



**Popular Annual
Financial Report
June 30, 2018**

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

Second General Seat—Vacant

Elected by Safety Members

Mike Watson

Charles Norman (Alternate)

County Treasurer-Tax Collector

Cass Cook

Paul Sampietro (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: C. Brown, D. Nunes,
A. Gonzales-Chang, J. Burks, S. Abrego

Accounting Staff: N. Singkeovilay, M. Cardenas

Administrative and Support Staff: R. Pendleton,
S. Gong, F. Martin, S. Brown

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, 2018***

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, 2018. 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 evaluation of the investment portfolio and actuarial data resulted in no change to its Investment Policy or its investment assumption rate of 7.25%.

TCERA and the County of Tulare spent considerable time and effort discussing ways to reduce TCERA's unfunded actuarial liability. As a result of these efforts, the County of Tulare issued \$250 million in Pension Obligation Bonds. The proceeds were received by TCERA and applied to the unfunded liability which significantly improved TCERA's funded ratio.

TCERA completed the final phase of development for member web services called "My TCERA" which allows members to access their demographic and balance information and to have the ability to calculate preliminary retirement benefit estimates. Retirees have access to payment and 1099R records and can submit updates to certain pension information. After enrolling, access is available through TCERA's website.

The Board analyzed some key policies and approved updates to its policies regarding disposal of capital assets and recusal from participating in quasi-judicial matters.

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, 2018, membership consisted of 4,581 Actives, 2,032 Inactives, 2,422 Service Retirees, 330 Disability Retirees, and 440 Beneficiaries, for a total of 9,805 members.

Investments: Investments were strong for the fiscal year, posting 7.8%, exceeding the assumption rate of 7.25%. All asset classes performed well with TCERA's active managers adding 40 basis points above TCERA's policy index of 7.4% for the fiscal year. Over longer time periods TCERA's results reflect the impact of historically volatile markets with annualized returns of 6.1% for three years and 7.3% for five years.

Funding Status: As of June 30, 2018, the date of the last actuarial valuation, the funded ratio for TCERA was 92.0%. This represents a slight reduction over the prior year ratio of 92.9%. It is a significant improvement over 2016, however, due to the receipt of Pension Obligation Bond proceeds. 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, 2017.

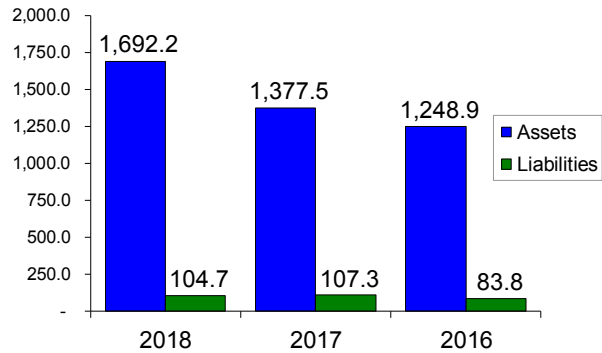
GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting: The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TCERA for its June 30, 2017 PAFR.

Respectfully submitted,
David Kehler, Retirement Administrator

Financial Highlights

Assets of \$1.69 billion less liabilities of \$104.7 million resulted in a fiduciary net position restricted for pensions of \$1.59 billion at June 30, 2018, an increase of \$317 million. Investment performance and \$250 million in Pension Obligation Bond (POB) proceeds were the primary reasons for the increase.

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



Improvement to the fiduciary net position reflects increases in employer and employee contributions (including POB proceeds), affected by rate changes as recommended by the actuary and increased payroll. Detractors are benefits, refunds and expenses. Investments contributed income, reflecting robust returns for the fiscal year. Market volatility affected 3 and 5 year results. TCERA focuses on long term results in evaluating the plan's success.

Additions to Net Position (dollars in thousands)

Fiscal Year	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2018	\$ 286,263	\$ 18,512	\$ 95,857
2017	33,616	18,190	132,865
2016	31,297	16,815	(20,309)

Deductions from Net Position (dollars in thousands)

Fiscal Year	Retiree Benefits	Member Refunds	Admin and Other
2018	\$ 77,083	\$ 3,633	\$ 2,666
2017	73,442	3,519	2,612
2016	69,134	3,198	2,616

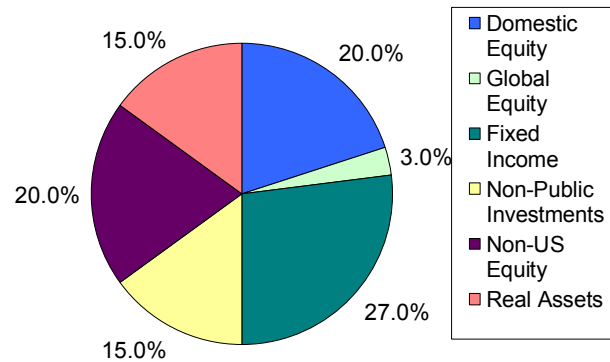
Investment Highlights

Investment Returns Fiscal Year Ended 6/30/18

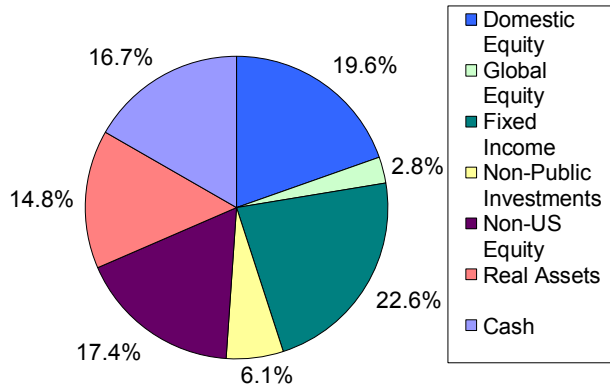
Investment	Current	3-Year	5-Year
Domestic Equity	17.10%	12.00%	14.00%
International Equity	6.50%	5.30%	6.30%
Global Equity	8.90%	9.60%	N/A
Fixed Income	0.20%	2.40%	2.80%
Hedge Funds	7.10%	2.80%	4.10%
Private Equity	17.10%	9.70%	12.50%
Opportunistic	28.80%	12.10%	14.90%
Commodities	13.20%	-1.90%	N/A
Real Estate	7.60%	8.50%	10.50%
Total TCERA Fund	7.80%	6.10%	7.30%

TCERA Policy Index* 7.40% 6.10% 7.00%
 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% CPI+500 bps, 5% Russell 3000+300bps

2018 Target Asset Allocation

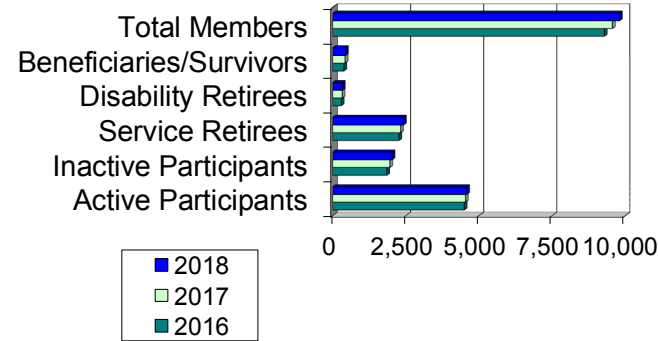


2018 Actual Asset Allocation



Membership Highlights

TCERA Membership

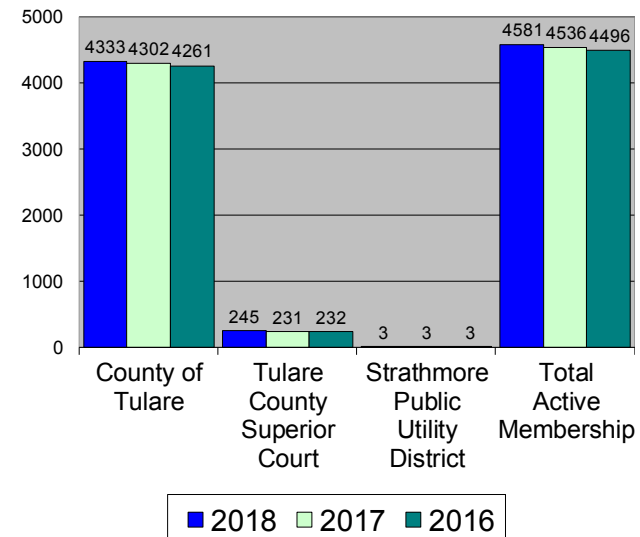


Average Annual Benefit Payments

Fiscal years ending June 30
(Dollars in thousands)

Membership Type	2018	2017	2016
General Members	\$ 20,733	\$ 20,151	\$ 19,659
Safety Members	34,876	33,873	33,567

Participating Employers and Active Members



Funding Highlights

As of June 30, 2018, TCERA's funded ratio (based on GASB Statement No. 25) was 92.0%, a decrease of 1.0% 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 (aside from the substantial increase due to POB proceeds in 2017) reflects increases in liabilities due to reductions in the assumed investment earnings rate and the recognition of deferred gains and losses from prior years.

Some significant actuarial assumptions used 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 based on 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
2018	\$ 1,523,030	\$ 1,656,357	92.0%
2017	1,461,755	1,573,406	92.9%
2016	1,192,642	1,431,436	83.3%
2015	1,156,587	1,358,435	85.1%
2014	1,101,929	1,271,832	86.6%

Employer Contributions

(Projected dollars in thousands)

Year Ended June 30	Actuarially Determined Contribution	Percentage Contributed
2018	\$ 36,263	100%
2017	33,616	100%
2016	31,297	100%
2015	30,992	100%
2014	25,953	100%