

AUDITED

**ANNUAL FINANCIAL REPORT**

For the year ended August 31, 2015



**Texas Emergency Services  
Retirement System**

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## TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

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December 20, 2015

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller  
Ursula Parks, Director, Legislative Budget Board  
John Keel, CPA, 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, 2015, 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 "Michelle Jordan", with a long horizontal line extending to the right.

Michelle Jordan  
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, 2015, 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, 2015, 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 TESRS, 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, 2015 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 Note 1, the financial statements include investments valued at approximately \$18,283,000 as of August 31, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, 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 18, 2015 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 18, 2015



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees and Executive Director  
Texas Emergency Services Retirement System

We have audited, 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, the 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, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 18, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
December 18, 2015

## 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, 2015. Please review this narrative in conjunction with the Basic Financial Statements, which begin after this discussion.

### Using this Annual Financial Report

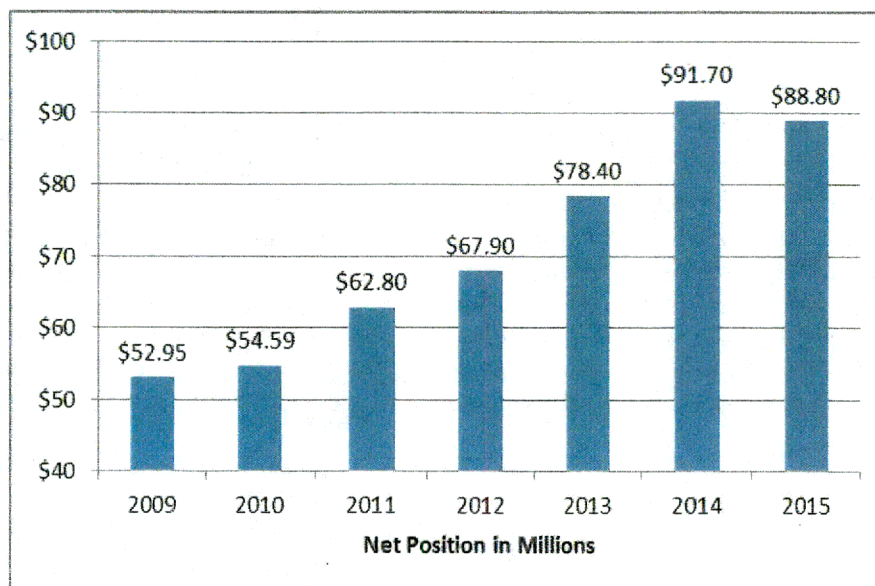
The Texas Emergency Services Retirement System administers death, disability, and pension benefits, to eligible volunteer fire and emergency services personnel and their beneficiaries from member departments statewide. At the close of fiscal year 2015, there were 226 member departments in the System. Of that total, 197 were contributing member departments.

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, 2015, 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, 2015, 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 2015 totaled \$88.8 million, which represents a reduction of \$2.9 million in funds held at the close of fiscal year 2014. Previous years since 2009 have showed an increase in net position. This loss in assets for 2015 over 2014 was due to significant underperformance in the stock market at the close of fiscal year 2015, and specifically, August 2015.



The majority of plan assets are held as investments. The money weighted net real rate of return on investments was -3.58% as of August 31, 2015.

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 2015, system investment details were as follows:

**Summary of Assets as of August 31, 2015**

<b>Investment Category</b>	<b>Market Value</b>	<b>August 31, 2015 Actual Allocation</b>	<b>Target Allocation</b>	<b>Allocation Range</b>
1. Cash and equivalents	\$ 205,711	.23%	0%	0.0-5.0%
2. Fixed income securities				
a. Domestic	18,453,617	20.99	21.0	16.0-26.0
b. International	4,026,532	4.58	5.0	3.0-10.0
3. Equities				
a. Domestic large cap	29,083,588	33.08	32.0	22.0-42.0
b. Domestic small cap	9,673,191	11.00	10.0	6.0-20.0
c. International developed	18,283,203	20.80	21.0	16.0-26.0
d. International emerging	4,318,445	4.91	6.0	3.0-11.0
4. Master limited partnerships	3,869,821	4.40	5.0	3.0-10.0
5. Other				
a. Payables	(279,421)	N/A	N/A	N/A
b. Receivables	1,193,773	N/A	N/A	N/A
c. Miscellaneous	0	N/A	N/A	N/A
<b>6. Total assets as of August 31, 2015</b>	<b>\$88,828,460</b>	<b>100.00%</b>	<b>100.0%</b>	

**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 2014 to 2015:

	<b>2015</b>	<b>2014</b>	<b>Increase/(Decrease)</b>	<b>% Change</b>
Total Assets	\$89,107,881	\$91,966,810	\$(2,858,929)	-3.1%
Total Liabilities	279,421	283,654	(4,233)	-1.5%
Total Net Position	\$88,828,460	\$91,683,156	\$(2,854,696)	-3.1%

## Statement of Changes in Fiduciary Net Position of Pension Fund

### Additions

The primary additions as of August 31, 2015 are shown below, along with those same categories in fiscal year 2014 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 VII in the Combined Statement of Fiduciary Net Position.

	2015	2014	Increase/(Decrease)	% Change
Original Appropriations	\$1,637,308	\$1,530,343	\$106,965	6.9%
Dues	\$3,389,000	\$3,840,050	\$(451,050)	-11.7%
Prior Service	\$126,546	\$336,609	\$(210,063)	-62.4%
Net Investment Income	\$(3,295,025)	\$11,905,529	\$(15,200,554)	-127.7%

### Deductions

Total deductions are comprised of benefit payments and the cost of administering the system, as shown below. Administrative expenses increased in 2015 primarily, due to the cost of actuarial valuation services, which occurs every two years.

	2015	2014	Increase/(Decrease)	% Change
Death Benefits	\$110,240	\$85,039	\$25,201	29.6%
Retirement Benefits	\$3,840,442	\$3,544,856	\$295,586	8.3%
Disability Benefits	\$34,200	\$32,355	\$1,845	5.7%
Survivor Benefits	\$513,879	\$505,884	\$7,995	1.6%
Administrative Expenses	\$215,900	\$165,669	\$50,231	30.3%

### Actuarial Status

On December 4, 2014, the System received the August 31, 2014 actuarial valuation report from Rudd and Wisdom, Inc, which was accepted by the Board of Trustees at its regular meeting on December 15<sup>th</sup> and 16<sup>th</sup> in Austin, Texas.

According to the valuation, the Texas Emergency Services Retirement System has an adequate contribution arrangement, assuming that the state will continue to appropriate (1) the maximum annual contribution as needed in accordance with the state law governing the System and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses.

It should be noted that without expected appropriations from the state, 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 calculated August 31, 2014 amortization period needed to pay for the \$26,093,761 in unfunded actuarial accrued liabilities of the system is 30 years. The funding ratio is 76.2%.

There was one substantive change in the provisions governing the System during the two years since the prior actuarial valuation as of August 31, 2012. The board rule defining contributions by participating departments was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions (or 'System contributions') that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions (or 'Member contributions') to provide an adequate contribution arrangement. This new component to the contributions structure was designed exclusively, to directly fund the System's unfunded liabilities. Because an adequate contribution arrangement was calculated without a need for a Part Two contribution, this new mechanism was not employed as a result of the 2014 Actuarial Valuation. However, the Part Two contribution mechanism is available if needed to help keep the system actuarially sound and represents a significant security measure for the future of the plan.

The next actuarial valuation will be conducted in the Fall of 2016 and delivered to the Board for consideration at its regular meeting in December 2016.

**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 [michelle.jordan@tesrs.texas.gov](mailto:michelle.jordan@tesrs.texas.gov).

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**Texas Emergency Services Retirement System**  
**Exhibit I - Governmental Fund Balance Sheet/Statement of Net Position**  
**August 31, 2015**

	General Fund			
	Balance Sheet 2015	Adjustments*	Statement of Net Position	
			2015	2014
<b>ASSETS</b>				
Current Assets:				
Legislative Appropriations	\$ 59,213	\$	\$ 59,213	\$ 59,438
Consumable Inventories	4,059		4,059	5,924
Total Current Assets	<u>\$ 63,272</u>	<u>\$ -</u>	<u>\$ 63,272</u>	<u>\$ 65,362</u>
Non-Current Assets:				
Capital Assets:				
Depreciable:				
Other Capital Assets (Note 2)	\$	\$ 14,552	\$ 14,552	\$ 6,937
Less Accumulated Depreciation (Note 2)		<u>(7,001)</u>	<u>(7,001)</u>	<u>(6,937)</u>
Total Non-Current Assets	<u>\$ -</u>	<u>\$ 7,551</u>	<u>\$ 7,551</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 63,272</u></u>	<u><u>\$ 7,551</u></u>	<u><u>\$ 70,823</u></u>	<u><u>\$ 65,362</u></u>
<b>LIABILITIES AND FUND BALANCES/NET POSITION</b>				
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 58,955	\$	\$ 58,955	\$ 58,450
Employees' Compensable Leave (Note 4)		22,749	22,749	1,592
Total Current Liabilities	<u>\$ 58,955</u>	<u>\$ 22,749</u>	<u>\$ 81,704</u>	<u>\$ 60,042</u>
Non-Current Liabilities:				
Employees' Compensable Leave (Note 4)	\$	\$ 5,926	\$ 5,926	\$ 14,432
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ 5,926</u>	<u>\$ 5,926</u>	<u>\$ 14,432</u>
Total Liabilities	<u>\$ 58,955</u>	<u>\$ 28,675</u>	<u>\$ 87,630</u>	<u>\$ 74,474</u>
<b>FUND BALANCES/NET POSITION</b>				
Fund Balances (Deficits):				
Nonspendable	\$ 4,059	\$ (4,059)	\$	\$
Unassigned	258	(258)		
Total Fund Balances	<u>\$ 4,317</u>	<u>\$ (4,317)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:				
Unrestricted	\$	\$ (16,807)	\$ (16,807)	\$ (9,112)
Total Net Position	<u>\$ -</u>	<u>\$ (16,807)</u>	<u>\$ (16,807)</u>	<u>\$ (9,112)</u>
Total Liabilities and Fund Balances/Net Position	<u><u>\$ 63,272</u></u>	<u><u>\$ 7,551</u></u>	<u><u>\$ 70,823</u></u>	<u><u>\$ 65,362</u></u>

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

**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, 2015**

	General Fund			
	Statement of Revenues, Expenditures, and Changes in Fund Balance		Statement of Activities	
	2015	Adjustments*	2015	2014
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations	\$ 617,345	\$	\$ 617,345	\$ 617,345
Additional Appropriations	95,017		95,017	81,911
Total Revenues	<u>\$ 712,362</u>	<u>\$ -</u>	<u>\$ 712,362</u>	<u>\$ 699,256</u>
<b>EXPENDITURES/EXPENSES</b>				
Salaries and Wages	\$ 336,385	\$ 12,652	\$ 349,037	\$ 322,261
Payroll Related Costs	92,589		92,589	88,477
Professional Fees and Services	192,944		192,944	234,942
Travel	10,899		10,899	7,804
Materials and Supplies	25,375		25,375	34,162
Communication and Utilities	7,830		7,830	12,508
Repairs and Maintenance	2,655		2,655	8,536
Rentals & Leases	9,623		9,623	9,572
Printing and Reproduction	1,694		1,694	2,894
Capital Outlay	7,615	(7,615)	-	
Depreciation Expense		63	63	
Other Expenditures	26,368		26,368	22,929
Total Expenditures/Expenses	<u>\$ 713,977</u>	<u>\$ 5,100</u>	<u>\$ 719,077</u>	<u>\$ 744,085</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures/Expenses	<u>\$ (1,615)</u>	<u>\$ (5,100)</u>	<u>\$ (6,715)</u>	<u>\$ (44,829)</u>
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	<u>\$ (1,615)</u>	<u>\$ (1,615)</u>		
Change in Net Position	<u>\$</u>	<u>\$ (6,715)</u>	<u>\$ (6,715)</u>	<u>\$ (44,829)</u>
<b>Fund Balances/Net Position</b>				
Fund Balances/Net Position--Beginning of Year	\$ 6,912		\$ (9,112)	\$ 35,717
Appropriations Lapsed	(980)		(980)	
Fund Balances/Net Position--End of Year	<u>\$ 4,317</u>		<u>\$ (16,807)</u>	<u>\$ (9,112)</u>

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

**Texas Emergency Services Retirement System**  
**Exhibit III - Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**August 31, 2015**

	Pension Trust	
	2015	2014
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents:		
Cash in State Treasury (Note 3)	\$ 205,711	\$ 296,301
Short Term Investments (Note 3, Schedule 1)	1,398,392	1,131,864
Receivables:		
Retirement System Contributions	813,070	858,663
Interest and Dividends	101,045	88,999
Sale of Investments	14,629	151,903
<b>Total Current Assets</b>	<b>\$ 2,532,847</b>	<b>\$ 2,527,730</b>
Non-Current Assets:		
Receivables:		
Retirement System Contributions	\$ 265,029	\$ 195,846
Investments (Note 3, Schedule 1)		
Corporate Equity	41,228,209	42,268,492
Other Investments	45,081,796	46,974,742
Capital Assets:		
Depreciable:		
Furniture and Equipment (Note 2)	13,965	13,965
Accumulated Depreciation (Note 2)	(13,965)	(13,965)
<b>Total Non-Current Assets</b>	<b>\$ 86,575,034</b>	<b>\$ 89,439,080</b>
<b>Total Assets</b>	<b>\$ 89,107,881</b>	<b>\$ 91,966,810</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables:		
Accounts Payables	\$ 103,778	\$ 102,662
Investment Purchases Payable	112,666	114,669
Unearned Revenue	59,958	66,323
Payroll	2,338	
Retirement Benefits	681	
<b>Total Current Liabilities</b>	<b>\$ 279,421</b>	<b>\$ 283,654</b>
<b>Total Liabilities</b>	<b>\$ 279,421</b>	<b>\$ 283,654</b>
<b>NET POSITION</b>		
Restricted for Pensions	<b>\$ 88,828,460</b>	<b>\$ 91,683,156</b>

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

**Texas Emergency Services Retirement System**  
**Exhibit IV - Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended August 31, 2015**

	Pension Trust	
	2015	2014
<b>ADDITIONS</b>		
Contributions:		
Dues	\$ 3,389,000	\$ 3,840,050
Prior Service	112,803	322,759
Interest on Contracts to Purchase		
Prior Service	13,743	13,850
Appropriations from General Revenue	1,637,308	1,530,343
Total Contributions	<u>\$ 5,152,854</u>	<u>\$ 5,707,002</u>
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	\$ (4,486,268)	\$ 11,392,290
Treasury Interest	2,157	3,060
Interest and Investment Income	1,716,750	1,048,345
Total	<u>\$ (2,767,361)</u>	<u>\$ 12,443,695</u>
Less Investing Activities Expense		
(Schedule 3)	527,664	538,166
Net Increase/Loss	<u>\$ (3,295,025)</u>	<u>\$ 11,905,529</u>
Other Additions:		
Voided checks	\$ 2,136	\$ 2,792
Total Other Additions	<u>\$ 2,136</u>	<u>\$ 2,792</u>
Total Additions	<u>\$ 1,859,965</u>	<u>\$ 17,615,323</u>
<b>DEDUCTIONS</b>		
Retirement System Benefits Paid:		
Death Benefits	\$ 110,240	\$ 85,039
Retirement Benefits	3,840,442	3,544,856
Disability Benefits	34,200	32,355
Survivor's Benefits	513,879	505,884
Administrative Expenses (Schedule 2)	215,900	165,669
Total Deductions	<u>\$ 4,714,661</u>	<u>\$ 4,333,803</u>
Net Increase	\$ (2,854,696)	\$ 13,281,520
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
Beginning of the Year	\$ 91,683,156	\$ 78,401,636
End of Year	<u>\$ 88,828,460</u>	<u>\$ 91,683,156</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 83<sup>rd</sup> 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. While the agency is new, the System has been in existence since 1977. 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**

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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 the TESRS, and investment income earned but not received as of August 31, 2015.

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 the 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. The 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, 2015, the total outstanding balance of these financing arrangements was \$265,029.

Inventories and Prepaid Items

Inventories, shown on the balance sheet at cost, consist of inventories of consumable office supplies and postage at August 31, 2015. 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.

Capital Assets

Capital assets are presented at historical cost or, if not purchased, at appraised fair value as of the date of acquisition. Depreciation is charged to operations over the estimated useful lives of the assets. Accumulated depreciation is reported on the Governmental Statement of Net Position. Depreciation has been provided over the estimated useful lives, using the straight-line method. The estimated useful life of furniture, equipment, and computer software is five years.

LIABILITIES

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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, 2015, are presented below:

<b>Governmental Activities</b>					
<b>Asset Type</b>	<b>Balance 9/1/14</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 08/31/15</b>
Other Capital Assets	\$6,937		\$7,615		\$14,552
Accumulated Depreciation	\$(6,937)	\$(1)	\$ (63)		\$ (7,001)

<b>Pension Trust Fund</b>					
<b>Asset Type</b>	<b>Balance 9/1/14</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 08/31/15</b>
Furniture & Equipment	\$13,965				\$13,965
Accumulated Depreciation	\$(13,965)				\$(13,965)

**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 June 2015.

<b>Asset Allocation</b>	<b>Target</b>
US Market Equities-Large Cap Value	16%
US Market Equities-Large Cap Growth	16%
US Market Equities-Small Cap Core	5%
US Market Equities-Small Cap Growth	5%
Domestic Fixed Income	21%
International Equity-Developed Markets	21%
International Equity-Emerging Markets	6%
International Bond	5%
Cash & Equivalents	0%
Master Limited Partnerships (Energy)	5%
Total	100%



**NOTE 3: DEPOSITS AND INVESTMENTS cont'd.**

The TESRS contracts with Bank of Texas for custodial services and Milliman, USA for investment consulting services. The TESRS contracts with five money managers to manage the equity portfolios. The money managers are Luther King Capital Management Corp; Atlanta Capital Management Co, LLC.; Robeco Investment Management Inc.; Pier Capital.; and Harvest Fund Advisors LLC. The TESRS also invests with three mutual funds—Pacific Investment Management Company LLC (PIMCO), Wells Fargo, and T. Rowe Price, and with one Commingled Fund—OFIGTC (OFI Global Trust Company).

**A. DEPOSITS**

The bank balance of \$205,711 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.

**B. INVESTMENTS**

As of August 31, 2015, the fair value of investments are as presented below:

<b>Fiduciary Funds</b>	<b>Fair Value</b>
Corporate Equity	\$41,228,209
Core Bond Mutual Fund	18,453,617
International Bond Mutual Fund	4,026,532
Custodial Bank Short Term Investment Fund	1,398,392
Commingled Fund-International Developed Markets Equity	18,283,202
International Emerging Markets Equities Mutual Fund	4,318,445
<b>Total</b>	<b>\$87,708,397</b>

The Commingled fund-International Developed Markets listed above are 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.

**NOTE 3: DEPOSITS AND INVESTMENTS cont'd.**

For the year ended August 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was -3.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CREDIT RISK**

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

Investment policies of TESRS require that investments in the core bond Mutual Fund not exceed 26% (21.0% actual) of the portfolio, and International Bond investments not exceed 10% (4.6% actual).

Although TESRS' Core Bond Mutual Fund itself is not rated, the average credit quality of the fund's security holdings is AA. The high average credit quality is a function of the higher weighting in AAA governments and MBS investments, and underweight in high yield bond portfolios. TESRS' International Bond Mutual Fund is not rated. TESRS' International Bond Mutual Fund holdings are comprised primarily of high-quality (A or better) foreign bonds, with lower percentages of high yield, below investment-grade bonds. Credit risk is managed through diversification and by operating within defined parameters. The board has no specific policy relating to credit risk.

Investment Type	Not Rated
Core Bond Mutual Fund	\$18,453,617
International Bond Mutual Fund	\$4,026,532

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 \$22,480,149 in Core Bond and International Bond Mutual Funds which is subject to Interest Rate Risk. The average portfolio duration of both Funds is between four and seven years.

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

**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.



**NOTE 3: DEPOSITS AND INVESTMENTS cont'd.**

**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, 2015, the following changes occurred in long-term liabilities:

Governmental Activities	Balance 9/1/2014	Additions	Reductions	Balance 8/31/2015	Amounts Due Within One Year
Compensable Leave	\$16,024	\$ 32,078	\$19,427	\$28,675	\$22,749
<b>Total Governmental Activities</b>	<b>\$16,024</b>	<b>\$ 32,078</b>	<b>\$19,427</b>	<b>\$28,675</b>	<b>\$22,749</b>

**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, 2015.

**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. The 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**

The 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.

The TESRS assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties. The 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 the TESRS' claims liabilities during fiscal years 2014 and 2015 were as follows:

	Beginning of Fiscal Year Liability	Current Year Clams and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2014	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2015	\$ -0-	\$ -0-	\$ -0-	\$ -0-

**NOTE 11: PENSION DISCLOSURES**

**A. 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](http://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. On August 31 of the following years, contributing fire and/or emergency services department members participating in TESRS were:

	Contributing Departments
2014	198
2015	197

Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

**B. 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.

**C. Covered Membership**

On August 31 of the following fiscal years, the pension system membership consisted of:

Description	2014	2015
Retirees and beneficiaries currently receiving benefits	3,073	2,991
Terminated members entitled to but not yet receiving benefits	2,161	2,211
Active Participants	4,036	4,016

**NOTE 11: PENSION DISCLOSURES cont'd.**

**D. 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 near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

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.

**E. 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, 2015, total contributions (dues, prior service, and interest on prior service financing) of \$3,515,546 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,637,308 for the fiscal year ending August 31, 2015.



**NOTE 11: PENSION DISCLOSURES cont'd.**

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, 2014 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 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 \$625,000 each year to pay for part of the System's administrative expenses

**F. Net Pension Liability**

The System's net pension liability was measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2014 and rolled forward to August 31, 2015.

Total pension liability	\$ 115,520,991
Plan fiduciary net position	<u>88,828,460</u>
System's net pension liability	\$ 26,692,531
Plan fiduciary net position as a percentage of the total pension liability	76.9%

**Actuarial Assumptions**

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
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 2018 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 4.45%) and by adding expected inflation (3.50%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.20% 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.**

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10	5.8
Developed international	21	5.5
Emerging markets	6	5.4
Master limited partnership	5	7.1
Fixed income		
Domestic	21	1.4
International	5	1.6
Cash	0	0.0
Total	100%	
Weighted average		4.45%

**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, 2014 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. That UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, 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.

**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	\$ 46,704,033	\$26,692,531	\$ 15,160,925



**Required Supplementary Information**

**Schedule of Changes in the System's Net Pension Liability and Related Ratios  
Last Ten Fiscal Years<sup>1</sup>**

	Fiscal Year Ending 8/31/2014	Fiscal Year Ending 8/31/2015
<b>1. Total Pension Liability</b>		
a. Service cost	\$ 1,827,592	\$ 1,694,230
b. Interest	8,051,287	8,470,723
c. Changes of benefit terms	0	0
d. Differences between expected and actual experience	0	0
e. Assumption changes	0	0
f. Benefit payments	<u>(4,168,134)</u>	<u>(4,498,761)</u>
<b>g. Net Change in Total Pension Liability</b>	<b>5,710,745</b>	<b>5,666,192</b>
<b>h. Total Pension Liability - Beginning</b>	<b><u>104,144,054</u><sup>2</sup></b>	<b><u>109,854,799</u></b>
<b>i. Total Pension Liability - Ending</b>	<b>\$ 109,854,799</b>	<b>\$ 115,520,991<sup>4</sup></b>
<b>2. Plan Fiduciary Net Position</b>		
a. Contributions for participating departments	\$ 4,176,659	\$ 3,515,546
b. Contributions by the state	1,530,343	1,637,308
c. Net investment income	11,908,321	(3,292,889)
d. Benefit payments	(4,168,134)	(4,498,761)
e. Administrative expenses	(165,669)	(215,900)
f. Other	<u>0</u>	<u>0</u>
<b>g. Net Change in Plan Fiduciary Net Position</b>	<b>13,281,520</b>	<b>(2,854,696)</b>
<b>h. Plan Fiduciary Net Position - Beginning</b>	<b><u>78,401,636</u></b>	<b><u>91,683,156</u></b>
<b>i. Plan Fiduciary Net Position - Ending</b>	<b>\$ 91,683,156</b>	<b>\$ 88,828,460</b>
<b>3. System's Net Pension Liability - Ending [Item 1(i)-2(i)]</b>	<b>\$ 18,171,643</b>	<b>\$ 26,692,531</b>
<b>4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>83.5%</b>	<b>76.9%</b>
<b>5. Number of Active Members<sup>3</sup></b>	<b>4,036</b>	<b>4,036</b>
<b>6. System's Net Pension Liability per Active Member</b>	<b>\$ 4,502</b>	<b>\$ 6,614</b>

Notes to Schedule

<sup>1</sup> 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.

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

<sup>3</sup> There is no compensation for active members, so number of active members is used instead.

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

**Schedule of Investment Returns  
Last Ten Fiscal Years<sup>1</sup>**

<b>Fiscal Year Ending</b>	<b>Annual Money-Weighted Net Real Rate of Return<sup>2</sup></b>
August 31, 2013	13.84%
August 31, 2014	14.92%
August 31, 2015	-3.58%

Notes to Schedule

- <sup>1</sup> 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.
- <sup>2</sup> 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**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
<b>MONEY MARKET MUTUAL FUND</b>		
Money Market Securities	\$1,398,392	\$1,131,864
<b>BOND FUNDS</b>		
Pimco Total Return Fund	\$18,453,617	\$18,665,151
T Rowe Price International Fund	\$4,026,532	\$4,445,926
Total Bond Funds	\$22,480,149	\$23,111,077
<b>Equity Funds</b>		
OFITC International Growth Fund	\$18,283,202	\$18,197,292
Wells Fargo International Emerging Markets	\$4,318,445	\$5,666,373
Total Equity Funds	\$22,601,647	\$23,863,665
3M CO	\$271,487	
8POINT3 ENERGY LP	\$1,589	
A10 NETWORKS INC		\$48,261
AARON'S INC		\$33,793
ABBVIE INC	\$77,264	\$119,294
ACADIA HEALTHCARE	\$118,309	\$64,269
ACCENTURE PLC-A	\$191,180	
ACCESS MIDSTREAM PARTNERS LP		\$91,120
ACE LTD	\$224,650	\$207,450
ACETO CORP	\$44,484	\$53,623
ACI WORLDWIDE INC	\$66,550	\$60,746
ACTIVISION BLIZZARD INC	\$187,469	\$44,679
ACTUANT CORP-CL A		\$33,899
ACXIOM CORP		\$45,899
ADEPTUS HEALTH INC	\$49,421	
ADVANCED DRAINAGE SYSTEMS INC	\$27,160	
ADVISORY BOARD CO/THE	\$55,925	
AES CORP	\$172,008	\$183,541
AKORN INC	\$79,461	\$114,407
ALLEGiant TRAVEL CO	\$29,676	\$44,230
ALLERGAN INC		\$170,064
ALLOT COMMUNICATIONS LTD		\$8,556
ALLSTATE CORP	\$149,430	\$245,714
ALLY FINANCIAL INC	\$126,854	
AMAZON.COM INC		\$185,116
AMBARELLA INC		\$51,238
AMC ENTERTAINMENT HOLDINGS INC	\$25,937	
AMERICAN CAPITAL AGENCY CORP		\$72,062
AMERICAN EXPRESS CO	\$377,156	\$200,144
AMERICAN HOMES 4 RENT	\$51,631	\$58,950
AMERICAN INT'L GROUP INC	\$212,880	

**Texas Emergency Services Retirement System  
Schedule 1  
Pension Fund Investments  
August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
AMERICAN MIDSTREAM PARTNERS LP	\$5,338	
AMERICAN RAILCAR INDUSTRIES		\$0
AMERIGAS PARTNERS- LP	\$16,411	
AMN HEALTHCARE SERVICES INC	\$57,792	
AMPHENOL CORP-CL A	\$306,463	
AMSURG CORP	\$50,346	
ANADARKO PETROLEUM CORP	\$90,406	
ANTERO MIDSTREAM PARTNERS LP	\$20,705	
ANTHEM INC	\$94,927	
AON PLC	\$102,784	
APOGEE ENTERPRISES INC	\$52,932	\$46,879
APOLLO EDUCATION GROUP, INC.		\$73,118
APPLE INC COM	\$847,504	\$1,102,694
APPLIED MICRO CIRCUITS CORP		\$33,999
ASBURY AUTOMOTIVE GROUP INC	\$68,887	
ASPEN TECHNOLOGY INC		\$27,530
ATHLON ENERGY INC		\$94,569
ATRICURE INC	\$46,670	
AVERY DENNISON CORP	\$66,792	
BANCORPSOUTH INC	\$60,065	\$58,599
BANK OF THE OZARKS	\$112,526	\$44,538
BANKUNITED INC	\$50,324	\$64,046
BARNES GROUP INC	\$71,659	\$49,648
BARRICK GOLD CORP	\$34,368	\$69,882
BB&T CORPORATION	\$105,628	\$111,803
BELDEN CDT INC	\$24,439	\$66,859
BELMOND LTD	\$36,930	\$57,037
BENEFITFOCUS INC	\$53,736	\$52,667
BERKSHIRE HATHAWAY INC-CL B	\$613,099	\$563,823
BILL BARRETT CORP		\$93,630
BIOGEN INC	\$336,246	
BOARDWALK PIPELINE PARTNERS LP	\$21,200	
BOOT BARN HOLDINGS INC	\$21,993	
BRINKER INTERNATIONAL INC	\$63,756	
BRISTOL-MYERS SQUIBB CO	\$365,859	\$274,878
BROADSOFT INC	\$45,289	
BROCADE COMMUNICATIONS SYS	\$65,774	\$130,440
BUCKEYE PARTNERS LP	\$182,317	\$111,232
BUFFALO WILD WINGS INC	\$61,836	\$48,166
BURLINGTON STORES INC	\$90,094	
CAESAR STONE SDOT YAM LTD		\$53,466
CAESARSTONE SDOT-YAM LTD	\$31,912	
CALLIDUS SOFTWARE INC	\$55,999	
CALUMET SPECIALTY PRODUCTS LP	\$2,436	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
CAMERON INTERNATIONAL CORP	\$113,025	\$242,093
CANADIAN NATURAL RESOURCES	\$106,193	
CAPITAL ONE FINANCIAL CORP	\$455,382	\$431,225
CAPITOL FED FINL INC		\$39,582
CARDINAL HEALTH INC	\$44,179	
CARPENTER TECHNOLOGY		\$35,301
CARTER'S INC	\$52,989	\$45,529
CAVIUM INC	\$55,844	\$56,573
CELGENE CORP		\$281,354
CEMPRA INC		\$23,254
CENTENE CORP		\$47,659
CEPHEID INC		\$64,769
CEVA INC	\$25,660	
CHARLES RIVER LABORATORIES	\$70,957	\$10,933
CHART INDUSTRIES INC		\$26,890
CHECK POINT SOFTWARE TECH	\$147,127	
CHENIERE ENERGY PARTNERS LP	\$16,744	
CHIASMA INC	\$46,832	
CIENA CORP	\$80,384	\$59,173
CIGNA CORP	\$265,108	
CISCO SYSTEMS INC	\$308,205	\$303,678
CITIGROUP INC	\$418,107	\$457,981
CLARCOR INC	\$43,630	
COCA-COLA CO/THE	\$367,996	\$390,457
COGNIZANT TECH SOLUTIONS-A	\$157,728	
COHERENT INC		\$47,063
COLUMBIA BANKING SYSTEM INC	\$68,198	\$58,522
COLUMBIA PIPELINE PARTNERS LP	\$19,473	
COMCAST CORP-CL A	\$457,231	\$449,963
COMFORT SYSTEMS USA INC	\$58,572	
COMMERCIAL METALS CO		\$35,424
COMSCORE INC	\$52,837	\$22,450
CONE MIDSTREAM PARTNERS LP	\$3,932	
CONMED CORP		\$32,587
CORE LABORATORIES N.V.		\$103,167
CORNERSTONE ONDEMAND INC		\$43,964
COSTCO WHOLESALE CORP	\$255,311	\$339,145
COVIDIEN PLC		\$168,103
CRANE CO	\$42,978	\$91,441
CRESTWOOD MIDSTREAM PARTNERS LP	\$4,748	\$9,858
CRITEO SA ADR	\$66,265	
CROSSAMERICA PARTNERS LP	\$30,353	
CROWN HOLDINGS INC	\$122,190	\$96,057
CUBESMART	\$55,259	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
CUSTOMERS BANCORP INC		\$48,308
CVENT INC	\$59,453	\$66,216
CVS HEALTH CORPORATION	\$856,166	\$733,721
CYBERONICS		\$92,513
CYNOSURE INC-A	\$55,212	\$42,469
DANAHER CORP	\$204,323	\$246,991
DCP MIDSTREAM PARTNERS LP	\$27,326	
DEL FRISCOS RESTAURANT		\$44,149
DELEK LOGISTICS PARTNERS LP	\$996	
DELTA AIR LINES INC	\$204,759	\$97,446
DEPOMED INC	\$51,248	
DEVRY EDUCATION GROUP INC.		\$39,496
DEXCOM INC	\$80,113	\$132,600
DIAMONDBACK ENERGY INC	\$94,377	\$49,219
DIPLOMAT PHARMACY INC	\$44,031	
DISCOVER FINANCIAL SERVICE	\$197,082	\$192,287
DOMINION MIDSTREAM PARTNERS LP	\$13,520	
DORMAN PRODUCTS		\$22,415
DOVER CORP		\$76,359
DYNAVAX TECHNOLOGIES CORP	\$53,288	
E2OPEN INC		\$0
EATON CORP PLC	\$66,475	\$129,148
EBAY INC	\$15,236	\$229,104
ECOLAB INC	\$323,164	\$180,727
EL PASO PIPELINE PARTNERS LP		\$29,175
ELLIE MAE INC	\$49,470	
EMC CORP MASS	\$286,552	\$268,014
EMERSON ELECTRIC CO		\$70,294
ENABLE MIDSTREAM PARTNERS LP		\$9,970
ENBRIDGE ENERGY PARTNERS LP	\$49,462	\$55,606
ENDOLOGIX INC	\$36,279	\$43,294
ENERGEN CORP	\$83,408	\$66,476
ENERGY TRANSFER EQUITY LP	\$311,860	\$382,156
ENERGY TRANSFER PARTNERS LP	\$300,000	\$283,975
ENLINK MIDSTREAM LLC	\$8,518	\$5,261
ENLINK MIDSTREAM PARTNERS LP	\$44,692	\$58,261
ENTERPRISE PRODUCTS PARTNERS LP	\$453,499	\$608,394
ENVIVA PARTNERS LP	\$2,205	
EOG RESOURCES INC	\$366,569	\$115,044
EPAM SYSTEMS INC	\$59,665	\$44,163
EQT CORPORATION	\$50,816	\$142,845
EQT GP HOLDINGS LP	\$10,439	
EQT MIDSTREAM PARTNERS LP	\$60,062	\$138,728
ESTEE LAUDER COMPANIES-CL A	\$194,080	\$119,855

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
EURONET WORLDWIDE INC	\$92,192	\$74,354
EV ENERGY PARTNER LP		\$29,594
EVERCORE PARTNERS INC- CL A		\$47,388
EVOLENT HEALTH INC	\$50,932	
EW SCRIPPS CO-CL A	\$58,254	\$55,174
EXACT SCIENCES CORP	\$82,913	\$78,187
EXLSERVICE HOLDINGS INC	\$51,086	
EXPRESS SCRIPTS HOLDING CO	\$595,399	\$509,230
EXTERRAN HOLDINGS INC	\$17,968	\$77,686
EXTERRAN PARTNERS LP	\$39,676	\$60,900
EXXON MOBIL CORP		\$645,296
FACEBOOK INC-A	\$224,738	
FAIR ISAAC CORP	\$65,033	
FASTENAL CO		\$230,475
FCB FINANCIAL HOLDINGS INC	\$50,558	
FIDELITY NATIONAL INFO SVCS, INC.		\$60,779
FIFTH THIRD BANCORP	\$72,489	\$198,112
FIVE BELOW INC	\$26,644	\$76,740
FLUIDIGM CORP		\$30,350
FOGO DE CHAO INC	\$26,466	
FORTINET INC		\$44,832
FRANKLIN ELECTRIC CO INC		\$55,042
FTI CONSULTING INC	\$71,150	
GASLOG LTD	\$15,168	\$27,385
GASLOG PARTNERS LP	\$3,959	\$10,032
GENERAC HOLDINGS INC	\$21,953	
GENERAL DYNAMICS CORP	\$156,801	
GENESEE & WYOMING INC-CL A		\$71,683
GENESIS ENERGY LP	\$67,105	\$81,656
GIGAMON INC	\$37,405	
G-III APPAREL GROUP LTD	\$57,821	
GILEAD SCIENCES INC	\$477,649	\$623,633
GLOBAL PAYMENTS INC		\$61,376
GLOBANT SA	\$45,179	
GLOBE SPECIALTY METALS INC	\$34,900	\$16,945
GOLAR LNG PARTNERS LP	\$3,183	
GOOGLE INC-CL A		\$323,210
GOOGLE INC-CL C	\$698,605	\$317,238
GREENBRIER COMPANIES INC		\$75,168
GREIF INC-CL A		\$37,594
GT ADVANCED TECHNOLOGIES INC		\$53,572
HANCOCK HOLDING CO		\$33,406
HANMI FINANCIAL CORP	\$52,843	\$39,353
HARLEY-DAVIDSON INC	\$78,918	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
HARRIS CORP	\$116,382	
HARSCO CORP		\$2,299
HEADWATERS INC	\$69,016	\$48,258
HEALTHCARE SERVICES GROUP	\$74,070	\$51,790
HERSHEY CO/THE	\$226,665	
HEWLETT-PACKARD CO	\$139,627	
HEXCEL CORP	\$58,395	\$46,545
HFF INC-A	\$80,544	\$58,020
HILLENBRAND INC		\$63,536
HOLLY ENERGY PARTNERS LP	\$19,953	\$21,992
HOME BANCSHARES INC	\$68,235	\$59,054
HOME DEPOT INC		\$132,583
HONEYWELL INTERNATIONAL INC	\$386,558	\$402,918
HORTONWORKS INC	\$23,237	
HSN INC	\$62,938	
HUNTSMAN CORP	\$81,989	\$104,710
HURON CONSULTING GROUP INC	\$50,311	\$45,118
ICON PLC		\$49,986
IDEX CORP	\$299,387	
IGATE CORP		\$45,241
IMAX CORP	\$49,063	
IMPRIVATA INC	\$26,238	
INC RESEARCH HOLDINGS INC	\$46,095	
INCOME CASH		
INFINERA CORP	\$156,886	\$47,874
INGERSOLL-RAND PLC	\$65,574	
INOGEN INC	\$25,631	
INPHI CORP		\$43,991
INSTALLED BUILDING PRODUCTS INC	\$50,207	
INSULET CORP		\$43,296
INTERACTIVE INTELLIGENCE GROUP	\$50,064	\$26,542
INTERCEPT PHARMACEUTICALS INC		\$35,636
INTERCONTINENTAL EXCHANGE, INC	\$133,163	\$306,747
INTERFACE INC	\$53,207	
INTERNATIONAL PAPER CO	\$91,500	\$144,672
INTERSECT ENT INC	\$47,967	
INTRALINKS HOLDINGS INC		\$10,878
IPG PHOTONICS CORP	\$24,988	\$46,016
JACK IN THE BOX INC	\$50,504	
JOHNSON & JOHNSON	\$473,001	\$385,149
JPMORGAN CHASE & CO	\$605,809	\$514,778
JUNIPER NETWORKS INC		\$161,472
K2M GROUP HOLDINGS INC	\$48,850	\$41,323
KANSAS CITY SOUTHERN		\$156,659

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
KATE SPADE & CO		\$44,306
KENNEDY-WILSON HOLDINGS INC	\$56,761	\$54,042
KINDER MORGAN ENERGY PRTNRS LP		\$79,899
KINDER MORGAN INC/DELAWARE	\$21,974	\$18,036
KINDER MORGAN MANAGEMENT LLC		\$177,850
KIRKLAND'S INC	\$41,939	
KNOLL INC	\$54,227	
KNOWLES CORP		\$22,386
LA QUINTA HOLDINGS INC	\$57,398	\$47,993
LABORATORY CRP OF AMER HLDGS		\$107,337
LANDSTAR SYSTEM INC	\$57,263	
LDR HOLDING CORP	\$83,560	
LEAR CORP	\$98,678	\$170,303
LEHIGH GAS PARTNERS LP		\$17,842
LENDINGTREE INC	\$21,508	
LHC GROUP INC	\$20,048	
LIBERTY BROADBAND CORP WI	\$60,435	
LIBERTY GLOBAL-C	\$228,119	\$188,098
LIBERTY LILAC C	\$8,446	
LIBERTY MEDIA CL C WI	\$89,934	\$122,823
LIBERTY MEDIA CORP		\$62,374
LIFEPOINT HOSPITALS INC		\$46,675
LINEAR TECHNOLOGY CORP	\$146,378	
LITHIA MOTORS INC	\$92,209	\$41,699
LOCKHEED MARTIN CORP	\$288,291	\$268,482
LOGMEIN INC	\$57,665	\$39,109
LOWE'S COS INC	\$444,071	\$379,542
M/A-COM TECHNOLOGY SOLUTIONS H	\$47,600	
MACQUARIE INFRASTRUCTURE CO	\$77,697	\$49,337
MACY'S INC	\$87,563	\$94,930
MAGELLAN MIDSTREAM PARTNERS LP	\$236,410	\$248,097
MALIBU BOATS INC		\$27,136
MANHATTAN ASSOCIATES INC	\$118,480	
MANITOWOC COMPANY INC	\$24,339	\$55,604
MARATHON PETROLEUM CORP	\$91,971	\$131,600
MARCUS & MILLICHAP INC	\$52,523	\$23,074
MARCUS CORPORATION	\$26,126	
MARKETAXESS HOLDINGS INC		\$42,422
MARKETO INC	\$49,102	\$45,589
MARKWEST ENERGY PARTNERS LP	\$132,977	\$181,067
MARSH & MCLENNAN COS	\$227,547	\$224,878
MATADOR RESOURCES CO		\$57,456
MAXIMUS INC		\$39,428
MCDONALD'S CORP		\$138,424

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
MCKESSON CORP		\$50,513
MDC PARTNERS INC		\$39,508
MEDIDATA SOLUTIONS INC		\$44,865
MEDTRONIC INC		\$176,481
MEDTRONIC PLC	\$278,678	
MELLANOX TECHNOLOGIES LTD		\$56,375
MEMORIAL PRODUCTION PARTNERS LP		\$9,805
MEMORIAL RESOURCE DEVELOPMENT	\$37,655	
MERCK & CO INC/NJ	\$267,796	
MERCURY SYSTEMS INC	\$44,605	
METHANEX CORP	\$56,453	
METLIFE INC	\$110,070	\$92,620
MICHAEL KORS HOLDINGS LTD		\$109,284
MICROSOFT CORP	\$356,472	\$302,518
MICROSTRATEGY INC-CL A	\$51,861	
MONOLITHIC POWER SYSTEMS INC	\$47,657	
MONRO MUFFLER BRAKE INC	\$71,948	
MONSANTO CO	\$461,103	\$546,099
MOTORCAR PARTS OF AMERICA INC		\$54,424
MOVADO GROUP		\$52,539
MPLX LP	\$17,863	\$18,544
MRC GLOBAL INC		\$30,777
MSA SAFETY INC		\$53,422
MWI VETERINARY SUPPLY INC		\$63,923
NANOSTRING TECHNOLOGIES INC	\$25,233	\$18,481
NCI BUILDING SYSTEMS	\$38,257	\$47,185
NEOGEN CORP	\$43,378	
NEVRO CORP	\$24,857	
NEWS CORP CLASS A		\$63,274
NGL ENERGY PARTNERS LP	\$32,583	\$49,563
NIKE INC -CL B	\$149,522	\$105,100
NORD ANGLIA EDUCATION INC	\$42,045	\$47,856
NORDSTROM INC	\$158,368	\$150,480
NORFOLK SOUTHERN CORP		\$124,762
NORTHERN TIER ENERGY LP	\$8,540	\$11,598
NOVARTIS AG-ADR	\$260,744	
NOW INC		\$23,022
NUSTAR ENERGY LP	\$67,782	\$31,988
NXP SEMICONDUCTOR NV	\$93,623	
OASIS PETROLEUM INC		\$42,205
OCCIDENTAL PETROLEUM CORP	\$398,489	\$566,470
OILTANKING PARTNERS LP		\$84,778
OLD DOMINION FREIGHT LINE	\$62,966	\$49,736
OMNICARE INC		\$128,497



**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
OMNICELL INC	\$49,441	\$52,134
OMNICOM GROUP	\$57,670	\$63,297
ON ASSIGNMENT INC		\$41,059
ON SEMICONDUCTOR CORPORATION		\$70,955
ONEOK INC	\$8,930	\$80,239
ONEOK PARTNERS LP	\$36,426	
ORACLE CORP	\$170,874	\$397,234
ORBCOMM INC		\$19,562
OXFORD INDUSTRIES INC		\$47,224
PACIRA PHARMACEUTICALS INC		\$69,070
PANERA BREAD COMPANY-CL A		\$124,150
PAREXEL INTERNATIONAL CORP		\$43,233
PARSLE ENERGY INC SER A		\$48,662
PAYCOM SOFTWARE INC	\$61,587	
PBF LOGISTICS LP	\$11,848	\$17,347
PDC ENERGY INC	\$51,068	\$53,781
PEBBLEBROOK HOTEL TRUST	\$44,911	\$44,551
PEGASYSTEMS INC		\$42,402
PENNTX MIDSTREAM PARTNERS LP	\$6,257	
PEPSICO INC	\$235,113	
PERRIGO CO PLC	\$165,588	\$283,201
PFIZER INC	\$420,954	\$417,896
PGT INC	\$82,760	\$29,657
PHILIP MORRIS INTERNATIONAL		\$394,609
PHILLIPS 66	\$307,977	\$367,137
PHILLIPS 66 PARTNERS LP	\$14,102	
PIER 1 IMPORTS INC		\$31,599
PINNACLE FOODS INC	\$56,902	
PLAINS ALL AMER PIPELINE LP	\$239,547	\$321,405
PLAINS GP HOLDINGS LP	\$46,448	\$67,583
PLANET FITNESS INC	\$25,504	
POLYONE CORPORATION		\$58,242
POOL CORP	\$74,209	\$57,227
POPEYES LOUISIANA KITCHEN INC	\$68,413	\$46,316
PORTFOLIO RECOVERY ASSOCIATE		\$44,782
POST HOLDINGS INC	\$81,274	\$46,028
PRA GROUP INC	\$94,643	
PRA HEALTH SCIENCES INC	\$53,096	
PRAXAIR INC	\$111,989	\$139,311
PRECISION CASTPARTS CORP		\$289,455
PRIMORIS SERVICES CORP		\$101,640
PRINCIPAL CASH	\$0	
PROOFPOINT INC	\$99,835	\$47,936
PROSPERITY BANCSHARES INC		\$48,622

**Texas Emergency Services Retirement System**  
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	Market Value As of August 31, 2015	Market Value As of August 31, 2014
PROTO LABS INC	\$50,253	\$51,163
PRUDENTIAL FINANCIAL INC	\$0	\$138,497
PTC THERAPEUTICS INC		\$28,177
PZENA INVESTMENT MANAGEMENT INC		\$23,202
Q2 HOLDINGS INC	\$61,738	
QEP MIDSTREAM PARTNERS LP		\$38,610
QEP RESOURCES INC	\$69,372	\$149,785
QLIK TECHNOLOGIES	\$61,788	
QUALCOMM INC	\$138,112	\$543,202
QUEST DIAGNOSTICS	\$108,616	\$96,142
RADWARE LTD	\$44,087	
RALPH LAUREN CORP		\$199,656
RAMBUS INC	\$66,479	\$56,217
RAVEN INDUSTRIES INC		\$27,993
RAYMOND JAMES FINANCIAL INC	\$274,647	\$147,364
RAYTHEON COMPANY	\$201,633	\$193,258
RED ROBIN GOURMET BURGERS		\$36,214
REGENCY ENERGY PARTNERS LP		\$1,715
RESTORATION HARDWARE HOLDINGS	\$47,720	\$43,277
RETAILMENOT INC		\$38,568
RICE ENERGY INC	\$21,317	\$26,528
RICE MIDSTREAM PARTNERS LP	\$42,143	
RINGCENTRAL INC	\$53,523	
RITCHIE BROS. AUCTIONEERS	\$65,916	
ROADRUNNER TRANSPORTATION		\$41,824
ROSE ROCK MIDSTREAM LP		\$37,692
ROSS STORES INC	\$183,200	\$160,041
RSP PERMIAN INC	\$42,158	\$65,809
RUCKUS WIRELESS INC		\$32,549
SAIA INC		\$50,650
SANCHEZ ENERGY CORP		\$59,775
SANOFI		\$54,700
SAPIENT CORPORATION		\$47,085
SCHLUMBERGER LTD	\$300,118	\$573,966
SCRIPPS NETWORKS INTER-CL A	\$32,916	\$74,051
SEAGATE TECHNOLOGY	\$59,778	\$74,282
SEMGROUP INC	\$43,065	
SEQUENTIAL BRANDS GROUP INC		\$22,762
SHELL MIDSTREAM PARTNERS LP	\$124,012	
SHIRE PLC ADR	\$67,048	\$43,983
SHOPIFY INC W/I	\$39,410	
SIGNATURE BANK		\$49,990
SIX FLAGS ENTERTAINMENT	\$62,958	\$63,876
SKECHERS USA INC-CL A	\$70,651	\$86,388

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
SOLARWINDS INC		\$43,389
SONUS NETWORKS INC		\$44,203
SOUTHCROSS ENERGY	\$98	
SOVRAN SELF STORAGE INC REIT	\$73,130	\$42,499
SPANSION INC		\$51,602
SPECTRANETICS CORP		\$127,994
SPIRIT AIRLINES INC	\$44,434	\$75,599
SPRAGUE RESOURCES LP	\$5,439	\$20,606
SPS COMMERCE INC	\$54,756	\$35,522
STAG INDUSTRIAL	\$40,432	\$44,166
STAGE STORES INC	\$18,419	
STAMPS.COM INC	\$30,713	
STARBUCKS CORP	\$315,950	\$267,978
STEVEN MADDEN LTD	\$67,501	
STRATEGIC HOTELS & RESORTS INC. REIT	\$50,992	\$34,987
SUBURBAN PROPANE PARTNERS LP	\$898	
SUMMIT MATERIALS INC	\$54,779	
SUMMIT MIDSTREAM PARTNERS LP	\$25,985	\$50,139
SUNOCO LOGISTICS PARTNERS LP	\$35,386	
SURGICAL CARE AFFILIATES INC.	\$55,337	\$67,109
SWIFT TRANSPORTATION	\$43,599	
SYNAGEVA BIOPHARMA CORP		\$18,909
SYNERGY RESOURCES CORP	\$41,456	\$51,956
T ROWE PRICE GROUP INC		\$137,287
TAKE-TWO INTERACTIVE SOFTWARE	\$65,688	
TALLGRASS ENERGY GP LP	\$20,907	
TALLGRASS ENERGY PARTNERS LP	\$39,762	\$10,101
TARGA RESOURCES CORP	\$51,263	\$38,655
TARGA RESOURCES PARTNERS LP	\$41,209	\$69,118
TARGET CORP	\$186,737	
TE CONNECTIVITY LTD		\$101,730
TEAM HEALTH HOLDINGS INC	\$134,809	\$96,851
TEEKAY LNG PARTNERS LP	\$30,552	\$87,581
TEEKAY OFFSHORE PARTNERS LP	\$15,558	\$46,834
TEEKAY SHIPPING CORP		\$2,208
TELEDYNE TECHNOLOGIES INC	\$54,830	\$60,183
TESORO LOGISTICS	\$85,288	\$76,675
TEVA PHARMACEUTICAL-SP ADR	\$102,347	\$127,939
TEXAS CAPITAL BANCSHARES INC	\$52,514	\$64,236
TEXAS INSTRUMENTS INC	\$263,742	\$205,343
TEXTRON INC	\$41,244	
THE FINISH LINE-CL A		\$45,719
THE PRICELINE GROUP INC	\$367,100	\$282,458
THE TRAVELERS COMPANIES INC	\$87,206	\$157,029

**Texas Emergency Services Retirement System  
Schedule 1  
Pension Fund Investments  
August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
THE WALT DISNEY CO.	\$306,863	\$270,719
TIME INC	\$32,256	\$9,956
TIME WARNER INC		\$226,930
TRANSCANADA CORP	\$13,259	
TREEHOUSE FOODS INC	\$49,209	
TRIMAS CORP		\$16,864
TRINET-GROUP INC		\$76,811
TRINITY BIOTECH PLC - SPON ADR		\$37,164
TRUECAR INC		\$19,120
TUTOR PERINI CORP		\$55,457
TWENTY-FIRST CENTURY FOX INC	\$232,295	\$300,397
TYLER TECHNOLOGIES INC	\$54,250	
TYSON FOODS INC-CL A	\$231,821	\$113,952
UNITED CONTINTETAL HOLDINGS INC	\$114,396	\$49,372
UNITED TECHNOLOGIES CORP	\$202,825	
UNITEDHEALTH GROUP INC		\$63,016
US ECOLOGY INC	\$55,306	
USA COMPRESSION PARTNERS LP	\$16,320	\$23,413
VALERO ENERGY CORP		\$104,003
VALERO ENERGY PARTNERS LP	\$34,622	\$46,753
VALIDUS HOLDINGS LTD		\$40,635
VARONIS SYSTEMS INC		\$49,504
VERINT SYSTEMS INC	\$46,824	
VERIZON COMMUNICATIONS INC	\$205,895	\$124,749
VIEWPOINT FINANCIAL GROUP		\$44,467
VIRGIN AMERICA INC	\$50,740	
VISA INC-CLASS A SHARES	\$571,256	\$357,671
VMWARE INC- CL A	\$174,684	\$217,566
VTTI ENERGY PARTNERS LP	\$22,697	\$24,460
VWR CORP	\$75,469	
WADDELL & REED FINANCIAL-A	\$48,838	
WAGeworks	\$36,251	
WATSCO INC	\$74,701	
WELLS FARGO & COMPANY	\$822,349	\$910,128
WESCO INTERNATIONAL INC		\$53,334
WEST PHARMACEUTICAL SERVICES	\$51,885	
WESTERN ALLIANCE BANCORP	\$49,442	
WESTERN DIGITAL CORP	\$139,414	\$124,539
WESTERN GAS EQUITY PARTNERS LP	\$20,497	
WESTERN REFINING LOGISTICS LP	\$43,501	\$71,835
WESTLAKE CHEMICAL PARTNERS LP	\$15,956	\$50,475
WESTROCK CO W/I	\$83,090	
WEX INC	\$45,185	\$45,233
WHOLE FOODS MARKET INC	\$233,349	\$159,300

**Texas Emergency Services Retirement System  
Schedule 1  
Pension Fund Investments  
August 31, 2015 (With Comparative totals for August 31, 2014)**

	Market Value As of August 31, 2015	Market Value As of August 31, 2014
WILLBROS GROUP INC		\$45,795
WILLIAM LYON HOMES	\$48,583	
WILLIAMS COS INC	\$74,710	\$207,148
WILLIAMS PARTNERS LP	\$71,053	\$97,432
WINNEBAGO INDUSTRIES		\$43,154
WIX.COM LTD		\$34,418
WORTHINGTON INDUSTRIES		\$52,370
WUXI PHARMATECH CAYMAN INC		\$49,607
XL GROUP PLC	\$92,815	
ZELTIQ AESTHETICS	\$48,728	\$47,483
ZENDESK INC	\$51,514	
ZIMMER BIOMET HOLDINGS INC	\$106,253	
ZIMMER HOLDINGS INC		\$103,978
ZOE'S KITCHEN INC	\$22,451	
ZULILY INC		\$42,706
Grand Total	<u>\$41,228,209</u>	<u>\$42,268,491</u>
TOTAL INVESTMENTS	<u>\$87,708,397</u>	<u>\$90,375,097</u>
Short Term Investments (Exhibit III)	\$1,398,392	\$1,131,864
Investments (Exhibit III)		
Corporate Equity	\$41,228,209	\$42,268,491
Other Investments	\$45,081,796	\$46,974,742
Total	<u>\$87,708,397</u>	<u>\$90,375,097</u>

**Texas Emergency Services Retirement System  
Schedule 2  
Administrative Expenses for TESRS Trust Fund  
For Year Ended August 31, 2015**

<u>Category</u>	<u>Expenses</u>	
Professional Fees and Services:		
Actuarial Services	\$ 86,395	
Audit Services	23,000	
Legal Services	34,675	
Total Professional Fees and Services		\$ 144,070
Payroll		\$ 28,050
Travel		33,356
Training		1,876
Rentals & Leases		3,484
Other Expense		5,064
Total Administrative Expenses (See Exhibit IV)		<u>\$ 215,900</u>



**Texas Emergency Services Retirement System**  
**Schedule 3**  
**Investing Activity Expenses**  
**For Year Ended August 31, 2015**

<u>Category</u>	<u>Expenses</u>
Atlanta Capital Management	\$ 94,753
Milliman USA	64,596
Pier Capital	24,641
Robeco	95,234
Luther King	46,420
Harvest	32,306
OFI Trust	123,261
Bank of Texas	46,453
<b>Total Investing Activities Expenses</b>	<b>\$ 527,664</b>
(See Exhibit IV)	

**Texas Emergency Services Retirement System  
Schedule 4  
Board Members  
August 31, 2015**

<u>Name and Address</u>	<u>Term Expires September 1,</u>
Frank Torres, Chairman PO Box 744 Raymondville, TX 78580	2017
Gracie G. Flores, Vice-Chairman 425 Ashland Dr. Corpus Christi, TX 78412	2015
Andrew Taylor Allen, Trustee Goldman Sachs 100 Crescent Court, Suite 1000 Dallas TX 75201	2019
Dennis R. Rice, Trustee 8200 Rice Road Canyon, TX 79015	2015
Jenny Moore, Secretary 63 Willow Court Lake Jackson, TX 77566	2015
Dan Key, Trustee 2204 Pine Drive Friendswood, TX 77546	2019
Stephen Williams, Trustee 360 CR 105 Carthage, TX 75633	2017
Ron Larson, Trustee c/o El Paso County E.S.D. #1, 14151 Nunda Ave. Horizon City, TX 79928	2019
Don Shipman, Trustee 4601 Shadycreek Lane Colleyville, TX 76034	2017