

**AUDITED
ANNUAL FINANCIAL REPORT**
For The Year Ended August 31, 2023



Texas Emergency Services Retirement System

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Texas Emergency Services Retirement System



Pilar Rodriguez, Chairman
Jessica O'Brien, Interim Executive Director

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

(800) 919-3372

www.tesrs.texas.gov

January 4, 2024

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Jerry McGinty, Director, Legislative Budget Board
Lisa Collier, State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Emergency Services Retirement System for the year ended August. 31, 2023, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

The accompanying annual financial report has been prepared in accordance with GAAP reporting requirements. The financial report has been audited by an independent auditor as required by statute.

If you have any questions, please contact me at (512) 936-3474.

Sincerely,

A handwritten signature in black ink that reads "Jessica O'Brien". The signature is fluid and cursive, with the first name "Jessica" and last name "O'Brien" clearly distinguishable.

Jessica O'Brien
Interim Executive Director

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texas Emergency Services Retirement System ("the System"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the System, as of August 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2023 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 \$22,900,000 as of August 31, 2023, 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.

Responsibilities of Management for the Financial Statements

The System's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 3 as listed in the table of contents is presented for purposes of additional analysis and is 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.

Other Information

Management is responsible for the other information. The other information comprises Schedule 4 as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Report on Summarized Comparative Information

We have previously audited the System's fiscal year 2022 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated February 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2024 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 solely 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 the effectiveness of 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
January 4, 2024

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, 2023. Please review this narrative in conjunction with the Basic Financial Statements, which begin after this discussion.

Using this Annual Financial Report

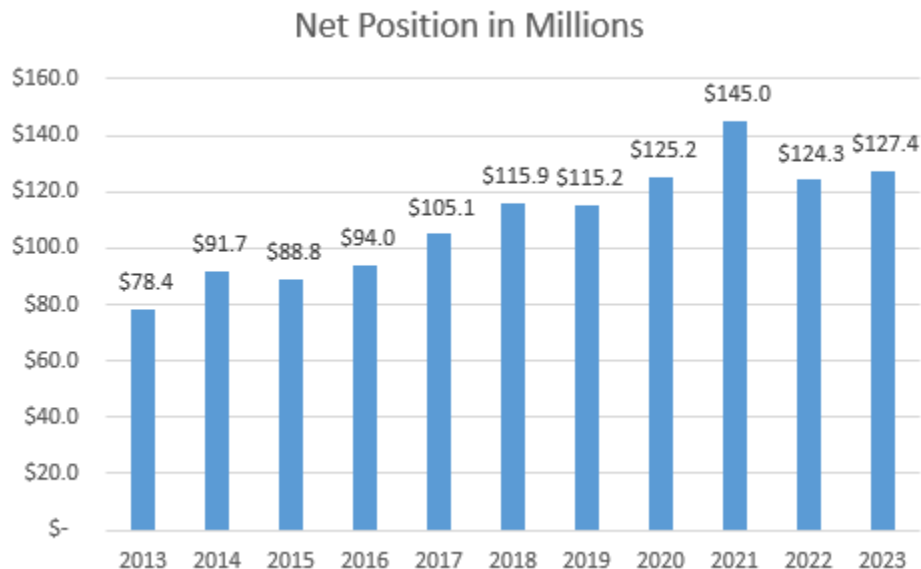
The Texas Emergency Services Retirement System administers death, disability, and pension benefits, to eligible volunteer fire and emergency services personnel and their beneficiaries from member departments statewide. At the close of fiscal year 2023, there were 241 member departments in the System.

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, 2023, 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, 2023, 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 2023 totaled \$127.4 million, which represents an increase of \$3.1 million over funds held at the close of fiscal year 2022.



The majority of plan assets are held as investments. For the year ending August 31, 2023, the money-weighted rate of return on pension plan investments was 5.68%.

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 2023, system investment details were as follows:

Summary of Net Investment Assets as of August 31, 2023				
Investment Category	Actual Amounts	Actual Allocation	Target Allocation	Allocation Range
Short Term Investments	\$5,913,477	4.7%	0.0%	0%-5%
US Market Equities-Large Cap				
Value	\$13,501,081	10.8%	10.0%	5%-20%
Growth	\$14,133,156	11.3%	10.0%	5%-20%
US Market Equities-Small/Mid Cap				
Value	\$6,909,514	5.5%	5.0%	0%-10%
Growth	\$4,094,888	3.3%	5.0%	0%-10%
International Equity-Developed Markets	\$19,111,040	15.3%	15.0%	10%-20%
International Equity-Emerging Markets	\$4,644,329	3.7%	5.0%	0%-10%
Core Fixed Income	\$26,324,757	21.1%	20.0%	15%-25%
Non-Core Fixed Income	\$11,162,614	9.0%	10.0%	0%-15%
US Core Real Estate	\$13,138,375	10.5%	10.0%	0%-15%
Multi-Asset Investments	\$0	0.0%	5.0%	0%-10%
Global Infrastructure	\$5,748,986	4.6%	5.0%	0%-10%
Other				
Payables and other liabilities	-\$6,973	N/A	N/A	N/A
Receivables	\$244,352	N/A	N/A	N/A
Total Net Investment Assets as of August 31, 2023	\$124,919,596	100.0%	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 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 2022 to 2023:

Description	2023	2022	Increase/ (Decrease)	% Change
Total Assets	\$127,527,086	\$124,544,792	\$2,982,294	2.4%
Total Liabilities	-\$142,954	-\$200,283	-\$57,329	-28.6%
Total Net Position	\$127,384,132	\$124,344,509	\$3,039,623	2.4%

Statement of Changes in Fiduciary Net Position of Pension Fund

Additions

The primary additions as of August 31, 2023 are shown below, along with those same categories in fiscal year 2022 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	2023	2022	Increase/ (Decrease)	% Change
Original Appropriations	\$1,262,763	\$1,262,763	\$0	0.0%
Dues	\$3,736,446	\$3,820,454	-\$84,008	-2.2%
Prior Service	\$0	\$228,639	-\$228,639	-100.0%
Net Investment Income	\$6,878,758	-\$17,756,679	\$24,635,437	-138.7%

Deductions

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

Description	2023	2022	Increase/ (Decrease)	% Change
Death Benefits	\$308,546	\$191,894	\$116,652	60.8%
Retirement Benefits	\$7,550,873	\$7,137,886	\$412,987	5.8%
Disability Benefits	\$26,400	\$28,200	-\$1,800	-6.4%
Survivor Benefits	\$645,500	\$593,049	\$52,451	8.8%
Administrative Expenses	\$350,249	\$241,482	\$108,767	45.0%

Actuarial Status

On December 1, 2022, the Board received and accepted the August 31, 2022 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 \$675,000 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, 2022 amortization period needed to pay for the \$25,898,809 in unfunded actuarial accrued liabilities of the system is 21 years. The funding ratio is 84.3%.

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 \$43,287,107 and a related funding ratio of 74.6% for the fiscal year ending August 31, 2023. The difference between these numbers and those reflected in the August 31, 2022 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.

AUDITED

Texas Emergency Services Retirement System
Exhibit I - Governmental Fund Balance Sheet/Statement of Net Position
August 31, 2023

	General Fund			
	Balance Sheet 2023	Adjustments*	Statement of Net Position 2023	Statement of Net Position 2022
ASSETS				
Current Assets:				
Legislative Appropriations	\$ 196,565	\$ -	\$ 196,565	\$ 123,791
Consumable Inventories	6,408	-	6,408	2,035
Total Current Assets	\$ 202,973	\$ -	\$ 202,973	\$ 125,826
Non-Current Assets:				
Capital Assets:				
Depreciable:				
Other Capital Assets (Note 2)	\$ -	\$ -	\$ -	\$ -
Less Accumulated Depreciation (Note 2)	-	-	-	-
Total Non-Current Assets	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>\$ 202,973</u>	<u>\$ -</u>	<u>\$ 202,973</u>	<u>\$ 125,826</u>
LIABILITIES AND FUND BALANCES/NET POSITION				
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 34,719	\$ -	\$ 34,719	\$ 26,162
Payroll Payable	76,441	-	76,441	40,885
Employees' Compensable Leave (Note 4)	-	66,479	66,479	30,842
Total Current Liabilities	\$ 111,160	\$ 66,479	\$ 177,639	\$ 97,889
Non-Current Liabilities:				
Employees' Compensable Leave (Note 4)	\$ -	\$ 8,443	\$ 8,443	\$ 11,071
Total Non-Current Liabilities	\$ -	\$ 8,443	\$ 8,443	\$ 11,071
Total Liabilities	\$ 111,160	\$ 74,922	\$ 186,082	\$ 108,960
FUND BALANCES/NET POSITION				
Fund Balances (Deficits):				
Nonspendable	\$ 6,408	\$ (6,408)	\$ -	\$ -
Unassigned	85,405	(85,405)	-	-
Total Fund Balances	\$ 91,813	\$ (91,813)	\$ -	\$ -
Net Position:				
Unrestricted	\$ -	\$ 16,891	\$ 16,891	\$ 16,866
Total Net Position	\$ -	\$ 16,891	\$ 16,891	\$ 16,866
Total Liabilities and Fund Balances/Net Position	<u>\$ 202,973</u>	<u>\$ -</u>	<u>\$ 202,973</u>	<u>\$ 125,826</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, 2023

	General Fund			
	Statement of Revenues, Expenditures, and Changes in Fund Balance 2023	Adjustments*	Statement of Activities 2023	Statement of Activities 2022
REVENUES				
Legislative Appropriations:				
Original Appropriations	\$ 680,661		\$ 680,661	\$ 629,466
Additional Appropriations	126,150		126,150	149,623
Total Revenues	<u>\$ 806,811</u>	<u>\$ -</u>	<u>\$ 806,811</u>	<u>\$ 779,089</u>
EXPENDITURES/EXPENSES				
Salaries and Wages	\$ 442,364	\$ 33,010	\$ 475,374	\$ 484,314
Payroll Related Costs	136,099		136,099	161,701
Professional Fees and Services	48,020		48,020	57,679
Travel	9,226		9,226	8,679
Materials and Supplies	54,427		54,427	23,212
Communication and Utilities	8,462		8,462	8,473
Repairs and Maintenance	9,000		9,000	9,782
Rentals & Leases	-		-	-
Printing and Reproduction	1,439		1,439	1,886
Other Expenditures	11,710		11,710	3,560
Total Expenditures/Expenses	<u>\$ 720,747</u>	<u>\$ 33,010</u>	<u>\$ 753,757</u>	<u>\$ 759,286</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures/Expenses	<u>\$ 86,064</u>	<u>\$ (33,010)</u>	<u>\$ 53,054</u>	<u>\$ 19,803</u>
Other Financing Sources (Uses)				
Transfers In/Out	\$ (28,177)	\$ -	\$ (28,177)	\$ -
Total Other Financing Sources (Uses)	<u>\$ (28,177)</u>	<u>\$ -</u>	<u>\$ (28,177)</u>	<u>\$ -</u>
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	\$ 57,887	\$ (57,887)		
Change in Net Position	\$ 57,887	\$ (57,887)	\$ 24,877	\$ 19,803
Fund Balances/Net Position				
Fund Balances/Net Position--Beginning of Year	\$ 58,779		\$ 16,867	\$ (2,554)
Appropriations Lapsed	(24,853)		(24,853)	(383)
Restatements	-		-	-
Fund Balances/Net Position--End of Year	<u>\$ 91,813</u>		<u>\$ 16,891</u>	<u>\$ 16,866</u>

*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, 2023

	Pension Trust	
	2023	2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash in State Treasury (Note 3)	\$ 778,615	\$ 355,669
Short Term Investments (Note 3, Schedule 1)	5,913,477	2,808,666
Receivables:		
Retirement System Contributions	1,780,641	1,829,200
Interest and Dividends	244,352	250,834
Sale of Investments	-	51,563
Total Current Assets	<u>\$ 8,717,085</u>	<u>\$ 5,295,932</u>
Non-Current Assets:		
Receivables:		
Retirement System Contributions	\$ 41,261	\$ 116,523
Investments (Note 3, Schedule 1)		
Corporate Equity	64,898,533	78,148,488
US Government Obligations	16,984,261	15,484,178
Corporate Obligations	9,340,495	10,778,185
Other Investments	27,545,451	14,721,486
Total Non-Current Assets	<u>\$ 118,810,001</u>	<u>\$ 119,248,860</u>
Total Assets	<u>\$ 127,527,086</u>	<u>\$ 124,544,792</u>
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payables	\$ 135,981	\$ 119,758
Investment Purchases Payable	6,973	74,736
Unearned Revenue	-	-
Other Payables	-	5,789
Total Current Liabilities	<u>\$ 142,954</u>	<u>\$ 200,283</u>
Total Liabilities	<u>\$ 142,954</u>	<u>\$ 200,283</u>
NET POSITION		
Restricted for Pensions	<u>\$ 127,384,132</u>	<u>\$ 124,344,509</u>

AUDITED

Texas Emergency Services Retirement System
Exhibit IV - Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended August 31, 2023

	Pension Trust	
	2023	2022
ADDITIONS		
Contributions:		
Dues	\$ 3,726,158	\$ 3,797,060
Prior Service	-	228,639
Interest on Contracts to Purchase		
Prior Service	10,288	23,394
Appropriations from General Revenue	1,262,763	1,262,763
Total Contributions	\$ 4,999,209	\$ 5,311,856
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	\$ 4,097,421	\$ (19,974,793)
Treasury Interest	69,565	7,833
Interest and Investment Income	3,158,594	2,728,332
Total	\$ 7,325,580	\$ (17,238,628)
Less Investing Activities Expense		
(Schedule 3)	\$ 446,822	\$ 518,051
Net Increase/Loss	\$ 6,878,758	\$ (17,756,679)
Other Additions:		
Voided warrants	\$ 15,046	\$ 12,230
Transfers In/Out	\$ 28,177	\$ -
Total Other Additions	\$ 43,223	\$ 12,230
Total Additions	\$ 11,921,190	\$ (12,432,593)
DEDUCTIONS		
Retirement System Benefits Paid:		
Death Benefits	\$ 308,546	\$ 191,894
Retirement Benefits	7,550,873	7,137,886
Disability Benefits	26,400	28,200
Survivor's Benefits	645,500	593,049
Administrative Expenses (Schedule 2)	350,249	241,482
Total Deductions	\$ 8,881,568	\$ 8,192,511
Net Increase	\$ 3,039,622	\$ (20,625,104)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year	\$ 124,344,510	\$ 144,969,613
End of Year	\$ 127,384,132	\$ 124,344,509

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

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 six months. Benefits are recognized when due and payable in accordance with the terms of the plan.

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 Invesco Intl Growth 2 Class A Commingled Fund and Prime Property Fund (real estate), the monthly statements provided by the fund manager are used. These statements provide the NAV/unit and total market value of TESRS' interest in these funds.

Accounts Receivable

Accounts receivable represents contributions due to TESRS, and investment income earned but not received as of August 31, 2023.

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, 2023, the total outstanding balance of these financing arrangements was \$81,097.

Inventories

Inventories, shown on the balance sheet at cost, consist of inventories of consumable office supplies and postage at August 31, 2023. 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

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.

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 the following type of transactions between agencies:

Other Payables: Distributions returned as undeliverable that are held until the funds can be cleared.

The composition of the TESRS' interfund receivables and payables at August 31, 2023 is presented in Note 5.

NOTE 2: CAPITAL ASSETS

Summaries of changes in Capital Assets for the year ended August 31, 2023, are presented below:

Governmental Activities					
Asset Type	Balance 09/01/22	Restatements	Adjustments	Deletions	Balance 08/31/23
Other Capital Assets	0	0	0	0	0
Accumulated Depreciation	0	0	0	0	0

Pension Trust Fund					
Asset Type	Balance 09/01/22	Restatements	Adjustments	Deletions	Balance 08/31/23
Furniture & Equipment	0	0	0	0	0
Accumulated Depreciation	0	0	0	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 14, 2023.

Asset Allocation	Target
US Market Equities-Large Cap Value	10%
US Market Equities-Large Cap Growth	10%
US Market Equities-Small/Mid Cap Value	5%
US Market Equities-Small/Mid Cap Growth	5%
Core Fixed Income	20%
Non-Core Fixed Income	10%
International Equity-Developed Markets	15%
International Equity-Emerging Markets	5%
Cash & Equivalents	0%
US Core Real Estate	10%
Multi-Asset Investments	5%
Global Infrastructure	5%
Total	100%

The TESRS contracts with Bank of Texas for custodial services and AndCo Consulting, LLC for investment consulting services. The TESRS contracts with three money managers to manage the fixed income and equity portfolios. The money managers are Boston Partners LLC, Garcia Hamilton & Associates L.P., and Richmond Capital Management, Inc. The TESRS also invests with seven mutual funds—Allspring Emerging Markets, Ifm Global Infrastructure, Clarkston Partners, Alger Capital, Jackson Square Partners, Oakmark, and Pimco Diversified Income and with one Commingled Fund - Invesco International Growth Commingled Fund. TESRS also invests in the Real Estate Investment Fund Prime Property Fund, LLC.

A. DEPOSITS

The bank balance of \$778,615 is deposited in the State Treasury.

CUSTODIAL CREDIT RISK-DEPOSITS

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

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

B. INVESTMENTS

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, 2023, the fair value of investments are as presented below:

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Description	Fair Value Hierarchy				Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value	
U.S. Treasury Securities	6,767,614				6,767,614
U.S. Government Agency Obligations		298,393			298,393
Corporate Obligations		8,508,023			8,508,023
Corporate Asset and Mortgage Backed Securities		10,750,725			10,750,725
Equity	64,898,533				64,898,533
International Equity	4,644,329				4,644,329
International Other Commingled Funds				9,762,748	9,762,748
Other Commingled Funds	5,913,477				5,913,477
Real Estate				13,138,375	13,138,375
Total Investments	82,223,953	19,557,141	0	22,901,123	124,682,217
Reconciliation of Investments per Exhibit III					
Other Short Term Investments					5,913,477
Corporate Equity					64,898,533
U.S. Government Obligations					16,984,261
Corporate Obligations					9,340,495
Other Investments					27,545,451
Investment per Exhibit III					124,682,217

The International Other Commingled Funds listed in the Fair Value Hierarchy schedule above are not SEC-registered.

The Invesco Trust Company Institutional Retirement Trust, an Invesco Ltd company, was 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 Invesco fund financial statements is in conformity with accounting principles generally accepted in the United States of America. TESRS has no unfunded commitments to Invesco. Redemptions are allowable daily, and a redemption notice period of 3-5 days is required prior to redemption.

The Prime Property Fund, LLC was 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 Prime Property Fund financial statements is in conformity with accounting principles generally accepted in the United States of America. TESRS has no unfunded commitments to Prime Property Fund. Redemptions are allowable daily, and a redemption notice period of 3-5 days is required prior to redemption.

For the year ending August 31, 2023, the money-weighted rate of return on pension plan investments was 5.68%. 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% (21% actual) of the portfolio.

TESRS' domestic fixed income is managed by Richmond Capital Management, Inc. and Garcia Hamilton & Associates L.P. 29% of these holdings are either not subject to credit risk or AAA rated, while 28% is rated A or better. Credit risk is managed through diversification and by operating within defined parameters.

Investment Type	Not Rated
U.S. Treasury Securities	\$0
U.S. Government Agency Obligations	\$64,417
Corporate Asset and Mortgage-Backed Securities	\$10,182,188
Total Not Rated	\$10,246,605

TESRS has authorized their four 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 \$26,324,757 in Core Fixed Income which is subject to Interest Rate Risk. The average portfolio duration of Richmond Capital Management, Inc. is 6.20 years, and Garcia Hamilton is 6.94 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.

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, 2023, the following changes occurred in long-term liabilities:

Governmental Activities					
	Balance 09/01/22	Additions	Reductions	Balance 08/31/23	Amounts Due Within One Year
Compensable Leave	41,912	83,215	50,205	74,922	66,479
Total Governmental Activities	41,912	83,215	50,205	74,922	66,479

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

The TESRS does not have any interfund balances as of August 31, 2023.

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. 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 2022 and 2023 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2022	0	0	0	0
2023	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, 2023, there were 241 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, 2023, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,929
Terminated members entitled to but not yet receiving benefits	1,689
Active participants	3,343

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 August 31, 2022 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 15 years of credit for prior service per member. Prior service 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.

Ultimately, the contribution policy also depends upon the total return of the System's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending August 31, 2023, the money-weighted rate of return on pension plan investments was 5.68%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

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, 2023, total contributions of \$3,736,446 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,262,763 for the fiscal year ending August 31, 2023.

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, 2022 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing

TESRS and (2) approximately \$675,000 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, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022 and rolled forward to August 31, 2023.

Total pension liability	\$ 170,671,239
Plan fiduciary net position	<u>127,384,132</u>
System's net pension liability	\$ 43,287,107
Plan fiduciary net position as a percentage of the total pension liability	74.6%

1. Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

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 4.61%) and by adding expected inflation (3.0%). In addition, the final 7.5% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

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Texas Emergency Services Retirement System

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	20%	5.83%
Small/mid cap domestic	10	5.94
Developed international	15	6.17
Emerging markets	5	7.36
Global infrastructure	5	6.61
Real estate	10	4.48
Multi asset income	5	3.86
Fixed income	30	1.95
Cash	0	0.00
Total	100%	
Weighted average		4.61%

2. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the level dollar amortization method. Because of the 30-year amortization period with the 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 of 7.5% 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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
System's net pension liability	\$67,026,681	\$43,287,107	\$24,031,764

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 Years

	Fiscal Year Ending				
	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019
1. Total Pension Liability					
a. Service cost	\$ 1,621,989	\$ 1,556,329	\$ 1,556,329	\$ 1,865,886	\$ 1,865,886
b. Interest	12,204,900	11,494,844	11,120,987	10,999,272	10,552,731
c. Changes of benefit terms	0	2,429,311	0	2,988,966	0
d. Differences between expected and actual experience	0	2,491,556	0	(1,965,137)	0
e. Assumption changes	0	(329,107)	0	(67,820)	0
f. Benefit payments	(8,531,319)	(7,951,029)	(7,434,094)	(6,881,663)	(6,431,923)
g. Net Change	5,295,570	9,691,904	5,243,222	6,939,504	5,986,694
h. Total – Beginning	165,375,669	155,683,765	150,440,543	143,501,039	137,514,345
i. Total – Ending	\$170,671,239²	\$165,375,669	\$155,683,765²	\$150,440,543	\$143,501,039²
2. Plan Fiduciary Net Position					
a. Contributions for participating departments	\$ 3,736,446	\$ 4,049,093	\$ 3,813,748	\$ 3,755,240	\$ 3,480,509
b. Contributions by the state	1,262,763	1,262,763	1,329,224	1,329,224	1,329,224
c. Net investment income	6,921,981	(17,744,448)	22,299,491	12,191,811	1,140,578
d. Benefit payments	(8,531,319)	(7,951,029)	(7,434,094)	(6,881,663)	(6,431,923)
e. Administrative expenses	(350,249)	(241,482)	(268,417)	(320,427)	(226,806)
f. Net Change	3,039,622	(20,625,103)	19,739,952	10,074,185	(708,418)
g. Total – Beginning	124,344,510	144,969,613	125,229,661	115,155,476	115,863,894
h. Total – Ending	\$127,384,132	\$124,344,510	\$144,969,613	\$125,229,661	\$115,155,476
3. System's Net Pension Liability (NPL) – [Item 1(i)-2(h)]	\$ 43,287,107	\$ 41,031,159	\$ 10,714,152	\$ 25,210,882	\$ 28,345,563
4. Plan Fiduciary Net Position as a Percent of the Total Pension Liability	74.6%	75.2%	93.1%	83.2%	80.2%
5. Number of Active Members¹	3,343	3,379	3,571	3,634	3,702
6. System's NPL per Active Member	\$ 12,949	\$ 12,143	\$ 3,000	\$ 6,938	\$ 7,657

Notes to Schedule

¹ There is no compensation for active members, so number of active members is used instead.

² Determined from the beginning of year total pension liability using the roll forward procedure allowed by GASB 67.

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Texas Emergency Services Retirement System

Schedule A, Continued

	Fiscal Year Ending				
	8/31/2018	8/31/2017	8/31/2016	8/31/2015	8/31/2014
1. Total Pension Liability					
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	2,825,337	0	722,024	0	0
d. Differences between expected and actual experience	(90,439)	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>
g. Net Change	8,392,879	6,029,355	7,571,120	5,666,192	5,710,745
h. Total – Beginning	129,121,466	123,092,111	115,520,991	109,854,799	104,144,054
i. Total – Ending	\$137,514,345	\$129,121,466²	\$123,092,111	\$115,520,991²	\$109,854,799
2. Plan Fiduciary Net Position					
a. Contributions for participating departments	\$ 4,098,834	\$ 5,012,132	\$ 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	9,776,394	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>
f. Net Change	10,744,106	11,155,780	5,135,548	(2,854,696)	13,281,520
g. Total – Beginning	105,119,788	93,964,008	88,828,460	91,683,156	78,401,636
h. Total – Ending	\$115,863,894	\$105,119,788	\$ 93,964,008	\$ 88,828,460	\$ 91,683,156
3. System's Net Pension Liability (NPL) – [Item 1(i)-2(h)]	\$ 21,650,451	\$ 24,001,678	\$ 29,128,103	\$ 26,692,531	\$ 18,171,643
4. Plan Fiduciary Net Position as a Percent of the Total Pension Liability	84.3%	81.4%	76.3%	76.9%	83.5%
5. Number of Active Members¹	3,927	4,046	3,634	4,036	4,036
6. System's NPL per Active Member	\$ 5,513	\$ 5,932	\$ 8,015	\$ 6,614	\$ 4,502

Notes to Schedule

¹ There is no compensation for active members, so number of active members is used instead.

² 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 Years

Fiscal Year Ending	Annual Money-Weighted Net Rate of Return¹
August 31, 2023	5.68%
August 31, 2022	(12.41)%
August 31, 2021	18.08%
August 31, 2020	10.74%
August 31, 2019	1.00%
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%

Notes to Schedule

¹ 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.

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	Fair Value As of August 31, 2023	Fair Value As of August 31, 2022
MONEY MARKET MUTUAL FUND		
Money Market Securities	5,913,477 *	2,808,666
EQUITY MUTUAL/COMMINGLED FUNDS		
Allspring Emerg Mkts EQ-R6 #4660	4,644,329	4,513,873
INVESCO Intl Growth 2 Class A Commingled	9,762,748 *	8,623,483
Prime Property Fund, LLC	13,138,375 *	14,721,488
Total Equity Mutual/Commingled Funds	27,545,452	27,858,845
EQUITY MUTUAL		
Alger Cap Apprec Inst-Y #0405	14,133,156 *	11,959,172
Blackrock Multi-Asset Inc-K #1981		4,793,619
Clarkston Partners-Inst #21301	6,909,514 *	6,890,768
IFM Global Infrastructure US LP	5,748,986 *	5,338,263
Jackson Square Smid/C Grwth-Is #6112	4,094,889	3,787,194
Oakmark Intl-Inst #2886	9,348,293 *	7,412,642
PIMCO Diversified Inc-Inst #0106	11,162,614 *	10,683,493
Total Equity Mutual	51,397,452	50,865,152
BOND FUNDS		
AFLAC INC		9,968
AFLAC INC	5,269	5,482
ALABAMA POWER CO	62,102	35,769
ALLSTATE CORP	76,679	79,471
ALTRIA GROUP INC	24,223	24,209
ALTRIA GROUP INC	25,766	26,398
AMAZON.COM INC	82,815	86,270
AMAZON.COM INC	22,498	23,459
AMERICAN EXPRESS CO	82,515	83,412
AMERICAN EXPRESS CO	33,630	
AMGEN INC	15,942	17,411
AMGEN INC	19,607	20,995
ANHEUSER-BUSCH	18,605	18,987
AON CORP/AON GLOBAL HOLD	48,812	
APPALACHIAN POWER CO	62,582	65,845
ARCHER-DANIELS-MIDLAND	70,404	71,324
AT&T INC	38,552	39,619
AT&T INC	31,520	32,612
AT&T INC	13,180	14,490
BANK OF AMERICA CORP	156,324	157,509
BANK OF AMERICA CORP	257,793	609,882
BANK OF AMERICA CORP	20,556	21,005
BANK OF AMERICA CORP	56,071	56,792
BELL CANADA	21,514	23,678
BERKSHIRE HATHAWAY		25,882
BERKSHIRE HATHAWAY		28,267
BRISTOL-MYERS SQUIBB CO	36,037	37,613
BRISTOL-MYERS SQUIBB CO	52,064	
BROADCOM INC	67,508	68,776
BURLINGTN NORTH SANTA FE	54,420	57,489

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	Fair Value As of August 31, 2023	Fair Value As of August 31, 2022
BURLINGTON NORTHERN SANTA FE	53,568	57,640
CAMDEN PROPERTY TRUST	26,962	27,482
CAMPBELL SOUP CO	29,372	
CAPITAL ONE FINANCIAL CO	43,706	44,128
CAPITAL ONE FINANCIAL CO	73,810	74,555
CAPITAL ONE FINANCIAL CO	34,328	35,203
CAPITAL ONE FINANCIAL CO	33,246	
CATERPILLAR INC	48,498	49,931
CHARLES SCHWAB CORP		14,078
CHARLES SCHWAB CORP	80,096	68,884
CHEVRON CORP	90,661	92,444
CHEVRON CORP	19,338	19,696
CHUBB CORPORATION	60,134	64,052
CINTAS CORPORATION NO. 2	52,795	54,198
CITIGROUP INC	26,358	27,183
CITIGROUP INC	14,722	14,701
CITIGROUP INC	30,430	31,460
CITIGROUP INC	253,259	495,736
CITIGROUP INC		117,725
CME GROUP INC	62,570	63,808
COMCAST CORP	39,488	42,159
COMCAST CORP	13,679	214,721
COMCAST CORP	35,269	
CONSOLIDATED EDISON CO	53,046	56,058
CVS HEALTH CORP	16,790	18,067
CVS HEALTH CORP	13,157	14,442
DEERE & COMPANY	17,574	18,677
DIAGEO CAPITAL PLC	52,791	55,406
DOWDUPONT INC	63,638	65,469
DUKE ENERGY PROGRESS LLC	21,103	22,938
EMERSON ELECTRIC CO	26,587	26,922
ENTERPRISE PRODUCTS OPER	27,530	28,621
EOG RESOURCES INC	18,725	19,952
EQUITABLE HOLDINGS INC	73,803	77,427
ERP OPERATING LP	35,603	36,274
FEDEX CORP	31,883	33,689
FHLMC @ 2.000% DUE 10/07/2042	352,675	
FHLMC GOLD POOL #G08001	52,504	63,202
FHLMC GOLD POOL #Q27927	49,358	58,269
FHLMC GOLD POOL #Q30470	32,345	38,927
FHLMC GOLD POOL #Q35953	53,329	63,062
FHLMC GOLD POOL #Q38893	34,689	39,711
FHLMC GOLD POOL #V81680	211,243	250,456
FHLMC POOL # RA3055	323,944	
FHLMC POOL # SB0623	124,196	
FHLMC POOL # SD1658	302,903	
FHLMC POOL # SD8200	299,431	
FHLMC POOL # SD8255	300,799	
FHLMC POOL #QF0691	350,415	
FHLMC POOL #RA6910	199,138	

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	Fair Value As of August 31, 2023	Fair Value As of August 31, 2022
FHLMC POOL #RA6996	283,382	332,007
FHLMC POOL #RB5044	224,166	266,548
FHLMC POOL #SC0314	247,906	
FHLMC POOL #SD8214	360,538	406,806
FHLMC POOL #SD8265	239,614	
FHMS SER K031 CL A2		149,308
FIFTH THIRD BANK	67,045	69,092
FISERV INC	38,166	38,784
FISERV INC	12,261	13,020
FLORIDA POWER & LIGHT CO	157,533	164,933
FLORIDA POWER CORP	37,669	40,383
FNMA POOL # FM7740	243,777	277,572
FNMA POOL # FS2994	355,562	
FNMA POOL # MA4571	231,977	
FNMA POOL # MA4623	297,233	
FNMA POOL #AL7590		123,358
FNMA POOL #AO7185	39,200	48,474
FNMA POOL #AS5090	30,107	39,087
FNMA POOL #AY8604		14,995
FNMA POOL #BC2666		28,608
FNMA POOL #BE0468	47,367	56,115
FNMA POOL #BM1577		60,331
FNMA POOL #BO1345	55,542	68,680
FNMA POOL #BQ7729	375,643	
FNMA POOL #BV5578	359,131	
FNMA POOL #CB2610	269,349	306,783
FNMA POOL #CB3175	178,874	
FNMA POOL #FM3075		173,000
FNMA POOL #FM4540	156,856	186,642
FNMA POOL #FM6990		293,711
FNMA POOL #FM7048	127,900	151,585
FNMA POOL #FM7334	146,715	175,092
FNMA POOL #FM8519	157,242	186,065
FNMA POOL #FM9286	360,313	403,635
FNMA POOL #FS0348	233,466	268,941
FNMA POOL #FS0350	285,292	328,540
FNMA POOL #FS1376	307,332	367,508
FNMA POOL #FS1507	486,062	
FNMA POOL #FS1858	124,862	143,211
FNMA POOL #MA4783	367,105	
FNMA POOL #MA4804	240,148	
FRANKLIN RESOURCES INC	15,679	15,840
FRANKLIN RESOURCES INC	67,180	67,824
GENERAL DYNAMICS CORP	33,416	34,470
GENERAL MILLS INC	34,115	34,887
GENUINE PARTS CO	28,529	29,042
GNMA II POOL # 786656	333,497	
GNMA II POOL #AA1000	2,333	3,834
GNMA II POOL #MA2374	11,284	13,314
GNMA II POOL #MA6968	183,169	229,859

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	Fair Value As of August 31, 2023	Fair Value As of August 31, 2022
GNMA II POOL #MA7024	58,644	72,205
GNMA II POOL #MA7283	43,675	53,936
GNR SER 2021-38 CL AE	64,417	
GOLDMAN SACHS GROUP INC	75,928	77,507
GOLDMAN SACHS GROUP INC	97,158	243,298
GOLDMAN SACHS GROUP INC		382,468
GSMS SER 2012-GCJ9 CL A3		80,357
HOME DEPOT INC	47,198	50,178
IBM CORP	530,466	542,685
IBM CORP	16,468	17,237
ILLINOIS TOOL WORKS INC		84,843
INTEL CORP	36,050	39,034
JOHN DEERE CAPITAL CORP	58,427	59,602
JOHNSON & JOHNSON	4,931	5,181
JPMCC SER 2013-C13 CL A4		101,914
JPMORGAN CHASE & CO	58,306	59,543
JPMORGAN CHASE & CO	41,485	41,640
JPMORGAN CHASE & CO	167,164	324,754
JPMORGAN CHASE & CO	90,011	
KEYCORP	55,919	58,416
KIMBERLY-CLARK CORP	63,141	66,494
KRAFT HEINZ FOODS CO	39,891	
KROGER CO	18,637	20,834
KROGER CO	10,943	11,532
LINCOLN NATIONAL CORP	48,787	57,317
MAGELLAN MIDSTREAM PARTN	65,384	66,483
MARKEL CORP	58,154	59,095
MCDONALD'S CORP	30,467	32,071
MCDONALD'S CORP	15,654	
MCKESSON CORP	49,615	
METLIFE INC	96,478	98,273
METLIFE INC	131,244	201,684
METLIFE INC	32,001	35,414
MORGAN STANLEY	48,125	49,437
MORGAN STANLEY	46,377	47,193
MORGAN STANLEY	34,605	35,316
MORGAN STANLEY	89,714	89,133
MSC SER 2015-UBS8 CL A3	233,976	
MSC SER 2016-UB11 CL A4	90,987	93,411
NIKE INC		12,716
NJ ST TPK AUTH TPK REV	47,769	50,543
NORFOLK SOUTHERN CORP	49,612	49,945
NORFOLK SOUTHERN CORP	50,049	53,425
NORFOLK SOUTHERN CORP	26,498	
NUTRIEN LTD	29,272	
NUTRIEN LTD	23,514	24,232
ORACLE CORP	29,958	29,472
ORACLE CORP	81,405	81,476
ORACLE CORP	13,823	13,619
PARKER-HANNIFIN CORP	37,018	37,531

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	Fair Value As of August 31, 2023	Fair Value As of August 31, 2022
PFIZER INC	66,483	70,527
PHILLIPS 66	14,848	
PNC BANK NA	52,546	53,950
PNC FINANCIAL SERVICES	29,357	30,693
PNC FINANCIAL SERVICES	27,818	28,712
PNC FINANCIAL SERVICES	15,238	
PROCTER & GAMBLE CO/THE		22,170
PROCTER & GAMBLE CO/THE		51,682
PRUDENTIAL FINANCIAL INC	15,305	16,142
PRUDENTIAL FINANCIAL INC	44,091	46,230
PUBLIC SERVICE ELECTRIC	111,517	112,516
RAYTHEON TECH CORP		15,674
RPM INTERNATIONAL INC	14,066	
RTX CORPORATION	14,967	
RTX CORPORATION	15,014	
SCHLUMBERGER INVESTMENT	124,304	124,908
SCHLUMBERGER INVESTMENT	29,450	
SHELL INTL FIN		118,003
SPECTRA ENERGY PARTNERS	19,137	20,733
SYSCO CORPORATION	24,797	26,536
SYSCO CORPORATION	14,588	15,513
TAMPA ELECTRIC CO		69,985
TAMPA ELECTRIC CO	39,798	43,841
THOMSON REUTERS CORP	58,767	60,340
T-MOBILE USA INC	51,563	52,924
TORONTO-DOMINION BANK	170,774	170,914
TOSCO CORP	57,618	60,327
TRAVELERS COS INC	39,766	42,334
TRUIST FINANCIAL CORP	65,400	
UNION PACIFIC CORP	119,193	31,115
UNITED PARCEL SERVICE		129,164
UNITED PARCEL SERVICE		100,137
UNITED TECHNOLOGIES CORP		16,048
UPS OF AMERICA INC	29,026	29,985
US BANCORP	152,891	
US TREAS BOND @ 2.000% 02/15/2050	515,611	650,986
US TREAS BOND @ 2.500% 02/15/2045	686,758	
US TREAS BOND @ 2.500% 05/15/2046	443,061	878,337
US TREAS BOND @ 2.875% 05/15/2043	386,409	512,963
US TREAS BOND @ 3.750% 08/15/2041	648,571	1,001,923
US TREAS NOTE @ 0.250% 09/30/2025	159,469	194,861
US TREAS NOTE @ 0.500% 10/31/2027	136,744	
US TREAS NOTE @ 1.125% 02/15/2031	1,149,942	995,097
US TREAS NOTE @ 1.250% 05/31/2028		133,598
US TREAS NOTE @ 1.250% 08/15/2031	379,628	
US TREAS NOTE @ 1.500% 02/15/2030		2,062,903
US TREAS NOTE @ 1.625% 05/15/2031		53,018
US TREAS NOTE @ 1.750% 11/15/2029		354,101
US TREAS NOTE @ 1.750% 12/31/2026	51,345	141,144
US TREAS NOTE @ 1.875% 02/15/2032	1,038,277	

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US TREAS NOTE @ 1.875% 07/31/2026		684,110
US TREAS NOTE @ 2.250% 11/15/2027		341,129
US TREAS NOTE @ 2.375% 05/15/2027		396,935
US TREAS NOTE @ 2.375% 05/15/2029	231,035	301,814
US TREAS NOTE @ 2.500% 02/28/2026		716,549
US TREAS NOTE @ 2.625% 02/15/2029		321,339
US TREAS NOTE @ 2.750% 08/15/2032	148,134	
US TREAS NOTE @ 3.500% 02/15/2033	733,425	
US TREAS NOTE @ 4.000% 10/31/2029	59,206	
VERIZON COMMUNICATIONS	36,241	37,835
VERIZON COMMUNICATIONS	22,485	
VIRGINIA ELEC & POWER CO	197,798	198,812
WALMART STORES INC	51,880	55,833
WALT DISNEY COMPANY/THE	22,822	25,002
WALT DISNEY COMPANY/THE	11,240	11,544
WALT DISNEY COMPANY/THE	31,196	33,049
WELLS FARGO & COMPANY	41,681	42,517
WELLS FARGO & COMPANY	410,262	489,608
WELLS FARGO & COMPANY	38,072	41,273
WESTLAKE CHEMICAL CORP	25,208	27,899
WFCM SER 2015-C29 CL A4	210,061	
WFRBS SER 2012-C8 CL A3		296,928
WFRBS SER 2014-LC14 CL A5	297,449	
WILLIAMS PARTNERS LP	25,536	27,044
WISC ELEC POWER	62,531	65,254
WISCONSIN POWER & LIGHT	42,014	44,576
Total Bond Funds	26,324,757	26,262,362
EQUITY FUNDS		
ABBVIE INC		264,617
ACTIVISION BLIZZARD INC	70,556	49,135
ADVANCED MICRO DEVICES	153,188	
ALLEGION PLC	101,746	74,178
ALLSTATE CORP		58,804
ALPHABET INC CL A	466,655	369,680
AMERISOURCEBERGEN CORP		160,337
AMGEN INC	154,317	
AON PLC	77,680	
APPLIED MATERIALS INC	172,924	119,563
ARES MANAGEMENT CORP CL A	64,133	
ARTHUR J GALLAGHER & CO	125,151	
AUTOZONE INC	250,602	343,312
AVANTOR INC	153,672	149,012
AXALTA COATING SYSTEMS LTD		135,806
BANK OF AMERICA CORP		219,608
BERKSHIRE HATHAWAY INC-CL B	504,280	445,630
BOOKING HOLDINGS INC	111,781	
BORGWARNER INC	82,600	
BP PLC-SPONS	142,734	
BRISTOL-MYERS SQUIBB CO	365,153	181,198

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	Fair Value As of August 31, 2023	Fair Value As of August 31, 2022
CANADIAN NATURAL RESOURCES	197,499	198,741
CAPITAL ONE FINANCIAL CORP		63,280
CATERPILLAR INC	65,784	106,393
CENCORA, INC	170,525	
CENOVUS ENERGY INC	206,933	164,788
CENTENE CORP	130,390	303,860
CENTERPOINT ENERGY INC	67,438	157,429
CHUBB LTD	154,268	150,673
CIGNA CORP	173,768	303,008
CISCO SYSTEMS INC	342,265	273,016
COCA-COLA EUROPEAN PARTNERS PLC	108,474	114,468
COGNIZANT TECH SOLUTIONS-A	128,826	135,626
CONOCOPHILLIPS	193,067	531,489
CORTEVA INC	50,005	
CRH PLC - SPONSORED ADR	149,912	123,843
CVS HEALTH CORPORATION		320,754
DEERE & CO	121,638	178,242
DELL TECHNOLOGIES INC	131,545	
DEVON ENERGY CORPORATION		187,072
DISCOVER FINANCIAL SERVICE	167,620	
DOLLAR GENERAL CORP	45,982	
DOMINION ENERGY INC		147,894
DOVER CORP	87,942	66,854
DUPONT DE NEMOURS INC USD 0.01	126,407	213,991
EATON CORP PLC	167,709	163,285
EOG RESOURCES INC		124,575
EVEREST RE GROUP LTD		107,351
FEDEX CORP		82,638
FIDELITY NATIONAL INFO SVCS, INC		196,080
FIRSTENERGY CORP	107,994	
FLEETCOR TECHNOLOGIES INC	164,940	136,657
FORTIVE CORP	150,288	88,155
GENERAL DYNAMICS CORP	206,242	142,394
GLOBAL PAYMENTS INC	191,049	140,504
GOLDMAN SACHS GROUP INC	159,922	207,253
HALLIBURTON CO	149,884	
HOWMET AEROSPACE INC	144,601	171,836
ICON PLC	177,279	120,442
INTERCONTINENTAL EXCHANGE, INC	115,630	
JOHNSON & JOHNSON	251,412	530,647
JPMORGAN CHASE & CO	498,985	473,231
KENVUE INC	38,355	
KEURIG DR PEPPER INC	203,179	278,848
KLA CORPORATION		61,255
LAM RESEARCH CORP	89,205	51,673
LEIDOS HOLDINGS INC	116,329	117,102
LKQ CORP	71,598	111,656
MARATHON PETROLEUM CORP	243,851	310,209
MASCO CORP	100,848	79,561
MCKESSON CORP	148,435	82,575

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	Fair Value As of August 31, 2023	Fair Value As of August 31, 2022
META PLATFORMS, INC.		312,663
MGM MIRAGE	64,079	
MICROCHIP TECHNOLOGY INC	153,941	125,802
MICRON TECHNOLOGY INC	159,743	110,912
MOHAWK INDUSTRIES INC	99,565	100,759
MORGAN STANLEY	176,516	
NOVARTIS AG		72,549
NXP SEMICONDUCTOR NV	37,235	54,147
OLIN CORP	62,778	95,928
OMNICOM GROUP	126,133	
OTIS WORLDWIDE CORP	82,727	136,857
PEABODY ENERGY CORP	59,151	
PHILIP MORRIS INTERNATIONAL	191,928	
PIONEER NATURAL RESOURCES CO	114,444	272,718
PROGRESSIVE CORP	94,497	
QORVO INC		88,344
QUALCOMM INC	113,270	255,017
RTX CORPORATION	187,223	
SANOFI	250,425	299,806
SCHLUMBERGER LTD		175,376
SCHWAB (CHARLES) CORP		311,471
SLB	228,234	
SONY GROUP CORP	104,653	74,986
SS&C TECHNOLOGIES HOLDINGS	100,887	116,315
TAKE-TWO INTERACTIVE SOFTWARE	60,719	
TECK COMINCO LTD - CLASS B	69,831	
T-MOBILE US INC	152,873	244,300
TRUIST FINANCIAL CORP		129,325
ULTA BEAUTY INC	48,559	
UNION PACIFIC CORP		160,300
UNITED RENTALS INC	197,288	164,419
UNITEDHEALTH GROUP INC	223,993	273,168
US FOODS HOLDING CORP	144,335	88,645
WABTEC CORP	115,558	84,407
WALMART, INC	238,711	
WARNER BROS DISCOVERY INC	88,892	
WELLS FARGO & COMPANY	280,689	307,544
WESCO INTERNATIONAL INC	100,185	
WHIRLPOOL CORP	56,823	
Total Equity Funds	13,501,080	14,145,980
TOTAL INVESTMENTS	124,682,217	121,941,004

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August 31, 2023 (With comparative totals for August 31, 2022)

	Fair Value As of August 31, 2023	Fair Value As of August 31, 2022
Short Term Investments (Exhibit VI)	<u>5,913,477</u>	<u>2,808,666</u>
Investments (Exhibit VI)		
Equity	64,898,533	78,148,488
Bonds	26,324,756	26,262,362
Other Investments	27,545,451	14,721,488
Total	<u><u>124,682,217</u></u>	<u><u>121,941,004</u></u>

* Investment represents greater than 5% of the Fiduciary Net Position as of August 31, 2023.

Texas Emergency Services Retirement System
Other Supplementary Schedules
Schedule 2 - Administrative Expenses for TESRS Trust Fund
For Year Ended August 31, 2023

Category	Expenses
Professional Fees and Services:	
Accounting/Bookkeeping Services	\$ 159,723
Computer Consultant Services	90,000
Legal Services	37,753
IT Services	27,500
Education & Training Services	1,689
Other Services	18
Total Professional Fees and Services	<u>\$ 316,683</u>
Travel	\$ 20,621
Salaries and Wages	8,436
Repairs & Maintenance	2,685
Other Expense	1,085
Interest Expense	510
Materials & Supplies	160
Rentals & Leases	69
Total Administrative Expenses (See Exhibit IV)	<u><u>\$ 350,249</u></u>

Texas Emergency Services Retirement System
Other Supplementary Schedules
Schedule 3 - Investing Activity Expenses
For Year Ended August 31, 2023

Category	Expenses
IFM Global	\$ 105,083
Boston Partners	91,835
Andco Consulting	88,750
Invesco Trust Company	57,012
Bank of Texas	37,709
Richmond Capital Management	33,747
Garcia Hamilton & Associates	32,686
Total Investing Activities Expenses	<u>\$ 446,822</u>
(See Exhibit IV)	

Total Direct and Indirect Fees and Commissions (SB 322 Compliance)

Total Direct and Indirect Fees and Commissions	\$ 743,404
Investment Services	
Custodial	\$ 37,709
Research	-
Investment Consulting	88,750
Legal	-
Total	<u>\$ 126,459</u>
Total Investment Expenses	
(Total Direct and Indirect Fees and Commissions	
+ Investment Services)	<u>\$ 869,863</u>

Texas Emergency Services Retirement System
Other Supplementary Schedules
Schedule 4 - Board Members
August 31, 2023

Name and Address	Term Expires September 1,
Pilar Rodriguez, Chairman	2027
Jerry Romero, Vice-Chairman	2025
Edward J. Keenan, Secretary	2023
Rodney Alan Ryalls, Trustee	2023
Matthew Glaves, Trustee	2025
Nathan Douglas, Trustee	2025
Brian Smith, Trustee	2027
Rupal Chaudhari, Trustee	2029
Brad Landi, Trustee	2027

Texas Emergency Services Retirement System

Board of Trustees

Pilar Rodriguez, Chairman

Jerry Romero, Vice-Chairman

Edward J. Keenan, Secretary

Rodney Alan Ryalls, Trustee

Matthew Graves, Trustee

Nathan Douglas, Trustee

Brian Smith, Trustee

Rupal Chaudhari, Trustee

Brad Landi, Trustee

Jessica O'Brien, Interim Executive Director

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