



**Popular Annual
Financial Report
June 30, 2017**

Members of the Board of Retirement

Appointed by the Board of Supervisors

Gary Reed

Wayne Ross

James Young

Pete Vander Poel, 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

Cass Cook (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 Specialists — Christene Brown, Darcy Nunes, Adriana Gonzales-Chang

Secretary II — Rebecca Pendleton

Accountant I — Jessica Gutierrez

Senior Account Clerk — Samantha Gong

Office Assistant II — Frank Martin, Jeanette Burks

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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, 2017***

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, 2017. The financial data presented in the PAFR is derived from the CAFR and is consistent with Generally Accepted Accounting Principles (GAAP).

TCERA 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 an understanding of TCERA's overall financial condition and enhanced services for the fiscal year.

Plan Changes, Major Initiatives, Service Efforts and Accomplishments

The Board of Retirement's recent evaluation of the investment portfolio resulted in a change in its Investment Policy to include Private Credit investments. TPG Special Situations Partners was selected for the 5% allocation.

After extensive analysis and discussion, the Board reduced its investment assumption rate from 7.60% to 7.25%. While this action resulted in an increase to liabilities, this action will place the plan in a more favorable position for reaching its long-term investment return goals and achieving full funding status.

TCERA completed the initial phase of development for member web services called "My TCERA" designed to allow members to access their demographic and balance information as well as the ability to calculate preliminary retirement benefit estimates. Retired members have access to payment and 1099R records and can submit updates to certain pension information. Access will be made available through TCERA's website.

The Board analyzed some key policies and updated its resolutions regarding the division of community property, funds owed and due, and investments. The Board also adopted revised disability retirement procedures.

Membership: Tulare County, Strathmore Public Utility District, and Tulare County Superior Court employees working 50% or more in regular positions are members of TCERA. At June 30, 2017, membership consisted of 4,536 Actives, 1,954 Inactives, 2,323 Service Retirees, 325 Disability Retirees, and 424 Beneficiaries, for a total of 9,562 members.

Investments: Investments rebounded for the fiscal year, posting 11.9%, exceeding the assumption rate of 7.25%. All asset classes performed well with TCERA's active managers adding 100 basis points above TCERA's policy index of 10.9% for the fiscal year. Over longer time periods TCERA's results reflect the impact of historically volatile markets with annualized returns of 3.9% for three years and 8.1% for five years.

Funding Status: As of June 30, 2017, the date of the last actuarial valuation, the funded ratio for TCERA was 78.1%. This represents a reduction over the prior year, primarily due to the decision to adopt a more conservative investment assumption rate of 7.25%. TCERA's policy to use 10-year asset smoothing with a 30% corridor constraint allows TCERA to recognize investment gains and losses over time, contributing to a stable funded status. 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, 2016.

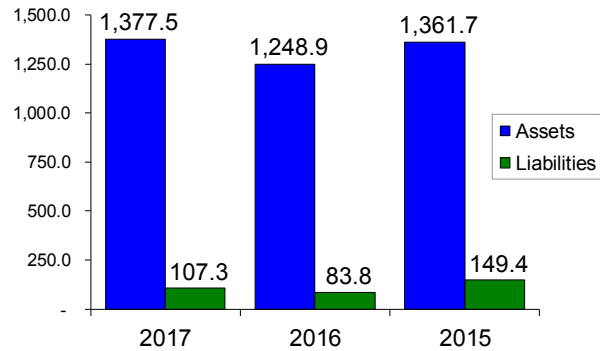
GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting: The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TCERA for its June 30, 2016 PAFR.

Respectfully submitted,
David Kehler, Retirement Administrator

Financial Highlights

Assets of \$1.38 billion less liabilities of \$107.3 million resulted in a fiduciary net position restricted for pensions of \$1.27 billion at June 30, 2017. Investment performance and the reduction in the investment rate assumption were the primary drivers of the changes in assets and liabilities.

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



TCERA's net fiduciary position increased by \$105.1 million, an improvement of 9.02% over the prior fiscal year. This was due to higher net investment income and increases in contributions offset by increases to benefits and refunds. Investment results reflect robust returns for the fiscal year. Three and five year outcomes were affected by volatile results in recent years. TCERA focuses on long-term results in evaluating the plan's success.

Additions to Net Position for Fiscal Year

Ended 6/30	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2017	\$ 33,615,885	\$ 18,190,415	\$ 132,865,032
2016	31,297,240	16,814,551	(20,308,501)
2015	30,992,069	18,887,422	11,043,009

Deductions from Net Position for Fiscal Year

Ended 6/30	Retiree Benefits	Member Refunds	Admin and Other
2017	\$ 73,442,266	\$ 3,519,060	\$ 2,611,562
2016	69,134,188	3,198,234	2,615,856
2015	65,478,474	3,081,414	2,408,394

Investment Highlights

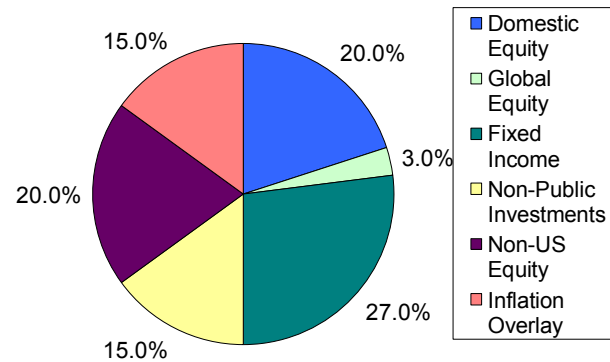
Investment Returns Fiscal Year Ended 6/30/17

Investment	Current	3-Year	5-Year
Domestic Equity	20.00%	9.30%	15.20%
International Equity	21.30%	1.20%	7.80%
Global Equity	21.40%	N/A	N/A
Fixed Income	3.40%	2.60%	3.00%
Hedge Funds	6.60%	1.70%	4.70%
Private Equity	6.90%	7.90%	12.80%
Opportunistic	5.60%	6.70%	15.50%
Commodities	-3.10%	-13.80%	N/A
Real Estate	5.40%	11.10%	10.90%

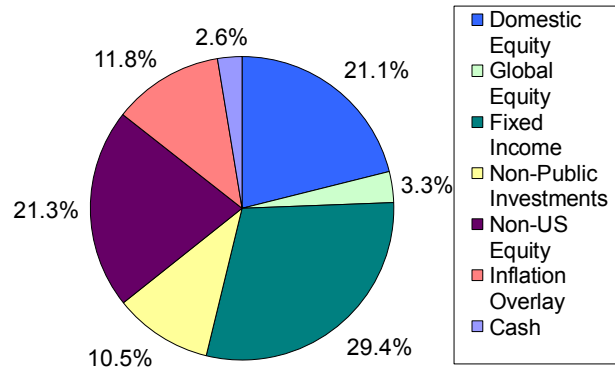
Total TCERA Fund	11.90%	3.90%	8.10%
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TCERA Policy Index* 10.90% 4.00% 7.40%
 Time Weighted Returns. *Policy Index 23.5% Russell 3000, 25% BC Agg.ACWI, 23.5% MSCI ACWI ex US, 3% MSCI 5% BC US TIPS, 5% NCREIF Property, 5% Bloomberg Comm, 5% CP+500 bps, 5% Russell 3000+300bps

2017 Target Asset Allocation

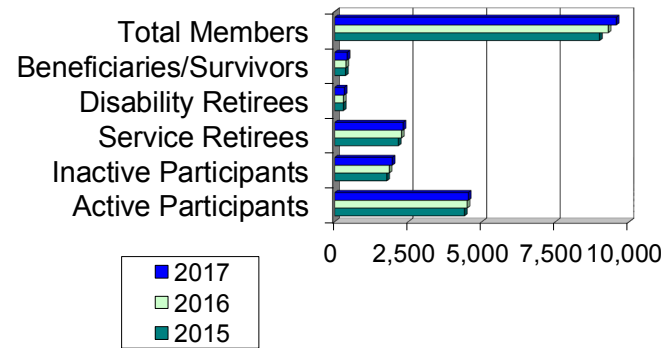


2017 Actual Asset Allocation



Membership Highlights

TCERA Membership

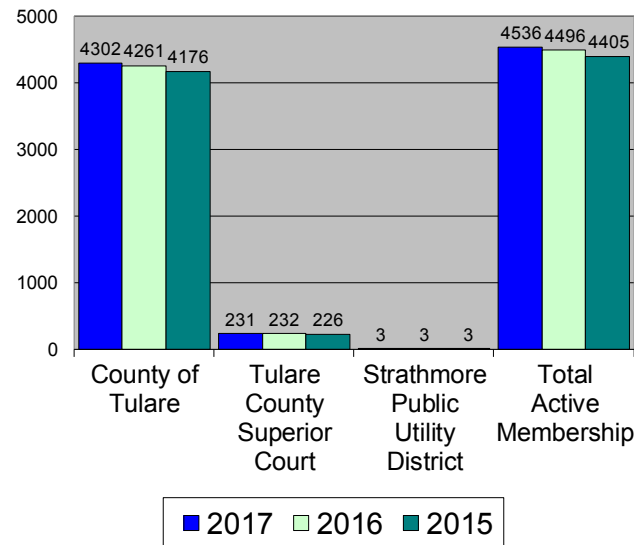


Average Annual Benefit Payments

Fiscal years ending June 30
 (Dollars in thousands)

Membership Type	2017	2016	2015
General Members	\$ 20,151	\$ 19,659	\$ 19,000
Safety Members	33,873	33,567	33,460

Participating Employers and Active Members



Funding Highlights

As of June 30, 2017, TCERA's funded ratio (based on GASB Statement No. 25) was 78.1%, a decrease of 5.2% over the prior year. TCERA has adopted 10-year smoothing which allows the plan to recognize investment gains and losses over time. This process contributes to the stable funded status of the plan. The slight downward trend in the ratio reflects the increase in liabilities as a result of the recent reductions in the assumed investment earnings rate and the effect on assets from 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 7.25%, graded merit and longevity salary assumptions (ranging from 3.5% to 8.0% per year), and an inflation rate of 3.0%. The history of employer contributions reflects annual changes in payroll as well as contribution rates calculated by the actuary based on the actuarial assumptions.

Funding Progress

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

Year Ended June 30	Actuarial Value of Assets	Actuarial Liability	Funded Ratio
2017	\$ 1,228,655	\$ 1,573,406	78.1%
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%

Employer Contributions

(Dollars in thousands)

Year Ended June 30	Actuarially Determined Contribution	Percentage Contributed
2017	\$ 33,616	100%
2016	31,297	100%
2015	30,992	100%
2014	25,953	100%
2013	29,847	100%