



Popular Annual Financial Report

June 30, 2014

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

Jan Taylor (Alternate)

Financial Report Issued by:

David J. Kehler, Administrator

Members of the Staff:

Leanne Malison, Assistant Administrator

Mary Warner, Accountant III

Sherri Rogers, 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

TCERA
136 N. AKERS STREET
VISALIA, CALIFORNIA 93291
559-713-2900
www.tcera.org

Tulare County Employees' Retirement Association

A Pension Trust Fund of the
County of Tulare, California



TCERA Fiscal Report for the year ended June 30, 2014

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, 2014. 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.

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, 2014.

Plan Changes, Major Initiatives, Service Efforts and Accomplishments

Implementation of TCERA's Pension Administration System continued with the completion of its first full year of use for retired and active member processes. TCERA has recognized numerous efficiencies and has enhanced member reporting, including a revised annual member statement designed to provide benefit projections in addition to member balances. Phases in development include general ledger functionality and member web access.

The Board of Retirement finalized policies and changes required by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

TCERA entered its first year of a reduction plan for its interest rate assumption and the second year of a reduction plan for benefits provided from the Supplemental Retiree Benefit Reserve (SRBR). These changes will help ensure the ongoing health of the pension fund and the SRBR.

The Board of Retirement continued its evaluation of key areas of the investment portfolio. In addition, action was taken to hire active managers for the commodities portfolio in lieu of its prior passive manager approach.

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, 2014, TCERA's membership consisted of 4,414 Active Members, 1,873 Inactive Members, 2,061 Service Retirees, 275 Disability Retirees, and 355 Survivors and Beneficiaries, for a total of 8,978 Plan Members.

Investments: Stock market performance was strong this fiscal year, resulting in TCERA posting an investment gain of 17.1% for the fiscal year ended June 30, 2014. Over longer time periods TCERA's improved results reflect the impact of recent positive performance combined with the volatility from historical challenging market conditions with annualized returns of 9.1% for three years and 11.9% for five years.

Funding Status: As of June 30, 2014, the date of the last actuarial valuation, the funded ratio for TCERA was 88.1%. 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, 2013.

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, 2013 PAFR.

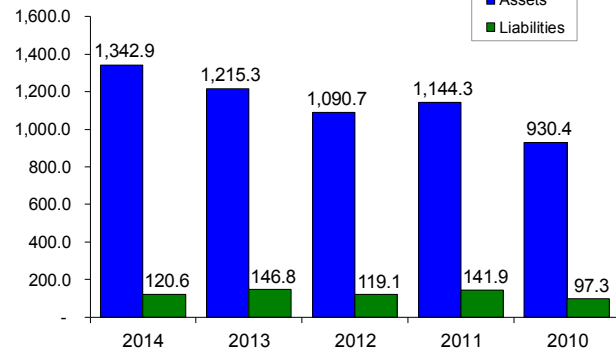
Respectfully submitted,

David Kehler, Retirement Administrator

Financial Highlights

TCERA assets of \$1.34 billion less liabilities of \$120.6 million resulted in a fiduciary net position restricted for pensions of \$1.22 billion at June 30, 2014.

TCERA's Fiduciary Net Position Components (Dollars in Millions)



TCERA's net fiduciary position at fiscal year end increased by \$153.8 million, or 14.39%. This was primarily due to improved Net Investment Income and a decrease in total liabilities. The increase was partially offset by Benefit Payments, Member Refunds, and Administrative Expenses, including costs associated with TCERA's new pension administration system. TCERA's investment results reflect the significant outperformance of the fund in 2014, with longer 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)
2014	\$ 25,953,288	\$ 18,968,800	\$ 176,883,871
2013	29,847,226	18,430,299	112,345,536
2012	25,257,124	16,470,845	(12,099,746)

Deductions from Net Position for Fiscal Year

Ended 6/30	Retiree Benefits	Member Refunds	Admin and Other Expenses
2014	\$ 62,653,764	\$ 3,300,343	\$ 2,048,615
2013	58,529,719	3,394,090	1,779,872
2012	54,334,974	4,354,187	1,720,190

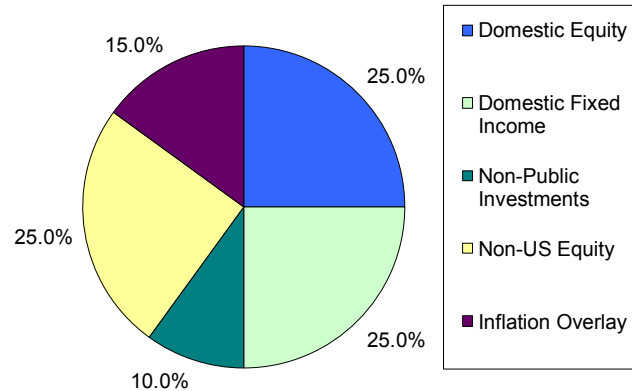
Investment Highlights

TCERA Investment Returns (Time Weighted) Fiscal Year Ended June 30, 2014

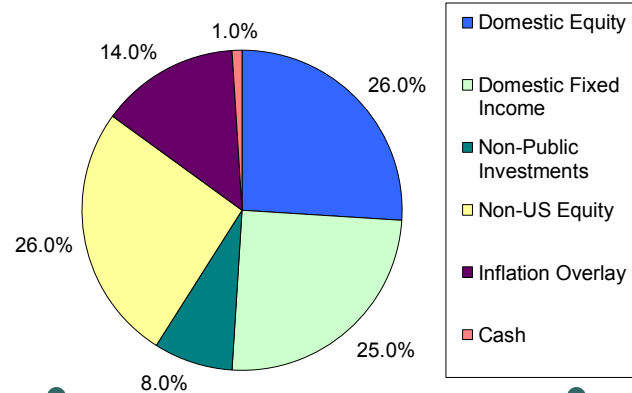
Investment	Current	3-Year	5-Year
Domestic Equity	26.00%	16.70%	19.70%
Non-US Equity	22.90%	5.60%	10.90%
Fixed Income	5.90%	5.50%	8.00%
Hedge Funds	8.60%	6.30%	7.20%
Private Equity	22.90%	18.90%	17.90%
Commodities	10.40%	N/A	N/A
Real Estate	11.80%	10.10%	6.30%
Total TCERA Fund	17.10%	9.10%	11.90%
TCERA Policy Index*	15.80%	8.50%	12.10%

*25% Russell 3000, 25% M S C I A C W I ex US, 25% B C Agg, 5% Bloomberg Comm, 5% CP I+500 bps, 5% Russell 3000+300bps

2014 Target Asset Allocation

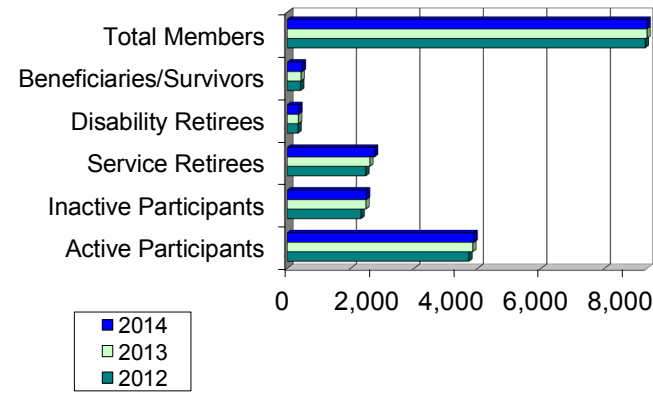


2014 Actual Asset Allocation



Membership Highlights

TCERA Membership

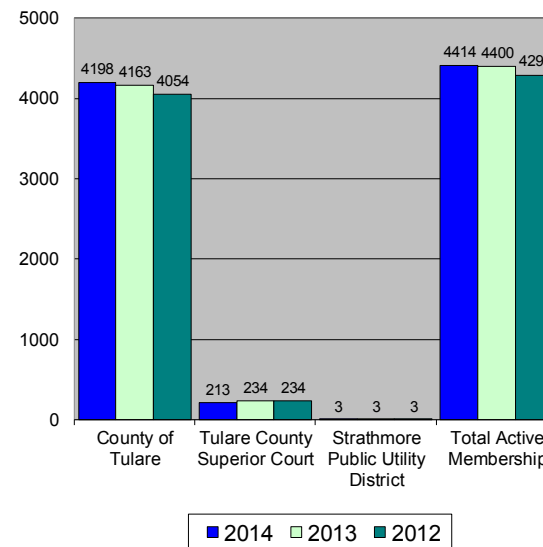


Average Annual Benefit Payments

Fiscal years ending June 30

Membership Type	2014	2013	2012
General Members	\$ 18,912	\$ 18,768	\$ 18,096
Safety Members	33,228	33,108	32,040

Participating Employers and Active Members



Funding Highlights

As of June 30, 2014, the funded ratio for TCERA was 88.1%, a decrease of .3% over the prior year. The ratio indicates that for every \$1 of benefits due we had approximately \$0.881 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 7.85% compounded annually, graded merit and longevity salary assumptions (ranging from 3.5% to 9.0% per year), and an inflation rate of 3.0% 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
2014	\$ 1,101,929	\$ 1,251,179	88.1%
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%

Employer Contributions

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 25,953	100%
2013	29,847	100%
2012	25,257	100%
2011	23,434	100%
2010	25,339	100%
2009	22,431	100%