

Texas Emergency Services Retirement System

Report on Pension Information
August 31, 2019

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Independent Auditor's Report

To the Board of Trustees and Executive Director
Texas Emergency Services Retirement System

We have audited the accompanying schedule of participating department allocations of Texas Emergency Services Retirement System (the System) as of and for the year ended August 31, 2019, and the related notes. We have also audited the columns titled Net Pension Liability, Total Deferred Outflows of Resources Excluding Participating Department Specific Amounts, Total Deferred Inflows of Resources Excluding Participating Department Specific Amounts, and Plan Pension Expense (specified column totals) included in the accompanying schedule of collective pension amounts of the System as of and for the year ended August 31, 2019, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 these schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of participating department allocations and the specified column totals included in the accompanying schedule of collective pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of participating department allocations and specified columns included in the accompanying schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of participating department allocations and specified column totals included in the accompanying schedule of collective pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of participating department allocations and the specified column totals included in the accompanying schedule of collective pension amounts, 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 schedule of participating department allocations and the specified column totals included in the accompanying schedule of collective pension amounts 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 schedule of participating department allocations and the specified column totals included in the accompanying schedule of collective pension amounts.

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

The Board of Trustees and Executive Director
Texas Emergency Services Retirement System

Opinion

In our opinion, the schedules referred to above presents fairly, in all material respects, the schedule of participating department allocations and the columns titled Net Pension Liability, Total Deferred Outflows of Resources Excluding Participating Department Specific Amounts, Total Deferred Inflows of Resources Excluding Participating Department Specific Amounts, and Plan Pension Expense included in the accompanying schedule of collective pension amounts of Texas Emergency Services Retirement System as of and for the year ended August 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended August 31, 2019, and our report thereon, dated December 20, 2019, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the System's management, board of trustees and executive director, participating departments and their auditors, and is not intended to be, and should not be, used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
February 7, 2020

Texas Emergency Services Retirement System

Schedule of Participating Department Allocations

As of and for the Year Ended August 31, 2019

| Contributing Entity | 2019 Contributions | Contributing Entity Allocation Percentage |
|--|-----------------------|---|
| Alamo Volunteer Fire Department | \$ 3,804 | 0.085% |
| Alpine Volunteer Fire Department | 6,790 | 0.152% |
| Alvarado Volunteer Fire Department | 1,263 | 0.028% |
| Alvin Volunteer Fire Department | 106,520 | 2.377% |
| Andrews Volunteer Fire Department | 14,598 | 0.326% |
| Angleton Volunteer Fire Department | 17,337 | 0.387% |
| Baird Volunteer Fire Department | 8,121 | 0.181% |
| Ballinger Fire Department | 10,177 | 0.227% |
| Bastrop County ESD # 1 | 19,144 | 0.427% |
| BASTROP COUNTY ESD#2 | 2,117 | 0.047% |
| Bexar County ESD#5 Fire and Rescue | 915 | 0.020% |
| Brady Volunteer Fire Department | 3,361 | 0.075% |
| Brazoria Cty EDS#3 | 10,277 | 0.229% |
| Brazoria Volunteer Fire Department | 7,717 | 0.172% |
| Bremont Fire Department | 5,077 | 0.113% |
| Brenham Fire Department | 53,150 | 1.186% |
| Bridge City Fire & Rescue | 16,184 | 0.361% |
| Bridgeport Volunteer Fire Department | 6,835 | 0.153% |
| Brownfield Fire Department | 3,171 | 0.071% |
| BUFFALO VFD | 5,080 | 0.113% |
| Burkburnett Fire Department | 12,657 | 0.282% |
| Burnet County ESD#4 | 4,543 | 0.101% |
| Burnet Fire Department | 5,914 | 0.132% |
| Cactus Volunteer Fire Department | 6,651 | 0.148% |
| Cameron Volunteer Fire Department | 10,214 | 0.228% |
| Canadian Volunteer Fire Department | 30,276 | 0.676% |
| Canyon Fire Department | 38,730 | 0.864% |
| Carthage Volunteer Fire Department | 10,228 | 0.228% |
| Center Volunteer Fire Department | 12,968 | 0.289% |
| Clarksville Volunteer Fire Department | 1,460 | 0.033% |
| Claude Volunteer Fire and Ambulance Department | 3,946 | 0.088% |
| Clute Volunteer Fire Department | 29,310 | 0.654% |
| Columbus Fire Department | 31,771 | 0.709% |
| Crockett Volunteer Fire Department | 3,912 | 0.087% |
| Crosbyton Volunteer Fire Department | 6,156 | 0.137% |
| Cuero Volunteer Fire Department | 15,057 | 0.336% |
| Daingerfield Volunteer Fire Department | 7,197 | 0.161% |
| Dalhart Volunteer Fire Department | 13,154 | 0.294% |
| Dallas County Fire and Rescue | 3,114 | 0.069% |
| Dayton Volunteer Fire Department | 11,948 | 0.267% |
| Deer Park Volunteer Fire Department | 123,537 | 2.757% |
| Del Rio Fire & Rescue Department | - | 0.000% |
| Denver City Volunteer Fire Department | 15,821 | 0.353% |
| Diboll Volunteer Fire Department | 7,779 | 0.174% |
| Dickinson Volunteer Fire Department | 30,104 | 0.672% |

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this statement.

Texas Emergency Services Retirement System
Schedule of Participating Department Allocations – Continued
As of and for the Year Ended August 31, 2019

| Contributing Entity | 2019 Contributions | Contributing Entity Allocation Percentage |
|--|-----------------------|---|
| Dimmitt Fire Department | \$ 7,907 | 0.176% |
| Donna Volunteer Fire Department | 6,446 | 0.144% |
| Dumas Volunteer Fire Department | 2,590 | 0.058% |
| Eagle Lake Volunteer Fire Department | 18,353 | 0.410% |
| Edcouch Volunteer Fire Department | 7,227 | 0.161% |
| Edgecliff Volunteer Fire Department | 2,105 | 0.047% |
| Edinburg Volunteer Fire Department | 43,428 | 0.969% |
| El Campo Volunteer Fire Department | 44,290 | 0.988% |
| El Paso County Emergency District #1 | 36,652 | 0.818% |
| El Paso County Emergency District #2 | 64,162 | 1.432% |
| Electra Volunteer Fire Department | 8,774 | 0.196% |
| Fairfield Volunteer Fire Department | 3,668 | 0.082% |
| Farmersville Volunteer Fire Department | 6,787 | 0.151% |
| Ferris Fire Department | 3,034 | 0.068% |
| Flatonia Volunteer Fire Department | 47,662 | 1.064% |
| Forney Volunteer Fire Department | 5,379 | 0.120% |
| Fort Stockton Volunteer Fire Department | 14,085 | 0.314% |
| Fredericksburg Fire Department | 28,674 | 0.640% |
| Freeport Volunteer Fire Department | 847 | 0.019% |
| Freer Volunteer Fire Department | 9,605 | 0.214% |
| Friendswood Volunteer Fire Department | 79,545 | 1.775% |
| Georgetown Fire Department | - | 0.000% |
| Giddings Volunteer Fire Department | 8,369 | 0.187% |
| Gilmer Volunteer Fire Department | 7,115 | 0.159% |
| Gonzales Fire Department | 8,457 | 0.189% |
| Grand Saline Volunteer Fire Department | 24,529 | 0.547% |
| Grandbury Volunteer Fire Department | 57,229 | 1.277% |
| Grandview Volunteer Fire Department | 2,117 | 0.047% |
| Greenwood Rural VFD | 4,222 | 0.094% |
| Groesbeck Volunteer Fire Department | 5,804 | 0.130% |
| Groves Volunteer Fire Department | 6,754 | 0.151% |
| Gun Barrel City Fire Department | 963 | 0.021% |
| Hallettsville Volunteer Fire Department | 20,137 | 0.449% |
| Hamlin Volunteer Fire Department | 5,284 | 0.118% |
| Harris County Emergency Services District No. 80 | 22,133 | 0.494% |
| Harris County ESD No 46 | 54,227 | 1.210% |
| Haskell Volunteer Fire Department | 8,814 | 0.197% |
| Hawkins Volunteer Fire Department | 851 | 0.019% |
| Hays County ESD#6 | 24,440 | 0.545% |
| Hearne Volunteer Fire Department | 19,554 | 0.436% |
| Hereford Fire Department | 18,988 | 0.424% |
| Huntsville Fire Department | 12,276 | 0.274% |
| Iowa Park Volunteer Fire Department | 11,008 | 0.246% |
| Iraan Volunteer Fire Department & EMS | 847 | 0.019% |
| Jasper Volunteer Fire Department | 14,277 | 0.319% |

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this statement.

Texas Emergency Services Retirement System
Schedule of Participating Department Allocations – Continued
As of and for the Year Ended August 31, 2019

| Contributing Entity | 2019 Contributions | Contributing Entity Allocation Percentage |
|--|-----------------------|---|
| Jeff Davis County Emergency Services District #1 | \$ 14,190 | 0.317% |
| Jefferson Volunteer Fire Department | 9,037 | 0.202% |
| Kermit Volunteer Fire Department | 12,777 | 0.285% |
| Kingsville Volunteer Fire Department | 3,558 | 0.079% |
| La Grange Volunteer Fire Department | 25,707 | 0.574% |
| Lake Jackson Volunteer Fire Department | 40,466 | 0.903% |
| Lamesa Volunteer Fire Department | 48,224 | 1.076% |
| LaPorte Fire Department | 41,395 | 0.924% |
| League City Volunteer Fire Department | 129,684 | 2.894% |
| Levelland Fire Department | 6,710 | 0.150% |
| Lindale Volunteer Fire Department | 17,910 | 0.400% |
| Linn-San Manuel VFD | 4,020 | 0.090% |
| Littlefield Volunteer Fire Department | 5,184 | 0.116% |
| Llano Volunteer Fire Department | 12,900 | 0.288% |
| Lockhart Volunteer Fire Department | 420 | 0.009% |
| Louise Volunteer Fire Department | 13,140 | 0.293% |
| Lucas Volunteer Fire Department | 6,909 | 0.154% |
| Madisonville Volunteer Fire Department | 11,586 | 0.259% |
| MARFA VOLUNTEER FIRE DEPARTMENT | 8,537 | 0.191% |
| Mathis Volunteer Fire Department | 2,896 | 0.065% |
| Mercedes Volunteer Fire Department | 2,292 | 0.051% |
| Merkel Volunteer Fire Department | 2,117 | 0.047% |
| Mineola Volunteer Fire Department | 8,770 | 0.196% |
| Mineral Wells Volunteer Fire Department | 8,634 | 0.193% |
| Mission Volunteer Fire Department | 5,433 | 0.121% |
| Mont Belvieu Fire Department | 36,854 | 0.822% |
| Morton Volunteer Fire Department | 5,111 | 0.114% |
| Moulton Fire Department | 9,834 | 0.219% |
| Mount Vernon Volunteer Fire Department | 6,905 | 0.154% |
| Muleshoe Volunteer Fire Department | 8,042 | 0.179% |
| Nixon Volunteer Fire Department | 4,290 | 0.096% |
| Northeast Gaines County ESD#1 | 11,408 | 0.255% |
| Odem Volunteer Fire Department | 4,648 | 0.104% |
| Old Ocean Volunteer Fire Department | 7,830 | 0.175% |
| Orange County ESD #1 | 1,266 | 0.028% |
| Ovilla Fire Department | 3,062 | 0.068% |
| Palacios Volunteer Fire Department | 17,157 | 0.383% |
| Pasadena Fire Department | 202,902 | 4.528% |
| Pearland Volunteer Fire Department | 2,390 | 0.053% |
| Pearsall Volunteer Fire Department | 18,481 | 0.412% |
| Pecos Volunteer Fire Department | 13,443 | 0.300% |
| Perryton Fire Department | 18,086 | 0.404% |
| Pharr Volunteer Fire Department | 38,460 | 0.858% |
| Port Aransas Volunteer Fire Department | 9,228 | 0.206% |
| Princeton Volunteer Fire Department | 10,116 | 0.226% |

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this statement.

Texas Emergency Services Retirement System
Schedule of Participating Department Allocations – Continued
As of and for the Year Ended August 31, 2019

| Contributing Entity | 2019 Contributions | Contributing Entity Allocation Percentage |
|---|-----------------------|---|
| Quannah Volunteer Fire Department | \$ 10,714 | 0.239% |
| Quitman Volunteer Fire Department | 7,288 | 0.163% |
| Randall County ESU | 12,387 | 0.276% |
| Randall County Volunteer Fire Deptment | 44,724 | 0.998% |
| Raymondville Volunteer Fire Department | 18,908 | 0.422% |
| Reno Volunteer Fire Department | 8,813 | 0.197% |
| Richwood Volunteer Fire Department | 10,997 | 0.245% |
| River Oaks Fire Department | 8,510 | 0.190% |
| Roby Volunteer Fire Department | 3,293 | 0.073% |
| Rockwall Volunteer Fire Department | 1,428 | 0.032% |
| Rosenberg Fire Department | 2,180 | 0.049% |
| Rotan Volunteer Fire Department | 4,733 | 0.106% |
| San Augustine Volunteer Fire Department | 10,928 | 0.244% |
| San Juan Volunteer Fire Department | 10,803 | 0.241% |
| San Saba Volunteer Fire Department | 6,408 | 0.143% |
| Sanger Volunteer Fire Department | 1,681 | 0.038% |
| Santa Fe Volunteer Fire Department | 46,590 | 1.040% |
| Schulenburg Volunteer Fire Department | 56,622 | 1.264% |
| Seabrook Volunteer Fire Department | 16,934 | 0.378% |
| Sealy Volunteer Fire Department | 2,252 | 0.050% |
| Seguin Fire Department | 1,592 | 0.036% |
| Seminole Volunteer Fire Department | 26,205 | 0.585% |
| Seymour Volunteer Fire Department | 12,222 | 0.273% |
| Shiner Volunteer Fire Department | 19,248 | 0.430% |
| Sinton Volunteer Fire Department | 11,202 | 0.250% |
| Slaton Volunteer Fire Department | 7,811 | 0.174% |
| Snyder Volunteer Fire Department | 4,231 | 0.094% |
| Sonora Volunteer Fire Department | 10,396 | 0.232% |
| South Houston Volunteer Fire Department | 13,296 | 0.297% |
| Spearman Volunteer Fire Department | 3,131 | 0.070% |
| Spring Fire Department | 102,472 | 2.287% |
| Spur Volunteer Fire Department | 9,086 | 0.203% |
| Sunray Volunteer Fire Department | 4,979 | 0.111% |
| Sweeny Fire and Rescue | 15,831 | 0.353% |
| Tahoka Volunteer Fire Department | 8,496 | 0.190% |
| Teague Fire Department | 11,071 | 0.247% |
| Terrell Volunteer Fire Department | 13,966 | 0.312% |
| Travis County ESD #6 | 1,976 | 0.044% |
| Trinity Volunteer Fire Department | 7,572 | 0.169% |
| UPTON COUNTY ESD #2 | 5,705 | 0.127% |
| Uvalde Volunteer Fire Department | 46,138 | 1.030% |
| Waller Harris ESD 200 | 18,230 | 0.407% |
| Weimar Volunteer Fire Department | 15,336 | 0.342% |
| Wellington Volunteer Fire Department | 8,400 | 0.187% |
| West Columbia Volunteer Fire Department | 17,601 | 0.393% |

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this statement.

Texas Emergency Services Retirement System
Schedule of Participating Department Allocations – Continued
As of and for the Year Ended August 31, 2019

| Contributing Entity | 2019 Contributions | Contributing Entity Allocation Percentage |
|--------------------------------------|-----------------------|---|
| Wharton Fire Department | \$ 13,633 | 0.304% |
| Wild Peach Volunteer Fire Department | 9,933 | 0.222% |
| Windcrest Fire Department | 15,000 | 0.335% |
| Wolfforth Volunteer Fire & EMS | 8,997 | 0.201% |
| Woodville Volunteer Fire Department | 11,302 | 0.252% |
| Yoakum Volunteer Fire Department | 8,322 | 0.186% |
| Yorktown Volunteer Fire Department | 12,622 | 0.282% |
| State of Texas' 2019 Contribution | 1,329,224 | 29.663% |
| Total | \$ 4,481,131 | 100.000% |

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this statement.

Texas Emergency Services Retirement System
 Schedule of Collective Pension Amounts
 As of and for the Year Ended August 31, 2019

| Deferred Outflows of Resources | | | | | Deferred Inflows of Resources | | | | |
|--------------------------------|--|---------------------------|--|--|--|---------------------------|--|---|----------------------------|
| Net Pension Liability | Differences Between Expected and Actual Experience | Changes of Assumptions | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Total | Differences Between Expected and Actual Experience | Changes of Assumptions | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Total | Plan Pension Expense |
| | | | | Deferred Outflows of Resources Excluding Participating Department Specific Amounts* | | | | Deferred Inflows of Resources Excluding Participating Department Specific Amounts* | |
| \$ 28,345,563 | \$ - | \$ - | \$ 3,650,234 | \$ 3,650,234 | \$ 34,265 | \$ - | \$ - | \$ 34,265 | \$ 6,716,723 |

* Participating department specific amounts that are excluded from this schedule are the changes in proportion and differences between participating department contributions and proportionate share of contributions as defined in paragraphs .54 and .55 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts are an integral part of this statement.

Texas Emergency Services Retirement System

Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts

Note 1. Background and 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 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 fire 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. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations which may be of interest are also available at the same link.

Information that is available in the annual financial report is not repeated in the allocation schedules and related notes.

The preparation of the schedules of participating department allocations and collective pension amounts in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

Note 2. Schedule of Participating Department Allocations

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.

Participating department contributions for the fiscal year ended August 31, 2019 were used for purposes of preparing the allocation schedule. Adjustments were made in the following circumstances, with the treatment detailed below for material items:

- For newly participating departments, lump sum contributions were eliminated and contributions were annualized
- MTES contributions for legacy departments were eliminated
- Prior service buybacks were eliminated
- Interest on contributions and administrative penalties were eliminated
- 13th checks, which are passed directly through to the participants, were eliminated

Texas Emergency Services Retirement System

Notes to Schedule of Participating Department Allocations and Schedule of Collective Pension Amounts

Note 3. Schedule of Collective Pension Amounts

TESRS has prepared the Schedule of Collective Pension Amounts. The collective pension expense based on TESRS's fiscal year ended August 31, 2019 is shown in the following table:

| | | |
|---|----|--------------|
| Service cost | \$ | 1,865,886 |
| Interest | | 10,552,731 |
| Projected earnings on pension plan investments | | (8,869,487) |
| Amortization of differences between projected and actual earnings on plan investments | | 2,882,088 |
| Amortization of changes of assumptions | | 80,908 |
| Amortization of differences between expected and actual experience | | (22,209) |
| Pension plan administrative expense | | 226,806 |
| | | 226,806 |
| | | \$ 6,716,723 |

Amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows:

| Fiscal Year Ended August 31, | Net Deferred Outflows Minus Deferred Inflows |
|---------------------------------|--|
| 2020 | \$ 769,581 |
| 2021 | 403,501 |
| 2022 | 897,106 |
| 2023 | 1,545,781 |
| | 1,545,781 |
| | \$ 3,615,969 |

Each participating department will need to calculate two additional types of deferred outflows of resources and deferred inflows of resources, which are participating department specific amounts. These amounts relate to differences between actual contributions made by a participating department and their proportionate share of total contributions calculated based on the allocation percentage.

The participating department's proportionate share of the collective pension expense for its fiscal year ended between September 1, 2019 and August 31, 2020 is equal to the collective pension expense multiplied by the participating department's allocation percentage for TESRS's fiscal year ended August 31, 2019 as shown in the schedule of participating department allocations.