

AUDITED
ANNUAL FINANCIAL REPORT
For The Year Ended August 31, 2016



Texas Emergency Services Retirement System

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Texas Emergency Services Retirement System



Frank Torres, Chairman
Kevin Deiters, Executive Director

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

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www.tesrs.texas.gov

December 20, 2016

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

Dear 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, 2016, in compliance with the Texas Government Code Ann. 865.011 and 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) 696-8642.

Sincerely,

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

Kevin B. Deiters
Executive Director



INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Executive Director
Texas Emergency Services Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas Emergency Services Retirement System (the System), as of and for the year ended August 31, 2016, 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, 2016, 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, 2016 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 \$18,914,000 as of August 31, 2016, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Report on Summarized Comparative Information

We have previously audited the System's fiscal year 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, 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 28, 2016 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 28, 2016

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, 2016. Please review this narrative in conjunction with the Basic Financial Statements, which begin after this discussion.

Using this Annual Financial Report

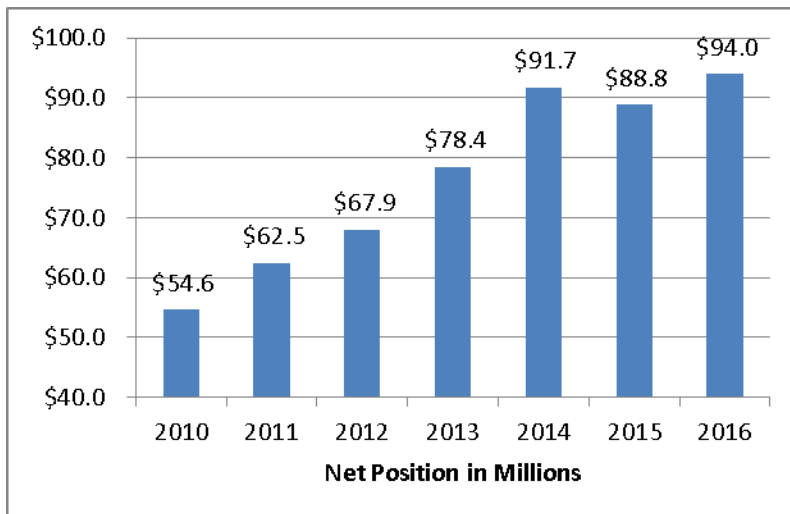
The Texas Emergency Services Retirement System administers death, disability, and pension benefits, to eligible volunteer fire and emergency services personnel and their beneficiaries from member departments statewide. At the close of fiscal year 2016, there were 225 member departments in the System. Of that total, 199 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, 2016, 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, 2016, 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 2016 totaled \$94.0 million, which represents an increase of \$5.2 million over funds held at the close of fiscal year 2015.



The majority of plan assets are held as investments. The money weighted net real rate of return on investments was 5.57% as of August 31, 2016.

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 2016, system investment details were as follows:

Summary of Assets as of August 31, 2016

Investment Category	August 31, 2016	August 31, 2016 Actual Allocation	Target Allocation	Allocation Range
1. Cash and equivalents	\$ 254,605	.27%	0%	0.0-5.0%
2. Fixed income securities				
a. Domestic	24,323,807	26.11	26.0	21.0-31.0
3. Equities				
a. Domestic large cap	30,287,906	32.52	32.0	22.0-42.0
b. Domestic small cap	9,140,908	9.81	10.0	6.0-20.0
c. International developed	18,914,476	20.30	21.0	16.0-26.0
d. International emerging	5,995,460	6.44	6.0	3.0-11.0
4. Master limited partnerships	4,238,459	4.55	5.0	3.0-10.0
5. Other				
a. Payables	(682,850)	N/A	N/A	N/A
b. Receivables	1,491,237	N/A	N/A	N/A
c. Miscellaneous	0	N/A	N/A	N/A
6. Total assets as of August 31, 2016	\$93,964,008	100.00%	100.0%	

Statement of Fiduciary Net Position

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

Governing entities contribute a minimum of \$36 per member per month based on rosters of active participants – these payments are reflected as 'Dues' in the financial statements. Additionally, within two years of joining the System, member departments may purchase up to ten years credit for active volunteers with service prior to a department's entry into the System. Payments made of this nature, are shown as 'Prior Service' in the financial statements. The following illustrates the changes in the fiduciary net position from fiscal years 2015 to 2016:

	2016	2015	Increase/(Decrease)	% Change
Total Assets	\$94,646,858	\$89,107,881	\$5,538,977	6.2%
Total Liabilities	682,850	279,421	403,429	144.4%
Total Net Position	\$93,964,008	\$88,828,460	\$5,135,548	5.8%

Statement of Changes in Fiduciary Net Position of Pension Fund

Additions

The primary additions as of August 31, 2016 are shown below, along with those same categories in fiscal year 2015 for comparative purposes. The amount shown as Net Investment Income is comprised of net appreciation in fair value of investments, plus treasury interest, plus interest and investment income, less investing activities expenses. Additions (as well as deductions) may all be found on Exhibit VII in the Combined Statement of Fiduciary Net Position.

	2016	2015	Increase/(Decrease)	% Change
Original Appropriations	\$1,583,825	\$1,637,308	\$(53,483)	-3.3%
Dues	\$3,320,122	\$3,391,136	\$(71,014)	-2.1%
Prior Service	\$145,562	\$126,546	\$19,016	15.0%
Net Investment Income	\$4,954,649	\$(3,295,025)	\$8,249,674	250.4%

Deductions

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

	2016	2015	Increase/(Decrease)	% Change
Death Benefits	\$93,501	\$110,240	\$(16,739)	(15.2)%
Retirement Benefits	\$4,058,689	\$3,840,442	\$218,247	5.7%
Disability Benefits	\$34,200	\$34,200	\$0	0%
Survivor Benefits	\$515,380	\$513,879	\$1,501	0.3%
Administrative Expenses	\$166,840	\$215,900	\$(49,060)	(22.7)%

Actuarial Status

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

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

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

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

Request for Information

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

AUDITED

Texas Emergency Services Retirement System
Exhibit I - Governmental Fund Balance Sheet/Statement of Net Position
August 31, 2016

	General Fund			
	Balance Sheet 2016	Adjustments*	Statement of Net Position 2016	2015
ASSETS				
Current Assets:				
Legislative Appropriations	\$ 118,147	\$	\$ 118,147	\$ 59,213
Consumable Inventories	3,705		3,705	4,059
Total Current Assets	<u>\$ 121,852</u>	<u>\$ -</u>	<u>\$ 121,852</u>	<u>\$ 63,272</u>
Non-Current Assets:				
Capital Assets:				
Depreciable:				
Other Capital Assets (Note 2)	\$		\$ -	\$ 14,552
Less Accumulated Depreciation (Note 2)			-	(7,001)
Total Non-Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,551</u>
Total Assets	<u><u>\$ 121,852</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 121,852</u></u>	<u><u>\$ 70,823</u></u>
LIABILITIES AND FUND BALANCES/NET POSITION				
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 116,814	\$	\$ 116,814	\$ 58,955
Employees' Compensable Leave (Note 4)		25,533	25,533	22,749
Total Current Liabilities	<u>\$ 116,814</u>	<u>\$ 25,533</u>	<u>\$ 142,347</u>	<u>\$ 81,704</u>
Non-Current Liabilities:				
Employees' Compensable Leave (Note 4)	\$	\$ 15,763	\$ 15,763	\$ 5,926
Total Non-Current Liabilities	<u>\$ -</u>	<u>\$ 15,763</u>	<u>\$ 15,763</u>	<u>\$ 5,926</u>
Total Liabilities	<u>\$ 116,814</u>	<u>\$ 41,296</u>	<u>\$ 158,110</u>	<u>\$ 87,630</u>
FUND BALANCES/NET POSITION				
Fund Balances (Deficits):				
Nonspendable	\$ 3,705	\$ (3,705)	\$	\$
Unassigned	1,333	(1,333)		
Total Fund Balances	<u>\$ 5,038</u>	<u>\$ (5,038)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:				
Unrestricted	\$	\$ (36,258)	\$ (36,258)	\$ (16,807)
Total Net Position	<u>\$ -</u>	<u>\$ (36,258)</u>	<u>\$ (36,258)</u>	<u>\$ (16,807)</u>
Total Liabilities and Fund Balances/Net Position	<u><u>\$ 121,852</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 121,852</u></u>	<u><u>\$ 70,823</u></u>

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

AUDITED

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, 2016

	General Fund			
	Statement of Revenues, Expenditures, and Changes in Fund Balance		Statement of Activities	
	2016	Adjustments*	2016	2015
REVENUES				
Legislative Appropriations:				
Original Appropriations	\$ 750,668	\$	\$ 750,668	\$ 617,345
Additional Appropriations	164,954		164,954	95,017
Total Revenues	\$ 915,622	\$ -	\$ 915,622	\$ 712,362
EXPENDITURES/EXPENSES				
Salaries and Wages	\$ 552,746	\$ 12,620	\$ 565,366	\$ 349,037
Payroll Related Costs	166,741		166,741	92,589
Professional Fees and Services	85,814		85,814	192,944
Travel	18,496		18,496	10,899
Materials and Supplies	58,054		58,054	25,375
Communication and Utilities	10,980		10,980	7,830
Repairs and Maintenance			-	2,655
Rentals & Leases	7,558		7,558	9,623
Printing and Reproduction	391		391	1,694
Depreciation Expense			-	63
Other Expenditures	13,862		13,862	26,368
Total Expenditures/Expenses	\$ 914,642	\$ 12,620	\$ 927,262	\$ 719,077
Excess(Deficiency) of Revenues Over (Under) Expenditures/Expenses	\$ 980	\$ (12,620)	\$ (11,640)	\$ (6,715)
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	\$ 980	\$ 980		
Change in Net Position	\$	\$ (11,640)	\$ (11,640)	\$ (6,715)
Fund Balances/Net Position				
Fund Balances/Net Position--Beginning of Year	\$ 4,317		\$ (16,807)	\$ (9,112)
Appropriations Lapsed	(259)		(259)	(980)
Restatements			(7,552)	
Fund Balances/Net Position--End of Year	\$ 5,038		\$ (36,258)	\$ (16,807)

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

AUDITED

Texas Emergency Services Retirement System
Exhibit III - Statement of Fiduciary Net Position
Pension Trust Funds
August 31, 2016

	Pension Trust	
	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash in State Treasury (Note 3)	\$ 254,605	\$ 205,711
Short Term Investments (Note 3, Schedule 1)	1,976,805	1,398,392
Receivables:		
Retirement System Contributions	835,260	813,070
Interest and Dividends	161,372	101,045
Sale of Investments	245,076	14,629
Total Current Assets	<u>\$ 3,473,118</u>	<u>\$ 2,532,847</u>
Non-Current Assets:		
Receivables:		
Retirement System Contributions	\$ 249,529	\$ 265,029
Investments (Note 3, Schedule 1)		
Corporate Equity	42,214,587	41,228,209
US Government Obligations	13,996,586	
Corporate Obligations	9,803,102	
Other Investments	24,909,936	45,081,796
Capital Assets:		
Depreciable:		
Furniture and Equipment (Note 2)	-	13,965
Accumulated Depreciation (Note 2)	-	(13,965)
Total Non-Current Assets	<u>\$ 91,173,740</u>	<u>\$ 86,575,034</u>
Total Assets	<u>\$ 94,646,858</u>	<u>\$ 89,107,881</u>
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payables	\$ 142,851	\$ 103,778
Investment Purchases Payable	513,799	112,666
Unearned Revenue	26,200	59,958
Payroll	-	2,338
Retirement Benefits	-	681
Total Current Liabilities	<u>\$ 682,850</u>	<u>\$ 279,421</u>
Total Liabilities	<u>\$ 682,850</u>	<u>\$ 279,421</u>
NET POSITION		
Restricted for Pensions	<u>\$ 93,964,008</u>	<u>\$ 88,828,460</u>

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

AUDITED

Texas Emergency Services Retirement System
Exhibit IV - Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended August 31, 2016

	Pension Trust	
	2016	2015
ADDITIONS		
Contributions:		
Dues	\$ 3,318,041	\$ 3,389,000
Prior Service	114,282	112,803
Interest on Contracts to Purchase Prior Service	31,280	13,743
Appropriations from General Revenue	1,583,825	1,637,308
Total Contributions	<u>\$ 5,047,428</u>	<u>\$ 5,152,854</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 3,969,707	\$ (4,486,268)
Treasury Interest	4,073	2,157
Interest and Investment Income	1,584,980	1,716,750
Total	<u>\$ 5,558,760</u>	<u>\$ (2,767,361)</u>
Less Investing Activities Expense (Schedule 3)	604,111	527,664
Net Increase/Loss	<u>\$ 4,954,649</u>	<u>\$ (3,295,025)</u>
Other Additions:		
Voided checks	\$ 2,081	\$ 2,136
Total Other Additions	<u>\$ 2,081</u>	<u>\$ 2,136</u>
Total Additions	<u>\$ 10,004,158</u>	<u>\$ 1,859,965</u>
DEDUCTIONS		
Retirement System Benefits Paid:		
Death Benefits	\$ 93,501	\$ 110,240
Retirement Benefits	4,058,689	3,840,442
Disability Benefits	34,200	34,200
Survivor's Benefits	515,380	513,879
Administrative Expenses (Schedule 2)	166,840	215,900
Total Deductions	<u>\$ 4,868,610</u>	<u>\$ 4,714,661</u>
Net Increase	\$ 5,135,548	\$ (2,854,696)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year	\$ 88,828,460	\$ 91,683,156
End of Year	<u>\$ 93,964,008</u>	<u>\$ 88,828,460</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report.

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

B. BASIS OF ACCOUNTING

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

GOVERNMENTAL FUND TYPE

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

FIDUCIARY FUND TYPES

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

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

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

C. BUDGETS AND BUDGETARY ACCOUNTING

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

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

D. ASSETS, LIABILITIES AND FUND BALANCES/NET POSITION

ASSETS

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, 2016.

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, 2016, the total outstanding balance of these financing arrangements was \$249,529.

Inventories and Prepaid Items

Inventories, shown on the balance sheet at cost, consist of inventories of consumable office supplies and postage at August 31, 2016. 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

Payables

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

Unearned Revenue

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

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

Employees' Compensable Leave

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

FUND BALANCE / NET POSITION

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

Nonspendable

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

Unassigned

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

NET POSITION RESTRICTED FOR PENSIONS

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

E. INTERFUND TRANSACTIONS AND BALANCES

The TESRS has no transactions between funds.

NOTE 2: CAPITAL ASSETS

Summaries of changes in Capital Assets for the year ended August 31, 2016, are presented below:

Governmental Activities					
Asset Type	Balance 9/1/15	Restatements	Adjustments	Deletions	Balance 08/31/16
Other Capital Assets	\$14,552	\$(14,552)			\$0
Accumulated Depreciation	\$(7,001)	\$7,000	\$1		\$0

Pension Trust Fund					
Asset Type	Balance 9/1/15	Restatements	Adjustments	Deletions	Balance 08/31/16
Furniture & Equipment	\$13,965		\$(13,965)		\$0
Accumulated Depreciation	\$(13,965)		\$13,965		\$0

NOTE 3: DEPOSITS AND INVESTMENTS

The Texas Emergency Services Retirement System (TESRS), Texas Government code, Section 865.008 (a) and (b) state "If a surplus exists in the fund over the amount necessary to pay benefits due for a reasonable period of time, the state board shall invest the surplus. The assets of the pension system shall be invested and reinvested in accordance with Section 67, Art XVI, Texas Constitution. A determination of whether the state board has exercised prudence with respect to an investment decision must be made, taking into consideration the investment of all assets of the trust over which the state board has management and control rather than considering the prudence of a single investment". All major sectors of the capital markets should be considered in order to diversify and minimize total investment program risk. This asset mix is determined by the Board of Trustees, and currently includes equities, fixed income, convertible bonds, short-term cash equivalents, master limited partnerships, and alternative investments. The following was the TESRS Board's adopted asset allocation policy as of June 2016.

Asset Allocation	Target
US Market Equities-Large Cap Value	16%
US Market Equities-Large Cap Growth	16%
US Market Equities-Small Cap Core	5%
US Market Equities-Small Cap Growth	5%
Domestic Fixed Income	26%
International Equity-Developed Markets	21%
International Equity-Emerging Markets	6%
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 seven money managers to manage the fixed income and equity portfolios. The money managers are Luther King Capital Management Corp, Atlanta Capital Management Co, LLC., Boston Partners LLC., Pier Capital, Harvest Fund Advisors LLC, Garcia Hamilton & Associates L.P., and Richmond Capital Management, Inc. The TESRS also invests with one mutual funds—Wells Fargo, and with one Commingled Fund—OFIGTC (OFI Global Trust Company).

A. DEPOSITS

The bank balance of \$254,605 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, 2016, the fair value of investments are as presented below:

Description	Fair Value Hierarchy			Net Asset Value	(Fair Value)
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
U.S. Treasury Securities	\$3,263,222				\$3,263,222
U.S. Government Agency Obligations		\$5,051,084			\$5,051,084
Corporate Obligations		\$9,803,102			\$9,803,102
Corporate Asset and Mortgage Backed Securities		\$5,682,280			\$5,682,280
Equity	\$42,214,587				\$42,214,587
International Equity	\$5,995,460				\$5,995,460
International Other Commingled Funds				\$18,914,476	\$18,914,476
Other Commingled Funds	\$1,976,805				\$1,976,805
Total Investments	\$53,450,074	\$20,536,466		\$18,914,476	\$92,901,016
Reconciliation of Investments per Exhibit III					
Other Short Term Investments					\$1,976,805
Corporate Equity					\$42,214,587
U.S. Government Obligations					\$13,996,586
Corporate Obligations					\$9,803,102
Other Investments					\$24,909,936
Investment per Exhibit III					\$92,901,016

NOTE 3: DEPOSITS AND INVESTMENTS cont'd.

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. 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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 5.57%. 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 Domestic Fixed Income not exceed 31% (25.6% actual) of the portfolio.

TESRS' domestic fixed income is managed by Richmond Capital Management, Inc. and Garcia Hamilton % Associates L.P. 60% of these holdings are either not subject to credit risk, of AAA rated, while 30% is rated A or better. Credit risk is managed through diversification and by operating within defined parameters.

Investment Type	Not Rated
Domestic Fixed Income	\$23,799,688

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 \$23,799,688 in Domestic Fixed Income which is subject to Interest Rate Risk. The average portfolio duration of Richmond Capital Management, Inc. is 4.71 years, and for Garcia Hamilton is 4.98 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, 2016, the following changes occurred in long-term liabilities:

Governmental Activities	Balance 9/1/2015	Additions	Reductions	Balance 8/31/2016	Amounts Due Within One Year
Compensable Leave	\$28,675	\$ 36,902	\$24,281	\$41,296	\$25,533
Total Governmental Activities	\$28,675	\$ 36,902	\$24,281	\$41,296	\$25,533

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, 2016.

NOTE 6: EMPLOYEES' RETIREMENT PLAN

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

NOTE 7: DEFERRED COMPENSATION

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

NOTE 8: CONTINGENT LIABILITIES

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

NOTE 9: CONTINUANCE SUBJECT TO REVIEW

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

NOTE 10: RISK FINANCING AND RELATED INSURANCE

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

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

Changes in the balances of the TESRS' claims liabilities during fiscal years 2015 and 2016 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2015	\$ -0-	\$ -0-	\$ -0-	\$ -0-
2016	\$ -0-	\$ -0-	\$ -0-	\$ -0-

NOTE 11: PENSION DISCLOSURES

A. General Information about the System

1. Plan Description

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

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2016, there were 199 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.

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, 2016, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,167
Terminated members entitled to but not yet receiving benefits	2,200
Active participants	3,634

NOTE 11: PENSION DISCLOSURES cont'd.

4. Funding Policy

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

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

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

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

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

5. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2016, total contributions of \$3,463,603 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,583,825 for the fiscal year ending August 31, 2016.

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

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

NOTE 11: PENSION DISCLOSURES cont'd.

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 \$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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016.

Total pension liability	\$ 123,092,111
Plan fiduciary net position	<u>93,964,008</u>
System's net pension liability	\$ 29,128,103
Plan fiduciary net position as a percentage of the total pension liability	76.3%

1. Actuarial Assumptions

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

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

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

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

NOTE 11: PENSION DISCLOSURES cont'd.

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

2. Discount Rate

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's net pension liability	\$ 49,314,321	\$ 29,128,103	\$ 16,266,418

Section II – Schedules of Required Supplementary Information

A. Schedule of Changes in the System’s Net Pension Liability and Related Ratios for the Last 10 Fiscal Years¹

	Fiscal Year Ending		
	8/31/2014	8/31/2015	8/31/2016
1. Total Pension Liability			
a. Service cost	\$ 1,827,592	\$ 1,694,230	\$ 1,694,230
b. Interest	8,051,287	8,470,723	8,901,986
c. Changes of benefit terms	0	0	722,024
d. Differences between expected and actual experience	0	0	64,648
e. Assumption changes	0	0	890,002
f. Benefit payments	<u>(4,168,134)</u>	<u>(4,498,761)</u>	<u>(4,701,770)</u>
g. Net Change	5,710,745	5,666,192	7,571,120
h. Total - Beginning	104,144,054²	109,854,799	115,520,991
i. Total - Ending	\$ 109,854,799	\$ 115,520,991⁴	\$ 123,092,111
2. Plan Fiduciary Net Position			
a. Contributions for participating departments	\$ 4,176,659	\$ 3,515,546	\$ 3,463,603
b. Contributions by the state	1,530,343	1,637,308	1,583,825
c. Net investment income	11,908,321	(3,292,889)	4,956,730
d. Benefit payments	(4,168,134)	(4,498,761)	(4,701,770)
e. Administrative expenses	<u>(165,669)</u>	<u>(215,900)</u>	<u>(166,840)</u>
f. Net Change	13,281,520	(2,854,696)	5,135,548
g. Total - Beginning	78,401,636	91,683,156	88,828,460
h. Total - Ending	\$ 91,683,156	\$ 88,828,460	\$ 93,964,008
3. System’s Net Pension Liability - Ending [Item 1(i)-2(h)]	\$ 18,171,643	\$ 26,692,531	\$ 29,128,103
4. Plan Fiduciary Net Position as a Percent of the Total Pension Liability	83.5%	76.9%	76.3%
5. Number of Active Members³	4,036	4,036	3,634
6. System’s Net Pension Liability per Active Member	\$ 4,502	\$ 6,614	\$ 8,015

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 Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.
- 3 There is no compensation for active members, so number of active members is used instead.
- 4 Determined from the beginning of year total pension liability using the roll forward procedure allowed by GASB 67.

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

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

Notes to Schedule

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

² The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting the changing amounts actually invested during the year.

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2016 (With Comparative totals for August 31, 2015)

	Market Value As of August 31, 2016	Market Value As of August 31, 2015
MONEY MARKET MUTUAL FUND		
Money Market Securities	\$1,976,805	\$1,398,392
BOND MUTUAL FUNDS		
Pimco Total Return Fund		\$18,453,617
T Rowe Price International Fund		\$4,026,532
Total Bond Mutual Funds		\$22,480,149
EQUITY MUTUAL/COMMINGLED FUNDS		
OFITC International Growth Fund	\$18,914,476	\$18,283,203
Wells Fargo International Emerging Markets	\$5,995,460	\$4,318,445
Total Equity Mutual/Commingled Funds	\$24,909,936	\$22,601,648
BOND FUNDS		
21ST CENTURY FOX AMERICA	\$40,854	
ABBOTT LABS	\$142,060	
AFLAC INC	\$133,558	
ALABAMA POWER CO	\$45,196	
ALTRIA GROUP INC	\$36,399	
AMERICAN EXPRESS CREDIT	\$164,964	
AMERITECH CAPITAL FUNDNG	\$40,728	
AMGEN INC	\$24,736	
ANHEUSER-BUSCH	\$42,453	
APACHE CORP	\$26,084	
APPLE INC	\$41,522	
AT&T INC	\$140,162	
BANK OF AMERICA CORP	\$160,908	
BANK OF NOVA SCOTIA	\$156,642	
BB&T CORPORATION	\$205,104	
BECTON DICKINSON	\$137,159	
BERKSHIRE HATHAWAY	\$148,831	
BLACKROCK INC	\$144,802	
BOSTON PROP LP	\$64,636	
BP CAPITAL MARKETS PLC	\$170,745	
BURLINGTON NORTHERN SANTA FE	\$63,585	
CAMDEN PROPERTY TRUST	\$113,001	
CATERPILLAR INC	\$60,018	
CCCIT SER 2013-A6 CL A6	\$150,001	
CHARLES SCHWAB CORP	\$126,999	
CHEVRON CORP	\$145,115	
CHEVRON CORP	\$20,660	
CHUBB CORPORATION	\$76,055	
CISCO SYSTEMS INC	\$96,064	
CITIGROUP INC	\$555,254	
CITIGROUP INC	\$131,795	

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2016 (With Comparative totals for August 31, 2015)

	Market Value As of August 31, 2016	Market Value As of August 31, 2015
COMCAST CORP	\$51,590	
COMMONWEALTH EDISON CO	\$75,303	
CVS HEALTH CORP	\$59,118	
DEVON ENERGY CORPORATION	\$36,740	
EATON CORP	\$106,870	
EMERSON ELECTRIC CO	\$149,299	
ENTERPRISE PRODUCTS OPER	\$33,151	
ERP OPERATING LP	\$138,031	
EXXON MOBIL CORP	\$145,443	
EXXON MOBIL CORPORATION	\$26,529	
FFCB FLT RT DUE 03/26/2018	\$215,224	
FFCB FLT RT DUE 05/17/2018	\$709,034	
FFCB FLT RT DUE 05/25/2018	\$294,817	
FHLB FLT RT DUE 08/09/2017	\$580,963	
FHLB FLT RT DUE 08/25/2017	\$245,510	
FHLB FLT RT DUE 12/07/2017	\$210,040	
FHLMC FLT RT DUE 11/13/2017	\$439,947	
FHLMC GOLD POOL # G30891	\$618,517	
FHLMC GOLD POOL #A93614	\$36,846	
FHLMC GOLD POOL #A97673	\$29,524	
FHLMC GOLD POOL #D98739	\$431,661	
FHLMC GOLD POOL #G08001	\$290,163	
FHLMC GOLD POOL #G60134	\$378,005	
FHLMC GOLD POOL #Q27927	\$191,369	
FHLMC GOLD POOL #Q30470	\$415,140	
FHLMC GOLD POOL #Q35953	\$244,577	
FHLMC GOLD POOL #Q38893	\$258,555	
FHLMC GOLD POOL #V81680	\$483,666	
FHMS SER K031 CL A2	\$163,793	
FLORIDA POWER CORP	\$50,019	
FNMA FLT RT DUE 07/20/2017	\$920,166	
FNMA FLT RT DUE 10/05/2017	\$969,670	
FNMA POOL #995598	\$328,483	
FNMA POOL #AA9180	\$387,689	
FNMA POOL #AL7407	\$276,937	
FNMA POOL #AL7590	\$475,132	
FNMA POOL #AS5090	\$155,472	
FNMA POOL #AY8604	\$90,500	
FNMA POOL #BC2666	\$141,810	
FRANKLIN RESOURCES INC	\$72,269	
GENERAL ELECTRIC CO	\$168,333	
GNMA II POOL #AA1000	\$25,570	
GNMA II POOL #MA2374	\$98,899	
GNMA II POOL #MA3035	\$122,077	
GNMA II POOL #MA3520	\$201,687	

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
GOLDMAN SACHS GROUP INC	\$492,010	
GOLDMAN SACHS GROUP INC	\$131,302	
GSMS SER 2012-GCJ9 CL A3	\$104,286	
HALLIBURTON COMPANY	\$45,225	
HARTFORD FINL SVCS GRP	\$117,373	
HISTORIC TW INC	\$39,588	
IBM CORP	\$42,720	
JOHNSON & JOHNSON	\$19,970	
JP MORGAN CHASE & CO	\$110,254	
JPMORGAN CHASE & CO	\$195,870	
JPMORGAN CHASE & CO	\$65,339	
KELLOGG CO	\$76,713	
KEYCORP	\$112,950	
KIMBERLY-CLARK CORP	\$104,662	
KRAFT FOODS INC	\$39,570	
LOCKHEED MARTIN CORP	\$281,656	
MARKEL CORPORATION	\$72,790	
MCDONALD'S CORP	\$38,005	
MORGAN STANLEY	\$412,187	
OCCIDENTAL PETROLEUM	\$86,655	
ORACLE CORP	\$135,398	
PACIFIC BELL TELEPHONE	\$130,594	
PARKER-HANNIFIN CORP	\$50,295	
PEPSICO INC	\$49,841	
PFIZER INC	\$23,020	
POTASH CORP - SASKATCHEWAN	\$79,001	
PROCTER & GAMBLE	\$47,179	
PROCTER & GAMBLE CO	\$84,901	
SHELL INTL FIN	\$95,901	
SIMON PROPERTY GROUP LP	\$92,838	
STRYKER CORP	\$141,636	
SUNTRUST BANKS	\$93,967	
SYSCO CORPORATION	\$72,650	
THERMO FISHER SCIENTIFIC	\$63,576	
TORONTO-DOMINION BANK	\$118,267	
TOSCO CORP	\$69,082	
TOYOTA MOTOR CREDIT CORP	\$204,452	
UNITED TECHNOLOGIES CORP	\$20,361	
US BANCORP	\$135,219	
US TREAS BOND @ 2.750% 08/15/2042	\$1,752,186	
US TREAS BOND @ 2.875% 08/15/2045	\$500,500	
US TREAS BOND @ 3.125% 11/15/2041	\$552,327	
US TREAS NOTE @ 1.625% 07/31/2020	\$198,999	
US TREAS NOTE @ 2.000% 08/15/2025	\$259,205	
VERIZON COMMUNICATIONS INC	\$27,161	

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
VIRGINIA ELEC & POWER CO	\$81,660	
WALMART STORES INC	\$51,889	
WELLS FARGO & COMPANY	\$487,022	
WELLS FARGO & COMPANY	\$83,435	
WELLS FARGO COMPANY	\$253,255	
WFRBS SER 2012-C8 CL A3	\$47,634	
WISCONSIN POWER & LIGHT	\$56,884	
Total Bond Funds	<u>\$23,799,688</u>	<u>\$0</u>
EQUITY FUNDS		
3M CO	\$362,065	\$271,487
8POINT3 ENERGY LP		\$1,589
8X8 INC	\$39,757	
ABBVIE INC		\$77,264
ACACIA COMMUNICATIONS INC	\$34,835	
ACADIA HEALTHCARE	\$37,881	\$118,309
ACCENTURE PLC-A	\$217,925	\$191,180
ACE LTD		\$224,650
ACETO CORP	\$49,264	\$44,484
ACI WORLDWIDE INC	\$48,705	\$66,550
ACTIVISION BLIZZARD INC		\$187,469
ACXIOM CORP	\$47,796	
ADEPTUS HEALTH INC		\$49,421
ADVANCED DRAINAGE SYSTEMS INC		\$27,160
ADVANCED MICRO DEVICES	\$54,605	
ADVISORY BOARD CO/THE		\$55,925
AEROJET ROCKETDYNE HOLDINGS IN	\$40,001	
AES CORP	\$173,011	\$172,008
AIR TRANSPORT SERVICES GROUP	\$38,951	
AKORN INC	\$68,969	\$79,461
ALLEGiant TRAVEL CO		\$29,676
ALLSTATE CORP	\$153,298	\$149,430
ALLY FINANCIAL INC	\$146,573	\$126,854
ALPHABET INC	\$1,002,616	
AMC ENTERTAINMENT HOLDINGS INC		\$25,937
AMERICAN EAGLE OUTFITTERS	\$42,809	
AMERICAN EXPRESS CO	\$147,555	\$377,156
AMERICAN HOMES 4 RENT		\$51,631
AMERICAN INT'L GROUP INC		\$212,880
AMERICAN MIDSTREAM PARTNERS LP		\$5,338
AMERICAN WOODMARK CORP	\$53,505	
AMERIGAS PARTNERS- LP		\$16,411
AMN HEALTHCARE SERVICES INC		\$57,792
AMPHENOL CORP-CL A	\$437,852	\$306,463
AMSURG CORP		\$50,346

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
ANADARKO PETROLEUM CORP		\$90,406
ANTERO MIDSTREAM PARTNERS LP	\$42,139	\$20,705
ANTERO RESOURCES CORP	\$34,148	
ANTHEM INC		\$94,927
AON PLC	\$122,596	\$102,784
APOGEE ENTERPRISES INC	\$81,264	\$52,932
APPLE INC COM	\$562,966	\$847,504
ARCHROCK INC	\$5,323	
ARCHROCK PARTNERS LP	\$29,584	
ASBURY AUTOMOTIVE GROUP INC		\$68,887
ASPEN TECHNOLOGY INC	\$47,324	
ASTEC INDUSTRIES INC	\$42,564	
ATRICURE INC		\$46,670
AVERY DENNISON CORP		\$66,792
BANCORPSOUTH INC	\$62,947	\$60,065
BANK OF AMERICA CORP	\$433,504	
BANK OF THE OZARKS	\$90,114	\$112,526
BANKUNITED INC		\$50,324
BARNES GROUP INC		\$71,659
BARRICK GOLD CORP	\$81,495	\$34,368
BB&T CORPORATION	\$110,380	\$105,628
BEACON ROOFING SUPPLY INC	\$44,233	
BELDEN CDT INC		\$24,439
BELMOND LTD		\$36,930
BENEFITFOCUS INC		\$53,736
BERKSHIRE HATHAWAY INC-CL B	\$552,599	\$613,099
BEST BUY CO INC	\$67,725	
BGC PARTNERS INC	\$34,992	
BIOGEN INC	\$103,609	\$336,246
BLUE BUFFALO PET PRODUCTS INC	\$43,671	
BMC STOCK HOLDINGS INC	\$43,250	
BOARDWALK PIPELINE PARTNERS LP	\$63,459	\$21,200
BOOT BARN HOLDINGS INC		\$21,993
BOOZ ALLEN HAMILTON HOLDING CO	\$40,865	
BRIGHT HORIZONS FAMILY SOLUTIONS	\$23,243	
BRINKER INTERNATIONAL INC		\$63,756
BRISTOL-MYERS SQUIBB CO	\$329,820	\$365,859
BROADSOFT INC	\$45,573	\$45,289
BROCADE COMMUNICATIONS SYS	\$42,790	\$65,774
BROOKDALE SENIOR LIVING INC	\$54,556	
BUCKEYE PARTNERS LP	\$241,062	\$182,317
BUFFALO WILD WINGS INC		\$61,836
BUILDERS FIRSTSOURCE INC	\$47,953	
BURLINGTON STORES INC	\$45,808	\$90,094
CAESARSTONE SDOT-YAM LTD		\$31,912

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
CALLIDUS SOFTWARE INC	\$44,629	\$55,999
CALUMET SPECIALTY PRODUCTS LP		\$2,436
CAMBREX CORP	\$36,277	
CAMERON INTERNATIONAL CORP		\$113,025
CANADIAN NATURAL RESOURCES	\$161,522	\$106,193
CANTEL MEDICAL CORP	\$63,890	
CAPITAL BANK FINANCIAL CORP	\$38,511	
CAPITAL ONE FINANCIAL CORP	\$101,744	\$455,382
CARDINAL HEALTH INC		\$44,179
CARPENTER TECHNOLOGY	\$42,810	
CARTER'S INC		\$52,989
CASEY'S GENERAL STORES INC	\$43,464	
CAVIUM INC	\$50,279	\$55,844
CBS CORP-CL B	\$118,543	
CERNER CORP	\$180,841	
CERUS CORP	\$41,018	
CEVA INC	\$43,600	\$25,660
CHARLES RIVER LABORATORIES	\$75,721	\$70,957
CHECK POINT SOFTWARE TECH	\$347,325	\$147,127
CHENIERE ENERGY INC	\$38,181	
CHENIERE ENERGY PARTNERS LP	\$28,362	\$16,744
CHENIERE ENERGY PARTNERS LP HOLDINGS	\$2,160	
CHEVRON CORP	\$356,254	
CHIASMA INC		\$46,832
CHUBB LTD	\$240,913	
CIENA CORP		\$80,384
CIGNA CORP	\$159,812	\$265,108
CISCO SYSTEMS INC		\$308,205
CITIGROUP INC	\$247,675	\$418,107
CLARCOR INC		\$43,630
COCA-COLA CO/THE	\$212,764	\$367,996
COCA-COLA EUROPEAN PARTNERS PLC	\$77,938	
COGNEX CORP	\$20,800	
COGNIZANT TECH SOLUTIONS-A	\$134,467	\$157,728
COLUMBIA BANKING SYSTEM INC		\$68,198
COLUMBIA PIPELINE PARTNERS LP	\$18,442	\$19,473
COLUMBIA SPORTSWEAR CO	\$62,910	
COMCAST CORP-CL A	\$446,509	\$457,231
COMFORT SYSTEMS USA INC		\$58,572
COMMVAULT SYSTEMS INC	\$44,943	
COMPUTER SCIENCES CORP	\$181,668	
COMSCORE INC		\$52,837
CONE MIDSTREAM PARTNERS LP		\$3,932
COPART INC	\$26,786	
CORNERSTONE ONDEMAND INC	\$25,737	

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
COSTCO WHOLESALE CORP	\$289,979	\$255,311
COVENANT TRANSPORTATION GROUP	\$17,429	
CRANE CO		\$42,978
CRESTWOOD MIDSTREAM PARTNERS LP		\$4,748
CRH PLC - SPONSORED ADR	\$154,905	
CRITEO SA ADR	\$40,384	\$66,265
CROSSAMERICA PARTNERS LP	\$37,804	\$30,353
CROWN HOLDINGS INC		\$122,190
CUBESMART	\$22,850	\$55,259
CVENT INC		\$59,453
CVS HEALTH CORPORATION	\$648,663	\$856,166
CYNOSURE INC-A	\$44,277	\$55,212
DANAHER CORP	\$389,954	\$204,323
DCP MIDSTREAM PARTNERS LP	\$51,908	\$27,326
DELEK LOGISTICS PARTNERS LP		\$996
DELTA AIR LINES INC	\$138,989	\$204,759
DEPOMED INC		\$51,248
DEXCOM INC		\$80,113
DIAMONDBACK ENERGY INC	\$189,262	\$94,377
DIPLOMAT PHARMACY INC		\$44,031
DISCOVER FINANCIAL SERVICE	\$330,660	\$197,082
DOLLAR GENERAL CORP	\$415,501	
DOLLAR TREE INC	\$114,870	
DOMINION MIDSTREAM PARTNERS LP	\$7,002	\$13,520
DOW CHEMICAL	\$263,158	
DR HORTON INC	\$95,603	
DYNAVAX TECHNOLOGIES CORP		\$53,288
EAGLE PHARMACEUTICALS INC/DE	\$40,353	
EATON CORP PLC		\$66,475
EBAY INC	\$203,508	\$15,236
ECOLAB INC	\$420,462	\$323,164
ELLIE MAE INC	\$43,356	\$49,470
EMC CORP MASS		\$286,552
EMCOR GROUP INC	\$75,297	
ENBRIDGE ENERGY PARTNERS LP	\$110,764	\$49,462
ENDOLOGIX INC	\$19,955	\$36,279
ENERGEN CORP	\$77,683	\$83,408
ENERGY TRANSFER EQUITY LP	\$217,575	\$311,860
ENERGY TRANSFER PARTNERS LP	\$426,040	\$300,000
ENLINK MIDSTREAM LLC		\$8,518
ENLINK MIDSTREAM PARTNERS LP	\$55,456	\$44,692
ENTERPRISE PRODUCTS PARTNERS LP	\$488,822	\$453,499
ENVESTNET INC	\$48,400	
ENVIVA PARTNERS LP		\$2,205
EOG RESOURCES INC	\$227,154	\$366,569

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
EPAM SYSTEMS INC		\$59,665
EQT CORPORATION	\$99,886	\$50,816
EQT GP HOLDINGS LP		\$10,439
EQT MIDSTREAM PARTNERS LP	\$108,482	\$60,062
EQUITY RESIDENTIAL REIT	\$55,204	
ESTEE LAUDER COMPANIES-CL A	\$202,909	\$194,080
ETSY INC	\$43,207	
EURONET WORLDWIDE INC	\$83,043	\$92,192
EVOLENT HEALTH INC	\$45,686	\$50,932
EW SCRIPPS CO-CL A	\$36,868	\$58,254
EXACT SCIENCES CORP	\$28,924	\$82,913
EXLSERVICE HOLDINGS INC		\$51,086
EXPRESS SCRIPTS HOLDING CO	\$184,367	\$595,399
EXTERRAN HOLDINGS INC		\$17,968
EXTERRAN PARTNERS LP		\$39,676
FABRINET	\$46,584	
FACEBOOK INC-A	\$296,130	\$224,738
FAIR ISAAC CORP	\$51,176	\$65,033
FCB FINANCIAL HOLDINGS INC	\$43,279	\$50,558
FERROGLOBE PLC	\$26,565	
FIFTH THIRD BANCORP	\$93,240	\$72,489
FIREEYE INC	\$29,007	
FIRST CASH FINL SVCS INC	\$70,598	
FIRST INDUSTRIAL REALTY TR REIT	\$64,013	
FIVE BELOW INC		\$26,644
FIVE9 INC	\$38,554	
FLEX LTD	\$183,731	
FLIR SYSTEMS INC	\$107,597	
FOGO DE CHAO INC		\$26,466
FORTIVE CORP	\$249,129	
FTI CONSULTING INC	\$79,058	\$71,150
GASLOG LTD		\$15,168
GASLOG PARTNERS LP		\$3,959
GENERAC HOLDINGS INC		\$21,953
GENERAL DYNAMICS CORP	\$277,954	\$156,801
GENESEE & WYOMING INC-CL A	\$59,151	
GENESIS ENERGY LP	\$20,365	\$67,105
GIGAMON INC	\$46,366	\$37,405
G-III APPAREL GROUP LTD		\$57,821
GILEAD SCIENCES INC	\$444,180	\$477,649
GLOBANT SA	\$39,636	\$45,179
GLOBE SPECIALTY METALS INC		\$34,900
GOLAR LNG PARTNERS LP		\$3,183
GOOGLE INC-CL C		\$698,605
GRANITE CONSTRUCTION INC	\$41,280	

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
GRUBHUB INC	\$48,968	
GUIDEWIRE SOFTWARE INC	\$59,376	
GULFPORT ENERGY CORP	\$91,577	
HANMI FINANCIAL CORP	\$57,181	\$52,843
HARLEY-DAVIDSON INC		\$78,918
HARRIS CORP	\$177,685	\$116,382
HEADWATERS INC	\$31,818	\$69,016
HEALTHCARE SERVICES GROUP	\$89,420	\$74,070
HEALTHEQUITY INC	\$62,027	
HEICO CORP	\$41,727	
HENRY SCHEIN INC	\$150,359	
HERSHEY CO/THE		\$226,665
HEWLETT PACKARD ENTERPRISE CO	\$174,654	
HEWLETT-PACKARD CO		\$139,627
HEXCEL CORP	\$36,329	\$58,395
HFF INC-A		\$80,544
HIMAX TECHNOLOGIES INC	\$49,680	
HMS HOLDINGS CORP	\$40,763	
HOLLY ENERGY PARTNERS LP	\$19,290	\$19,953
HOME BANCSHARES INC	\$83,772	\$68,235
HONEYWELL INTERNATIONAL INC	\$113,559	\$386,558
HORTONWORKS INC		\$23,237
HSN INC		\$62,938
HUBSPOT INC	\$44,313	
HUNTSMAN CORP	\$62,192	\$81,989
HURON CONSULTING GROUP INC		\$50,311
IDEX CORP	\$335,169	\$299,387
IMAX CORP	\$42,716	\$49,063
IMPRIVATA INC		\$26,238
INC RESEARCH HOLDINGS INC		\$46,095
INFINERA CORP	\$31,532	\$156,886
INGERSOLL-RAND PLC		\$65,574
INOGEN INC		\$25,631
INPHI CORP	\$44,922	
INSTALLED BUILDING PRODUCTS INC	\$41,625	\$50,207
INSTRUCTURE INC	\$32,664	
INTERACTIVE INTELLIGENCE GROUP	\$69,426	\$50,064
INTERCONTINENTAL EXCHANGE, INC		\$133,163
INTERFACE INC		\$53,207
INTERNATIONAL PAPER CO		\$91,500
INTERPUBLIC GROUP OF COS INC	\$35,983	
INTERSECT ENT INC		\$47,967
IPG PHOTONICS CORP		\$24,988
JACK IN THE BOX INC		\$50,504
JACOBS ENGINEERING GROUP INC	\$86,939	

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
JOHN BEAN TECHNOLOGIES	\$74,449	
JOHNSON & JOHNSON	\$691,695	\$473,001
JPMORGAN CHASE & CO	\$653,130	\$605,809
K2M GROUP HOLDINGS INC		\$48,850
KENNEDY-WILSON HOLDINGS INC		\$56,761
KINDER MORGAN	\$38,814	
KINDER MORGAN INC/DELAWARE	\$55,783	\$21,974
KIRBY CORP	\$36,731	
KIRKLAND'S INC		\$41,939
KNOLL INC		\$54,227
LA QUINTA HOLDINGS INC		\$57,398
LABORATORY CRP OF AMER HLDGS	\$155,552	
LANDSTAR SYSTEM INC		\$57,263
LATTICE SEMICONDUCTOR CORP	\$36,562	
LDR HOLDING CORP		\$83,560
LEAR CORP	\$33,026	\$98,678
LEIDOS HOLDINGS INC	\$128,538	
LENDINGTREE INC		\$21,508
LGI HOMES INC	\$71,039	
LHC GROUP INC	\$40,787	\$20,048
LIBERTY BROADBAND CORP WI		\$60,435
LIBERTY GLOBAL-C	\$133,155	\$228,119
LIBERTY LILAC C	\$70,400	\$8,446
LIBERTY MEDIA CL C WI		\$89,934
LIFE STORAGE INC REIT	\$39,600	
LINEAR TECHNOLOGY CORP		\$146,378
LITHIA MOTORS INC		\$92,209
LOCKHEED MARTIN CORP	\$104,963	\$288,291
LOGMEIN INC		\$57,665
LOWE'S COS INC	\$459,130	\$444,071
LUXOFT HOLDING INC	\$33,454	
LYONDELL BASSELL INDUSTRIES NV	\$121,806	
M/A-COM TECHNOLOGY SOLUTIONS H		\$47,600
MACQUARIE INFRASTRUCTURE CO	\$96,967	\$77,697
MACY'S INC		\$87,563
MAGELLAN MIDSTREAM PARTNERS LP	\$177,794	\$236,410
MANHATTAN ASSOCIATES INC	\$100,342	\$118,480
MANITOWOC COMPANY INC		\$24,339
MARATHON OIL CORP	\$106,206	
MARATHON PETROLEUM CORP	\$85,700	\$91,971
MARCUS & MILLICHAP INC		\$52,523
MARCUS CORPORATION		\$26,126
MARKETAXESS HOLDINGS INC	\$47,528	
MARKETO INC		\$49,102
MARKWEST ENERGY PARTNERS LP		\$132,977

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
MARRIOTT VACATIONS WORLDWIDE	\$44,024	
MARSH & MCLENNAN COS	\$267,544	\$227,547
MASTEC INC	\$91,590	
MASTERCARD INC - CLASS A	\$368,450	
MCKESSON CORP	\$314,592	
MEDIDATA SOLUTIONS INC	\$45,390	
MEDTRONIC PLC	\$247,165	\$278,678
MEMORIAL RESOURCE DEVELOPMENT		\$37,655
MERCK & CO INC/NJ	\$404,996	\$267,796
MERCURY SYSTEMS INC	\$99,679	\$44,605
MERIT MEDICAL SYSTEMS INC	\$49,862	
METHANEX CORP	\$71,514	\$56,453
METLIFE INC	\$125,947	\$110,070
MGP INGREDIENTS INC	\$22,127	
MICROSOFT CORP	\$489,675	\$356,472
MICROSTRATEGY INC-CL A		\$51,861
MKS INSTRUMENTS INC	\$43,915	
MONDELEZ INTL INC	\$331,392	
MONOLITHIC POWER SYSTEMS INC	\$49,791	\$47,657
MONRO MUFFLER BRAKE INC		\$71,948
MONSANTO CO		\$461,103
MPLX LP	\$222,236	\$17,863
MSC INDUSTRIAL DIRECT CO-A	\$49,667	
MUELLER WATER PRODUCTS INC-A	\$43,657	
NANOMETRICS INC	\$21,886	
NANOSTRING TECHNOLOGIES INC		\$25,233
NAVIENT CORP	\$82,512	
NCI BUILDING SYSTEMS		\$38,257
NEOGEN CORP	\$56,993	\$43,378
NEVRO CORP	\$52,314	\$24,857
NEWFIELD EXPLORATION CO	\$61,354	
NGL ENERGY PARTNERS LP	\$44,262	\$32,583
NIKE INC -CL B	\$236,670	\$149,522
NORD ANGLIA EDUCATION INC	\$39,564	\$42,045
NORDSTROM INC		\$158,368
NORTHERN TIER ENERGY LP		\$8,540
NORTHSTAR ASSET MANAGEMENT GROUP INC	\$31,386	
NOVARTIS AG-ADR	\$106,103	\$260,744
NUCOR CORP	\$91,926	
NUSTAR ENERGY LP	\$91,968	\$67,782
NUTRI/SYSTEM INC	\$35,593	
NUVASIVE INC	\$48,841	
NXP SEMICONDUCTOR NV		\$93,623
NXSTAGE MEDICAL INC	\$39,319	
OCCIDENTAL PETROLEUM CORP	\$340,907	\$398,489

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	Market Value As of August 31, 2016	Market Value As of August 31, 2015
OLD DOMINION FREIGHT LINE	\$46,875	\$62,966
OLLIE'S BARGAIN OUTLET HOLDING	\$58,466	
OMNICELL INC	\$117,250	\$49,441
OMNICOM GROUP	\$46,338	\$57,670
ONEOK INC		\$8,930
ONEOK PARTNERS LP	\$68,006	\$36,426
ORACLE CORP	\$228,936	\$170,874
ORBOTECH LTD	\$45,128	
OUTFRONT MEDIA INC	\$60,934	
OXFORD INDUSTRIES INC	\$26,212	
PARSLE ENERGY INC SER A	\$46,307	
PATHEON NV	\$46,883	
PAYCOM SOFTWARE INC		\$61,587
PBF LOGISTICS LP	\$12,093	\$11,848
PDC ENERGY INC	\$111,087	\$51,068
PEBBLEBROOK HOTEL TRUST		\$44,911
PENNTEX MIDSTREAM PARTNERS LP		\$6,257
PENUMBRA INC	\$41,560	
PEPSICO INC	\$217,236	\$235,113
PERRIGO CO PLC	\$228,476	\$165,588
PFIZER INC		\$420,954
PGT INC	\$50,772	\$82,760
PHILIPS ELECTRONICS-NY SHR	\$78,485	
PHILLIPS 66	\$252,374	\$307,977
PHILLIPS 66 PARTNERS LP		\$14,102
PINNACLE FINANCIAL PARTNERS	\$71,146	
PINNACLE FOODS INC		\$56,902
PLAINS ALL AMER PIPELINE LP	\$197,739	\$239,547
PLAINS GP HOLDINGS LP	\$46,135	\$46,448
PLANET FITNESS INC	\$50,813	\$25,504
POOL CORP	\$96,331	\$74,209
POPEYES LOUISIANA KITCHEN INC		\$68,413
POST HOLDINGS INC	\$66,128	\$81,274
PPG INDUSTRIES INC	\$139,232	
PRA GROUP INC		\$94,643
PRA HEALTH SCIENCES INC	\$120,562	\$53,096
PRAXAIR INC	\$252,989	\$111,989
PRESS GANEY HOLDINGS INC	\$45,689	
PROOFPOINT INC	\$104,652	\$99,835
PROTO LABS INC		\$50,253
PRUDENTIAL FINANCIAL INC		\$0
PULTE GROUP INC	\$182,179	
Q2 HOLDINGS INC		\$61,738
QEP RESOURCES INC		\$69,372
QLIK TECHNOLOGIES		\$61,788

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2016 (With Comparative totals for August 31, 2015)

	Market Value As of August 31, 2016	Market Value As of August 31, 2015
QUALCOMM INC	\$115,670	\$138,112
QUEST DIAGNOSTICS		\$108,616
RADWARE LTD		\$44,087
RAMBUS INC	\$49,061	\$66,479
RAYMOND JAMES FINANCIAL INC		\$274,647
RAYTHEON COMPANY	\$312,770	\$201,633
RED ROCK RESORTS INC	\$44,111	
RESTORATION HARDWARE HOLDINGS		\$47,720
RICE ENERGY INC	\$59,596	\$21,317
RICE MIDSTREAM PARTNERS LP	\$75,827	\$42,143
RINGCENTRAL INC	\$42,254	\$53,523
RITCHIE BROS. AUCTIONEERS		\$65,916
ROSS STORES INC	\$343,129	\$183,200
RSP PERMIAN INC	\$47,953	\$42,158
SANOFI	\$142,801	
SCHLUMBERGER LTD	\$208,955	\$300,118
SCHWAB (CHARLES) CORP	\$161,736	
SCRIPPS NETWORKS INTER-CL A		\$32,916
SEAGATE TECHNOLOGY		\$59,778
SEALED AIR CORP	\$84,881	
SEMGROUP INC	\$37,787	\$43,065
SHELL MIDSTREAM PARTNERS LP	\$84,493	\$124,012
SHIRE PLC ADR		\$67,048
SHOPIFY INC W/I	\$47,564	\$39,410
SHUTTERFLY INC	\$40,879	
SILICON MOTION TECHNOLOGY CORP	\$41,141	
SITEONE LANDSCAPE SUPPLY INC	\$50,056	
SIX FLAGS ENTERTAINMENT	\$47,648	\$62,958
SKECHERS USA INC-CL A		\$70,651
SNYDERS-LANCE	\$36,930	
SOUTHCROSS ENERGY		\$98
SOVRAN SELF STORAGE INC REIT		\$73,130
SPECTRANETICS CORP	\$53,379	
SPIRIT AIRLINES INC		\$44,434
SPRAGUE RESOURCES LP	\$4,454	\$5,439
SPROUTS FARMERS	\$46,074	
SPS COMMERCE INC	\$52,550	\$54,756
SQUARE INC	\$46,822	
ST JUDE MEDICAL INC	\$0	
STAG INDUSTRIAL	\$46,184	\$40,432
STAGE STORES INC		\$18,419
STAMPS.COM INC		\$30,713
STARBUCKS CORP	\$200,572	\$315,950
STEEL DYNAMICS INC	\$72,974	
STEVEN MADDEN LTD		\$67,501

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2016 (With Comparative totals for August 31, 2015)

	Market Value As of August 31, 2016	Market Value As of August 31, 2015
STRATEGIC HOTELS & RESORTS INC. REIT		\$50,992
SUBURBAN PROPANE PARTNERS LP		\$898
SUMMIT MATERIALS INC	\$51,482	\$54,779
SUMMIT MIDSTREAM PARTNERS LP	\$28,573	\$25,985
SUNOCO LOGISTICS PARTNERS LP	\$73,112	\$35,386
SURGERY PARTNERS	\$44,991	
SURGICAL CARE AFFILIATES INC	\$35,310	\$55,337
SVB FINANCIAL GROUP	\$41,092	
SWIFT TRANSPORTATION		\$43,599
SYNERGY RESOURCES CORP		\$41,456
TAKE-TWO INTERACTIVE SOFTWARE	\$143,451	\$65,688
TALEND SA ADR	\$24,730	
TALLGRASS ENERGY GP LP		\$20,907
TALLGRASS ENERGY PARTNERS LP	\$42,900	\$39,762
TARGA RESOURCES CORP	\$37,392	\$51,263
TARGA RESOURCES PARTNERS LP		\$41,209
TARGET CORP	\$77,209	\$186,737
TE CONNECTIVITY LTD	\$173,101	
TEAM HEALTH HOLDINGS INC		\$134,809
TEAM INC	\$32,405	
TEEKAY LNG PARTNERS LP		\$30,552
TEEKAY OFFSHORE PARTNERS LP		\$15,558
TELEDYNE TECHNOLOGIES INC		\$54,830
TESORO LOGISTICS	\$84,266	\$85,288
TEVA PHARMACEUTICAL-SP ADR		\$102,347
TEXAS CAPITAL BANCSHARES INC		\$52,514
TEXAS INSTRUMENTS INC	\$439,354	\$263,742
TEXTRON INC	\$101,431	\$41,244
THE PRICELINE GROUP INC	\$389,601	\$367,100
THE TRAVELERS COMPANIES INC	\$74,194	\$87,206
THE WALT DISNEY CO.	\$265,810	\$306,863
THERMO FISHER SCIENTIFIC INC	\$438,155	
TIME INC		\$32,256
TIME WARNER INC	\$187,870	
TORO CO	\$39,832	
TRANSCANADA CORP	\$71,720	\$13,259
TREEHOUSE FOODS INC	\$20,841	\$49,209
TRITON INTERNATIONAL LTD	\$11,187	
TWENTY-FIRST CENTURY FOX INC		\$232,295
TYLER TECHNOLOGIES INC		\$54,250
TYSON FOODS INC-CL A	\$124,691	\$231,821
UNITED CONTINENTAL HOLDINGS INC	\$66,239	\$114,396
UNITED PARCEL SERVICE-CL B	\$106,490	
UNITED TECHNOLOGIES CORP	\$214,350	\$202,825
UNITEDHEALTH GROUP INC	\$183,804	

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2016 (With Comparative totals for August 31, 2015)

	Market Value As of August 31, 2016	Market Value As of August 31, 2015
UNIVERSAL DISPLAY CORP	\$39,795	
US ECOLOGY INC		\$55,306
US SILICA HOLDINGS INC	\$45,177	
USA COMPRESSION PARTNERS LP	\$14,710	\$16,320
VALERO ENERGY PARTNERS LP	\$27,941	\$34,622
VERINT SYSTEMS INC		\$46,824
VERIZON COMMUNICATIONS INC	\$310,736	\$205,895
VIRGIN AMERICA INC		\$50,740
VISA INC-CLASS A SHARES	\$680,693	\$571,256
VMWARE INC- CL A		\$174,684
VOCERA COMMUNICATIONS INC	\$43,977	
VTTI ENERGY PARTNERS LP	\$24,461	\$22,697
VWR CORP	\$80,241	\$75,469
WADDELL & REED FINANCIAL-A		\$48,838
WAGeworks	\$59,257	\$36,251
WALGREENS BOOTS ALLIANCE INC	\$108,716	
WATSCO INC	\$90,195	\$74,701
WEBMD HEALTH CORP	\$35,171	
WEBSTER FINANCIAL CORP	\$45,931	
WELLS FARGO & COMPANY	\$145,491	\$822,349
WEST PHARMACEUTICAL SERVICES	\$44,434	\$51,885
WESTERN ALLIANCE BANCORP	\$46,628	\$49,442
WESTERN DIGITAL CORP		\$139,414
WESTERN GAS EQUITY PARTNERS LP		\$20,497
WESTERN REFINING LOGISTICS LP	\$42,650	\$43,501
WESTLAKE CHEMICAL PARTNERS LP	\$20,547	\$15,956
WESTROCK CO W/I	\$93,261	\$83,090
WEX INC		\$45,185
WHOLE FOODS MARKET INC	\$202,209	\$233,349
WILLIAM LYON HOMES		\$48,583
WILLIAMS COS INC	\$61,608	\$74,710
WILLIAMS PARTNERS LP	\$177,165	\$71,053
WIX.COM LTD	\$56,499	
WPX ENERGY INC	\$59,520	
XL GROUP PLC		\$92,815
ZELTIQ AESTHETICS		\$48,728
ZENDESK INC	\$47,306	\$51,514
ZIMMER BIOMET HOLDINGS INC		\$106,253
ZOE'S KITCHEN INC	\$27,366	\$22,451
ZOETIS INC	\$298,211	
Total Equity Funds	<u>\$42,214,587</u>	<u>\$41,228,209</u>
TOTAL INVESTMENTS	<u><u>\$92,901,016</u></u>	<u><u>\$87,708,398</u></u>
Short Term Investments (Exhibit III)	\$1,976,805	\$1,398,392

Texas Emergency Services Retirement System (326)
Schedule 1
Pension Fund Investments
August 31, 2016 (With Comparative totals for August 31, 2015)

	Market Value As of August 31, 2016	Market Value As of August 31, 2015
Investments (Exhibit III)		
Equity	\$42,214,587	\$41,228,209
Bonds	\$23,799,688	\$0
Other Investments	\$24,909,936	\$45,081,797
Total	<u>\$92,901,016</u>	<u>\$87,708,398</u>

**Texas Emergency Services Retirement System
Schedule 2
Administrative Expenses for TESRS Trust Fund
For Year Ended August 31, 2016**

<u>Category</u>	<u>Expenses</u>
Professional Fees and Services:	
Actuarial Services	\$ 36,657
Audit Services	54,280
Legal Services	7,369
Total Professional Fees and Services	\$ 98,306
Travel	33,744
Training	1,105
Property Improvements Expensed	28,118
Other Expense	5,567
Total Administrative Expenses (See Exhibit IV)	<u>\$ 166,840</u>

Texas Emergency Services Retirement System
Schedule 3
Investing Activity Expenses
For Year Ended August 31, 2016

<u>Category</u>	<u>Expenses</u>
Atlanta Capital Management	\$ 95,063
Milliman USA	106,690
Pier Capital	22,240
Robeco	93,168
Luther King	43,616
Garcia Hamilton	24,184
Richmond Capital	23,707
Harvest	28,814
OFI Trust	120,640
Bank of Texas	45,989
Total Investing Activities Expenses	<u>\$ 604,111</u>
(See Exhibit IV)	

**Texas Emergency Services Retirement System
 Schedule 4
 Board Members
 August 31, 2016**

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, Trustee Goldman Sachs 100 Crescent Court, Suite 1000 Dallas TX 75201	2019
Dennis R. Rice, Trustee 8200 Rice Road Canyon, TX 79015	2015
Jenny Moore, Secretary 63 Willow Court Lake Jackson, TX 77566	2015
Dan Key, Trustee 2204 Pine Drive Friendswood, TX 77546	2019
Stephen Williams, Trustee 360 CR 105 Carthage, TX 75633	2017
Ron Larson, Trustee c/o El Paso County E.S.D. #1, 14151 Nunda Ave. Horizon City, TX 79928	2019
Don Shipman, Trustee 4601 Shadycreek Lane Colleyville, TX 76034	2017