



# Popular Annual Financial Report

June 30, 2013

## Members of the Board of Retirement

### Appointed by the Board of Supervisors

Gary Reed

Marc Lippincott

Phillip Cox, County Supervisor

### Elected by General Members

Roland Hill

Gail Henry

### Elected by Safety Members

Mike Watson

### County Treasurer-Tax Collector

Rita Woodard

Hiley Wallis (Alternate)

### Elected by the Retired Members

Patte Crawford

Shirley Van Wormer (Alternate)

## Financial Report Issued by:

David J. Kehler, Administrator

## Members of the Staff:

Leanne Malison, Assistant Administrator

Mary Warner, Accountant III

Sherri Machado, Retirement Specialist II

Renee Smale, Retirement Specialist II

Craig Chandler, Retirement Specialist II

Christene Brown, Retirement Specialist II

Rebecca Pendleton, Secretary II

Darcy Nunes, Senior Account Clerk

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# Tulare County Employees' Retirement Association

*A Pension Trust Fund of  
the County of Tulare,*



## TCERA Fiscal Report for the year ended June 30, 2013

## Comments from TCERA's Administrator

It is with great pleasure that I present this Popular Annual Financial Report (PAFR) which summarizes the TCERA Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The financial data presented in the PAFR is derived from the CAFR and is consistent with Generally Accepted Accounting Principles (GAAP).

TCERA's accounting and administrative staff prepared the CAFR in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board and in conformity with GAAP. The CAFR is available at TCERA's administrative offices for review or accessible on our website, [www.tcera.org](http://www.tcera.org).

This report is not intended to replace the CAFR, which provides a more complete overview of TCERA's financial position and operating results. It is published to provide you with an understanding of TCERA's overall financial condition and enhanced services for the fiscal year ended June 30, 2013.

## Plan Changes, Major Initiatives, Service Efforts and Accomplishments

Implementation of TCERA's Pension Administration System continued as staff completed parallel testing, going "live" with the system as of July 1, 2013 for pension payroll and active member processes. Phases in development include general ledger functionality and member web access.

The Board of Retirement took action to implement a schedule of reductions to TCERA's investment rate assumption and benefits provided from the Supplemental Retiree Benefit Reserve (SRBR). These changes are intended to help ensure the ongoing health of the pension fund and the SRBR.

TCERA spent considerable time and effort reviewing the California Public Employees' Pension Reform Act of 2012 (PEPRA) to ensure proper implementation of its provisions, which resulted in the creation of a new tier of benefits for employees becoming TCERA members on or after January 1, 2013.

The Board of Retirement evaluated several key areas of TCERA's investment portfolio, resulting in changes to the private equity, small-mid cap domestic equity and international equity portfolios.

**TCERA Membership:** All permanent Tulare County, Strathmore Public Utility District, and Tulare County Superior Court employees working 50% or more in regular allocated positions are members of TCERA. At June 30, 2013, TCERA's membership consisted of 4,383 Active Members, 1,858 Inactive Members, 1,951 Service Retirees, 266 Disability Retirees, and 325 Survivors and Beneficiaries, for a total of 8,783 Plan Members.

**Investments:** Stock market performance was strong this fiscal year, resulting in TCERA posting an investment gain of 11.7% for the fiscal year ended June 30, 2013. Over longer time periods TCERA's improved results reflects the impact of recent positive performance combined with the volatility from historical challenging market conditions with annualized returns of 10.6% for three years and 3.7% for five years.

**Funding Status:** As of June 30, 2013, the date of the last actuarial valuation, the funded ratio for TCERA was 88.4%. TCERA's policy to use a ten year asset smoothing period with no corridor constraints, which allows TCERA to recognize investment gains and losses over time, contributed to TCERA's strong funded status at fiscal year end. TCERA's funding objective is to maintain a status that allows for the payment of its long-term benefit obligations through contributions and investment income. The Board of Retirement is committed to strategies intended to maintain the safety and security of the Plan's assets.

**Award for Outstanding Achievement for Excellence in Financial Reporting:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TCERA for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

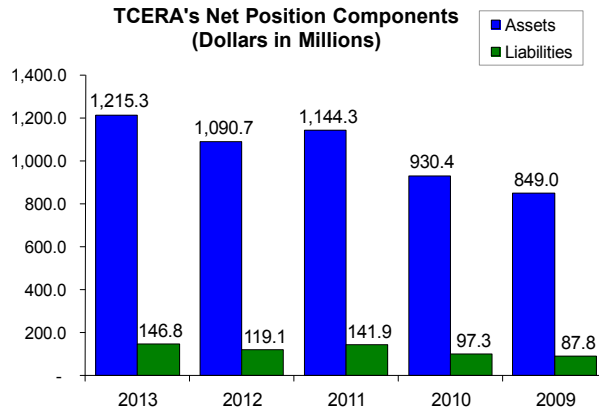
**Award for Outstanding Achievement in Popular Annual Financial Reporting:** The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TCERA for its June 30, 2012 PAFR.

Respectfully submitted,

David Kehler, Retirement Administrator

## Financial Highlights

TCERA assets of \$1.2 billion less liabilities of \$146.8 million resulted in a total net position restricted for pensions of just under \$1.1 billion at June 30, 2013.



TCERA's net position at fiscal year end increased primarily due to improved Net Investment Income and increased Employer and Employee Contributions. These increases were partially offset by Benefit Payments, Member Refunds, and Administrative Expenses. Employer and Employee contributions increased as a result of higher payroll and an increase in the number of active members. TCERA's investment results reflect the significant outperformance of the fund in 2013, with historical outcomes dampened by the global and domestic financial market turmoil of 2008 and 2012.

### Additions to Net Position for Fiscal Year

Ended 6/30	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2013	\$ 29,847,226	\$ 18,430,299	\$ 112,345,536
2012	25,257,124	16,470,845	(12,099,746)
2011	23,434,239	17,799,366	183,562,725

### Deductions from Net Position for Fiscal Year

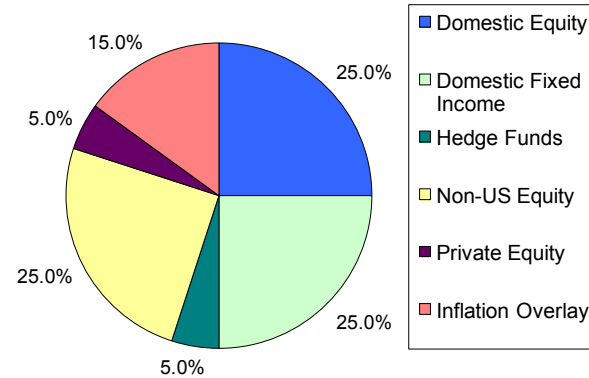
Ended 6/30	Retiree Benefits	Member Refunds	Admin and Other Expenses
2013	\$ 58,529,719	\$ 3,394,090	\$ 1,779,872
2012	54,334,974	4,354,187	1,720,190
2011	50,430,014	3,351,823	1,694,942

## Investment Highlights

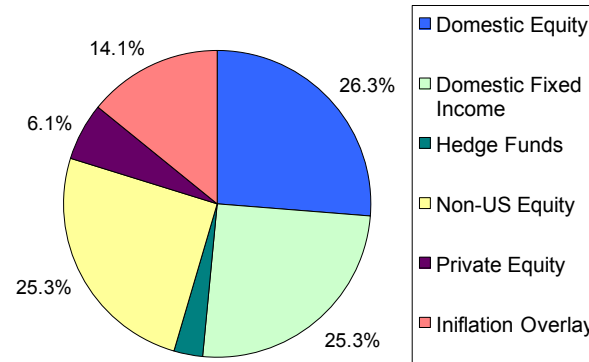
### TCERA Investment Returns Fiscal Year Ended June 30, 2013

Investment	Current Year Return	3-Year Return	5-Year Return
Domestic Equity	23.00%	18.70%	8.40%
Non-US Equity	14.30%	7.70%	-2.90%
Fixed Income	1.50%	5.70%	7.10%
Hedge Funds	9.90%	5.70%	2.60%
Private Equity	19.10%	14.00%	7.30%
Real Estate	9.30%	11.40%	-2.50%
Total TCERA Fund	11.70%	10.60%	3.70%

### 2013 Target Asset Allocation

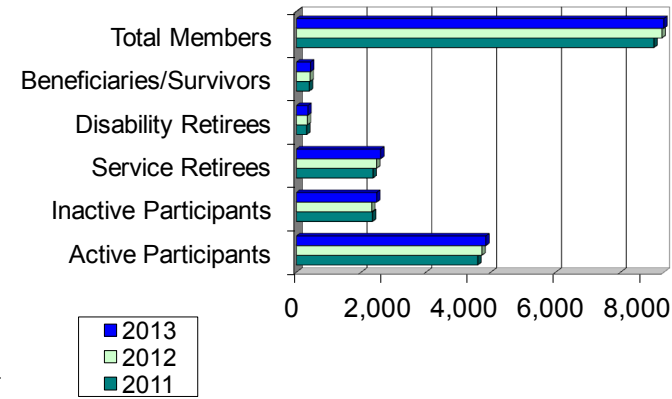


### 2013 Actual Asset Allocation



## Membership Highlights

### TCERA Membership

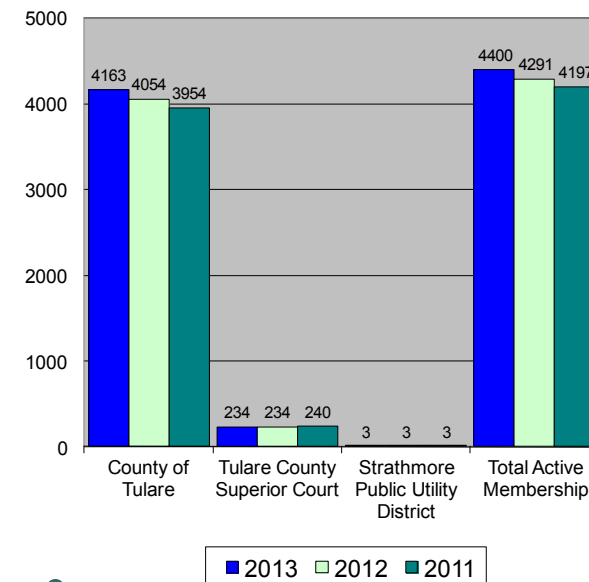


### Average Annual Benefit Payments

Fiscal years ending June 30

Membership Type	2013	2012	2011
General Members	\$ 18,768	\$ 18,096	\$ 17,472
Safety Members	33,108	32,040	31,164

### Participating Employers and Active Members



## Funding Highlights

As of June 30, 2013, the funded ratio for TCERA was 88.4%, a decrease of .7% over the prior year. The ratio indicates that for every \$1 of benefits due we had approximately \$0.884 of assets available for payments as of that date. The Board of Retirement has adopted a 10-year smoothing process which allows the plan to recognize investment gains and losses over time. This smoothing process contributes to the stable funded status of the plan. The slight downward trend in the ratio reflects the recognition of deferred gains and losses from prior years.

Some significant actuarial assumptions used in calculating the funded status include an investment earnings rate of 7.9% compounded annually, graded merit and longevity salary assumptions (ranging from 4.3% to 6.3% per year), and an inflation rate of 4.0% per year. Employers historically have contributed 100% of required contributions each year.

### Funding Progress

Actuarial Valuation Date as of June 30 (Dollars in thousands)

Year Ended June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio
2013	\$ 1,048,160	\$ 1,186,057	88.4%
2012	981,946	1,101,456	89.1%
2011	969,636	1,072,144	90.4%
2010	946,640	1,033,211	91.6%
2009	919,179	996,747	92.2%
2008	879,051	946,414	92.9%

### Employer Contributions

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 29,847	100%
2012	25,257	100%
2011	23,434	100%
2010	25,339	100%
2009	22,431	100%
2008	22,692	100%