

**AUDITED**  
**ANNUAL FINANCIAL REPORT**  
For The Year Ended August 31, 2018



*Texas Emergency Services Retirement System*

**208 E. 10<sup>th</sup> Street, 3<sup>rd</sup> Floor, Suite 309**

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# Texas Emergency Services Retirement System



Frank Torres, Chairman  
Kevin Deiters, Executive Director

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

(800) 919-3372

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December 20, 2018

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

Dear Lady and Gentlemen:

I am pleased to submit the Audited Annual Financial Report of the Texas Emergency Services Retirement System for the year ending August 31, 2018, in compliance with the Texas Government Code Ann. 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

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

Kevin B. Deiters  
Executive Director



## Independent Auditor's Report

To the 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, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

#### *Fund Financial Statements*

As discussed in Note 1, the financial statements present only the System, a fiduciary fund of the State of Texas and do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2018 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Investments with Values that are not Readily Determined*

As discussed in Notes 1 and 3, the financial statements include investments valued at approximately \$19,327,000 as of August 31, 2018, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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



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

The information in Schedules 1 through 3 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

***Report on Summarized Comparative Information***

We have previously audited the System's fiscal year 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

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

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
December 19, 2018

## 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, 2018. Please review this narrative in conjunction with the Basic Financial Statements, which begin after this discussion.

### Using this Annual Financial Report

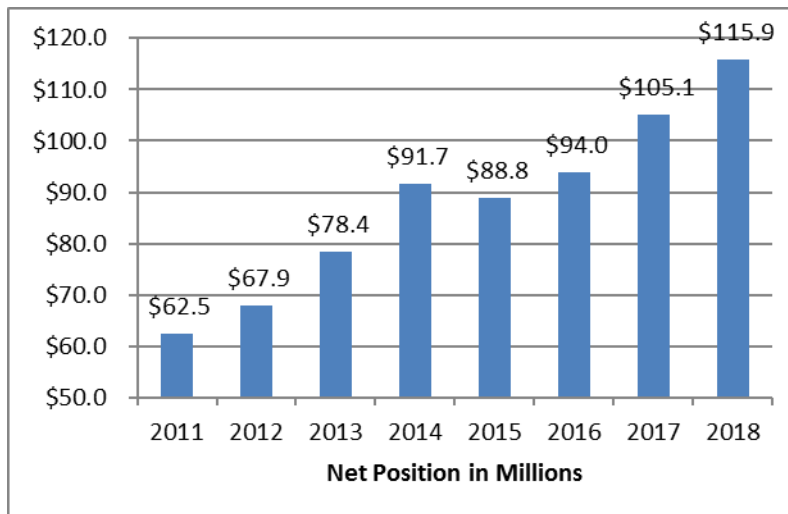
The Texas Emergency Services Retirement System administers death, disability, and pension benefits, to eligible volunteer fire and emergency services personnel and their beneficiaries from member departments statewide. At the close of fiscal year 2018, there were 238 member departments in the System.

This discussion and analysis is intended to serve as an introduction to the System’s basic financial presentation, which presents the net position held in trust for pension benefits as of August 31, 2018, 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, 2018, and reflect the resources available to pay benefits to retirees and other beneficiaries for covered plan participants, and for System administration costs.
- **Notes to the Financial Statements** – The notes to the financial statements provide information essential to a full understanding of the financial statements.
- **Required Supplementary Information** -- Required supplementary information consists of a Schedule of Changes in the System’s Net Pension Liability and Related Ratios and a Schedule of Investment Returns.
- **Other Supplementary Schedules** – Other schedules include information on System investments, administrative expenses, investing expenses, and Trustees.

### Statement of Plan Net Position

Net position held in trust at the end of fiscal year 2018 totaled \$115.9 million, which represents an increase of nearly \$10.8 million over funds held at the close of fiscal year 2017.



The majority of plan assets are held as investments. The money weighted net real rate of return on investments was 10.86% as of August 31, 2018.

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 2018, system investment details were as follows:

<b>Summary of Assets as of August 31, 2018</b>				
<b>Investment Category</b>	<b>Actual Amounts</b>	<b>Actual Allocation</b>	<b>Target Allocation</b>	<b>Allocation Range</b>
Cash and equivalents	\$263,829	0.2%	0.0%	0%-10%
Short Term Investments	\$1,101,697	1.0%	0.0%	0.0%
US Market Equities-Large Cap				
Value	\$19,210,390	16.9%	15.0%	11%-21%
Growth	\$19,826,509	17.5%	15.0%	11%-21%
US Market Equities-Small/Mid Cap				
Value	\$8,412,322	7.4%	7.5%	2.5%-12.5%
Growth	\$10,242,762	9.0%	7.5%	2.5%-12.5%
International Equity-Developed Markets	\$16,827,392	14.8%	15.0%	10%-20%
International Equity-Emerging Markets	\$5,456,218	4.8%	5.0%	0%-10%
Core Fixed Income	\$24,896,305	22.0%	20.0%	10%-25%
Master Limited Partnerships (Energy)	\$4,637,458	4.1%	5.0%	0%-10%
US Core Real Estate	\$2,500,004	2.2%	5.0%	0%-10%
Multi-Asset Investments	\$0	0.0%	5.0%	0%-10%
Other				
Payables and other liabilities	-\$235,767	N/A	N/A	N/A
Receivables	\$2,724,775	N/A	N/A	N/A
<b>Total assets as of August 31, 2018</b>	<b>\$115,863,894</b>	<b>100.0%</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 2017 to 2018:

Description	2018	2017	Increase/ (Decrease)	% Change
Total Assets	\$116,099,661	\$105,282,617	\$10,817,044	10.3%
Total Liabilities	-\$235,767	-\$162,829	\$72,938	44.8%
<b>Total Net Position</b>	<b>\$115,863,894</b>	<b>\$105,119,788</b>	<b>\$10,744,106</b>	<b>10.2%</b>

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

#### Additions

The primary additions as of August 31, 2018 are shown below, along with those same categories in fiscal year 2017 for comparative purposes. The amount shown as Net Investment Income is comprised of net appreciation in fair value of investments, plus treasury interest, plus interest and investment income, less investing activities expenses. Additions (as well as deductions) may all be found on Exhibit IV in the Combined Statement of Changes in Fiduciary Net Position.

Description	2018	2017	Increase/ (Decrease)	% Change
Original Appropriations	\$1,329,224	\$1,583,825	-\$254,601	0.0%
Dues	\$3,876,450	\$3,641,179	\$235,271	6.5%
Prior Service	\$222,385	\$1,370,953	-\$1,148,568	-83.8%
Net Investment Income	\$11,309,991	\$9,774,046	\$1,535,945	15.7%

#### Deductions

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

Description	2018	2017	Increase/ (Decrease)	% Change
Death Benefits	\$266,034	\$73,357	\$192,677	262.7%
Retirement Benefits	\$5,019,686	\$4,405,843	\$613,843	13.9%
Disability Benefits	\$35,450	\$34,200	\$1,250	3.7%
Survivor Benefits	\$518,450	\$518,857	-\$407	-0.1%
Administrative Expenses	\$158,142	\$184,314	-\$26,172	-14.2%

#### **Actuarial Status**

On November 29, 2018, the Board received and accepted the August 31, 2018 actuarial valuation report from Rudd and Wisdom, Inc. that concluded that the System has an adequate contribution arrangement, assuming that:

- the state will continue to appropriate the maximum annual contribution as needed in accordance with the state law governing the System;
- the state will contribute \$725,000 each year to pay for part of the System's administrative expenses; and

- due to the funded status of the System and the expectation of continued state contributions, the actuary determined that the additional Part Two contribution from member Departments is not necessary to ensure an adequate contribution arrangement.

The calculated August 31, 2018 amortization period needed to pay for the \$22,845,636 in unfunded actuarial accrued liabilities of the system is 24 years. The funding ratio is 83.4%.

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

The Schedule of Changes in the System's Net Pension Liability and Related Ratios for the Last 10 fiscal Years (under Section II-Required Supplementary Information) shows a total Net Pension Liability of \$21,650,451 and a related funding ratio of 84.26% for the fiscal year ending August 31, 2018. The difference between these numbers and those reflected in the August 31, 2018 actuarial valuation is due to the valuation methodology of investment assets. The actuarial valuation utilizes a smoothing method which tends to produce less volatility than the market value method, which is required in the Annual Financial Report.

### **Request for Information**

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

**Texas Emergency Services Retirement System**  
**Exhibit I - Governmental Fund Balance Sheet/Statement of Net Position**  
**August 31, 2018**

	General Fund			
	Balance Sheet 2018	Adjustments*	Statement of Net Position 2018	2017
<b>ASSETS</b>				
Current Assets:				
Legislative Appropriations	\$ 83,857	\$	\$ 83,857	\$ 94,609
Consumable Inventories	2,793		2,793	3,826
Total Current Assets	<u>\$ 86,650</u>	<u>\$ -</u>	<u>\$ 86,650</u>	<u>\$ 98,435</u>
Non-Current Assets:				
Capital Assets:				
Depreciable:				
Other Capital Assets (Note 2)	\$			
Less Accumulated Depreciation (Note 2)				
Total Non-Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 86,650</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 86,650</u></u>	<u><u>\$ 98,435</u></u>
<b>LIABILITIES AND FUND BALANCES/NET POSITION</b>				
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 83,781	\$	\$ 83,781	\$ 94,624
Employees' Compensable Leave (Note 4)		18,909	18,909	24,681
Total Current Liabilities	<u>\$ 83,781</u>	<u>\$ 18,909</u>	<u>\$ 102,690</u>	<u>\$ 119,305</u>
Non-Current Liabilities:				
Employees' Compensable Leave (Note 4)	\$	\$ 23,956	\$ 23,956	\$ 14,037
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ 23,956</u>	<u>\$ 23,956</u>	<u>\$ 14,037</u>
Total Liabilities	<u>\$ 83,781</u>	<u>\$ 42,865</u>	<u>\$ 126,646</u>	<u>\$ 133,342</u>
<b>FUND BALANCES/NET POSITION</b>				
Fund Balances (Deficits):				
Nonspendable	\$ 2,792	\$ (2,792)	\$	\$
Unassigned	77	(77)		
Total Fund Balances	<u>\$ 2,869</u>	<u>\$ (2,869)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:				
Unrestricted	\$	\$ (39,996)	\$ (39,996)	\$ (34,907)
Total Net Position	<u>\$ -</u>	<u>\$ (39,996)</u>	<u>\$ (39,996)</u>	<u>\$ (34,907)</u>
Total Liabilities and Fund Balances/Net Position	<u><u>\$ 86,650</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 86,650</u></u>	<u><u>\$ 98,435</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, 2018**

	General Fund			
	Statement of Revenues, Expenditures, and Changes in Fund Balance		Statement of Activities	
	2018	Adjustments*	2018	2017
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations	\$ 716,486	\$	\$ 716,486	\$ 751,028
Additional Appropriations	153,563		153,563	167,868
Total Revenues	<u>\$ 870,049</u>	<u>\$ -</u>	<u>\$ 870,049</u>	<u>\$ 918,896</u>
<b>EXPENDITURES/EXPENSES</b>				
Salaries and Wages	\$ 527,496	\$ 4,147	\$ 531,643	\$ 526,798
Payroll Related Costs	169,465		169,465	179,315
Professional Fees and Services	101,701		101,701	109,112
Travel	18,922		18,922	18,932
Materials and Supplies	31,352		31,352	27,144
Communication and Utilities	9,078		9,078	10,172
Repairs and Maintenance	941		941	17,445
Rentals & Leases	6		6	4,675
Printing and Reproduction	3,133		3,133	1,220
Other Expenditures	8,410		8,410	6,805
Total Expenditures/Expenses	<u>\$ 870,504</u>	<u>\$ 4,147</u>	<u>\$ 874,651</u>	<u>\$ 901,618</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures/Expenses	<u>\$ (455)</u>	<u>\$ (4,147)</u>	<u>\$ (4,602)</u>	<u>\$ 17,278</u>
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	\$ (455)	\$ 454		
Change in Net Position	\$ (455)	\$ 454	\$ (4,602)	\$ 17,278
<b>Fund Balances/Net Position</b>				
Fund Balances/Net Position--Beginning of Year	\$ 3,811		\$ (34,907)	\$ (36,258)
Appropriations Lapsed	(487)		(487)	(15,927)
Restatements				
Fund Balances/Net Position--End of Year	<u>\$ 2,869</u>		<u>\$ (39,996)</u>	<u>\$ (34,907)</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, 2018**

	<b>Pension Trust</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents:		
Cash in State Treasury (Note 3)	\$ 263,829	\$ 614,340
Short Term Investments (Note 3, Schedule 1)	1,101,697	1,395,000
Receivables:		
Retirement System Contributions	1,917,143	890,600
Interest and Dividends	208,528	161,991
Sale of Investments	42,729	26,549
Total Current Assets	<u>\$ 3,533,926</u>	<u>\$ 3,088,480</u>
Non-Current Assets:		
Receivables:		
Retirement System Contributions	\$ 556,374	\$ 630,582
Investments (Note 3, Schedule 1)		
Corporate Equity	62,329,443	53,752,429
US Government Obligations	13,528,469	14,260,193
Corporate Obligations	11,367,835	9,878,594
Other Investments	24,783,614	23,672,339
Total Non-Current Assets	<u>\$ 112,565,735</u>	<u>\$ 102,194,137</u>
Total Assets	<u>\$ 116,099,661</u>	<u>\$ 105,282,617</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables:		
Accounts Payables	\$ 123,438	\$ 126,028
Investment Purchases Payable	112,329	26,517
Unearned Revenue	-	10,284
Total Current Liabilities	<u>\$ 235,767</u>	<u>\$ 162,829</u>
Total Liabilities	<u>\$ 235,767</u>	<u>\$ 162,829</u>
<b>NET POSITION</b>		
Restricted for Pensions	<u>\$ 115,863,894</u>	<u>\$ 105,119,788</u>



**Texas Emergency Services Retirement System**  
**Exhibit IV - Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended August 31, 2018**

	Pension Trust	
	2018	2017
<b>ADDITIONS</b>		
Contributions:		
Dues	\$ 3,847,152	\$ 3,641,179
Prior Service	222,385	1,349,630
Interest on Contracts to Purchase Prior Service	29,298	21,323
Appropriations from General Revenue	1,329,224	1,583,825
Total Contributions	<u>\$ 5,428,059</u>	<u>\$ 6,595,957</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 10,102,829	\$ 8,665,241
Treasury Interest	23,281	14,727
Interest and Investment Income	1,725,620	1,661,672
Total	<u>\$ 11,851,730</u>	<u>\$ 10,341,640</u>
Less Investing Activities Expense (Schedule 3)	541,739	567,594
Net Increase/Loss	<u>\$ 11,309,991</u>	<u>\$ 9,774,046</u>
Other Additions:		
Voided checks	\$ 3,818	\$ 2,348
Total Other Additions	<u>\$ 3,818</u>	<u>\$ 2,348</u>
Total Additions	<u>\$ 16,741,868</u>	<u>\$ 16,372,351</u>
<b>DEDUCTIONS</b>		
Retirement System Benefits Paid:		
Death Benefits	\$ 266,034	\$ 73,357
Retirement Benefits	5,019,686	4,405,843
Disability Benefits	35,450	34,200
Survivor's Benefits	518,450	518,857
Administrative Expenses (Schedule 2)	158,142	184,314
Total Deductions	<u>\$ 5,997,762</u>	<u>\$ 5,216,571</u>
Net Increase	\$ 10,744,106	\$ 11,155,780
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
Beginning of the Year	\$ 105,119,788	\$ 93,964,008
End of Year	<u>\$ 115,863,894</u>	<u>\$ 105,119,788</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 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 TESRS.

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 TESRS.

#### B. BASIS OF ACCOUNTING

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

##### GOVERNMENTAL FUND TYPE

---

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

##### FIDUCIARY FUND TYPES

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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 TESRS, and investment income earned but not received as of August 31, 2018.

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

Accounts Receivable relating to these contracts are shown on the Statement of Fiduciary Net Position. As of August 31, 2018, the total outstanding balance of these financing arrangements was \$644,874.

Inventories

Inventories, shown on the balance sheet at cost, consist of inventories of consumable office supplies and postage at August 31, 2018. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental fund types. The cost of these items is expensed when the items are consumed.

LIABILITIES

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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**

TESRS has no transactions between funds.

**NOTE 2: CAPITAL ASSETS**

Summaries of changes in Capital Assets for the year ended August 31, 2018, are presented below:

<b>Governmental Activities</b>					
<b>Asset Type</b>	<b>Balance 09/01/17</b>	<b>Restatements</b>	<b>Adjustments</b>	<b>Deletions</b>	<b>Balance 08/31/18</b>
Other Capital Assets	\$0				\$0
Accumulated Depreciation	\$0				\$ 0

<b>Pension Trust Fund</b>					
<b>Asset Type</b>	<b>Balance 09/01/17</b>	<b>Restatements</b>	<b>Adjustments</b>	<b>Deletions</b>	<b>Balance 08/31/18</b>
Furniture & Equipment	\$0				\$0
Accumulated Depreciation	\$0				\$0

**NOTE 3: DEPOSITS AND INVESTMENTS**

The Texas Emergency Services Retirement System (TESRS), Texas Government code, Section 865.008 (a) and (b) state "If a surplus exists in the fund over the amount necessary to pay benefits due for a reasonable period of time, the state board shall invest the surplus. The assets of the pension system shall be invested and reinvested in accordance with Section 67, Art XVI, Texas Constitution. A determination of whether the state board has exercised prudence with respect to an investment decision must be made, taking into consideration the investment of all assets of the trust over which the state board has management and control rather than considering the prudence of a single investment". All major sectors of the capital markets should be considered in order to diversify and minimize total investment program risk. This asset mix is determined by the TESRS Board of Trustees, and currently includes equities, fixed income, convertible bonds, short-term cash equivalents, master limited partnerships, and alternative investments. The following was TESRS Board's adopted asset allocation policy as of August 16, 2018.

<b>Asset Allocation</b>	<b>Target</b>
US Market Equities-Large Cap Value	15%
US Market Equities-Large Cap Growth	15%
US Market Equities-Small/Mid Cap Value	7.5%
US Market Equities-Small/Mid Cap Growth	7.5%
Core Fixed Income	20%
International Equity-Developed Markets	15%
International Equity-Emerging Markets	5%
Cash & Equivalents	0%
Master Limited Partnerships (Energy)	5%
US Core Real Estate	5%
Multi-Asset Investments	5%
<b>Total</b>	<b>100%</b>

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

TESRS contracts with Bank of Texas for custodial services and AndCo Consulting, LLC for investment consulting services. TESRS contracts with five money managers to manage the fixed income and equity portfolios. The money managers are Boston Partners LLC, Harvest Fund Advisors LLC, Garcia Hamilton & Associates L.P., Richmond Capital Management, Inc., and Clearbridge Investments, LLC. TESRS also invests with three mutual funds—Wells Fargo, Clarkston Partners, and Jackson Square Partners, and with one Commingled Fund—OFIGTC (OFI Global Trust Company). In 2018, TESRS added the real estate investment fund Prime Property Fund, LLC.

**A. DEPOSITS**

The bank balance of \$263,828 is deposited in the State Treasury.

**CUSTODIAL CREDIT RISK-DEPOSITS**

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

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

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

**B. INVESTMENTS**

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

Level 1—Investments reflect prices quoted in active markets.

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

Level 3—Investments reflect prices based upon unobservable sources.

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

As of August 31, 2018, the fair value of investments are as presented below:

Description	Fair Value Hierarchy				(Fair Value)
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	
U.S. Treasury Securities	\$8,614,820				\$8,614,820
U.S. Government Agency Obligations		\$1,248,316			\$1,248,316
Corporate Obligations		\$11,166,044			\$11,166,044
Corporate Asset and Mortgage Backed Securities		\$3,867,124			\$3,867,124
Equity	\$62,329,443				\$62,329,443
International Equity	\$5,456,218				\$5,456,218
International Other Commingled Funds				\$16,827,392	\$16,827,392
Other Commingled Funds	\$1,101,697				\$1,101,697
Real Estate				\$2,500,004	\$2,500,004
<b>Total Investments</b>	<b>\$77,502,178</b>	<b>\$16,281,484</b>		<b>\$19,327,396</b>	<b>\$113,111,058</b>
Reconciliation of Investments per Exhibit VI					
Other Short Term Investments					\$1,101,697
Corporate Equity					\$62,329,443
U.S. Government Obligations					\$13,528,469
Corporate Obligations					\$11,367,835
Other Investments					\$24,783,614
<b>Investment per Exhibit VI</b>					<b>\$113,111,058</b>



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

The International Other Commingled Funds listed in the Fair Value Hierarchy schedule 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. TESRS has no unfunded commitments to OFIGTC. Redemptions are allowable daily, and a redemption notice period of 3-5 days is required prior to redemption.

For the year ended August 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 10.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**CREDIT RISK**

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

Investment policies of TESRS require that investments in Core Fixed Income not exceed 25% (22.0% actual) of the portfolio.

TESRS’ domestic fixed income is managed by Richmond Capital Management, Inc. and Garcia Hamilton & Associates L.P. 56% of these holdings are either not subject to credit risk, or AAA rated, while 36% is rated A or better. Credit risk is managed through diversification and by operating within defined parameters.

Investment Type	Not Rated
U.S. Government and Corporate Obligations	\$24,896,305

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

**INTEREST RATE RISK**

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. TESRS maintains an investment of \$24,896,305 in Core Fixed Income which is subject to Interest Rate Risk. The average portfolio duration of Richmond Capital Management, Inc. is 5.86 years, and for Garcia Hamilton is 4.89 years.

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

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

**FOREIGN CURRENCY RISK**

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

**CUSTODIAL CREDIT RISK-INVESTMENTS**

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

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

**NOTE 4: SUMMARY OF LONG TERM LIABILITIES**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2018, the following changes occurred in long-term liabilities:

Governmental Activities	Balance 09/01/17	Additions	Reductions	Balance 08/31/18	Amounts Due Within One Year
Compensable Leave	\$38,718	\$24,946	\$20,799	\$42,865	\$18,909
<b>Total Governmental Activities</b>	<b>\$38,718</b>	<b>\$24,946</b>	<b>\$20,799</b>	<b>\$42,865</b>	<b>\$18,909</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, 2018.

**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

**NOTE 6: EMPLOYEES' RETIREMENT PLAN cont'd.**

separately. Annual financial reports prepared by ERS include audited financial statements and actuarial assumptions and conclusions.

**NOTE 7: DEFERRED COMPENSATION**

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

**NOTE 8: CONTINGENT LIABILITIES**

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

**NOTE 9: CONTINUANCE SUBJECT TO REVIEW**

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

**NOTE 10: RISK FINANCING AND RELATED INSURANCE**

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

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

Changes in the balances of TESRS' claims liabilities during fiscal years 2017 and 2018 were as follows:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year-End</b>
2017	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2018	\$ -0-	\$ -0-	\$ -0-	\$ -0-

**NOTE 11: PENSION DISCLOSURES**

**A. General Information about the System**

**1. Plan Description**

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

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2018, there were 238 fire and/or emergency services member departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

**2. Benefits Provided**

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

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

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

**3. Covered Membership**

On August 31, 2018, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,533
Terminated members entitled to but not yet receiving benefits	1,927
Active participants	3,927

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

**4. Funding Policy**

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. According to the state law governing the System, 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 in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

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

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

**5. Contributions Required and Contributions Made**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2018, total contributions of \$4,098,835 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,329,224 for the fiscal year ending August 31, 2018.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section I(B)(1). The most recently completed biennial actuarial valuation as of August 31, 2018 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.

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

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

**B. Net Pension Liability**

The System's net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018.

Total pension liability	\$ 137,514,345
Plan fiduciary net position	<u>115,863,894</u>
System's net pension liability	\$ 21,650,451
Plan fiduciary net position as a percentage of the total pension liability	84.3%

**1. Actuarial Assumptions**

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.26% 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.**

	<b>Target Allocation</b>	<b>Long-Term Expected Net Real Rate of Return</b>
Equities		
Large cap domestic	32%	5.81%
Small cap domestic	15	5.92
Developed international	15	6.21
Emerging markets	5	7.18
Master limited partnership	5	7.61
Real Estate	5	4.46
Fixed income	23	1.61
Cash	<u>0</u>	0.00
Total	100%	
Weighted average		5.01%

**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, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the System, calculated using the discount rate of 7.75%, in comparison to 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:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
System's net pension liability	\$ 43,026,103	\$ 21,650,451	\$ 7,233,195

AUDITED  
Texas Emergency Services Retirement System

**Required Supplementary Information**

**Schedule of Changes in the System's Net Pension Liability and Related Ratios  
for the Last 10 Fiscal Years <sup>1</sup>**

	Fiscal Year Ending				
	08/31/18	08/31/17	08/31/16	08/31/15	08/31/14
<b>1. Total Pension Liability</b>					
a. Service cost	\$1,593,479	\$1,593,479	\$1,694,230	\$1,694,230	\$1,827,592
b. Interest	9,904,123	9,468,133	8,901,986	8,470,723	8,051,287
c. Changes of benefit terms	2825337	0	722,024	0	0
d. Differences between expected and actual	-90439	0	64,648	0	0
e. Assumption changes	0	0	890,002	0	0
f. Benefit payments	<u>-5,839,621</u>	<u>-5,032,257</u>	<u>-4,701,770</u>	<u>-4,498,761</u>	<u>-4,168,134</u>
<b>g. Net Change</b>	<b>8,392,879</b>	<b>6,029,355</b>	<b>7,571,120</b>	<b>5,666,192</b>	<b>5,710,745</b>
<b>h. Total – Beginning</b>	<b><u>129,121,466</u></b>	<b><u>123,092,111</u></b>	<b><u>115,520,991</u></b>	<b><u>109,854,799</u></b>	<b><u>104,144,054</u></b> <sup>2</sup>
<b>i. Total – Ending</b>	<b>\$137,514,345</b>	<b>\$129,121,466</b> <sup>4</sup>	<b>\$123,092,111</b>	<b>\$115,520,991</b> <sup>4</sup>	<b>\$109,854,799</b>
<b>2. Plan Fiduciary Net Position</b>					
a. Contributions for participating departments	\$4,098,834	\$5,012,131	\$3,463,603	\$3,515,546	\$4,176,659
b. Contributions by the state	1,329,224	1,583,825	1,583,825	1,637,308	1,530,343
c. Net investment income	11,313,810	9,776,395	4,956,730	-3,292,889	11,908,321
d. Benefit payments	-5,839,621	-5,032,257	-4,701,770	-4,498,761	-4,168,134
e. Administrative expenses	<u>-158,141</u>	<u>-184,314</u>	<u>-166,840</u>	<u>-215,900</u>	<u>-165,669</u>
<b>f. Net Change</b>	<b>10,744,106</b>	<b>11,155,780</b>	<b>5,135,548</b>	<b>-2,854,696</b>	<b>13,281,520</b>
<b>g. Total – Beginning</b>	<b><u>105,119,788</u></b>	<b><u>93,964,008</u></b>	<b><u>88,828,460</u></b>	<b><u>91,683,156</u></b>	<b><u>78,401,636</u></b>
<b>h. Total – Ending</b>	<b>\$115,863,894</b>	<b>\$105,119,788</b>	<b>\$93,964,008</b>	<b>\$88,828,460</b>	<b>\$91,683,156</b>
<b>3. System's Net Pension Liability – [Item 1(i)-2(h)]</b>	<b>\$21,650,451</b>	<b>\$24,001,678</b>	<b>\$29,128,103</b>	<b>\$26,692,531</b>	<b>\$18,171,643</b>
<b>4. Plan Fiduciary Net Position as a Percent of Pension Liability</b>	<b>84.26%</b>	<b>81.40%</b>	<b>76.30%</b>	<b>76.90%</b>	<b>83.50%</b>
<b>5. Number of Active Members<sup>3</sup></b>	<b>3,927</b>	<b>4,046</b>	<b>3,634</b>	<b>4,036</b>	<b>4,036</b>
<b>6. System's Net Pension Liability per Active Member</b>	<b>\$5,513</b>	<b>\$5,932</b>	<b>\$8,015</b>	<b>\$6,614</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.

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



**Schedule of Investment Returns for the 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, 2018	10.86%
August 31, 2017	10.32%
August 31, 2016	5.57%
August 31, 2015	-3.58%
August 31, 2014	14.92%
August 31, 2013	13.84%

Notes to Schedule

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

**Texas Emergency Services Retirement System  
Other Supplementary Schedules  
Schedule 1 - Pension Fund Investments  
August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
<b>MONEY MARKET MUTUAL FUND</b>		
Money Market Securities	\$1,101,697	\$1,395,000
<b>EQUITY MUTUAL/COMMINGLED FUNDS</b>		
OFITC International Growth Fund	\$16,827,392 *	\$16,345,003
Wells Fargo International Emerging Markets	\$5,456,218	\$7,327,336
Prime Property Fund, LLC	\$2,500,004	
Total Equity Mutual/Commingled Funds	\$24,783,614	\$23,672,339
<b>EQUITY MUTUAL</b>		
Jackson Square	\$10,242,762 *	\$7,763,817
Clarkston Partners	\$8,412,322 *	\$7,609,643
Total Equity Mutual	\$18,655,084	\$15,373,460
<b>BOND FUNDS</b>		
21ST CENTURY FOX AMERICA	\$37,371	\$39,419
ABBOTT LABS		\$136,453
AFLAC INC	\$154,031	\$158,065
ALABAMA POWER CO	\$40,559	\$43,133
ALTRIA GROUP INC	\$31,747	\$34,413
AMERICAN EXPRESS CO	\$96,801	\$101,464
AMERICAN EXPRESS CREDIT	\$480,839	\$411,711
AMERITECH CAPITAL FUNDNG		\$41,263
AMGEN INC	\$22,288	\$24,347
ANHEUSER-BUSCH	\$35,915	\$39,901
APACHE CORP	\$24,948	\$26,062
APPLE INC	\$425,999	\$171,169
ARCHER-DANIELS-MIDLAND	\$69,352	
AT&T INC	\$88,943	\$139,972
BANK OF AMERICA CORP	\$542,389	\$153,306
BANK OF NOVA SCOTIA	\$138,134	\$165,255
BANK OF NY MELLON CORP	\$474,813	\$389,462
BB&T CORPORATION	\$198,858	\$202,982
BECTON DICKINSON	\$41,267	\$44,347
BERKSHIRE HATHAWAY	\$140,326	\$145,018
BLACKROCK INC	\$133,808	\$139,316
BOSTON PROP LP	\$60,604	\$63,872
BRISTOL-MYERS SQUIBB CO	\$42,244	
BURLINGTON NORTHERN SANTA FE	\$59,665	\$62,276
CATERPILLAR INC	\$54,223	\$56,598
CHARLES SCHWAB CORP	\$118,105	\$123,060
CHEVRON CORP	\$19,812	\$20,330
CHUBB CORPORATION	\$69,618	\$74,397
CISCO SYSTEMS INC	\$89,716	\$93,664
CITIGROUP INC	\$91,079	\$126,186
COMCAST CORP	\$44,722	\$48,673

**Texas Emergency Services Retirement System**  
**Other Supplementary Schedules**  
**Schedule 1 - Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
COMM SER 2012-CR2 CL A4	\$59,822	\$62,357
COMMONWEALTH EDISON CO	\$70,195	\$73,210
CVS HEALTH CORP	\$54,733	\$57,511
DEERE & COMPANY	\$117,840	\$122,276
EATON CORP		\$102,749
EMERSON ELECTRIC CO	\$137,982	\$143,389
ENTERPRISE PRODUCTS OPER	\$31,854	\$33,266
EXXON MOBIL CORP		\$25,114
EXXON MOBIL CORPORATION	\$23,414	\$24,620
FFCB FLT RT DUE 01/22/2019		\$591,670
FFCB FLT RT DUE 03/26/2018		\$215,359
FFCB FLT RT DUE 04/03/2019		\$365,062
FFCB FLT RT DUE 04/24/2019	\$345,104	\$345,114
FFCB FLT RT DUE 05/17/2018		\$665,765
FFCB FLT RT DUE 05/25/2018		\$295,440
FHLB FLT RT DUE 09/14/2018		\$410,135
FHLB FLT RT DUE 10/26/2018		\$219,967
FHLB FLT RT DUE 11/08/2018		\$304,966
FHLMC FLT RT DUE 07/05/2019	\$420,097	\$874,414
FHLMC FLT RT DUE 07/24/2018		\$194,904
FHLMC FLT RT DUE 11/13/2017		\$320,128
FHLMC GOLD POOL # G30891	\$352,680	\$462,118
FHLMC GOLD POOL #A93614	\$21,268	\$26,636
FHLMC GOLD POOL #A97673	\$18,617	\$22,886
FHLMC GOLD POOL #D98739	\$246,860	\$297,122
FHLMC GOLD POOL #G08001	\$166,247	\$228,117
FHLMC GOLD POOL #G60134	\$205,085	\$269,644
FHLMC GOLD POOL #G61257	\$151,453	
FHLMC GOLD POOL #Q27927	\$165,842	\$159,116
FHLMC GOLD POOL #Q30470	\$267,451	\$343,721
FHLMC GOLD POOL #Q35953	\$183,370	\$213,627
FHLMC GOLD POOL #Q38893	\$164,204	\$209,050
FHLMC GOLD POOL #Q45872	\$143,505	\$166,861
FHLMC GOLD POOL #V81680	\$265,571	\$355,298
FHMS SER K031 CL A2	\$151,716	\$158,921
FLORIDA POWER CORP	\$45,325	\$48,701
FNMA POOL #995598		\$244,915
FNMA POOL #AL7407	\$65,236	\$144,335
FNMA POOL #AL7590	\$333,927	\$401,596
FNMA POOL #AO7185	\$124,003	\$148,277
FNMA POOL #AS5090	\$106,144	\$134,287
FNMA POOL #AY8604	\$58,895	\$74,092
FNMA POOL #BC2666	\$99,407	\$115,486
FNMA POOL #BD7056	\$130,682	\$143,576
FNMA POOL #BE0468	\$144,493	\$166,700
FNMA POOL #BH2594	\$255,321	\$279,941

**Texas Emergency Services Retirement System**  
**Other Supplementary Schedules**  
**Schedule 1 - Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
FNMA POOL #BM1577	\$195,613	
FRANKLIN RESOURCES INC	\$66,744	\$70,365
GENERAL DYNAMICS CORP	\$35,537	
GENERAL ELECTRIC CAPITAL CORP		\$245,808
GENERAL MILLS INC	\$35,017	
GNMA II POOL #AA1000	\$15,266	\$19,830
GNMA II POOL #MA2374	\$49,509	\$68,394
GNMA II POOL #MA3035	\$64,681	\$85,334
GOLDMAN SACHS GROUP INC	\$552,712	\$621,629
GSMS SER 2012-GCJ9 CL A3	\$97,864	\$102,132
HALLIBURTON COMPANY	\$43,711	\$45,117
HARTFORD FINL SVCS GRP		\$112,704
HISTORIC TW INC	\$35,383	\$37,534
IBM CORP	\$38,869	\$40,555
ILLINOIS TOOL WORKS INC	\$85,816	
INTEL CORP	\$357,329	\$195,000
JOHN DEERE CAPITAL CORP	\$60,127	
JOHNSON & JOHNSON	\$17,296	\$18,318
JP MORGAN CHASE & CO	\$103,013	\$107,776
JPMORGAN CHASE & CO	\$547,578	\$551,202
KELLOGG CO	\$71,390	\$74,366
KEYCORP	\$104,509	\$109,836
KRAFT FOODS INC		\$38,713
KRAFT HEINZ FOODS CO	\$182,150	\$161,690
LOCKHEED MARTIN CORP	\$95,618	\$99,489
MARKEL CORP	\$103,845	
MARKEL CORPORATION	\$67,776	\$71,525
MCDONALD'S CORP	\$34,644	\$37,064
METLIFE INC	\$96,213	
MONDELEZ INTERNATIONAL INC	\$36,264	
MORGAN STANLEY	\$578,068	\$472,417
NORFOLK SOUTHERN CORP	\$60,929	
NUTRIEN LTD	\$73,460	
OCCIDENTAL PETROLEUM	\$82,767	\$85,857
ORACLE CORP	\$57,535	\$134,977
PARKER-HANNIFIN CORP	\$43,863	\$47,500
PEPSICO INC	\$266,033	\$46,863
PFIZER INC	\$20,859	\$22,576
PHILLIPS 66	\$72,070	\$75,261
PNC BANK NA	\$53,918	\$56,730
POTASH CORP - SASKATCHEWAN		\$76,745
PROCTER & GAMBLE		\$44,677
PROCTER & GAMBLE CO		\$80,562
PROLOGIS LP	\$65,691	\$69,027
PRUDENTIAL FINANCIAL INC	\$199,203	\$99,977
QUALCOMM INC	\$86,566	\$90,895

**Texas Emergency Services Retirement System**  
**Other Supplementary Schedules**  
**Schedule 1 - Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
ROYAL BANK OF CANADA	\$59,129	\$60,109
SHELL INTL FIN	\$88,822	\$93,323
SPECTRA ENERGY PARTNERS	\$22,437	\$23,980
STRYKER CORP	\$132,318	\$137,683
SUNTRUST BANK	\$48,207	\$50,194
SYSCO CORPORATION	\$64,403	\$68,637
TAMPA ELECTRIC CO	\$96,993	
THERMO FISHER SCIENTIFIC	\$59,527	\$62,717
TORONTO-DOMINION BANK	\$113,406	\$116,930
TOSCO CORP	\$67,300	\$70,164
TOYOTA MOTOR CREDIT CORP	\$199,224	\$201,700
UNITED PARCEL SERVICE	\$341,899	
UNITED TECHNOLOGIES CORP	\$17,095	\$18,714
US TREAS BOND @ 2.500% 05/15/2046	\$443,087	
US TREAS BOND @ 2.750% 08/15/2042		\$207,759
US TREAS BOND @ 2.875% 08/15/2045	\$1,170,430	\$2,298,816
US TREAS BOND @ 3.125% 11/15/2041	\$961,317	\$748,747
US TREAS BOND @ 4.750% 02/15/2037	\$107,358	\$40,792
US TREAS BOND @ 6.250% 05/15/2030	\$453,523	
US TREAS NOTE @ 1.000% 09/15/2018	\$364,898	
US TREAS NOTE @ 1.625% 02/15/2026	\$1,237,775	
US TREAS NOTE @ 1.750% 11/30/2021	\$135,869	\$311,423
US TREAS NOTE @ 2.000% 08/15/2025	\$583,653	
US TREAS NOTE @ 2.000% 10/31/2022	\$1,311,375	
US TREAS NOTE @ 2.000% 11/30/2022	\$694,164	
US TREAS NOTE @ 2.250% 02/15/2027	\$535,416	\$394,388
US TREAS NOTE @ 2.375% 05/15/2027	\$617,349	
US TREAS NOTE @ 2.750% 02/15/2024		\$515,460
VERIZON COMMUNICATIONS	\$24,720	\$24,758
VERIZON COMMUNICATIONS INC		
VIRGINIA ELEC & POWER CO	\$202,034	\$78,422
WALMART STORES INC		\$49,309
WALT DISNEY COMPANY	\$373,012	
WELLS FARGO & COMPANY	\$462,136	\$364,039
WELLS FARGO COMPANY		\$242,616
WFRBS SER 2012-C8 CL A3	\$44,602	\$46,558
WISCONSIN POWER & LIGHT	\$50,872	\$54,551
Total Bond Funds	<u>\$24,896,305</u>	<u>\$24,138,787</u>
 <b>EQUITY FUNDS</b>		
ABB LTD-SPON ADR	\$83,343	
ABBOTT LABORATORIES		\$238,654
ADOBE INC	\$613,978	
ADOBE SYSTEMS INC		\$436,000
AES CORP		\$97,042
AKAMAI TECHNOLOGIES	\$485,404	\$331,936

**Texas Emergency Services Retirement System**  
**Other Supplementary Schedules**  
**Schedule 1 - Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
ALEXION PHARMACEUTICALS INC	\$312,934	\$327,543
ALIBABA GROUP HOLDING LTD	\$150,509	
ALLSTATE CORP	\$317,902	\$201,182
ALPHABET INC CL A	\$380,626	\$604,667
ALPHABET INC CL C	\$660,259	\$556,083
AMAZON.COM INC	\$1,427,011	\$813,893
AMERICAN EXPRESS CO	\$554,911	\$286,713
AMERICAN INT'L GROUP INC	\$221,719	\$200,733
ANDEAVOR	\$358,140	\$183,575
ANDEAVOR LOGISTICS LP	\$207,145	\$124,027
ANHEUSER-BUSCH INBEV SPN ADR	\$385,972	\$313,681
ANTERO MIDSTREAM PARTNERS LP	\$84,473	\$86,316
ANTERO RESOURCES MIDSTREAM MGMT LI	\$32,327	
ANTHEM INC	\$214,167	\$236,620
APERGY CORP	\$68,689	
APPLE INC COM	\$501,697	\$661,412
ARCHROCK INC	\$44,743	\$4,447
ARCHROCK PARTNERS LP		\$29,551
AVNET INC	\$65,921	
BANK OF AMERICA CORP	\$860,534	\$784,834
BARRICK GOLD CORP		\$116,431
BERKSHIRE HATHAWAY INC-CL B	\$790,631	\$665,220
BIOGEN INC	\$434,439	\$420,708
BIOMARIN PHARMACEUTICAL INC	\$146,971	
BLACKROCK INC	\$378,457	\$393,869
BOARDWALK PIPELINE PARTNERS LP		\$67,587
BOEING CO	\$306,111	
BORGWARNER INC		\$193,530
BP MIDSTREAM PARTNERS LP	\$37,625	
BUCKEYE PARTNERS LP	\$32,263	\$165,737
CAPITAL ONE FINANCIAL CORP	\$167,561	\$143,457
CATERPILLAR INC	\$255,484	
CBS CORP-CL B		\$97,051
CELANESE CORP-SERIES A		\$152,807
CELGENE CORP	\$433,526	\$612,681
CEMEX SA B	\$89,327	\$88,128
CHENIERE ENERGY INC	\$74,694	\$42,790
CHEVRON CORP	\$501,204	\$539,284
CHIPOTLE MEXICAN GRILL - CL A	\$194,824	\$186,859
CHUBB LTD	\$208,946	\$232,777
CIGNA CORP	\$248,985	\$195,168
CIMAREX ENERGY CO	\$107,290	
CISCO SYSTEMS INC	\$663,048	\$393,671
CITIGROUP INC	\$699,577	\$646,897
COCA-COLA CO/THE	\$240,633	\$358,888
COCA-COLA EUROPEAN PARTNERS PLC	\$123,699	\$132,870

**Texas Emergency Services Retirement System**  
**Other Supplementary Schedules**  
**Schedule 1 - Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
COMCAST CORP-CL A	\$773,905	\$703,487
CONOCOPHILLIPS	\$349,967	\$153,465
COSTCO WHOLESALE CORP	\$284,419	
CRESTWOOD EQUITY PARTNERS LP	\$38,878	
CRH PLC - SPONSORED ADR	\$106,083	
CROSSAMERICA PARTNERS LP	\$22,934	\$38,378
CUMMINS INC	\$268,427	\$16,894
CVS HEALTH CORPORATION	\$339,483	\$522,896
DAVITA INC		\$77,592
DCP MIDSTREAM LP	\$212,808	\$70,642
DELTA AIR LINES INC	\$268,891	\$150,536
DENTSPLY SIRONA INC	\$92,335	\$247,211
DIAMONDBACK ENERGY INC		\$100,505
DISCOVER FINANCIAL SERVICE	\$226,314	\$181,920
DOVER CORP	\$110,343	
DOW CHEMICAL		\$232,742
DXC TECHNOLOGY CO	\$295,587	\$243,185
EATON CORP PLC	\$170,603	\$207,889
EBAY INC	\$133,837	\$315,342
ECOLAB INC	\$354,681	\$343,514
EDISON INTERNATIONAL	\$117,131	
ENABLE MIDSTREAM PARTNERS LP	\$35,064	
ENBRIDGE ENERGY PARTNERS LP	\$1,182	\$62,154
ENERGEN CORP	\$103,529	\$79,433
ENERGY TRANSFER EQUITY LP		\$354,800
ENERGY TRANSFER PARTNERS LP	\$563,682	\$456,183
ENERGY TRANSFER, L.P.	\$389,620	
ENLINK MIDSTREAM PARTNERS LP	\$65,575	\$53,884
ENTERPRISE PRODUCTS PARTNERS LP	\$588,645	\$480,131
EQM MIDSTREAM PARTNERS L P	\$51,387	
EQT CORPORATION	\$127,448	
EQT MIDSTREAM PARTNERS LP		\$83,014
EQUINIX INC	\$348,904	
EQUITY RESIDENTIAL REIT	\$140,852	
EVEREST RE GROUP LTD	\$134,035	
FACEBOOK INC-A	\$649,850	\$496,649
FIFTH THIRD BANCORP		\$120,851
FLEX LTD		\$187,642
FMC CORP	\$93,995	\$81,047
GENERAL DYNAMICS CORP		\$168,329
GENESIS ENERGY LP	\$51,162	
GILEAD SCIENCES INC	\$235,823	\$387,075
GOLDMAN SACHS GROUP INC	\$261,829	\$298,469
HESS MIDSTREAM PARTNERS LP	\$31,470	\$27,652
HEWLETT PACKARD ENTERPRISE CO		\$95,754
HOLLY ENERGY PARTNERS LP		\$19,584

**Texas Emergency Services Retirement System**  
**Other Supplementary Schedules**  
**Schedule 1 - Pension Fund Investments**  
**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
HOME DEPOT INC	\$469,802	\$639,496
HONEYWELL INTERNATIONAL INC	\$407,194	\$308,342
HP INC	\$286,951	\$168,705
JOHNSON & JOHNSON	\$1,074,153	\$841,079
JPMORGAN CHASE & CO	\$773,415	\$832,371
KEYCORP	\$138,009	\$120,057
KINDER MORGAN INC/DELAWARE		\$62,842
KLA-TENCOR CORPORATION		\$100,998
KONINKLIJKE PHILIPS NV		\$270,185
L3 TECHNOLOGIES INC		\$170,047
LABORATORY CRP OF AMER HLDGS	\$165,609	\$93,024
LIBERTY LILAC C		\$63,572
LLOYDS TSB GROUP PLC -SP ADR	\$90,135	\$103,162
LOWE'S COS INC	\$119,625	
MACQUARIE INFRASTRUCTURE CO		\$43,049
MAGELLAN MIDSTREAM PARTNERS LP	\$187,483	\$52,429
MARATHON OIL CORP	\$150,484	
MARATHON PETROLEUM CORP	\$217,657	\$174,711
MASCO CORP		\$85,343
MCCORMICK & CO-NON VTG SHRS	\$241,268	\$146,690
MCKESSON CORP	\$166,474	
MEDTRONIC PLC	\$239,290	
MERCK & CO INC/NJ	\$393,089	\$411,897
METHANEX CORP	\$110,954	\$119,319
MICROSOFT CORP	\$1,055,565	\$821,872
MONSANTO CO		\$352,772
MPLX LP	\$173,306	\$252,115
NASDAQ INC		\$277,398
NAVIENT CORP		\$70,013
NETAPP INC	\$174,141	
NGL ENERGY PARTNERS LP	\$46,808	\$28,076
NOBLE ENERGY INC	\$77,985	
NOBLE MIDSTREAM PARTNERS LP	\$52,867	\$36,079
NOVARTIS AG-ADR	\$143,275	
NUCOR CORP		\$62,329
NUSTAR ENERGY LP	\$84,258	\$90,131
NUSTAR GP HOLDINGS LLC		\$15,545
NUTRIEN LTD	\$113,883	
OASIS MIDSTREAM PARTNERS LP	\$8,693	
ONEOK INC	\$115,408	\$168,167
ORACLE CORP	\$822,314	\$382,156
OWENS CORNING INC	\$113,353	
PALO ALTO NETWORKS	\$365,217	\$269,361
PAYPAL HOLDINGS INC	\$428,411	\$346,025
PBF LOGISTICS LP	\$14,027	\$13,088
PFIZER INC	\$535,566	\$395,846



**Texas Emergency Services Retirement System**  
**Other Supplementary Schedules**  
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**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
PHILLIPS 66		\$100,907
PIONEER NATURAL RESOURCES CO	\$234,098	\$286,268
PLAINS ALL AMER PIPELINE LP	\$458,354	\$123,224
PRAXAIR INC	\$272,087	
QUALCOMM INC	\$383,402	
RAYTHEON COMPANY	\$91,942	\$165,083
RED HAT INC	\$465,350	\$392,375
REGENERON PHARMACEUTICALS	\$248,118	\$308,078
REGIONS FINANCIAL CORP	\$234,376	\$181,045
RICE MIDSTREAM PARTNERS LP		\$61,067
RIO TINTO PLC-SPON ADR	\$82,468	
ROCKWELL COLLINS INC.		\$415,429
ROYAL DUTCH SHELL PLC-ADR A	\$383,618	
SANOFI		\$181,294
SCHLUMBERGER LTD	\$374,223	\$363,595
SCHWAB (CHARLES) CORP	\$349,486	\$287,320
SEMGROUP INC	\$57,257	\$61,886
SHELL MIDSTREAM PARTNERS LP	\$16,151	\$49,170
SHIRE PLC ADR		\$73,052
SL GREEN REALTY CORP REIT	\$169,128	
SOUTHWEST AIRLINES CO	\$191,992	\$92,601
SPECTRA ENERGY PARTNERS LP		\$45,704
SPIRIT AEROSYSTEMS HOLDINGS INC-CL A		\$73,085
SPLUNK INC	\$394,702	\$236,157
STEEL DYNAMICS INC	\$192,066	\$154,060
SUMMIT MIDSTREAM PARTNERS LP	\$17,700	\$30,144
SUNOCO LP		\$18,629
SYNCHRONY FINANCIAL		\$105,948
TALLGRASS ENERGY GP LP		\$32,229
TALLGRASS ENERGY LP	\$25,451	
TALLGRASS ENERGY PARTNERS LP		\$41,219
TARGA RESOURCES CORP	\$261,032	\$76,348
TD AMERITRADE HOLDING CORP	\$101,736	
TE CONNECTIVITY LTD	\$234,976	\$340,768
TEXAS INSTRUMENTS INC	\$346,642	\$397,039
THE WALT DISNEY CO.	\$393,638	\$358,653
THERMO FISHER SCIENTIFIC INC	\$415,317	\$360,619
TIME WARNER INC		\$265,792
TJX COMPANIES INC		\$107,438
TRANSCANADA CORP		\$64,719
TWENTY-FIRST CENTURY FOX INC		\$438,046
UNITED CONTINTETAL HOLDINGS INC		\$70,387
UNITED PARCEL SERVICE-CL B	\$334,234	\$337,362
UNITED TECHNOLOGIES CORP	\$348,873	\$258,715
UNITEDHEALTH GROUP INC	\$717,325	\$702,316
USA COMPRESSION PARTNERS LP	\$19,807	\$15,101

**Texas Emergency Services Retirement System**  
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**August 31, 2018 (With Comparative totals for August 31, 2017)**

	Market Value As of August 31, 2018	Market Value As of August 31, 2017
VERIZON COMMUNICATIONS INC	\$409,515	
VISA INC-CLASS A SHARES	\$746,789	\$574,950
VMWARE INC- CL A	\$246,749	\$285,384
WELLS FARGO & COMPANY	\$613,806	\$414,484
WESTERN GAS PARTNERS LP		\$17,010
WESTERN REFINING LOGISTICS LP		\$52,442
WESTLAKE CHEMICAL PARTNERS LP	\$20,173	\$33,722
WESTROCK CO W/I	\$150,148	\$165,210
WILLIAMS COS INC	\$513,002	\$125,788
WILLIAMS PARTNERS LP		\$297,549
WW GRAINGER INC	\$453,210	\$222,721
WYNDHAM HOTELS & RESORTS INC	\$90,970	
WYNDHAM WORLDWIDE CORP	\$87,560	
XILINX INC		\$54,830
YUM CHINA HOLDINGS INC	\$337,290	\$300,560
ZOETIS INC	\$424,552	\$348,988
Total Equity Funds	<u>\$43,674,359</u>	<u>\$38,378,969</u>
 TOTAL INVESTMENTS	 \$113,111,059	 \$102,958,555
 <b>Short Term Investments (Exhibit III)</b>	 \$1,101,697	 \$1,395,000
 <b>Investments (Exhibit III)</b>		
Equity	\$62,329,443	\$53,752,429
Bonds	\$24,896,305	\$24,138,787
Other Investments	\$24,783,614	\$23,672,339
 <b>Total</b>	 <u><u>\$113,111,059</u></u>	 <u><u>\$102,958,555</u></u>

\* Investment represents greater than 5% of the Fiduciary Net Position as of August 31, 2018.

**Texas Emergency Services Retirement System  
Other Supplementary Schedules  
Schedule 2 - Administrative Expenses for TESRS Trust Fund  
For Year Ended August 31, 2018**

<u>Category</u>	<u>Expenses</u>
Professional Fees and Services:	
Actuarial Services	\$ 19,913
Audit	24,500
Pension System security enhancements	35,766
Legal Services	57,299
Total Professional Fees and Services	\$ 137,478
Travel	15,741
Materials & Supplies	486
Communications & Utilities	(35)
Repairs & Maintenance	400
Rentals & Leases	2,597
Interest Expense	5
Other Expense	1,470
Total Administrative Expenses (See Exhibit IV)	<u>\$ 158,142</u>

**Texas Emergency Services Retirement System**  
**Other Supplementary Schedules**  
**Schedule 3 - Investing Activity Expenses**  
**For Year Ended August 31, 2018**

<u>Category</u>	<u>Expenses</u>
AndCo	\$75,000
Boston Partners	\$114,208
Clearbridge	\$92,712
Garcia Hamilton	\$31,087
Richmond Capital	\$30,946
Harvest	\$31,138
OFI Trust	\$110,206
Bank of Texas	\$56,442
Total Investing Activities Expenses	<u>\$ 541,739</u>
(See Exhibit IV)	

**Texas Emergency Services Retirement System  
Other Supplementary Schedules  
Schedule 4 - Board Members  
August 31, 2018**

<u>Name and Address</u>	<u>Term Expires September 1,</u>
Frank Torres, Chairman	2017
Jenny Moore, Vice-Chair	2021
Ron Larson, Secretary	2019
Andrew Taylor Allen, Trustee	2019
Dan Key, Trustee	2019
Stephen Williams, Trustee	2017
Don Shipman, Trustee	2017
Courtney Gibson Bechtol, Trustee	2021
Pilar Rodriguez, Trustee	2021

# Texas Emergency Services Retirement System

## Board of Trustees

Frank Torres, Chairman

Jenny Moore, Vice-Chair

Ron Larson, Secretary

Andrew Taylor Allen, Trustee

Dan Key, Trustee

Stephen Williams, Trustee

Don Shipman, Trustee

Courtney Gibson Bechtol, Trustee

Pilar Rodriguez, Trustee

Kevin Deiters, Executive Director

Judy Johnson, Chief Financial Officer

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