



**Popular Annual
Financial Report
June 30, 2016**

Members of the Board of Retirement

Appointed by the Board of Supervisors

Gary Reed
Wayne Ross
James Young

Phillip Cox, County Supervisor

Elected by General Members

Roland Hill
Frank Embrey

Elected by Safety Members

Mike Watson
Charles Norman (Alternate)

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
Accountant I — Jessica Gutierrez
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, 2016***

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, 2016. 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, 2016.

Plan Changes, Major Initiatives, Service Efforts and Accomplishments

The Board of Retirement completed the evaluation of the investment portfolio resulting in the following changes: an increase in the target allocation to real estate from 5% to 10%; an allocation of 5% to Private Credit; and a reduced target allocation for equity, high yield and TIPS. Two Private Equity managers, one Hedge fund manager, and two Core Plus Fixed Income managers were selected.

The previously approved investment assumption rate reduction plan resulted in a five basis point reduction to 7.60% with a plan to reduce to 7.5% over the next two years.

TCERA completed a redesign and upgrade to its website. The new website offers a format that is friendly for smart phone and other mobile devices.

The Board analyzed some key policies and updated its resolution regarding pay codes included as pensionable income, Education and Due Diligence Policy, Communications between Trustees and Outside Service Providers Policy, and adopted a Policy for Retiree Deaths – Funds owed to TCERA.

TCERA adopted tax compliance regulations as required by the IRS to maintain its qualified status.

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, 2016, TCERA's membership consisted of 4,496 Active Members, 1,851 Inactive Members, 2,265 Service Retirees, 294 Disability Retirees, and 381 Survivors and Beneficiaries, for a total of 9,287 Plan Members.

Investments: As a result of a challenging market environment, TCERA's investments posted a loss of 1% for the fiscal year ended June 30, 2016. TCERA's sizable allocation to international investments was a significant driver of lower returns as was the underperformance of some of TCERA's active investment managers. Over longer time periods TCERA's results reflect the impact of historically challenging market conditions with annualized returns of 5.6% for three years and 5.5% for five years.

Funding Status: As of June 30, 2016, the date of the last actuarial valuation, the funded ratio for TCERA was 83.3%. TCERA's policy to use a ten year asset smoothing period with a 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.

GFOA 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, 2015.

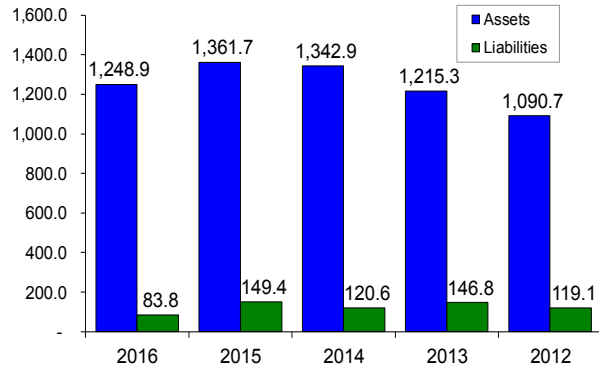
GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting: The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TCERA for its June 30, 2015 PAFR.

Respectfully submitted,
David Kehler, Retirement Administrator

Financial Highlights

TCERA assets of \$1.25 billion less liabilities of \$83.8 million resulted in a fiduciary net position restricted for pensions of \$1.17 billion at June 30, 2016.

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



TCERA's fiscal year end net fiduciary position decreased by \$10.1 million, a reduction of 3.89%. 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 increased Employer Contributions. TCERA's investment results reflect a challenging investment year in 2016. Three and five year outcomes were also affected by disappointing results in recent years. TCERA expects future results over longer time periods to achieve its investment goals.

Additions to Net Position for Fiscal Year

Ended 6/30	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2016	\$ 31,297,240	\$ 16,814,551	\$ (20,308,501)
2015	30,992,069	18,887,422	11,043,009
2014	25,953,288	18,968,800	176,883,871

Deductions from Net Position for Fiscal Year

Ended 6/30	Retiree Benefits	Member Refunds	Admin and Other Expenses
2016	\$ 69,134,188	\$ 3,198,234	\$ 2,615,856
2015	65,478,474	3,081,414	2,408,394
2014	62,653,764	3,300,343	2,048,615

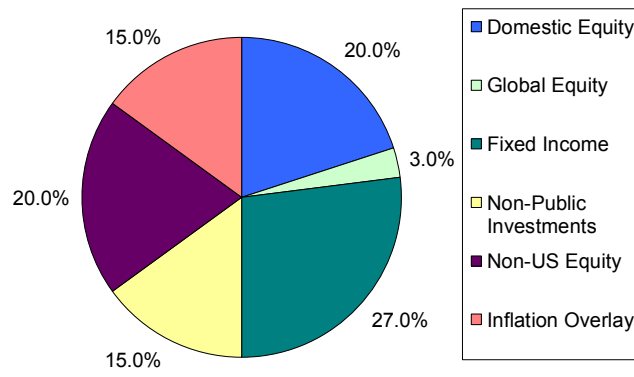
Investment Highlights

TCERA Investment Returns (Time Weighted) Fiscal Year Ended June 30, 2016

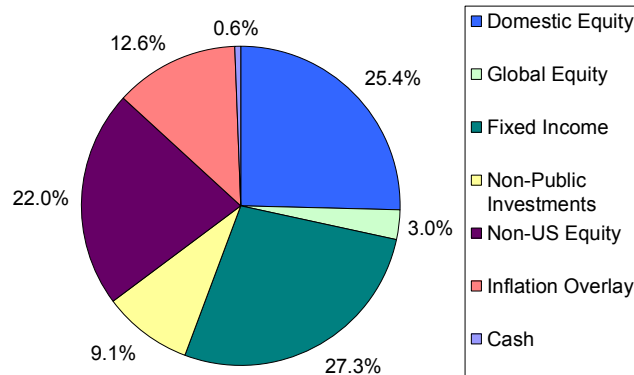
Investment	Current	3-Year	5-Year
Domestic Equity	-0.10%	11.10%	11.60%
International Equity	-9.50%	1.70%	0.10%
Global Equity	-0.50%	N/A	N/A
Fixed Income	3.70%	3.50%	4.20%
Hedge Funds	-4.80%	2.40%	3.50%
Private Equity	4.70%	12.60%	14.00%
Opportunistic	3.60%	13.80%	18.40%
Commodities	-14.20%	N/A	N/A
Real Estate	12.80%	13.30%	11.60%
Total TCERA Fund	-1.00%	5.60%	5.50%
TCERA Policy Index*	0.30%	5.50%	5.30%

*23.5% Russell 3000, 23.5% MSCI ACWI ex US, 3% MSCI ACWI, 25% BC Agg, 5% BC US TIPS, 5% NCREIF Property, 5% Bloomberg Comm, 5% CPI+500 bps, 5% Russell 3000+300bps

2016 Target Asset Allocation

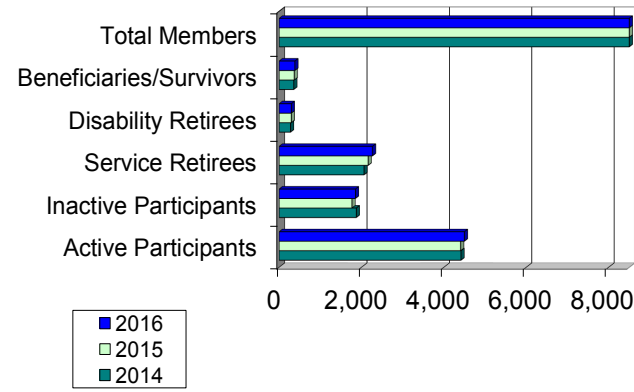


2016 Actual Asset Allocation



Membership Highlights

TCERA Membership

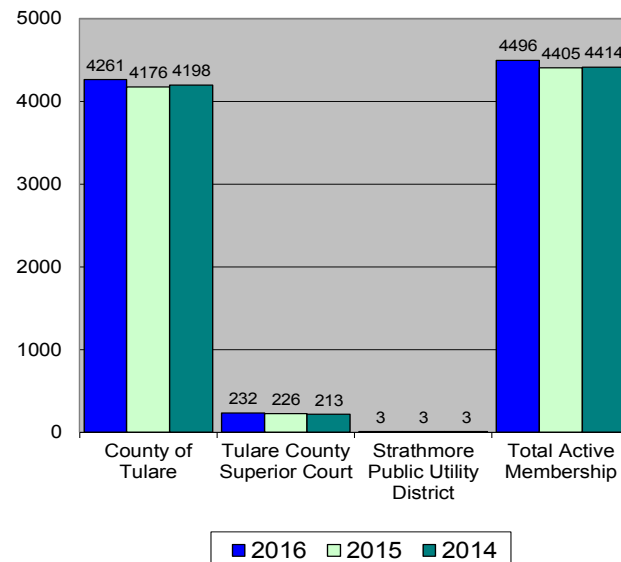


Average Annual Benefit Payments

Fiscal years ending June 30 (Dollars in thousands)

Membership Type	2016	2015	2014
General Members	\$ 19,659	\$ 19,000	\$ 18,912
Safety Members	33,567	33,460	33,228

Participating Employers and Active Members



Funding Highlights

As of June 30, 2016, the funded ratio for TCERA was 83.3%, a decrease of 1.8% over the prior year. The ratio indicates that for every \$1 of benefits due we had approximately \$0.833 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 7.6% 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 Liability	Funded Ratio
2016	\$ 1,192,642	\$ 1,431,436	83.3%
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%

Employer Contributions

(Dollars in thousands)

Year Ended June 30	Actuarially Determined Contribution	Percentage Contributed
2016	\$ 31,297	100%
2015	30,992	100%
2014	25,953	100%
2013	29,847	100%
2012	25,257	100%
2011	23,434	100%