

**AUDITED**  
**ANNUAL FINANCIAL REPORT**  
For The Year Ended August 31, 2014



*Texas Emergency Services Retirement System*

**208 E. 10<sup>th</sup> Street, Suite 309**  
Austin, TX 78701



## TABLE OF CONTENTS

LETTER OF TRANSMITTAL

FINANCIAL SECTION:

Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements	
Exhibit I – Governmental Fund Balance Sheet/Statement of Net Position....	8
Exhibit II – Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities.....	9
Exhibit III – Statement of Fiduciary Net Position .....	10
Exhibit IV – Statement of Changes in Fiduciary Net Position.....	11
Notes to the Financial Statements:	
Note 1 – Summary of Significant Accounting Policies.....	12
Note 2 – Capital Assets.....	16
Note 3 – Deposits and Investments .....	16
Note 4 – Summary of Long Term Liabilities .....	19
Note 5 – Interfund Balances/Activities.....	19
Note 6 – Employees' Retirement Plan .....	19
Note 7 – Deferred Compensation.....	20
Note 8 – Contingent Liabilities.....	20
Note 9 – Continuance Subject to Review.....	20
Note 10 – Risk Financing and Related Insurance .....	20
Note 11 – Pension Disclosures .....	21

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the System's Net Pension Liability and Related Ratios.....	25
Schedule of Investment Returns .....	26

OTHER SUPPLEMENTARY SCHEDULES

Schedule 1 – Pension Fund Investments.....	27
Schedule 2 – Administrative Expenses for TESRS Trust Fund .....	41
Schedule 3 – Investing Activity Expenses.....	42
Schedule 4 – Board Members.....	43



## TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

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December 20, 2014

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
Ursula Parks, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Dear Ladies 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, 2014, 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, LLP 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 at (512) 565-1735.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle Jordan".

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, 2014, 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, 2014, 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, 2014 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 \$18,197,291 as of August 31, 2014, 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.

#### *Change in Accounting Policy*

As discussed in Note 1, TESRS adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 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.

Fort Worth, Texas  
December 19, 2014

## 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, 2014. 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 2014, there were 223 member departments in the System. Of that total, 198 were contributing member departments.

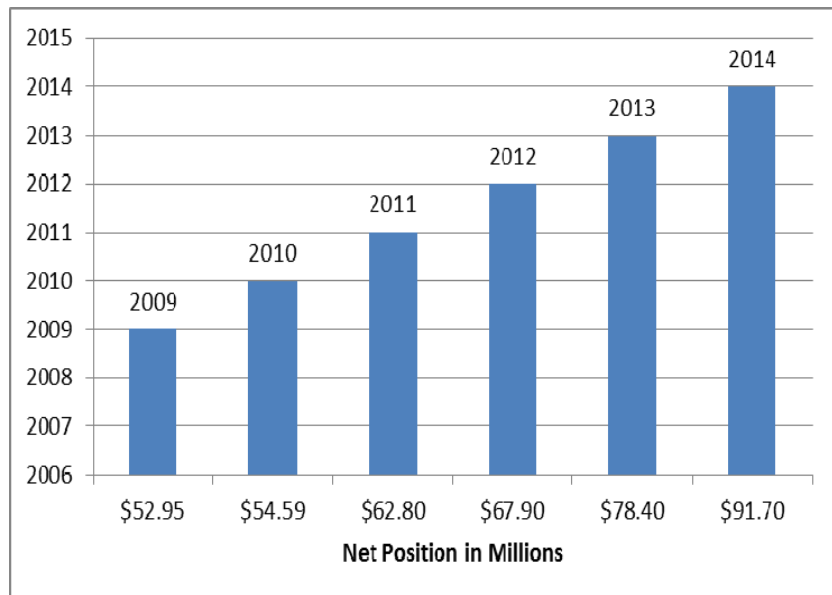
This discussion and analysis is intended to serve as an introduction to the System’s basic financial presentation, which presents the net position held in trust for pension benefits as of August 31, 2014, and summarizes the changes. The information available in each of these sections is briefly summarized below.

- **Financial Statements** – Fund Financial statements are presented as of August 31, 2014, 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 Fiduciary Net Position

Net position held in trust at the end of fiscal year 2014 totaled \$91.7 million, which represents a change of \$13.3 million over funds held at the close of fiscal year 2013.

The majority of plan assets are held as investments. There was improvement in the overall financial condition of the fund from 2013 to 2014, due to positive investment experience, with the dollar weighted rate of return on investments being calculated at 14.92% as of August 31, 2014.





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 2014, system investment details were as follows:

**Summary of Assets as of August 31, 2014**

<b>Investment Category</b>	<b>Market Value</b>	<b>August 31, 2014 Actual Allocation</b>	<b>Target Allocation</b>	<b>Allocation Range</b>
1. Cash and equivalents	\$ 297,283	0%	0%	0.0-5.0%
2. Fixed income securities				
a. Domestic	18,665,151	20.36	21.0	16.0-26.0
b. International	4,445,926	4.85	5.0	3.0-10.0
3. Equities				
a. Domestic large cap	29,636,642	32.33	32.0	22.0-42.0
b. Domestic small cap	8,946,753	9.76	10.0	6.0-20.0
c. International developed	18,197,292	19.85	21.0	16.0-26.0
d. International emerging	5,666,373	6.18	6.0	3.0-11.0
4. Master limited partnerships	4,815,979	5.25	5.0	3.0-10.0
5. Other				
a. Payables	(283,654)	N/A	N/A	N/A
b. Receivables	1,295,411	N/A	N/A	N/A
c. Miscellaneous	0	N/A	N/A	N/A
<b>6. Total assets as of August 31, 2014</b>	<b>\$91,683,156</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 2013 to 2014:

	<b>2014</b>	<b>2013</b>	<b>Increase/(Decrease)</b>	<b>% Change</b>
Total Assets	91,966,810	78,612,691	13,354,119	16.9%
Total Liabilities	283,654	211,055	72,599	34.4%
Total Net Position	91,683,156	78,401,636	13,281,520	16.9%

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

### Additions

The primary additions as of August 31, 2014 are shown below, along with those same categories in fiscal year 2013 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 Statement of Fiduciary Net Position.

	2014	2013	Increase/(Decrease)	% Change
Original Appropriations	1,530,343	0	1,530,343	100.0%
Dues	3,840,050	4,999,342	(1,159,292)	-23.2%
Prior Service	336,609	350,266	(13,657)	-3.9%
Net Investment Income	11,905,529	9,388,499	2,517,030	26.8%

### Deductions

Total deductions are comprised of benefit payments and the cost of administering the system, as shown below. Administrative costs were higher in 2014, primarily due to the cost of special studies, as the Board reviewed ways to improve the long term financial position of the plan.

	2014	2013	Increase/(Decrease)	% Change
Death Benefits	85,039	119,302	(34,263)	-28.7%
Retirement Benefits	3,544,856	3,208,756	336,100	10.5%
Disability Benefits	32,355	29,400	2,955	10.1%
Survivor Benefits	505,884	463,704	42,180	9.1%
Administrative Expenses	165,669	127,966	37,702	29.5%

### **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 these 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.

### **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, 2014**

	General Fund		
	Balance Sheet 2014	Adjustments*	Statement of Net Position 2014
<b>ASSETS</b>			
Current Assets:			
Legislative Appropriations	\$ 59,438	\$	\$ 59,438
Accounts Receivable			
Consumable Inventories	5,924		5,924
Total Current Assets	<u>\$ 65,362</u>	<u>\$ -</u>	<u>\$ 65,362</u>
Non-Current Assets:			
Capital Assets:			
Depreciable:			
Other Capital Assets (Note 2)	\$	\$ 6,937	\$ 6,937
Less Accumulated Depreciation (Note 2)		(6,937)	(6,937)
Total Non-Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 65,362</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 65,362</u></u>
<b>LIABILITIES AND FUND BALANCES/NET POSITION</b>			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 58,450	\$	\$ 58,450
Employees' Compensable Leave (Note 4)		1,592	1,592
Total Current Liabilities	<u>\$ 58,450</u>	<u>\$ 1,592</u>	<u>\$ 60,042</u>
Non-Current Liabilities:			
Employees' Compensable Leave (Note 4)	\$	\$ 14,432	\$ 14,432
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ 14,432</u>	<u>\$ 14,432</u>
Total Liabilities	<u>\$ 58,450</u>	<u>\$ 16,024</u>	<u>\$ 74,474</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances (Deficits):			
Nonspendable	\$ 5,924	\$ (5,924)	\$
Unassigned	988	(988)	
Total Fund Balances	<u>\$ 6,912</u>	<u>\$ (6,912)</u>	<u>\$ -</u>
Net Position:			
Unrestricted	\$	\$ (9,112)	\$ (9,112)
Total Net Position	<u>\$ -</u>	<u>\$ (9,112)</u>	<u>\$ (9,112)</u>
Total Liabilities and Fund Balances/Net Position	<u><u>\$ 65,362</u></u>	<u><u>\$ -</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, 2014**

	<b>General Fund</b>		
	<b>Statement of Revenues, Expenditures, and Changes in Fund Balance 2014</b>	<b>Adjustments*</b>	<b>Statement of Activities 2014</b>
<b>REVENUES</b>			
Legislative Appropriations:			
Original Appropriations	\$ 617,345	\$	\$ 617,345
Additional Appropriations	81,911		81,911
Total Revenues	<u>\$ 699,256</u>	<u>\$ -</u>	<u>\$ 699,256</u>
<b>EXPENDITURES/EXPENSES</b>			
Salaries and Wages	\$ 337,113	\$ (14,852)	\$ 322,261
Payroll Related Costs	88,477		88,477
Professional Fees and Services	234,942		234,942
Travel	7,804		7,804
Materials and Supplies	34,162		34,162
Communication and Utilities	12,508		12,508
Repairs and Maintenance	8,536		8,536
Rentals & Leases	9,572		9,572
Printing and Reproduction	2,894		2,894
Other Expenditures	22,929		22,929
Total Expenditures/Expenses	<u>\$ 758,937</u>	<u>\$ (14,852)</u>	<u>\$ 744,085</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures/Expenses	<u>\$ (59,681)</u>	<u>\$ 14,852</u>	<u>\$ (44,829)</u>
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	\$ (59,681)	\$ (59,681)	
Change in Net Position	\$	\$ (44,829)	\$ (44,829)
<b>Fund Balances/Net Position</b>			
Fund Balances/Net Position--Beginning of Year	\$ 66,593		\$ 35,717
Fund Balances/Net Position--End of Year	<u>\$ 6,912</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, 2014**

	<u>Pension Trust</u> <u>2014</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents:	
Cash in State Treasury (Note 3)	\$ 296,301
Short Term Investments (Note 3, Schedule 1)	1,131,864
Receivables:	
Retirement System Contributions	858,663
Interest and Dividends	88,999
Sale of Investments	151,903
Total Current Assets	<u>\$ 2,527,730</u>
Non-Current Assets:	
Receivables:	
Retirement System Contributions	\$ 195,846
Investments (Note 3, Schedule 1)	
Corporate Equity	42,268,492
Other Investments	46,974,742
Capital Assets:	
Depreciable:	
Furniture and Equipment (Note 2)	13,965
Accumulated Depreciation (Note 2)	(13,965)
Total Non-Current Assets	<u>\$ 89,439,080</u>
Total Assets	<u>\$ 91,966,810</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Payables:	
Accounts Payables	\$ 102,662
Investment Purchases Payable	114,669
Unearned Revenue	66,323
Total Current Liabilities	<u>\$ 283,654</u>
Total Liabilities	<u>\$ 283,654</u>
<b>NET POSITION</b>	
Restricted for Pensions	<u>\$ 91,683,156</u>

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**Texas Emergency Services Retirement System**  
**Exhibit IV - Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended August 31, 2014**

		<u>Pension Trust</u> <u>2014</u>
<b>ADDITIONS</b>		
Contributions:		
Dues	\$	3,840,050
Prior Service		322,759
Interest on Contracts to Purchase Prior Service		13,850
Appropriations from General Revenue		1,530,343
Total Contributions	\$	<u>5,707,002</u>
Investment Income:		
Net Appreciation in Fair Value of Investments	\$	11,392,290
Treasury Interest		3,060
Interest and Investment Income		1,048,345
Total	\$	<u>12,443,695</u>
Less Investing Activities Expense (Schedule 3)		538,166
Net Increase/Loss	\$	<u>11,905,529</u>
Other Additions:		
Voided checks	\$	2,792
Total Other Additions	\$	<u>2,792</u>
Total Additions	\$	<u>17,615,323</u>
<b>DEDUCTIONS</b>		
Retirement System Benefits Paid:		
Death Benefits	\$	85,039
Retirement Benefits		3,544,856
Disability Benefits		32,355
Survivor's Benefits		505,884
Administrative Expenses (Schedule 2)		165,669
Total Deductions	\$	<u>4,333,803</u>
Net Increase	\$	13,281,520
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
Beginning of the Year	\$	78,401,636
End of Year	\$	<u><u>91,683,156</u></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**

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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**

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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, 2014.

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, 2014, the total outstanding balance of these financing arrangements was \$195,846.

Inventories and Prepaid Items

Inventories, shown on the balance sheet at cost, consist of inventories of consumable office supplies and postage at August 31, 2014. 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.

**F. CHANGE IN ACCOUNTING POLICY**

During the year ended August 31, 2014, TESRS adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25*. Management has determined that it is not practical to implement the provisions retroactively. Accordingly, this change is effective September 1, 2013. (See Note 11)

**NOTE 2: CAPITAL ASSETS**

Summaries of changes in Capital Assets for the year ended August 31, 2014, are presented below:

<b>Governmental Activities</b>					
<b>Asset Type</b>	<b>Balance 9/1/13</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 08/31/14</b>
Other Capital Assets	\$6,937				\$6,937
Accumulated Depreciation	(6,937)				(6,937)

<b>Pension Trust Fund</b>					
<b>Asset Type</b>	<b>Balance 9/1/13</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 08/31/14</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 2014.

<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%
Core Bond	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 \$296,301 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, 2014, the fair value of investments are as presented below:

<b>Fiduciary Funds</b>	<b>Fair Value</b>
Corporate Equity	\$42,268,492
Core Bond Mutual Fund	18,665,151
International Bond Mutual Fund	4,445,926
Custodial Bank Short Term Investment Fund	1,131,864
Commingled Fund-International Developed Markets Equity	18,197,292
International Emerging Markets Equities Mutual Fund	5,666,373
<b>Total</b>	<b>\$90,375,098</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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 14.92%. 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% (20.6% actual) of the portfolio, and International Bond investments not exceed 10% (4.9% 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 (AA 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.

<b>Investment Type</b>	<b>Not Rated</b>
Core Bond Mutual Fund	\$18,665,151
International Bond Mutual Fund	\$4,445,926

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 \$23,111,077 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, 2014, the following changes occurred in long-term liabilities:

Governmental Activities	Balance 9/1/2013	Additions	Reductions	Balance 8/31/2014	Amounts Due Within One Year
Compensable Leave	\$30,876	\$ 2,095	\$16,947	\$16,024	\$1,592
<b>Total Governmental Activities</b>	<b>\$30,876</b>	<b>\$ 2,095</b>	<b>\$16,947</b>	<b>\$16,024</b>	<b>\$1,592</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, 2014.

**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 2015, 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 2013 and 2014 were as follows:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Clams and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year-End</b>
2013	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2014	\$ -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. Of the nine member Board of Trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2014, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,073
Terminated Members Entitled to Benefits but Not Yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	4,036

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.

**B. 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.

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

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.

**C. 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 were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,530,343 for the fiscal year ending August 31, 2014.

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 subsection D below.

The 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

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

expenses. On August 31, 2014 the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

**D. NET PENSION LIABILITY**

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

Total pension liability	\$109,854,799
Plan fiduciary net position	<u>91,683,156</u>
System's net pension liability	\$18,171,643
Plan fiduciary net position as a percentage of the total pension liability	83.5%

**1. 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 and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected 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	<u>0</u>	0.0
Total	100%	

**2. Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 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.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's net pension liability	\$37,446,213	\$18,171,643	\$6,926,006

**Required Supplementary Information**

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

	<b>Fiscal year Ending 8/31/2014</b>
<b>1. Total Pension Liability</b>	
a. Service cost	\$ 1,827,592
b. Interest	8,051,287
c. Changes of benefit terms	0
d. Differences between expected and actual experience	0
e. Assumption changes	0
f. Benefit payments	<u>(4,168,134)</u>
<b>g. Net Change in Total Pension Liability</b>	<b>5,710,745</b>
<b>h. Total Pension Liability - Beginning</b>	<b><u>104,144,054</u><sup>2</sup></b>
<b>i. Total Pension Liability - Ending</b>	<b>\$ 109,854,799</b>
<b>2. Plan Fiduciary Net Position</b>	
a. Contributions for participating departments	\$ 4,176,659
b. Contributions by the state	1,530,343
c. Net investment income	11,908,321
d. Benefit payments	(4,168,134)
e. Administrative expense	(165,669)
f. Other	<u>0</u>
<b>g. Net Change in Plan Fiduciary Net Position</b>	<b>13,281,520</b>
<b>h. Plan Fiduciary Net Position - Beginning</b>	<b><u>78,401,636</u></b>
<b>i. Plan Fiduciary Net Position - Ending</b>	<b>\$ 91,683,156</b>
<b>3. System's Net Pension Liability - Ending [Item 1(i)-2(i)]</b>	<b>\$ 18,171,643</b>
<b>4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>83.5%</b>
<b>5. Number of Active Members<sup>3</sup></b>	<b>4,036</b>
<b>6. System's Net Pension Liability per Active Member</b>	<b>\$4,502</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.

**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%

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, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
<u>MONEY MARKET MUTUAL FUND</u>		
Money Market Securities	\$1,131,864	\$798,064
<u>BOND FUNDS</u>		
Pimco Total Return Fund	\$18,665,151	\$13,287,156
T Rowe Price International Fund	<u>\$4,445,926</u>	<u>\$3,033,295</u>
Total Bond Funds	\$23,111,077	\$16,320,451
<u>Equity Funds</u>		
OFITC International Growth Fund	\$18,197,292	\$18,700,584
Wells Fargo International Emerging Markets	<u>\$5,666,373</u>	<u>\$4,316,808</u>
Total Equity Funds	\$23,863,665	\$23,017,392
A10 NETWORKS INC	\$48,261	
AARON'S INC	\$33,793	
ABBVIE INC	\$119,294	\$81,087
ACADIA HEALTHCARE	\$64,269	\$77,848
ACCESS MIDSTREAM PARTNERS LP	\$91,120	
ACE LTD	\$207,450	\$170,879
ACETO CORP	\$53,623	
ACI WORLDWIDE INC	\$60,746	\$54,754
ACTIVISION BLIZZARD INC	\$44,679	
ACTUANT CORP-CL A	\$33,899	\$54,473
ACXIOM CORP	\$45,899	\$62,076
ADVANCED MICRO DEVICES COMMON STOCK USD.01		\$35,365
ADVISORY BOARD CO/THE COMMON STOCK USD.01		\$47,267
AES CORP	\$183,541	\$121,139
AGCO CORP COMMON STOCK USD.01		\$114,647
AIR METHODS CORP COMMON STOCK USD.06		\$47,426
AKORN INC	\$114,407	\$63,021
ALIGN TECHNOLOGY INC COMMON STOCK USD.0001		\$12,194
ALLEGiant TRAVEL CO	\$44,230	
ALLERGAN INC	\$170,064	\$194,436
ALLIANCE DATA SYSTEMS CORP COMMON STOCK USD.01		\$106,461
ALLOT COMMUNICATIONS LTD	\$8,556	\$27,938
ALLSTATE CORP	\$245,714	
AMAZON.COM INC	\$185,116	\$236,304
AMBARELLA INC	\$51,238	\$21,869
AMC NETWORKS INC A COMMON STOCK		\$59,191
AMERICAN CAPITAL AGENCY CORP	\$72,062	
AMERICAN EXPRESS CO	\$200,144	\$207,820
AMERICAN HOMES 4 RENT	\$58,950	\$67,411
AMERICAN RAILCAR INDUSTRIES	\$0	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
AMERISOURCEBERGEN CORP COMMON STOCK USD.01		\$31,135
AMGEN INC COMMON STOCK USD.0001		\$199,578
AMTRUST FINANCIAL SERVICES COMMON STOCK USD.01		\$106,992
ANHEUSER BUSCH INBEV SPN ADR ADR		\$0
APOGEE ENTERPRISES INC	\$46,879	
APOLLO EDUCATION GROUP, INC.	\$73,118	
APPLE INC COM	\$1,102,694	\$526,988
APPLIED INDUSTRIAL TECH INC COMMON STOCK NPV		\$50,953
APPLIED MICRO CIRCUITS CORP	\$33,999	
APPROACH RESOURCES INC COMMON STOCK USD.01		\$38,911
ARCTIC CAT INC COMMON STOCK USD.01		\$35,429
ARMSTRONG WORLD INDUSTRIES COMMON STOCK USD.01		\$29,136
ASBURY AUTOMOTIVE GROUP COMMON STOCK USD.01		\$47,165
ASPEN TECHNOLOGY INC	\$27,530	\$53,321
ATHLON ENERGY INC	\$94,569	\$33,555
ATWOOD OCEANICS INC COMMON STOCK USD1.		\$34,800
AUTOLIV INC COMMON STOCK USD1.		\$0
AXIS CAPITAL HOLDINGS LTD COMMON STOCK USD.0125		\$57,865
BALLY TECHNOLOGIES INC COMMON STOCK USD.1		\$56,334
BANCORPSOUTH INC	\$58,599	\$58,586
BANK OF AMERICA CORP COMMON STOCK USD.01		\$290,406
BANK OF THE OZARKS	\$44,538	
BANKUNITED INC	\$64,046	
BARNES GROUP INC	\$49,648	\$47,687
BARRICK GOLD CORP	\$69,882	
BB&T CORPORATION	\$111,803	\$119,064
BEACON ROOFING SUPPLY INC COMMON STOCK USD.01		\$49,954
BEBE STORES INC COMMON STOCK USD.001		\$0
BED BATH + BEYOND INC COMMON STOCK USD.01		\$260,155
BELDEN CDT INC	\$66,859	\$66,646
BELMOND LTD	\$57,037	
BENEFITFOCUS INC	\$52,667	
BERKSHIRE HATHAWAY INC-CL B	\$563,823	\$564,664
BIG 5 SPORTING GOODS CORP COMMON STOCK USD.01		\$36,739
BILL BARRETT CORP	\$93,630	
BIOSCRIP INC COMMON STOCK USD.0001		\$55,290
BJ S RESTAURANTS INC COMMON STOCK NPV		\$0
BLACK DIAMOND INC COMMON STOCK USD.0001		\$48,287
BLOOMIN BRANDS INC COMMON STOCK USD.01		\$20,700
BODY CENTRAL CORP COMMON STOCK		\$0
BORGWARNER INC COMMON STOCK USD.01		\$0
BOTTOMLINE TECHNOLOGIES (DE) COMMON STOCK USD.001		\$47,363
BRISTOL-MYERS SQUIBB CO	\$274,878	



**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
BROADCOM CORP CL A COMMON STOCK USD.0001		\$0
BROCADE COMMUNICATIONS SYS	\$130,440	\$70,522
BUCKEYE PARTNERS LP	\$111,232	
BUFFALO WILD WINGS INC	\$48,166	
CAESAR STONE SDOT YAM LTD	\$53,466	\$71,410
CALLIDUS SOFTWARE INC COMMON STOCK USD.001		\$52,169
CAMERON INTERNATIONAL CORP	\$242,093	\$302,123
CAPITAL ONE FINANCIAL CORP	\$431,225	\$256,393
CAPITOL FED FINL INC	\$39,582	\$43,452
CARPENTER TECHNOLOGY	\$35,301	
CARPENTER TECHNOLOGY COMMON STOCK USD5.		\$34,682
CARTER'S INC	\$45,529	
CASEY S GENERAL STORES INC COMMON STOCK NPV		\$55,390
CASH AMERICA INTL INC COMMON STOCK USD.1		\$34,010
CAVIUM INC	\$56,573	
CBS CORP CLASS B NON VOTING COMMON STOCK USD.001		\$116,304
CELGENE CORP	\$281,354	
CEMPRA INC	\$23,254	
CENTENE CORP	\$47,659	
CEPHEID INC	\$64,769	
CERNER CORP COMMON STOCK USD.01		\$0
CHARLES RIVER LABORATORIES	\$10,933	
CHART INDUSTRIES INC	\$26,890	\$45,900
CIENA CORP	\$59,173	\$95,895
CIGNA CORP COMMON STOCK USD.25		\$240,477
CINEMARK HOLDINGS INC COMMON STOCK USD.001		\$50,836
CIRCOR INTERNATIONAL INC COMMON STOCK USD.01		\$0
CIRRUS LOGIC INC COMMON STOCK USD.001		\$25,650
CISCO SYSTEMS INC	\$303,678	\$331,631
CITIGROUP INC	\$457,981	\$467,883
CLARCOR INC COMMON STOCK USD1.		\$21,156
CLEAN HARBORS INC COMMON STOCK USD.01		\$0
COACH INC COMMON STOCK USD.01		\$0
COCA-COLA CO/THE	\$390,457	\$387,412
COGNIZANT TECH SOLUTIONS A COMMON STOCK USD.01		\$0
COHERENT INC	\$47,063	
COLUMBIA BANKING SYSTEM INC	\$58,522	\$52,200
COMCAST CORP-CL A	\$449,963	\$428,182
COMMERCIAL METALS CO	\$35,424	\$45,012
COMMUNITY BANK SYSTEM INC COMMON STOCK USD1.		\$52,353
COMPUTER PROGRAMS + SYSTEMS COMMON STOCK USD.001		\$0
COMSCORE INC	\$22,450	
CONCUR TECHNOLOGIES INC COMMON STOCK USD.001		\$0

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
CONMED CORP	\$32,587	
CONN S INC COMMON STOCK USD.01		\$50,957
CONSTELLATION BRANDS INC A COMMON STOCK USD.01		\$0
CORE LABORATORIES N.V.	\$103,167	
CORNERSTONE ONDEMAND INC	\$43,964	
COSTCO WHOLESALE CORP	\$339,145	\$310,988
COVIDIEN PLC	\$168,103	
COVIDIEN PLC COMMON STOCK USD.2		\$134,600
CRANE CO	\$91,441	
CRESTWOOD MIDSTREAM PARTNERS LP	\$9,858	
CROWN HOLDINGS INC	\$96,057	\$86,398
CST BRANDS INC COMMON STOCK USD.01		\$45,430
CUSTOMERS BANCORP INC	\$48,308	
CVENT INC	\$66,216	
CVS HEALTH CORPORATION	\$733,721	\$591,588
CYBERONICS	\$92,513	\$72,134
CYNOSURE INC-A	\$42,469	
CYTEC INDUSTRIES INC COMMON STOCK USD.01		\$0
DANAHER CORP	\$246,991	\$263,194
DAVITA HEALTHCARE PARTNERS I COMMON STOCK USD.001		\$117,293
DEL FRISCOS RESTAURANT	\$44,149	\$24,672
DELTA AIR LINES INC	\$97,446	
DEMANDWARE INC COMMON STOCK USD.01		\$46,162
DEVRY EDUCATION GROUP INC.	\$39,496	
DEXCOM INC	\$132,600	\$111,608
DIAMONDBACK ENERGY INC	\$49,219	
DIAMONDBACK ENERGY INC COMMON STOCK USD.01		\$51,869
DISCOVER FINANCIAL SERVICE	\$192,287	\$129,512
DOMINO S PIZZA INC COMMON STOCK USD.01		\$46,633
DORMAN PRODUCTS	\$22,415	
DOVER CORP	\$76,359	\$135,144
DSW INC CLASS A COMMON STOCK NPV		\$105,460
E2OPEN INC	\$0	
EATON CORP PLC	\$129,148	
EBAY INC	\$229,104	
EBAY INC COMMON STOCK USD.001		\$179,364
ECHO GLOBAL LOGISTICS INC COMMON STOCK USD.0001		\$46,786
ECOLAB INC	\$180,727	\$225,635
EL PASO PIPELINE PARTNERS LP	\$29,175	
ELECTRONIC ARTS INC COMMON STOCK USD.01		\$0
ELOQUA INC COMMON STOCK		\$0
EMC CORP MASS	\$268,014	
EMERSON ELECTRIC CO	\$70,294	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
ENABLE MIDSTREAM PARTNERS LP	\$9,970	
ENBRIDGE ENERGY PARTNERS LP	\$55,606	
ENDOLOGIX INC	\$43,294	\$49,596
ENDURANCE SPECIALTY HOLDINGS COMMON STOCK USD1.		\$47,113
ENERGEN CORP	\$66,476	
ENERGY TRANSFER EQUITY LP	\$382,156	
ENERGY TRANSFER PARTNERS LP	\$283,975	
ENLINK MIDSTREAM LLC	\$5,261	
ENLINK MIDSTREAM PARTNERS LP	\$58,261	
ENPRO INDUSTRIES INC COMMON STOCK USD.01		\$0
ENTERPRISE PRODUCTS PARTNERS LP	\$608,394	
ENVESTNET INC COMMON STOCK		\$57,415
EOG RESOURCES INC	\$115,044	\$136,162
EPAM SYSTEMS INC	\$44,163	
EQT CORPORATION	\$142,845	
EQT MIDSTREAM PARTNERS LP	\$138,728	
EQUITY RESIDENTIAL REIT USD.01		\$104,714
ESTEE LAUDER COMPANIES-CL A	\$119,855	
ETHAN ALLEN INTERIORS INC COMMON STOCK USD.01		\$40,930
EURONET WORLDWIDE INC	\$74,354	\$38,816
EV ENERGY PARTNER LP	\$29,594	
EVERCORE PARTNERS INC- CL A	\$47,388	
EW SCRIPPS CO-CL A	\$55,174	
EXA CORP COMMON STOCK		\$0
EXACT SCIENCES CORP	\$78,187	\$43,388
EXPRESS SCRIPTS HOLDING CO	\$509,230	\$460,575
EXTERRAN HOLDINGS INC	\$77,686	
EXTERRAN PARTNERS LP	\$60,900	
EXXON MOBIL CORP	\$645,296	\$530,717
FASTENAL CO	\$230,475	\$153,789
FIDELITY NATIONAL INFO SVCS, INC.	\$60,779	
FIFTH + PACIFIC COS INC COMMON STOCK USD1.		\$136,675
FIFTH THIRD BANCORP	\$198,112	\$178,547
FINANCIAL ENGINES INC COMMON STOCK USD.0001		\$50,243
FINISAR CORPORATION COMMON STOCK USD.001		\$57,848
FIRST CASH FINL SVCS INC COMMON STOCK USD.01		\$41,729
FIRST HORIZON NATIONAL CORP COMMON STOCK USD.625		\$55,079
FIRSTENERGY CORP COMMON STOCK USD.1		\$101,132
FIRSTSERVICE CORP COMMON STOCK NPV		\$0
FIVE BELOW INC	\$76,740	\$40,094
FLEETMATICS GROUP PLC COMMON STOCK EUR.015		\$58,994
FLUIDIGM CORP	\$30,350	\$50,843
FORTINET INC	\$44,832	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
FRANSCAS HOLDINGS CORP COMMON STOCK USD.01		\$35,215
FRANKLIN ELECTRIC CO INC	\$55,042	\$56,394
FRESH MARKET INC/THE COMMON STOCK USD.01		\$45,637
G III APPAREL GROUP LTD COMMON STOCK USD.01		\$41,366
GANNETT CO COMMON STOCK USD1.		\$91,060
GASLOG LTD	\$27,385	
GASLOG PARTNERS LP	\$10,032	
GENERAL ELECTRIC CO COMMON STOCK USD.06		\$301,329
GENESCO INC COMMON STOCK USD1.		\$30,840
GENESEE & WYOMING INC-CL A	\$71,683	
GENESIS ENERGY LP	\$81,656	
GIGAMON INC COMMON STOCK USD..0001		\$45,630
GILEAD SCIENCES INC	\$623,633	\$384,523
GLOBAL PAYMENTS INC	\$61,376	
GLOBE SPECIALTY METALS INC	\$16,945	
GNC HOLDINGS INC CL A COMMON STOCK USD.001		\$0
GOLDMAN SACHS GROUP INC COMMON STOCK USD.01		\$129,463
GOOGLE INC-CL A	\$323,210	\$568,270
GOOGLE INC-CL C	\$317,238	
GRAND CANYON EDUCATION INC COMMON STOCK USD.01		\$46,071
GREENBRIER COMPANIES INC	\$75,168	
GREENHILL + CO INC COMMON STOCK USD.01		\$22,036
GREIF INC-CL A	\$37,594	\$50,638
GROUP 1 AUTOMOTIVE INC COMMON STOCK USD.01		\$54,478
GT ADVANCED TECHNOLOGIES INC	\$53,572	
GUESS? INC COMMON STOCK USD.01		\$47,885
GUIDEWIRE SOFTWARE INC COMMON STOCK USD.0001		\$0
GULFPORT ENERGY CORP COMMON STOCK USD.01		\$113,811
HALCON RESOURCES CORP COMMON STOCK USD.0001		\$30,543
HALLIBURTON CO COMMON STOCK USD2.5		\$119,328
HANCOCK HOLDING CO	\$33,406	\$36,973
HANMI FINANCIAL CORP	\$39,353	
HARRIS CORP COMMON STOCK USD1.		\$0
HARSCO CORP	\$2,299	
HAVERTY FURNITURE COMMON STOCK USD1.		\$43,166
HAYNES INTERNATIONAL INC COMMON STOCK USD.001		\$0
HEADWATERS INC	\$48,258	\$31,800
HEALTH NET INC COMMON STOCK USD.001		\$43,550
HEALTHCARE SERVICES GROUP	\$51,790	
HEALTHWAYS INC COMMON STOCK USD.001		\$52,947
HEARTLAND PAYMENT SYSTEMS IN COMMON STOCK USD.001		\$0
HEXCEL CORP	\$46,545	\$76,476
HFF INC CLASS A COMMON STOCK USD.01		\$47,380

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
HFF INC-A	\$58,020	
HIBBETT SPORTS INC COMMON STOCK USD.01		\$0
HILLENBRAND INC	\$63,536	
HMS HOLDINGS CORP COMMON STOCK USD.01		\$0
HOLLY ENERGY PARTNERS LP	\$21,992	
HOME BANCSHARES INC	\$59,054	\$57,195
HOME DEPOT INC	\$132,583	
HONEYWELL INTERNATIONAL INC	\$402,918	\$372,388
HUB GROUP INC CL A COMMON STOCK USD.01		\$0
HUMANA INC COMMON STOCK USD.166		\$94,198
HUNT (JB) TRANSPRT SVCS INC COMMON STOCK USD.01		\$0
HUNTSMAN CORP	\$104,710	
HURON CONSULTING GROUP INC	\$45,118	\$43,792
IAC/INTERACTIVECORP COMMON STOCK USD.001		\$181,338
ICON PLC	\$49,986	
ICON PLC COMMON STOCK EUR.06		\$49,987
ICONIX BRAND GROUP INC COMMON STOCK USD.001		\$50,904
IGATE CORP	\$45,241	
INFINERA CORP	\$47,874	\$85,831
INFORMATICA CORP COMMON STOCK USD.001		\$122,727
INPHI CORP	\$43,991	
INSPERITY INC COMMON STOCK USD.01		\$0
INSULET CORP	\$43,296	\$24,372
INTERACTIVE INTELLIGENCE GROUP	\$26,542	\$92,120
INTERCEPT PHARMACEUTICALS INC	\$35,636	
INTERCONTINENTAL EXCHANGE, INC	\$306,747	\$282,208
INTERNATIONAL PAPER CO	\$144,672	\$92,579
INTRALINKS HOLDINGS INC	\$10,878	
IPG PHOTONICS CORP	\$46,016	
IXIA COMMON STOCK NPV		\$45,302
JOHNSON & JOHNSON	\$385,149	\$375,624
JPMORGAN CHASE & CO	\$514,778	\$438,297
JUNIPER NETWORKS INC	\$161,472	\$178,359
K2M GROUP HOLDINGS INC	\$41,323	
KANSAS CITY SOUTHERN	\$156,659	
KATE SPADE & CO	\$44,306	
KB HOME COMMON STOCK USD1.		\$33,952
KENNEDY-WILSON HOLDINGS INC	\$54,042	
KERYX BIOPHARMACEUTICALS COMMON STOCK USD.001		\$24,080
KINDER MORGAN ENERGY PRTNRS LP	\$79,899	
KINDER MORGAN INC/DELAWARE	\$18,036	
KINDER MORGAN MANAGEMENT LLC	\$177,850	
KIRBY CORP COMMON STOCK USD.1		\$25,335

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
KIRKLAND S INC COMMON STOCK NPV		\$47,702
KNIGHT TRANSPORTATION INC COMMON STOCK USD.01		\$0
KNOWLES CORP	\$22,386	
KODIAK OIL + GAS CORP COMMON STOCK NPV		\$37,712
KOHL'S CORP COMMON STOCK USD.01		\$0
LA QUINTA HOLDINGS INC	\$47,993	
LA Z BOY INC COMMON STOCK USD1.		\$0
LABORATORY CRP OF AMER HLDGS	\$107,337	
LEAP WIRELESS INTL INC COMMON STOCK USD.0001		\$0
LEAR CORP	\$170,303	\$168,644
LEHIGH GAS PARTNERS LP	\$17,842	
LIBERTY GLOBAL-C	\$188,098	\$163,531
LIBERTY MEDIA CL C WI	\$122,823	
LIBERTY MEDIA CORP	\$62,374	\$202,400
LIFEPOINT HOSPITALS INC	\$46,675	\$38,536
LITHIA MOTORS INC	\$41,699	\$109,060
LOCKHEED MARTIN CORP	\$268,482	\$118,135
LOGMEIN INC	\$39,109	\$43,196
LORAL SPACE + COMMUNICATIONS COMMON STOCK		\$31,402
LOWE'S COS INC	\$379,542	\$317,716
LSI CORP COMMON STOCK USD.01		\$51,922
MACQUARIE INFRASTRUCTURE CO	\$49,337	\$106,099
MACY'S INC	\$94,930	
MAGELLAN MIDSTREAM PARTNERS LP	\$248,097	
MAIDENFORM BRANDS INC COMMON STOCK USD.01		\$0
MALIBU BOATS INC	\$27,136	
MANITOWOC COMPANY INC	\$55,604	\$51,748
MARATHON PETROLEUM CORP	\$131,600	\$99,847
MARCUS & MILLICHAP INC	\$23,074	
MARKETAXESS HOLDINGS INC	\$42,422	\$36,040
MARKETO INC	\$45,589	
MARKWEST ENERGY PARTNERS LP	\$181,067	
MARSH & MCLENNAN COS	\$224,878	\$256,451
MATADOR RESOURCES CO	\$57,456	
MAXIMUS INC	\$39,428	\$71,119
MCDONALD S CORP COMMON STOCK USD.01		
MCDONALD'S CORP	\$138,424	\$252,885
MCKESSON CORP	\$50,513	\$277,543
MDC PARTNERS INC	\$39,508	\$48,766
MEDASSETS INC COMMON STOCK USD.01		\$52,822
MEDIDATA SOLUTIONS INC	\$44,865	
MEDTRONIC INC	\$176,481	
MELLANOX TECHNOLOGIES LTD	\$56,375	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
MEMORIAL PRODUCTION PARTNERS LP	\$9,805	
MEN S WEARHOUSE INC/THE COMMON STOCK USD.01		\$0
MENTOR GRAPHICS CORP COMMON STOCK NPV		\$39,002
MERCADOLIBRE INC COMMON STOCK USD.001		\$0
MERCURY COMPUTER SYSTEMS INC COMMON STOCK		\$0
MERIDIAN BIOSCIENCE INC COMMON STOCK NPV		\$0
METHANEX CORP COMMON STOCK NPV		\$44,073
METLIFE INC	\$92,620	\$91,502
MICHAEL KORS HOLDINGS LTD	\$109,284	\$68,681
MICROSOFT CORP	\$302,518	\$696,490
MIDDLEBY CORP COMMON STOCK USD.01		\$83,673
MONOLITHIC POWER SYSTEMS INC COMMON STOCK		\$54,044
MONSANTO CO	\$546,099	\$482,500
MOTORCAR PARTS OF AMERICA INC	\$54,424	
MOVADO GROUP	\$52,539	
MPLX LP	\$18,544	
MRC GLOBAL INC	\$30,777	
MSA SAFETY INC	\$53,422	
MWI VETERINARY SUPPLY INC	\$63,923	\$83,644
NANOSTRING TECHNOLOGIES INC	\$18,481	
NCI BUILDING SYSTEMS	\$47,185	
NETAPP INC COMMON STOCK USD.001		\$168,237
NEWPORT CORP COMMON STOCK USD.1167		\$46,572
NEWS CORP CLASS A	\$63,274	\$65,987
NGL ENERGY PARTNERS LP	\$49,563	
NICE SYSTEMS LTD SPONS ADR ADR		\$50,540
NIKE INC -CL B	\$105,100	\$121,054
NORD ANGLIA EDUCATION INC	\$47,856	
NORDSTROM INC	\$150,480	\$97,249
NORFOLK SOUTHERN CORP	\$124,762	\$134,506
NORTHERN TIER ENERGY LP	\$11,598	
NOVADAQ TECHNOLOGIES INC COMMON STOCK		\$47,454
NOW INC	\$23,022	
NQ MOBILE INC ADR ADR USD.0001		\$49,448
NUSTAR ENERGY LP	\$31,988	
NVIDIA CORP COMMON STOCK USD.001		\$69,532
OASIS PETROLEUM INC	\$42,205	\$112,190
OCCIDENTAL PETROLEUM CORP	\$566,470	\$630,437
OILTANKING PARTNERS LP	\$84,778	
OLD DOMINION FREIGHT LINE	\$49,736	\$58,096
OMNICARE INC	\$128,497	\$169,852
OMNICELL INC	\$52,134	\$49,850
OMNICOM GROUP	\$63,297	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
OMNICOM GROUP COMMON STOCK USD.15		\$117,418
ON ASSIGNMENT INC	\$41,059	
ON SEMICONDUCTOR CORPORATION	\$70,955	\$95,481
ONEOK INC	\$80,239	
ORACLE CORP	\$397,234	\$184,342
ORBCOMM INC	\$19,562	
OSI SYSTEMS INC COMMON STOCK NPV		\$28,717
OXFORD INDUSTRIES INC	\$47,224	\$47,771
PACIRA PHARMACEUTICALS INC	\$69,070	\$51,360
PANERA BREAD COMPANY-CL A	\$124,150	\$57,735
PAREXEL INTERNATIONAL CORP	\$43,233	
PARKER HANNIFIN CORP COMMON STOCK USD.5		\$100,650
PARSLE ENERGY INC SER A	\$48,662	
PBF LOGISTICS LP	\$17,347	
PDC ENERGY INC	\$53,781	
PEBBLEBROOK HOTEL TRUST	\$44,551	
PEGASYSTEMS INC	\$42,402	\$28,190
PERRIGO CO PLC	\$283,201	\$194,115
PFIZER INC	\$417,896	\$469,612
PGT INC	\$29,657	
PHILIP MORRIS INTERNATIONAL	\$394,609	\$416,950
PHILLIPS 66	\$367,137	\$172,899
PIER 1 IMPORTS INC	\$31,599	\$39,829
PLAINS ALL AMER PIPELINE LP	\$321,405	
PLAINS GP HOLDINGS LP	\$67,583	
POLYONE CORPORATION	\$58,242	\$43,502
POLYPORE INTERNATIONAL INC COMMON STOCK USD.01		\$44,075
POOL CORP	\$57,227	\$52,611
POPEYES LOUISIANA KITCHEN INC	\$46,316	
PORTFOLIO RECOVERY ASSOCIATE	\$44,782	\$72,718
POST HOLDINGS INC	\$46,028	
POWER INTEGRATIONS INC COMMON STOCK USD.001		\$49,670
PRAXAIR INC	\$139,311	
PRECISION CASTPARTS CORP	\$289,455	\$194,552
PRICELINE.COM INC COMMON STOCK USD.008		\$237,448
PRIMORIS SERVICES CORP	\$101,640	\$47,882
PRIVATEBANCORP INC COMMON STOCK NPV		\$42,571
PROOFPOINT INC	\$47,936	
PROSPERITY BANCSHARES INC	\$48,622	\$55,315
PROTO LABS INC	\$51,163	
PRUDENTIAL FINANCIAL INC	\$138,497	
PTC THERAPEUTICS INC	\$28,177	
PZENA INVESTMENT MANAGEMENT INC	\$23,202	



**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
QEP MIDSTREAM PARTNERS LP	\$38,610	
QEP RESOURCES INC	\$149,785	
QUALCOMM INC	\$543,202	\$523,214
QUEST DIAGNOSTICS	\$96,142	
QUESTCOR PHARMACEUTICALS COMMON STOCK NPV		\$0
RALLY SOFTWARE DEVELOPMENT COMMON STOCK		\$42,955
RALPH LAUREN CORP	\$199,656	
RAMBUS INC	\$56,217	\$31,661
RAVEN INDUSTRIES INC	\$27,993	\$30,671
RAYMOND JAMES FINANCIAL INC	\$147,364	
RAYTHEON COMPANY	\$193,258	\$152,027
RED ROBIN GOURMET BURGERS	\$36,214	\$56,558
REGENCY ENERGY PARTNERS LP	\$1,715	
REINSURANCE GROUP OF AMERICA COMMON STOCK		\$60,468
RESTORATION HARDWARE HOLDINGS	\$43,277	
RETAILMENOT INC	\$38,568	
RICE ENERGY INC	\$26,528	
ROADRUNNER TRANSPORTATION	\$41,824	\$72,763
ROCK TENN COMPANY CL A COMMON STOCK USD.01		\$130,221
ROCKWELL AUTOMATION INC COMMON STOCK USD1.		\$66,505
ROSE ROCK MIDSTREAM LP	\$37,692	
ROSS STORES INC	\$160,041	\$154,765
ROYAL DUTCH SHELL PLC ADR ADR		\$182,983
RSP PERMIAN INC	\$65,809	
RUCKUS WIRELESS INC	\$32,549	
SAIA INC	\$50,650	
SALIX PHARMACEUTICALS LTD COMMON STOCK USD.001		\$49,469
SANCHEZ ENERGY CORP	\$59,775	
SANOFI	\$54,700	\$195,134
SAPIENT CORPORATION	\$47,085	\$38,721
SCHLUMBERGER LTD	\$573,966	\$557,272
SCRIPPS NETWORKS INTER-CL A	\$74,051	
SEAGATE TECHNOLOGY	\$74,282	\$76,410
SELECT COMFORT CORPORATION COMMON STOCK USD.01		\$38,285
SEQUENTIAL BRANDS GROUP INC	\$22,762	
SHIRE PLC ADR	\$43,983	
SIEMENS AG SPONS ADR ADR		\$57,220
SIGNATURE BANK	\$49,990	\$45,878
SIX FLAGS ENTERTAINMENT	\$63,876	
SKECHERS USA INC-CL A	\$86,388	\$82,756
SODASTREAM INTERNATIONAL LTD COMMON STOCK		\$68,989
SOLARWINDS INC	\$43,389	
SONIC AUTOMOTIVE INC CLASS A COMMON STOCK USD.01		\$43,035

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
SONUS NETWORKS INC	\$44,203	\$17,043
SOVRAN SELF STORAGE INC REIT	\$42,499	
SPANSION INC	\$51,602	
SPECTRANETICS CORP	\$127,994	\$57,570
SPIRIT AIRLINES INC	\$75,599	\$42,204
SPRAGUE RESOURCES LP	\$20,606	
SPS COMMERCE INC	\$35,522	\$46,942
STAG INDUSTRIAL	\$44,166	
STAPLES INC COMMON STOCK USD.0006		\$43,149
STARBUCKS CORP	\$267,978	\$220,375
STATE STREET CORP COMMON STOCK USD1.		\$169,269
STEVEN MADDEN LTD COMMON STOCK USD.0001		\$49,410
STRATASYS LTD COMMON STOCK		\$104,910
STRATEGIC HOTELS & RESORTS INC. REIT	\$34,987	
SUMMIT MIDSTREAM PARTNERS LP	\$50,139	
SUNTRUST BANKS INC COMMON STOCK USD1.		\$74,222
SURGICAL CARE AFFILIATES INC	\$67,109	
SVB FINANCIAL GROUP COMMON STOCK USD.001		\$66,406
SWIFT TRANSPORTATION CO COMMON STOCK USD.001		\$50,001
SYMANTEC CORP COMMON STOCK USD.01		\$87,458
SYNAGEVA BIOPHARMA CORP	\$18,909	
SYNERGY RESOURCES CORP	\$51,956	
SYNTEL INC COMMON STOCK NPV		\$48,943
T ROWE PRICE GROUP INC	\$137,287	\$158,516
TALLGRASS ENERGY PARTNERS LP	\$10,101	
TARGA RESOURCES CORP	\$38,655	
TARGA RESOURCES PARTNERS LP	\$69,118	
TE CONNECTIVITY LTD	\$101,730	\$93,100
TEAM HEALTH HOLDINGS INC	\$96,851	\$120,440
TEARLAB CORP COMMON STOCK USD.001		\$46,792
TEEKAY LNG PARTNERS LP	\$87,581	
TEEKAY OFFSHORE PARTNERS LP	\$46,834	
TEEKAY SHIPPING CORP	\$2,208	
TELEDYNE TECHNOLOGIES INC	\$60,183	\$43,987
TESORO LOGISTICS	\$76,675	
TEVA PHARMACEUTICAL-SP ADR	\$127,939	
TEXAS CAPITAL BANCSHARES INC	\$64,236	\$48,708
TEXAS INSTRUMENTS INC	\$205,343	\$176,484
TEXAS ROADHOUSE INC COMMON STOCK USD.001		\$44,432
THE FINISH LINE-CL A	\$45,719	
THE PRICELINE GROUP INC	\$282,458	
THE TRAVELERS COMPANIES INC	\$157,029	
THE WALT DISNEY CO.	\$270,719	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
THERMON GROUP HOLDINGS INC COMMON STOCK USD.001		\$207
THOR INDUSTRIES INC COMMON STOCK USD.1		\$61,630
TILE SHOP HLDGS INC COMMON STOCK USD.0001		\$41,316
TIME INC	\$9,956	\$102,519
TIME WARNER INC	\$226,930	\$198,599
TRAVELERS COS INC/THE COMMON STOCK NPV		\$64,719
TRI POINTE HOMES INC COMMON STOCK USD.01		\$27,485
TRIMAS CORP	\$16,864	
TRINET GROUP INC	\$76,811	
TRINITY BIOTECH PLC - SPON ADR	\$37,164	
TRIQUINT SEMICONDUCTOR INC COMMON STOCK USD.001		\$45,172
TRUEBLUE INC COMMON STOCK NPV		\$0
TRUECAR INC	\$19,120	
TUTOR PERINI CORP	\$55,457	
TWENTY-FIRST CENTURY FOX INC	\$300,397	
TYCO INTERNATIONAL LTD COMMON STOCK CHF6.7		\$69,648
TYSON FOODS INC-CL A	\$113,952	\$96,983
UNION PACIFIC CORP COMMON STOCK USD2.5		\$379,244
UNITED CONTINTETAL HOLDINGS INC	\$49,372	
UNITED PARCEL SERVICE CL B COMMON STOCK USD.01		\$54,942
UNITEDHEALTH GROUP INC	\$63,016	\$482,810
USA COMPRESSION PARTNERS LP	\$23,413	
VALERO ENERGY CORP	\$104,003	
VALERO ENERGY PARTNERS LP	\$46,753	
VALIDUS HOLDINGS LTD	\$40,635	\$51,015
VANDA PHARMACEUTICALS INC COMMON STOCK USD.001		\$48,063
VARIAN MEDICAL SYSTEMS INC COMMON STOCK USD1.		\$143,014
VARONIS SYSTEMS INC	\$49,504	
VERIZON COMMUNICATIONS INC	\$124,749	
VIEWPOINT FINANCIAL GROUP	\$44,467	
VISA INC-CLASS A SHARES	\$357,671	\$98,373
VMWARE INC- CL A	\$217,566	\$143,307
VTTI ENERGY PARTNERS LP	\$24,460	
WAGeworks INC COMMON STOCK USD.001		\$71,876
WALT DISNEY CO/THE COMMON STOCK USD.01		\$194,534
WEB.COM GROUP INC COMMON STOCK USD.001		\$51,022
WEBMD HEALTH CORP COMMON STOCK USD.01		\$46,690
WELLS FARGO & COMPANY	\$910,129	\$790,338
WESCO INTERNATIONAL INC	\$53,334	\$55,328
WESTERN ALLIANCE BANCORP COMMON STOCK USD.0001		\$44,297
WESTERN DIGITAL CORP	\$124,539	\$40,796
WESTERN REFINING LOGISTICS LP	\$71,835	
WESTLAKE CHEMICAL PARTNERS LP	\$50,475	

**Texas Emergency Services Retirement System**  
**Schedule 1**  
**Pension Fund Investments**  
**August 31, 2014 (With Comparative totals for August 31, 2013)**

	Market Value As of August 31, 2014 Amount	Market Value As of August 31, 2013 Amount
WEX INC	\$45,233	
WHOLE FOODS MARKET INC	\$159,300	
WILLBROS GROUP INC	\$45,795	
WILLIAMS COS INC	\$207,148	
WILLIAMS PARTNERS LP	\$97,432	
WINNEBAGO INDUSTRIES	\$43,154	
WIX.COM LTD	\$34,418	
WOLVERINE WORLD WIDE INC COMMON STOCK USD1.		\$49,219
WORTHINGTON INDUSTRIES	\$52,370	
WUXI PHARMATECH CAYMAN INC	\$49,607	\$48,168
XOOM CORP COMMON STOCK USD.0001		\$43,105
ZELTIQ AESTHETICS	\$47,483	
ZIMMER HOLDINGS INC	\$103,978	
ZULILY INC	\$42,706	
Total Corporate Equity	<u>\$42,268,492</u>	<u>\$35,595,616</u>
TOTAL INVESTMENTS	<u>\$90,375,098</u>	<u>\$75,731,523</u>
<b>Short Term Investments (Exhibit III)</b>	\$1,131,864	\$798,064
<b>Investments (Exhibit III)</b>		
Corporate Equity	\$42,268,492	\$35,595,616
Other Investments	\$46,974,742	\$39,337,843
<b>Total</b>	<u>\$90,375,098</u>	<u>\$75,731,523</u>

**Texas Emergency Services Retirement System  
Schedule 2  
Administrative Expenses for TESRS Trust Fund  
For Year Ended August 31, 2014**

<u>Category</u>	<u>Expenses</u>
Professional Fees and Services:	
Rudd & Wisdom	\$ 70,443
Pension Live	47,568
Craig Hudgins	4,500
Ralph Gohring	2,000
Jackson Walker	285
Total Professional Fees and Services	\$ 124,796
Travel	33,798
Training	3,010
Rentals & Leases	2,502
Other Expense	1,563
Total Administrative Expenses (See Exhibit IV)	<u><u>\$ 165,669</u></u>

**Texas Emergency Services Retirement System**  
**Schedule 3**  
**Investing Activity Expenses**  
**For Year Ended August 31, 2014**

<u>Category</u>	<u>Expenses</u>
Atlanta Capital Management	\$ 94,132
Milliman USA	64,173
Pier Capital	48,340
Robeco	96,543
Luther King	47,426
Harvest	8,350
OFI Trust	135,356
Bank of Texas	43,846
Total Investing Activities Expenses	<u>\$ 538,166</u>
(See Exhibit IV)	

**Texas Emergency Services Retirement System  
Schedule 4  
Board Members  
August 31, 2014**

Name and Address	Term Expires September 1,
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 100 Crescent Ct., Suite 1000 Dallas, TX 75201	2019
Dennis R. Rice, Trustee 8200 Rice Road Canyon, TX 79015	2015
Jenny Moore, Trustee 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