



Popular Annual Financial Report

June 30, 2015

Members of the Board of Retirement

Appointed by the Board of Supervisors

Gary Reed
Wayne Ross

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
Leanne Malison, Assistant Administrator
Mary Warner, Administrative Services Officer III

Members of the Staff:

Retirement Specialist II — Sherri Rogers, Renee Smale,
Craig Chandler, Christene Brown
Secretary II— Rebecca Pendleton
Senior Account Clerk — Darcy Nunes
Office Assistant II— Jeanette Burks, Adriana Rodriguez

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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, 2015

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, 2015. 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, 2015.

Plan Changes, Major Initiatives, Service Efforts and Accomplishments

After an extensive review process, the Board of Retirement updated some key actuarial assumptions effective June 30, 2015. The inflation assumption was lowered from 4% to 3% to more accurately reflect long term inflation estimates. The previously approved investment assumption rate reduction plan resulted in a five basis point reduction to 7.65%. The Plan adopted updated mortality tables to more accurately reflect national trends. The amortization method for the Plan's unfunded actuarial liability was changed from a 15-year rolling to a 19-year layered amortization to ensure that liabilities are fully paid off over time.

Two full time office assistant positions were established to relieve workload from key staff members, freeing them to focus time and energy on more complex matters and enhanced member services.

The Board of Retirement continued its evaluation of key areas of the investment portfolio. As a result, a manager change was authorized for the Core Plus Fixed Income portfolio and a Global Equity allocation was added to TCERA's investments. A review of the Private Equity and Hedge Fund allocations will result in new investments in the next fiscal year.

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, 2015, TCERA's membership consisted of 4,405 Active Members, 1,767 Inactive Members, 2,161 Service Retirees, 294 Disability Retirees, and 366 Survivors and Beneficiaries, for a total of 8,993 Plan Members.

Investments: Stock market performance was disappointing this fiscal year, resulting in TCERA posting an investment gain of 1.3% for the fiscal year ended June 30, 2015. Over longer time periods TCERA's results reflect the impact of some recent positive performance combined with the volatility from historical challenging market conditions with annualized returns of 10.0% for three years and 10.0% for five years.

Funding Status: As of June 30, 2015, the date of the last actuarial valuation, the funded ratio for TCERA was 85.1%. TCERA's policy to use a ten year asset smoothing period with an 30% corridor constraint, which allows TCERA to recognize investment gains and losses over time, contributed to retaining a 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.

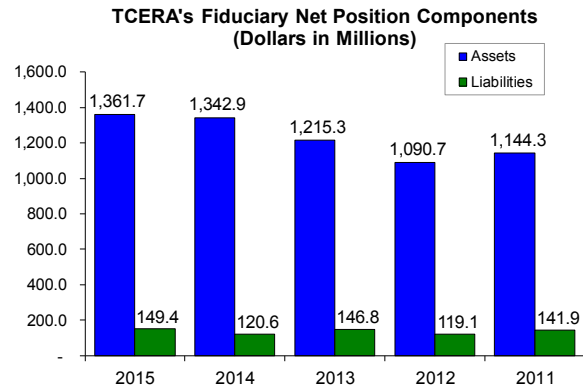
Award for Outstanding Achievement for Excellence in Financial Reporting: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TCERA for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

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, 2014 PAFR.

Respectfully submitted,
David Kehler, Retirement Administrator

Financial Highlights

TCERA assets of \$1.36 billion less liabilities of \$149.4 million resulted in a fiduciary net position restricted for pensions of \$1.21 billion at June 30, 2015.



TCERA's fiscal year end net fiduciary position decreased by \$10.1 million, a reduction of 0.82%. This was primarily due to lower Net Investment Income, a decrease in Employee Contributions, and an increase in Benefit Payments and Administrative Expenses. The net decrease was partially offset by lower Member Refunds and increased Employer Contributions. TCERA's investment results reflect a challenging investment year in 2015. Three and five year outcomes reflect strong performance in recent years dampened by 2012 market turmoil, exceeding policy for the current, three and five year time periods.

Additions to Net Position for Fiscal Year

Ended 6/30	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2015	\$ 30,992,069	\$ 18,887,422	\$ 11,043,009
2014	25,953,288	\$ 18,968,800	176,883,871
2013	29,847,226	18,430,299	112,345,536

Deductions from Net Position for Fiscal Year

Ended 6/30	Retiree Benefits	Member Refunds	Admin and Other Expenses
2015	\$ 65,478,474	\$ 3,081,414	\$ 2,408,394
2014	62,653,764	3,300,343	2,048,615
2013	58,529,719	3,394,090	1,779,872

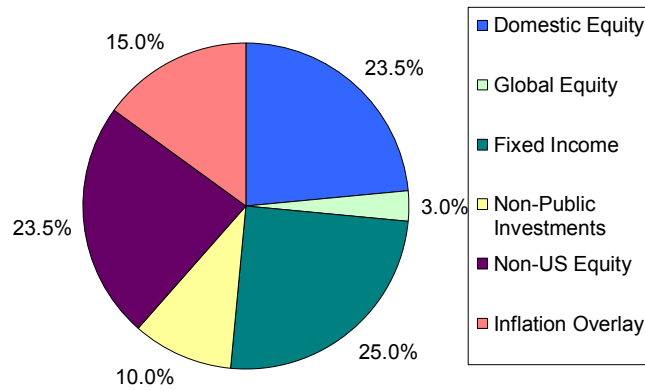
Investment Highlights

TCERA Investment Returns (Time Weighted) Fiscal Year Ended June 30, 2015

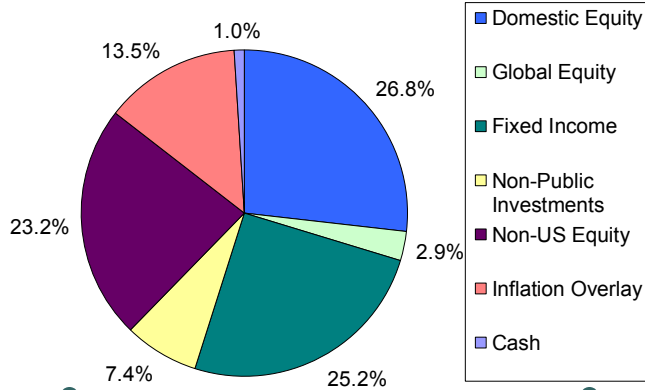
Investment	Current	3-Year	5-Year
Domestic Equity	9.00%	19.10%	18.10%
Non-US Equity	-5.50%	9.90%	7.70%
Fixed Income	0.90%	2.70%	4.80%
Hedge Funds	3.80%	7.40%	6.00%
Private Equity	11.70%	17.60%	15.70%
Commodities	-22.20%	N/A	N/A
Real Estate	15.20%	12.10%	12.20%
Total TCERA Fund	1.30%	10.00%	10.00%

TCERA Policy Index* 1.10% 8.60% 9.70%
 *23.5% Russell 3000, 23.5% MSCI ACWI ex US, 3% MSCI ACWI, 25% BC Agg, 5% Bloomberg Comm, 5% CPI+500 bps, 5% Russell 3000+300bps

2015 Target Asset Allocation

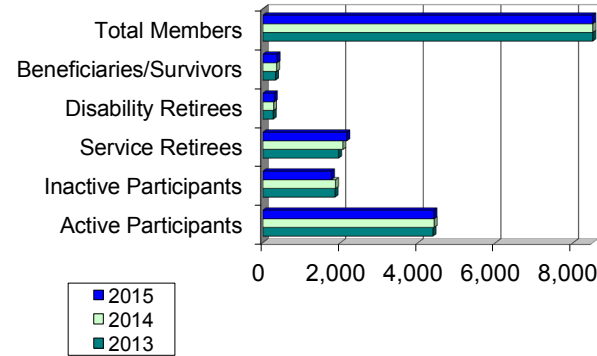


2015 Actual Asset Allocation



Membership Highlights

TCERA Membership

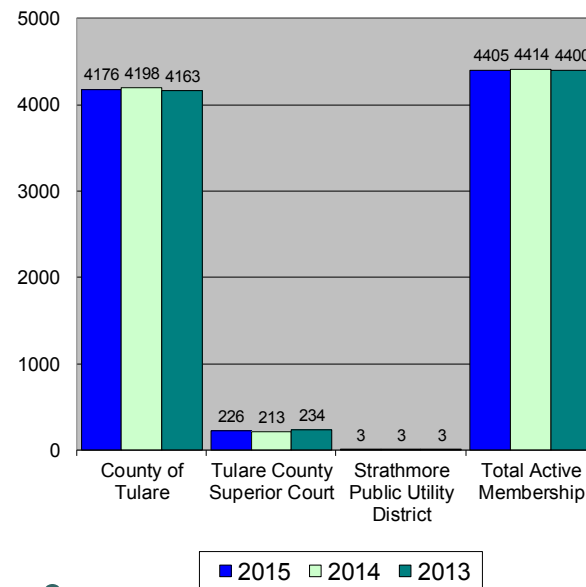


Average Annual Benefit Payments

Fiscal years ending June 30
(Dollars in thousands)

Membership Type	2015	2014	2013
General Members	\$ 18,996	\$ 18,912	\$ 18,768
Safety Members	33,456	33,228	33,108

Participating Employers and Active Members



Funding Highlights

As of June 30, 2015, the funded ratio for TCERA was 85.1%, a decrease of 1.5% over the prior year. The ratio indicates that for every \$1 of benefits due we had approximately \$0.851 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 7.65% compounded annually, graded merit and longevity salary assumptions (ranging from 3.5% to 9.0% per year), and an inflation rate of 3.0%. The history of employer contributions reflects annual changes in payroll and contributions rates.

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
2015	\$ 1,156,587	\$ 1,358,435	85.1%
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%

Employer Contributions

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	\$ 30,992	100%
2014	25,953	100%
2013	29,847	100%
2012	25,257	100%
2011	23,434	100%
2010	25,339	100%