury, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments of TESRS are reported at fair value. The fair value of investments is based on market prices provided by the fund custodian, Bank of Texas. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, determines the fair values for the individual investments. Two investments are held which are non-publicly traded, so no quoted market prices are available. For the Custodial Bank Short Term Investment fund, a unit or share value of \$1.00 is used, as reported by the Custodial Bank. For the Commingled Fund-International Developed Markets Equity, the August 31 monthly statement provided by the fund manager, OFI Trust Company, is used. This statement provides the NAV/unit and total market value of TESRS' interest in this fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd.

Accounts Receivable

Accounts receivable represents contributions due to TESRS, and investment income earned but not received as of August 31, 2017.

Pursuant to Senate Bill No. 411, 65th Legislature, Regular Session (1977) - TESRS Fund, sponsors of current pension plans that elect to participate in the pension system administered by TESRS must make contributions to the pension system to fund the unfunded prior service costs applicable to their volunteer emergency service personnel. The sponsors of current pension plans have the option of funding these contributions. The time period for funding is established by board rule, and is a maximum of 10 years. However, there are some contracts still outstanding which were operating under a previous rule which set the maximum at 40 years. TESRS has entered into written contracts with these merging sponsors, establishing the terms of the funding of the buybacks and unfunded prior service costs. The contracts specify interest on the unpaid balance, which is the actuarially assumed investment rate of return at the effective date of the contract.

Accounts Receivable relating to these contracts are shown on the Statement of Fiduciary Net Position. As of August 31, 2017, the total outstanding balance of these financing arrangements was \$630,582.

Inventories

Inventories, shown on the balance sheet at cost, consist of inventories of consumable office supplies and postage at August 31, 2017. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental fund types. The cost of these items is expensed when the items are consumed.

LIABILITIES

Payables

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending, as well as investment purchases executed but not yet closed.

Unearned Revenue

Unearned Revenue represents the liability that the TESRS has to pay future retirement benefits that are prepaid by local governing bodies.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd.

Employees' Compensable Leave

Employees' Compensable Leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the Governmental Statement of Net Position.

FUND BALANCE / NET POSITION

The difference between fund assets and liabilities is "Net Position" on the Governmental Statement of Net Position. "Fund Balance" is the difference between fund assets and liabilities on the Governmental Fund Balance Sheet.

Nonspendable

This represents the amount of supplies inventory to be used in the next fiscal year, classified as such because this balance is not available to be spent as it is not in spendable form.

Unassigned

This classification represents fund balance that was not assigned to other funds and was not restricted, committed, or assigned to specific purposes within the general fund.

NET POSITION RESTRICTED FOR PENSIONS

This represents reserves available to fund future retirement, death, and survivor benefits.

E. INTERFUND TRANSACTIONS AND BALANCES

The TESRS has no transactions between funds.

NOTE 2: CAPITAL ASSETS

Summaries of changes in Capital Assets for the year ended August 31, 2017, are presented below:

Governmental Activities					
Asset Type	Balance 9/1/16	Restatements	Adjustments	Deletions	Balance 08/31/17
Other Capital Assets	\$0				\$0
Accumulated Depreciation	\$0				\$0

Pension Trust Fund					
Asset Type	Balance 9/1/16	Restatements	Adjustments	Deletions	Balance 08/31/17
Furniture & Equipment	\$0				\$0
Accumulated Depreciation	\$0				\$0

NOTE 3: DEPOSITS AND INVESTMENTS

The Texas Emergency Services Retirement System (TESRS), Texas Government code, Section 865.008 (a) and (b) state "If a surplus exists in the fund over the amount necessary to pay benefits due for a reasonable period of time, the state board shall invest the surplus. The assets of the pension system shall be invested and reinvested in accordance with Section 67, Art XVI, Texas Constitution. A determination of whether the state board has exercised prudence with respect to an investment decision must be made, taking into consideration the investment of all assets of the trust over which the state board has management and control rather than considering the prudence of a single investment". All major sectors of the capital markets should be considered in order to diversify and minimize total investment program risk. This asset mix is determined by the Board of Trustees, and currently includes equities, fixed income, convertible bonds, short-term cash equivalents, master limited partnerships, and alternative investments. The following was the TESRS Board's adopted asset allocation policy as of August 17, 2017.

Asset Allocation	Target
US Market Equities-Large Cap Value	16%
US Market Equities-Large Cap Growth	16%
US Market Equities-Small/Mid Cap Value	7.5%
US Market Equities-Small/Mid Cap Growth	7.5%
Core Fixed Income	23%
International Equity-Developed Markets	15%
International Equity-Emerging Markets	5%
Cash & Equivalents	0%
Master Limited Partnerships (Energy)	5%
US Core Real Estate	5%
Total	100%

NOTE 3: DEPOSITS AND INVESTMENTS cont'd.

The TESRS contracts with Bank of Texas for custodial services and AndCo Consulting, LLC for investment consulting services. The TESRS contracts with five money managers to manage the fixed income and equity portfolios. The money managers are Boston Partners LLC, Harvest Fund Advisors LLC, Garcia Hamilton & Associates L.P., Richmond Capital Management, Inc., and Clearbridge Investments, LLC. The TESRS also invests with three mutual funds—Wells Fargo, Clarkston Partners, and Jackson Square Partners, and with one Commingled Fund—OFIGTC (OFI Global Trust Company).

A. DEPOSITS

The bank balance of \$614,340 is deposited in the State Treasury.

CUSTODIAL CREDIT RISK-DEPOSITS

The custodial credit risk for deposits is the risk that, in the event of bank failure, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The State Treasury invests funds in time deposits, repurchase and reverse repurchase agreements, obligations of the United States, and obligations of various federal credit organizations. The State Treasury has an arrangement with financial institutions to collateralize state deposits in excess of depository insurance. TESRS does not have a formal deposit policy for custodial credit risk.

NOTE 3: DEPOSITS AND INVESTMENTS cont'd.

B. INVESTMENTS

Investments measured and reported at fair value are classified according to the following hierarchy:

Level 1—Investments reflect prices quoted in active markets.

Level 2—Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3—Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

As of August 31, 2017, the fair value of investments are as presented below:

Description	Fair Value Hierarchy				(Fair Value)
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	
U.S. Treasury Securities	\$4,516,740				\$4,516,740
U.S. Government Agency Obligations		\$5,346,308			\$5,346,308
Corporate Obligations		\$9,668,352			\$9,668,352
Corporate Asset and Mortgage Backed Securities		\$4,607,387			\$4,607,387
Equity	\$53,752,429				\$53,752,429
International Equity	\$7,327,336				\$7,327,336
International Other Commingled Funds				\$16,345,003	\$16,345,003
Other Commingled Funds	\$1,395,000				\$1,395,000
Total Investments	\$66,991,505	\$19,622,047		\$16,345,003	\$102,958,555
Reconciliation of Investments per Exhibit III					
Other Short Term Investments					\$1,395,000
Corporate Equity					\$53,752,429
U.S. Government Obligations					\$14,260,193
Corporate Obligations					\$9,878,594
Other Investments					\$23,672,339
Investment per Exhibit III					\$102,958,555

NOTE 3: DEPOSITS AND INVESTMENTS cont'd.

The International Other Commingled Funds listed in the Fair Value Hierarchy schedule above is not SEC-registered. The Employee Benefit Investment Funds of OFI Global Trust Company, an indirect subsidiary of Oppenheimer Funds, Inc. ("OFI" or the "Adviser"), were established pursuant to, and in conformity with, the applicable laws of the State of New York relating to common trust funds and the pertinent rules and regulations of the Comptroller of the Currency pertaining to collective investment funds, for the purpose of facilitating the collective investment and reinvestment of monies contributed by participating trusts in conformity with the requirements of the Internal Revenue Service. The preparation of the OFIGTC fund financial statements is in conformity with accounting principles generally accepted in the United States of America. TESRS has no unfunded commitments to OFIGTC. Redemptions are allowable daily, and a redemption notice period of 3-5 days is required prior to redemption.

For the year ended August 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 10.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

See Schedule 1 for investments that represent greater than 5% of the TESRS fiduciary net position.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Investment policies of TESRS require that investments in Core Fixed Income not exceed 30% (23.4% actual) of the portfolio.

TESRS' domestic fixed income is managed by Richmond Capital Management, Inc. and Garcia Hamilton & Associates L.P. 61% of these holdings are either not subject to credit risk, or AAA rated, while 29% is rated A or better. Credit risk is managed through diversification and by operating within defined parameters.

Investment Type	Not Rated
U.S. Government and Corporate Obligations	\$24,138,787

TESRS has authorized their five money managers to invest cash in Bank of Texas' Short Term Investment Fund pending completion of investment activities relating to the sale/purchase of securities. Bank of Texas' Short Term Investment Fund is not rated.

INTEREST RATE RISK

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. TESRS maintains an investment of \$24,138,787 in Core Fixed Income which is subject to Interest Rate Risk. The average portfolio duration of Richmond Capital Management, Inc. is 5.51 years, and for Garcia Hamilton is 4.78 years.

Interest rate risk is managed through diversification and by operating within defined parameters. The TESRS Board of Trustees has no specific policy relating to interest rate risk.

NOTE 3: DEPOSITS AND INVESTMENTS cont'd.

FOREIGN CURRENCY RISK

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. TESRS' policy for managing foreign currency risk relies upon the parameters established within the investment policy.

CUSTODIAL CREDIT RISK-INVESTMENTS

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

There is no exposure to custodial credit risk for investments due to the fact that all equity securities are held by the custodian in TESRS' name. Mutual Fund and Commingled Fund investments are not subject to custodial credit risk. TESRS does not have a policy relating to custodial credit risk for investments.

NOTE 4: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2017, the following changes occurred in long-term liabilities:

Governmental Activities	Balance 9/1/2016	Additions	Reductions	Balance 8/31/2017	Amounts Due Within One Year
Compensable Leave	\$41,296	\$ 31,608	\$34,186	\$38,718	\$24,681
Total Governmental Activities	\$41,296	\$ 31,608	\$34,186	\$38,718	\$24,681

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in Governmental fund types. The liability for unpaid benefits is recorded in the Governmental Statement of Net Position. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 5: INTERFUND BALANCES/ACTIVITIES

As explained in Note 1, on Interfund Transactions and Balances, there are no transactions between funds as of August 31, 2017

NOTE 6: EMPLOYEES' RETIREMENT PLAN

The State provides a defined benefit retirement plan for its employees. The TESRS participates in the plan administered by the Employees Retirement System of Texas (ERS). Future pension costs are the liabilities of ERS. ERS does not account for each state agency separately. Annual financial reports prepared by ERS include audited financial statements and actuarial assumptions and conclusions.

NOTE 7: DEFERRED COMPENSATION

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., sec 609.001. Two plans are available for employee's deferred compensation (457 and 401k). Both plans are administered by the Employees Retirement System.

NOTE 8: CONTINGENT LIABILITIES

Sick Leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid to the employee only in the event of illness. In the event of an employee's death, a payment is made to the employee's estate for one-half of the employee's accumulated leave or 336 hours, whichever is less. TESRS' policy is to recognize the cost of any sick leave when paid. No liability is recorded since experience indicates the probability of a material effect on any given year's operations, as a result of death or abnormally high rate of illness, is minimal.

NOTE 9: CONTINUANCE SUBJECT TO REVIEW

TESRS is subject to Sunset review (but not abolishment) in 2025, and every 12 years thereafter.

NOTE 10: RISK FINANCING AND RELATED INSURANCE

TESRS is exposed to a variety of civil claims resulting from the performance of its duties. It is the TESRS' policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

TESRS assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties. TESRS' liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. Because of the low statewide incident of claims, the TESRS has no fidelity dishonesty insurance coverage.

Changes in the balances of TESRS' claims liabilities during fiscal years 2016 and 2017 were as follows:

	Beginning of Fiscal Year Liability	Current Year Clams and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2016	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2017	\$ -0-	\$ -0-	\$ -0-	\$ -0-

NOTE 11: PENSION DISCLOSURES

A. General Information about the System

1. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2017, there were 235 fire and/or emergency services member departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

2. Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

3. Covered Membership

On August 31, 2017, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,104
Terminated members entitled to but not yet receiving benefits	2,208
Active participants	4,046

NOTE 11: PENSION DISCLOSURES cont'd.

4. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

5. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2017, total contributions of \$5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,583,825 for the fiscal year ending August 31, 2017.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section I(B)(1).

The most recently completed biennial actuarial valuation as of August 31, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected

NOTE 11: PENSION DISCLOSURES cont'd.

contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

B. Net Pension Liability

The System's net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016 and rolled forward to August 31, 2017.

Total pension liability	\$ 129,121,466
Plan fiduciary net position	<u>105,119,788</u>
System's net pension liability	\$ 24,001,678
Plan fiduciary net position as a percentage of the total pension liability	81.4%

1. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 11: PENSION DISCLOSURES cont'd.

	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32%	5.72%
Small cap domestic	10	5.96
Developed international	21	6.21
Emerging markets	6	7.18
Master limited partnership	5	7.61
Fixed income		
Domestic	21	1.61
International	5	1.81
Cash	0	0.00
Total	100%	
Weighted average		4.97%

2. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System, calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's net pension liability	\$ 44,821,241	\$ 24,001,678	\$ 10,867,631

AUDITED
Texas Emergency Services Retirement System

Section II – Schedules of Required Supplementary Information

**A. Schedule of Changes in the System’s Net Pension Liability and Related Ratios
for the Last 10 Fiscal Years ¹**

	Fiscal Year Ending			
	8/31/2017	8/31/2016	8/31/2015	8/31/2014
1. Total Pension Liability				
a. Service cost	\$1,593,479	\$1,694,230	\$1,694,230	\$1,827,592
b. Interest	9,468,133	8,901,986	8,470,723	8,051,287
c. Changes of benefit terms	0	722,024	0	0
d. Differences between expected and actual experience	0	64,648	0	0
e. Assumption changes	0	890,002	0	0
f. Benefit payments	<u>-5,032,257</u>	<u>-4,701,770</u>	<u>-4,498,761</u>	<u>-4,168,134</u>
g. Net Change	6,029,355	7,571,120	5,666,192	5,710,745
h. Total – Beginning	<u>123,092,111</u>	<u>115,520,991</u>	<u>109,854,799</u>	<u>\$104,144,054</u> ²
i. Total – Ending	\$129,121,466 ⁴	\$123,092,111	\$115,520,991 ⁴	\$109,854,799
2. Plan Fiduciary Net Position				
a. Contributions for participating departments	\$5,012,131	\$3,463,603	\$3,515,546	\$4,176,659
b. Contributions by the state	1,583,825	1,583,825	1,637,308	1,530,343
c. Net investment income	9,776,395	4,956,730	-3,292,889	11,908,321
d. Benefit payments	-5,032,257	-4,701,770	-4,498,761	-4,168,134
e. Administrative expenses	<u>-184,314</u>	<u>-166,840</u>	<u>-215,900</u>	<u>-165,669</u>
f. Net Change	11,155,780	5,135,548	-2,854,696	13,281,520
g. Total – Beginning	<u>93,964,008</u>	<u>88,828,460</u>	<u>91,683,156</u>	<u>78,401,636</u>
h. Total – Ending	\$105,119,788	\$93,964,008	\$88,828,460	\$91,683,156
3. System’s Net Pension Liability – [Item 1(i)-2(h)]	\$24,001,678	\$29,128,103	\$26,692,531	\$18,171,643
4. Plan Fiduciary Net Position as a Percent of the Total Pension Liability	81.40%	76.30%	76.90%	83.50%
5. Number of Active Members ³	4,046	3,634	4,036	4,036
6. System’s Net Pension Liability per Active Member	\$5,932	\$8,015	\$6,614	\$4,502

Notes to Schedule

¹This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

²Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.

³ There is no compensation for active members, so number of active members is used instead.

⁴ Determined from the beginning of year total pension liability using the roll forward procedure allowed by GASB 67.

B. Schedule of Investment Returns for the Last Ten Fiscal Years¹

Fiscal Year Ending	Annual Money-Weighted Net Real Rate of Return²
August 31, 2017	10.32%
August 31, 2016	5.57%
August 31, 2015	-3.58%
August 31, 2014	14.92%
August 31, 2013	13.84%

Notes to Schedule

- ¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- ² The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting the changing amounts actually invested during the year.

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2017 (With Comparative totals for August 31, 2016)

	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
<u>MONEY MARKET MUTUAL FUND</u>		
Money Market Securities	\$1,395,000	\$1,976,805
<u>EQUITY MUTUAL/COMMINGLED FUNDS</u>		
OFITC International Growth Fund	\$16,345,003 *	\$18,914,476
Wells Fargo International Emerging Markets	\$7,327,336 *	\$5,995,460
Total Equity Mutual/Commingled Funds	\$23,672,339	\$24,909,936
<u>EQUITY MUTUAL</u>		
Jackson Square	\$7,763,817 *	
Clarkston Partners	\$7,609,643 *	
Total Equity Mutual	\$15,373,460	
<u>BOND FUNDS</u>		
21ST CENTURY FOX AMERICA	\$39,419	\$40,854
ABBOTT LABS	\$136,453	\$142,060
AFLAC INC	\$158,065	\$133,558
ALABAMA POWER CO	\$43,133	\$45,196
ALTRIA GROUP INC	\$34,413	\$36,399
AMERICAN EXPRESS CO	\$101,464	
AMERICAN EXPRESS CREDIT	\$411,711	\$164,964
AMERITECH CAPITAL FUNDNG	\$41,263	\$40,728
AMGEN INC	\$24,347	\$24,736
ANHEUSER-BUSCH	\$39,901	\$42,453
APACHE CORP	\$26,062	\$26,084
APPLE INC	\$171,169	\$41,522
AT&T INC	\$139,972	\$140,162
BANK OF AMERICA CORP	\$153,306	\$160,908
BANK OF NOVA SCOTIA	\$165,255	\$156,642
BANK OF NY MELLON CORP	\$389,462	
BB&T CORPORATION	\$202,982	\$205,104
BECTON DICKINSON	\$44,347	\$137,159
BERKSHIRE HATHAWAY	\$145,018	\$148,831
BLACKROCK INC	\$139,316	\$144,802
BOSTON PROP LP	\$63,872	\$64,636
BP CAPITAL MARKETS PLC		\$170,745
BURLINGTON NORTHERN SANTA FE	\$62,276	\$63,585
CAMDEN PROPERTY TRUST		\$113,001
CATERPILLAR INC	\$56,598	\$60,018
CCCIT SER 2013-A6 CL A6		\$150,001
CHARLES SCHWAB CORP	\$123,060	\$126,999
CHEVRON CORP	\$20,330	\$165,775

Texas Emergency Services Retirement System (326)
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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
CHUBB CORPORATION	\$74,397	\$76,055
CISCO SYSTEMS INC	\$93,664	\$96,064
CITIGROUP INC	\$126,186	\$687,049
COMCAST CORP	\$48,673	\$51,590
COMM SER 2012-CR2 CL A4	\$62,357	
COMMONWEALTH EDISON CO	\$73,210	\$75,303
CVS HEALTH CORP	\$57,511	\$59,118
DEERE & COMPANY	\$122,276	
DEVON ENERGY CORPORATION		\$36,740
EATON CORP	\$102,749	\$106,870
EMERSON ELECTRIC CO	\$143,389	\$149,299
ENTERPRISE PRODUCTS OPER	\$33,266	\$33,151
ERP OPERATING LP		\$138,031
EXXON MOBIL CORP	\$25,114	\$145,443
EXXON MOBIL CORPORATION	\$24,620	\$26,529
FFCB FLT RT DUE 01/22/2019	\$591,670	
FFCB FLT RT DUE 03/26/2018	\$215,359	\$215,224
FFCB FLT RT DUE 04/03/2019	\$365,062	
FFCB FLT RT DUE 04/24/2019	\$345,114	
FFCB FLT RT DUE 05/17/2018	\$665,765	\$709,034
FFCB FLT RT DUE 05/25/2018	\$295,440	\$294,817
FHLB FLT RT DUE 08/09/2017		\$580,963
FHLB FLT RT DUE 08/25/2017		\$245,510
FHLB FLT RT DUE 09/14/2018	\$410,135	
FHLB FLT RT DUE 10/26/2018	\$219,967	
FHLB FLT RT DUE 11/08/2018	\$304,966	
FHLB FLT RT DUE 12/07/2017		\$210,040
FHLMC FLT RT DUE 07/05/2019	\$874,414	
FHLMC FLT RT DUE 07/24/2018	\$194,904	
FHLMC FLT RT DUE 11/13/2017	\$320,128	\$439,947
FHLMC GOLD POOL # G30891	\$462,118	\$618,517
FHLMC GOLD POOL #A93614	\$26,636	\$36,846
FHLMC GOLD POOL #A97673	\$22,886	\$29,524
FHLMC GOLD POOL #D98739	\$297,122	\$431,661
FHLMC GOLD POOL #G08001	\$228,117	\$290,163
FHLMC GOLD POOL #G60134	\$269,644	\$378,005
FHLMC GOLD POOL #Q27927	\$159,116	\$191,369
FHLMC GOLD POOL #Q30470	\$343,721	\$415,140
FHLMC GOLD POOL #Q35953	\$213,627	\$244,577
FHLMC GOLD POOL #Q38893	\$209,050	\$258,555
FHLMC GOLD POOL #Q45872	\$166,861	
FHLMC GOLD POOL #V81680	\$355,298	\$483,666
FHMS SER K031 CL A2	\$158,921	\$163,793
FLORIDA POWER CORP	\$48,701	\$50,019
FNMA FLT RT DUE 07/20/2017		\$920,166

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
FNMA FLT RT DUE 10/05/2017		\$969,670
FNMA POOL #995598	\$244,915	\$328,483
FNMA POOL #AA9180		\$387,689
FNMA POOL #AL7407	\$144,335	\$276,937
FNMA POOL #AL7590	\$401,596	\$475,132
FNMA POOL #AO7185	\$148,277	
FNMA POOL #AS5090	\$134,287	\$155,472
FNMA POOL #AY8604	\$74,092	\$90,500
FNMA POOL #BC2666	\$115,486	\$141,810
FNMA POOL #BD7056	\$143,576	
FNMA POOL #BE0468	\$166,700	
FNMA POOL #BH2594	\$279,941	
FRANKLIN RESOURCES INC	\$70,365	\$72,269
GENERAL ELECTRIC CAPITAL CORP	\$245,808	
GENERAL ELECTRIC CO		\$168,333
GNMA II POOL #AA1000	\$19,830	\$25,570
GNMA II POOL #MA2374	\$68,394	\$98,899
GNMA II POOL #MA3035	\$85,334	\$122,077
GNMA II POOL #MA3520		\$201,687
GOLDMAN SACHS GROUP INC	\$621,629	\$623,312
GSMS SER 2012-GCJ9 CL A3	\$102,132	\$104,286
HALLIBURTON COMPANY	\$45,117	\$45,225
HARTFORD FINL SVCS GRP	\$112,704	\$117,373
HISTORIC TW INC	\$37,534	\$39,588
IBM CORP	\$40,555	\$42,720
INTEL CORP	\$195,000	
JOHNSON & JOHNSON	\$18,318	\$19,970
JP MORGAN CHASE & CO	\$107,776	\$110,254
JPMORGAN CHASE & CO	\$551,202	\$261,209
KELLOGG CO	\$74,366	\$76,713
KEYCORP	\$109,836	\$112,950
KIMBERLY-CLARK CORP		\$104,662
KRAFT FOODS INC	\$38,713	\$39,570
KRAFT HEINZ FOODS CO	\$161,690	
LOCKHEED MARTIN CORP	\$99,489	\$281,656
MARKEL CORPORATION	\$71,525	\$72,790
MCDONALD'S CORP	\$37,064	\$38,005
METLIFE INC		\$0
MORGAN STANLEY	\$472,417	\$412,187
OCCIDENTAL PETROLEUM	\$85,857	\$86,655
ORACLE CORP	\$134,977	\$135,398
PACIFIC BELL TELEPHONE		\$130,594
PARKER-HANNIFIN CORP	\$47,500	\$50,295
PEPSICO INC	\$46,863	\$49,841
PFIZER INC	\$22,576	\$23,020

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
PHILLIPS 66	\$75,261	
PNC BANK NA	\$56,730	
POTASH CORP - SASKATCHEWAN	\$76,745	\$79,001
PROCTER & GAMBLE	\$44,677	\$47,179
PROCTER & GAMBLE CO	\$80,562	\$84,901
PROLOGIS LP	\$69,027	
PRUDENTIAL FINANCIAL INC	\$99,977	
QUALCOMM INC	\$90,895	
ROYAL BANK OF CANADA	\$60,109	
SHELL INTL FIN	\$93,323	\$95,901
SIMON PROPERTY GROUP LP		\$92,838
SPECTRA ENERGY PARTNERS	\$23,980	
STRYKER CORP	\$137,683	\$141,636
SUNTRUST BANK	\$50,194	
SUNTRUST BANKS		\$93,967
SYSCO CORPORATION	\$68,637	\$72,650
THERMO FISHER SCIENTIFIC	\$62,717	\$63,576
TORONTO-DOMINION BANK	\$116,930	\$118,267
TOSCO CORP	\$70,164	\$69,082
TOYOTA MOTOR CREDIT CORP	\$201,700	\$204,452
UNITED TECHNOLOGIES CORP	\$18,714	\$20,361
US BANCORP		\$135,219
US TREAS BOND @ 2.750% 08/15/2042	\$207,759	\$1,752,186
US TREAS BOND @ 2.875% 08/15/2045	\$2,298,816	\$500,500
US TREAS BOND @ 3.125% 11/15/2041	\$748,747	\$552,327
US TREAS BOND @ 4.750% 02/15/2037	\$40,792	
US TREAS NOTE @ 1.625% 07/31/2020		\$198,999
US TREAS NOTE @ 1.750% 11/30/2021	\$311,423	
US TREAS NOTE @ 2.000% 08/15/2025		\$259,205
US TREAS NOTE @ 2.250% 02/15/2027	\$394,388	
US TREAS NOTE @ 2.750% 02/15/2024	\$515,460	
VERIZON COMMUNICATIONS	\$24,758	
VERIZON COMMUNICATIONS INC		\$27,161
VIRGINIA ELEC & POWER CO	\$78,422	\$81,660
WALMART STORES INC	\$49,309	\$51,889
WELLS FARGO & COMPANY	\$364,039	\$570,457
WELLS FARGO COMPANY	\$242,616	\$253,255
WFRBS SER 2012-C8 CL A3	\$46,558	\$47,634
WISCONSIN POWER & LIGHT	\$54,551	\$56,884
Total Bond Funds	<u>\$24,138,787</u>	<u>\$23,799,688</u>
EQUITY FUNDS		
3M CO		\$362,065
8X8 INC		\$39,757
ABBOTT LABORATORIES	\$238,654	

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
ACACIA COMMUNICATIONS INC		\$34,835
ACADIA HEALTHCARE		\$37,881
ACCENTURE PLC-A		\$217,925
ACETO CORP		\$49,264
ACI WORLDWIDE INC		\$48,705
ACXIOM CORP		\$47,796
ADOBE SYSTEMS INC	\$436,000	
ADVANCED MICRO DEVICES		\$54,605
AEROJET ROCKETDYNE HOLDINGS IN		\$40,001
AES CORP	\$97,042	\$173,011
AIR TRANSPORT SERVICES GROUP		\$38,951
AKAMAI TECHNOLOGIES	\$331,936	
AKORN INC		\$68,969
ALEXION PHARMACEUTICALS INC	\$327,543	
ALLSTATE CORP	\$201,182	\$153,298
ALLY FINANCIAL INC		\$146,573
ALPHABET INC		\$1,002,616
ALPHABET INC CL A	\$604,667	
ALPHABET INC CL C	\$556,083	
AMAZON.COM INC	\$813,893	
AMERICAN EAGLE OUTFITTERS		\$42,809
AMERICAN EXPRESS CO	\$286,713	\$147,555
AMERICAN INT'L GROUP INC	\$200,733	
AMERICAN WOODMARK CORP		\$53,505
AMPHENOL CORP-CL A		\$437,852
ANDEAVOR	\$183,575	
ANDEAVOR LOGISTICS LP	\$124,027	
ANHEUSER-BUSCH INBEV SPN ADR	\$313,681	
ANTERO MIDSTREAM PARTNERS LP	\$86,316	\$42,139
ANTERO RESOURCES CORP		\$34,148
ANTHEM INC	\$236,620	
AON PLC		\$122,596
APOGEE ENTERPRISES INC		\$81,264
APPLE INC COM	\$661,412	\$562,966
ARCHROCK INC	\$4,447	\$5,323
ARCHROCK PARTNERS LP	\$29,551	\$29,584
ASPEN TECHNOLOGY INC		\$47,324
ASTEC INDUSTRIES INC		\$42,564
BANCORPSOUTH INC		\$62,947
BANK OF AMERICA CORP	\$784,834	\$433,504
BANK OF THE OZARKS		\$90,114
BARRICK GOLD CORP	\$116,431	\$81,495
BB&T CORPORATION		\$110,380
BEACON ROOFING SUPPLY INC		\$44,233
BERKSHIRE HATHAWAY INC-CL B	\$665,220	\$552,599

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
BEST BUY CO INC		\$67,725
BGC PARTNERS INC		\$34,992
BIOGEN INC	\$420,708	\$103,609
BLACKROCK INC	\$393,869	
BLUE BUFFALO PET PRODUCTS INC		\$43,671
BMC STOCK HOLDINGS INC		\$43,250
BOARDWALK PIPELINE PARTNERS LP	\$67,587	\$63,459
BOOZ ALLEN HAMILTON HOLDING CO		\$40,865
BORGWARNER INC	\$193,530	
BRIGHT HORIZONS FAMILY SOLUTIONS		\$23,243
BRISTOL-MYERS SQUIBB CO		\$329,820
BROADSOFT INC		\$45,573
BROCADE COMMUNICATIONS SYS		\$42,790
BROOKDALE SENIOR LIVING INC		\$54,556
BUCKEYE PARTNERS LP	\$165,737	\$241,062
BUILDERS FIRSTSOURCE INC		\$47,953
BURLINGTON STORES INC		\$45,808
CALLIDUS SOFTWARE INC		\$44,629
CAMBREX CORP		\$36,277
CANADIAN NATURAL RESOURCES		\$161,522
CANTEL MEDICAL CORP		\$63,890
CAPITAL BANK FINANCIAL CORP		\$38,511
CAPITAL ONE FINANCIAL CORP	\$143,457	\$101,744
CARPENTER TECHNOLOGY		\$42,810
CASEY'S GENERAL STORES INC		\$43,464
CAVIUM INC		\$50,279
CBS CORP-CL B	\$97,051	\$118,543
CELANESE CORP-SERIES A	\$152,807	
CELGENE CORP	\$612,681	
CEMEX SA B	\$88,128	
CERNER CORP		\$180,841
CERUS CORP		\$41,018
CEVA INC		\$43,600
CHARLES RIVER LABORATORIES		\$75,721
CHECK POINT SOFTWARE TECH		\$347,325
CHENIERE ENERGY INC	\$42,790	\$38,181
CHENIERE ENERGY PARTNERS LP		\$28,362
CHENIERE ENERGY PARTNERS LP HOLDINGS		\$2,160
CHEVRON CORP	\$539,284	\$356,254
CHIPOTLE MEXICAN GRILL - CL A	\$186,859	
CHUBB LTD	\$232,777	\$240,913
CIGNA CORP	\$195,168	\$159,812
CISCO SYSTEMS INC	\$393,671	
CITIGROUP INC	\$646,897	\$247,675
COCA-COLA CO/THE	\$358,888	\$212,764

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
COCA-COLA EUROPEAN PARTNERS PLC	\$132,870	\$77,938
COGNEX CORP		\$20,800
COGNIZANT TECH SOLUTIONS-A		\$134,467
COLUMBIA PIPELINE PARTNERS LP		\$18,442
COLUMBIA SPORTSWEAR CO		\$62,910
COMCAST CORP-CL A	\$703,487	\$446,509
COMMVAULT SYSTEMS INC		\$44,943
COMPUTER SCIENCES CORP		\$181,668
CONOCOPHILLIPS	\$153,465	
COPART INC		\$26,786
CORNERSTONE ONDEMAND INC		\$25,737
COSTCO WHOLESALE CORP		\$289,979
COVENANT TRANSPORTATION GROUP		\$17,429
CRH PLC - SPONSORED ADR		\$154,905
CRITEO SA ADR		\$40,384
CROSSAMERICA PARTNERS LP	\$38,378	\$37,804
CUBESMART		\$22,850
CUMMINS INC	\$16,894	
CVS HEALTH CORPORATION	\$522,896	\$648,663
CYNOSURE INC-A		\$44,277
DANAHER CORP		\$389,954
DAVITA INC	\$77,592	
DCP MIDSTREAM LP	\$70,642	
DCP MIDSTREAM PARTNERS LP		\$51,908
DELTA AIR LINES INC	\$150,536	\$138,989
DENTSPLY SIRONA INC	\$247,211	
DIAMONDBACK ENERGY INC	\$100,505	\$189,262
DISCOVER FINANCIAL SERVICE	\$181,920	\$330,660
DOLLAR GENERAL CORP		\$415,501
DOLLAR TREE INC		\$114,870
DOMINION MIDSTREAM PARTNERS LP		\$7,002
DOW CHEMICAL	\$232,742	\$263,158
DR HORTON INC		\$95,603
DXC TECHNOLOGY CO	\$243,185	
EAGLE PHARMACEUTICALS INC/DE		\$40,353
EATON CORP PLC	\$207,889	
EBAY INC	\$315,342	\$203,508
ECOLAB INC	\$343,514	\$420,462
ELLIE MAE INC		\$43,356
EMCOR GROUP INC		\$75,297
ENBRIDGE ENERGY PARTNERS LP	\$62,154	\$110,764
ENDOLOGIX INC		\$19,955
ENERGEN CORP	\$79,433	\$77,683
ENERGY TRANSFER EQUITY LP	\$354,800	\$217,575
ENERGY TRANSFER PARTNERS LP	\$456,183	\$426,040

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
ENLINK MIDSTREAM PARTNERS LP	\$53,884	\$55,456
ENTERPRISE PRODUCTS PARTNERS LP	\$480,131	\$488,822
ENVESTNET INC		\$48,400
EOG RESOURCES INC		\$227,154
EQT CORPORATION		\$99,886
EQT MIDSTREAM PARTNERS LP	\$83,014	\$108,482
EQUITY RESIDENTIAL REIT		\$55,204
ESTEE LAUDER COMPANIES-CL A		\$202,909
ETSY INC		\$43,207
EURONET WORLDWIDE INC		\$83,043
EVOLENT HEALTH INC		\$45,686
EW SCRIPPS CO-CL A		\$36,868
EXACT SCIENCES CORP		\$28,924
EXPRESS SCRIPTS HOLDING CO		\$184,367
FABRINET		\$46,584
FACEBOOK INC-A	\$496,649	\$296,130
FAIR ISAAC CORP		\$51,176
FCB FINANCIAL HOLDINGS INC		\$43,279
FERROGLOBE PLC		\$26,565
FIFTH THIRD BANCORP	\$120,851	\$93,240
FIREEYE INC		\$29,007
FIRST CASH FINL SVCS INC		\$70,598
FIRST INDUSTRIAL REALTY TR REIT		\$64,013
FIVE9 INC		\$38,554
FLEX LTD	\$187,642	\$183,731
FLIR SYSTEMS INC		\$107,597
FMC CORP	\$81,047	
FORTIVE CORP		\$249,129
FTI CONSULTING INC		\$79,058
GENERAL DYNAMICS CORP	\$168,329	\$277,954
GENESEE & WYOMING INC-CL A		\$59,151
GENESIS ENERGY LP		\$20,365
GIGAMON INC		\$46,366
GILEAD SCIENCES INC	\$387,075	\$444,180
GLOBANT SA		\$39,636
GOLDMAN SACHS GROUP INC	\$298,469	
GRANITE CONSTRUCTION INC		\$41,280
GRUBHUB INC		\$48,968
GUIDEWIRE SOFTWARE INC		\$59,376
GULFPORT ENERGY CORP		\$91,577
HANMI FINANCIAL CORP		\$57,181
HARRIS CORP		\$177,685
HEADWATERS INC		\$31,818
HEALTHCARE SERVICES GROUP		\$89,420
HEALTHEQUITY INC		\$62,027

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
HEICO CORP		\$41,727
HENRY SCHEIN INC		\$150,359
HESS MIDSTREAM PARTNERS LP	\$27,652	
HEWLETT PACKARD ENTERPRISE CO	\$95,754	\$174,654
HEXCEL CORP		\$36,329
HIMAX TECHNOLOGIES INC		\$49,680
HMS HOLDINGS CORP		\$40,763
HOLLY ENERGY PARTNERS LP	\$19,584	\$19,290
HOME BANCSHARES INC		\$83,772
HOME DEPOT INC	\$639,496	
HONEYWELL INTERNATIONAL INC	\$308,342	\$113,559
HP INC	\$168,705	
HUBSPOT INC		\$44,313
HUNTSMAN CORP		\$62,192
IDEX CORP		\$335,169
IMAX CORP		\$42,716
INFINERA CORP		\$31,532
INPHI CORP		\$44,922
INSTALLED BUILDING PRODUCTS INC		\$41,625
INSTRUCTURE INC		\$32,664
INTERACTIVE INTELLIGENCE GROUP		\$69,426
INTERPUBLIC GROUP OF COS INC		\$35,983
JACOBS ENGINEERING GROUP INC		\$86,939
JOHN BEAN TECHNOLOGIES		\$74,449
JOHNSON & JOHNSON	\$841,079	\$691,695
JPMORGAN CHASE & CO	\$832,371	\$653,130
KEYCORP	\$120,057	
KINDER MORGAN		\$38,814
KINDER MORGAN INC/DELAWARE	\$62,842	\$55,783
KIRBY CORP		\$36,731
KLA-TENCOR CORPORATION	\$100,998	
KONINKLIJKE PHILIPS NV	\$270,185	
L3 TECHNOLOGIES INC	\$170,047	
LABORATORY CRP OF AMER HLDGS	\$93,024	\$155,552
LATTICE SEMICONDUCTOR CORP		\$36,562
LEAR CORP		\$33,026
LEIDOS HOLDINGS INC		\$128,538
LGI HOMES INC		\$71,039
LHC GROUP INC		\$40,787
LIBERTY GLOBAL-C		\$133,155
LIBERTY LILAC C	\$63,572	\$70,400
LIFE STORAGE INC REIT		\$39,600
LLOYDS TSB GROUP PLC -SP ADR	\$103,162	
LOCKHEED MARTIN CORP		\$104,963
LOWE'S COS INC		\$459,130

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
LUXOFT HOLDING INC		\$33,454
LYONDELL BASSELL INDUSTRIES NV		\$121,806
MACQUARIE INFRASTRUCTURE CO	\$43,049	\$96,967
MAGELLAN MIDSTREAM PARTNERS LP	\$52,429	\$177,794
MANHATTAN ASSOCIATES INC		\$100,342
MARATHON OIL CORP		\$106,206
MARATHON PETROLEUM CORP	\$174,711	\$85,700
MARKETAXESS HOLDINGS INC		\$47,528
MARRIOTT VACATIONS WORLDWIDE		\$44,024
MARSH & MCLENNAN COS		\$267,544
MASCO CORP	\$85,343	
MASTEC INC		\$91,590
MASTERCARD INC - CLASS A		\$368,450
MCCORMICK & CO-NON VTG SHRS	\$146,690	
MCKESSON CORP		\$314,592
MEDIDATA SOLUTIONS INC		\$45,390
MEDTRONIC PLC		\$247,165
MERCK & CO INC/NJ	\$411,897	\$404,996
MERCURY SYSTEMS INC		\$99,679
MERIT MEDICAL SYSTEMS INC		\$49,862
METHANEX CORP	\$119,319	\$71,514
METLIFE INC		\$125,947
MGP INGREDIENTS INC		\$22,127
MICROSOFT CORP	\$821,872	\$489,675
MKS INSTRUMENTS INC		\$43,915
MONDELEZ INTL INC		\$331,392
MONOLITHIC POWER SYSTEMS INC		\$49,791
MONSANTO CO	\$352,772	
MPLX LP	\$252,115	\$222,236
MSC INDUSTRIAL DIRECT CO-A		\$49,667
MUELLER WATER PRODUCTS INC-A		\$43,657
NANOMETRICS INC		\$21,886
NASDAQ INC	\$277,398	
NAVIENT CORP	\$70,013	\$82,512
NEOGEN CORP		\$56,993
NEVRO CORP		\$52,314
NEWFIELD EXPLORATION CO		\$61,354
NGL ENERGY PARTNERS LP	\$28,076	\$44,262
NIKE INC -CL B		\$236,670
NOBLE MIDSTREAM PARTNERS LP	\$36,079	
NORD ANGLIA EDUCATION INC		\$39,564
NORTHSTAR ASSET MANAGEMENT GROUP INC		\$31,386
NOVARTIS AG-ADR		\$106,103
NUCOR CORP	\$62,329	\$91,926
NUSTAR ENERGY LP	\$90,131	\$91,968

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	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
NUSTAR GP HOLDINGS LLC	\$15,545	
NUTRI/SYSTEM INC		\$35,593
NUVASIVE INC		\$48,841
NXSTAGE MEDICAL INC		\$39,319
OCCIDENTAL PETROLEUM CORP		\$340,907
OLD DOMINION FREIGHT LINE		\$46,875
OLLIE'S BARGAIN OUTLET HOLDING		\$58,466
OMNICELL INC		\$117,250
OMNICOM GROUP		\$46,338
ONEOK INC	\$168,167	
ONEOK PARTNERS LP		\$68,006
ORACLE CORP	\$382,156	\$228,936
ORBOTECH LTD		\$45,128
OUTFRONT MEDIA INC		\$60,934
OXFORD INDUSTRIES INC		\$26,212
PALO ALTO NETWORKS	\$269,361	
PARSLE ENERGY INC SER A		\$46,307
PATHEON NV		\$46,883
PAYPAL HOLDINGS INC	\$346,025	
PBF LOGISTICS LP	\$13,088	\$12,093
PDC ENERGY INC		\$111,087
PENUMBRA INC		\$41,560
PEPSICO INC		\$217,236
PERRIGO CO PLC		\$228,476
PFIZER INC	\$395,846	
PGT INC		\$50,772
PHILIPS ELECTRONICS-NY SHR		\$78,485
PHILLIPS 66	\$100,907	\$252,374
PINNACLE FINANCIAL PARTNERS		\$71,146
PIONEER NATURAL RESOURCES CO	\$286,268	
PLAINS ALL AMER PIPELINE LP	\$123,224	\$197,739
PLAINS GP HOLDINGS LP		\$46,135
PLANET FITNESS INC		\$50,813
POOL CORP		\$96,331
POST HOLDINGS INC		\$66,128
PPG INDUSTRIES INC		\$139,232
PRA HEALTH SCIENCES INC		\$120,562
PRAXAIR INC		\$252,989
PRESS GANEY HOLDINGS INC		\$45,689
PROOFPOINT INC		\$104,652
PULTE GROUP INC		\$182,179
QUALCOMM INC		\$115,670
RAMBUS INC		\$49,061
RAYTHEON COMPANY	\$165,083	\$312,770
RED HAT INC	\$392,375	

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2017 (With Comparative totals for August 31, 2016)

	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
RED ROCK RESORTS INC		\$44,111
REGENERON PHARMACEUTICALS	\$308,078	
REGIONS FINANCIAL CORP	\$181,045	
RICE ENERGY INC		\$59,596
RICE MIDSTREAM PARTNERS LP	\$61,067	\$75,827
RINGCENTRAL INC		\$42,254
ROCKWELL COLLINS INC.	\$415,429	
ROSS STORES INC		\$343,129
RSP PERMIAN INC		\$47,953
SANOFI	\$181,294	\$142,801
SCHLUMBERGER LTD	\$363,595	\$208,955
SCHWAB (CHARLES) CORP	\$287,320	\$161,736
SEALED AIR CORP		\$84,881
SEMGROUP INC	\$61,886	\$37,787
SHELL MIDSTREAM PARTNERS LP	\$49,170	\$84,493
SHIRE PLC ADR	\$73,052	
SHOPIFY INC W/I		\$47,564
SHUTTERFLY INC		\$40,879
SILICON MOTION TECHNOLOGY CORP		\$41,141
SITEONE LANDSCAPE SUPPLY INC		\$50,056
SIX FLAGS ENTERTAINMENT		\$47,648
SNYDERS-LANCE		\$36,930
SOUTHWEST AIRLINES CO	\$92,601	
SPECTRA ENERGY PARTNERS LP	\$45,704	
SPECTRANETICS CORP		\$53,379
SPIRIT AEROSYSTEMS HOLDINGS INC-CL A	\$73,085	
SPLUNK INC	\$236,157	
SPRAGUE RESOURCES LP		\$4,454
SPROUTS FARMERS		\$46,074
SPS COMMERCE INC		\$52,550
SQUARE INC		\$46,822
ST JUDE MEDICAL INC		\$0
STAG INDUSTRIAL		\$46,184
STARBUCKS CORP		\$200,572
STEEL DYNAMICS INC	\$154,060	\$72,974
SUMMIT MATERIALS INC		\$51,482
SUMMIT MIDSTREAM PARTNERS LP	\$30,144	\$28,573
SUNOCO LOGISTICS PARTNERS LP		\$73,112
SUNOCO LP	\$18,629	
SURGERY PARTNERS		\$44,991
SURGICAL CARE AFFILIATES INC		\$35,310
SVB FINANCIAL GROUP		\$41,092
SYNCHRONY FINANCIAL	\$105,948	
TAKE-TWO INTERACTIVE SOFTWARE		\$143,451
TALEND SA ADR		\$24,730

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2017 (With Comparative totals for August 31, 2016)

	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
TALLGRASS ENERGY GP LP	\$32,229	
TALLGRASS ENERGY PARTNERS LP	\$41,219	\$42,900
TARGA RESOURCES CORP	\$76,348	\$37,392
TARGET CORP		\$77,209
TE CONNECTIVITY LTD	\$340,768	\$173,101
TEAM INC		\$32,405
TESORO LOGISTICS		\$84,266
TEXAS INSTRUMENTS INC	\$397,039	\$439,354
TEXTRON INC		\$101,431
THE PRICELINE GROUP INC		\$389,601
THE TRAVELERS COMPANIES INC		\$74,194
THE WALT DISNEY CO.	\$358,653	\$265,810
THERMO FISHER SCIENTIFIC INC	\$360,619	\$438,155
TIME WARNER INC	\$265,792	\$187,870
TJX COMPANIES INC	\$107,438	
TORO CO		\$39,832
TRANSCANADA CORP	\$64,719	\$71,720
TREEHOUSE FOODS INC		\$20,841
TRITON INTERNATIONAL LTD		\$11,187
TWENTY-FIRST CENTURY FOX INC	\$438,046	
TYSON FOODS INC-CL A		\$124,691
UNITED CONTINENTAL HOLDINGS INC	\$70,387	\$66,239
UNITED PARCEL SERVICE-CL B	\$337,362	\$106,490
UNITED TECHNOLOGIES CORP	\$258,715	\$214,350
UNITEDHEALTH GROUP INC	\$702,316	\$183,804
UNIVERSAL DISPLAY CORP		\$39,795
US SILICA HOLDINGS INC		\$45,177
USA COMPRESSION PARTNERS LP	\$15,101	\$14,710
VALERO ENERGY PARTNERS LP		\$27,941
VERIZON COMMUNICATIONS INC		\$310,736
VISA INC-CLASS A SHARES	\$574,950	\$680,693
VMWARE INC- CL A	\$285,384	
VOCERA COMMUNICATIONS INC		\$43,977
VTTI ENERGY PARTNERS LP		\$24,461
VWR CORP		\$80,241
WAGeworks		\$59,257
WALGREENS BOOTS ALLIANCE INC		\$108,716
WATSCO INC		\$90,195
WEBMD HEALTH CORP		\$35,171
WEBSTER FINANCIAL CORP		\$45,931
WELLS FARGO & COMPANY	\$414,484	\$145,491
WEST PHARMACEUTICAL SERVICES		\$44,434
WESTERN ALLIANCE BANCORP		\$46,628
WESTERN GAS PARTNERS LP	\$17,010	
WESTERN REFINING LOGISTICS LP	\$52,442	\$42,650

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2017 (With Comparative totals for August 31, 2016)

	Fair Value As of August 31, 2017	Fair Value As of August 31, 2016
WESTLAKE CHEMICAL PARTNERS LP	\$33,722	\$20,547
WESTROCK CO W/I	\$165,210	\$93,261
WHOLE FOODS MARKET INC		\$202,209
WILLIAMS COS INC	\$125,788	\$61,608
WILLIAMS PARTNERS LP	\$297,549	\$177,165
WIX.COM LTD		\$56,499
WPX ENERGY INC		\$59,520
WW GRAINGER INC	\$222,721	
XILINX INC	\$54,830	
YUM CHINA HOLDINGS INC	\$300,560	
ZENDESK INC		\$47,306
ZOE'S KITCHEN INC		\$27,366
ZOETIS INC	\$348,988	\$298,211
Total Equity Funds	<u>\$38,378,969</u>	<u>\$42,214,587</u>
TOTAL INVESTMENTS	<u><u>\$102,958,555</u></u>	<u><u>\$92,901,016</u></u>
Short Term Investments (Exhibit III)	\$1,395,000	\$1,976,805
Investments (Exhibit III)		
Corporate Equity	\$53,752,429	\$42,214,587
US Government Obligations	\$14,260,193	\$13,996,586
Corporate Obligations	\$9,878,594	\$9,803,102
Other Investments	\$23,672,339	\$24,909,936
Total	<u><u>\$102,958,555</u></u>	<u><u>\$92,901,016</u></u>

* Investment represents greater than 5% of fiduciary net position at August 31, 2017.

**Texas Emergency Services Retirement System
Schedule 2
Administrative Expenses for TESRS Trust Fund
For Year Ended August 31, 2017**

<u>Category</u>	<u>Expenses</u>
Professional Fees and Services:	
Actuarial Services	\$ 78,686
Audit	\$ 23,500
Pension System security enhancements	10,500
Legal Services	22,389
Total Professional Fees and Services	\$ 135,075
Travel	34,037
Training	1,850
Security Review	12,878
Other Expense	474
Total Administrative Expenses (See Exhibit IV)	<u>\$ 184,314</u>

Texas Emergency Services Retirement System
Schedule 3
Investing Activity Expenses
For Year Ended August 31, 2017

<u>Category</u>	<u>Expenses</u>
Atlanta Capital Management	\$8,937
AndCo	\$56,245
Milliman USA	\$41,111
Pier Capital	\$17,138
Boston Partners	\$104,892
Luther King	\$13,328
Clearbridge	\$69,343
Garcia Hamilton	\$30,062
Richmond Capital	\$29,929
Harvest	\$32,651
OFI Trust	\$115,222
Bank of Texas	\$48,736
Total Investing Activities Expenses	<u>\$ 567,594</u>
(See Exhibit IV)	

**Texas Emergency Services Retirement System
Schedule 4
Board Members
August 31, 2017**

<u>Name and Address</u>	<u>Term Expires September 1,</u>
Frank Torres, Chairman PO Box 744 Raymondville, TX 78580	2017
Jenny Moore, Vice-Chair 63 Willow Court Lake Jackson, TX 77566	2021
Ron Larson, Secretary c/o El Paso County E.S.D. #1, 14151 Nunda Ave. Horizon City, TX 79928	2019
Andrew Taylor Allen, Trustee Goldman Sachs 100 Crescent Court, Suite 1000 Dallas TX 75201	2019
Dan Key, Trustee 2204 Pine Drive Friendswood, TX 77546	2019
Stephen Williams, Trustee 360 CR 105 Carthage, TX 75633	2017
Don Shipman, Trustee 4601 Shadycreek Lane Colleyville, TX 76034	2017
Courtney Gibson Bechtol, Trustee 114 Oaktree Street Rockport, TX 78382	2021
Pilar Rodriguez, Trustee 1614 N. Armagoza Drive Edinburg, TX 78541	2021



