



**Popular Annual  
Financial Report  
June 30, 2019**

**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

John Mauro

Elected by Safety Members

Mike Watson

David Vasquez (Alternate)

County Treasurer-Tax Collector

Cass Cook

Paul Sampietro (Alternate)

Elected by the Retired Members

Patte` Crawford, Jan Taylor (Alternate)

**Financial Report Issued by:**

Leanne Malison, Administrator

Assistant Administrator—Vacant

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,  
F. Martin, S. Brown, B. Mosley

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, 2019***

**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, 2019. 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 conducted its annual review of its investment policy as a part of its discussions regarding TCERA's strategic asset allocation. The trustees took action to update the policy to allow for investments in value added real estate, real estate debt, and emerging market debt. This change is expected to add diversification while enhancing future returns.

The Board elected to maintain the current compounded assumed rate of return of 7.25%. This was the result of the Board's continued analysis of projected investment returns, associated risk, and the recommendations of TCERA's actuary regarding the rate of return assumption.

The Board acknowledged its fiduciary responsibility in administrative matters through the periodic review of Board policies and resolutions. The trustees reviewed key policies resulting in an update to its policy regarding errors and omissions. The Board also updated resolutions regarding compensable pay codes.

TCERA rolled out Facebook and Twitter communications. The use of social media provides yet another means of reaching TCERA members with important information.

In March of 2019, TCERA's long-time Retirement Administrator, David Kehler, retired and the Board selected TCERA's Assistant Retirement Administrator, Leanne Malison, to move into the Retirement Administrator role.

**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, 2019, membership consisted of 4,619 Actives, 2,082 Inactives, 2,512 Service Retirees, 335 Disability Retirees, and 458 Beneficiaries, for a total of 10,013 members.

**Investments:** As a result of challenging market conditions, TCERA's investments provided a 6.3% rate of return falling below the assumption rate of 7.25% and 70 basis points below the managers policy index of 7.0%. The shortfall to policy was due primarily to the timing of the implementation of TCERA's strategic investment allocation. All asset classes, excluding commodities, achieved positive returns. Underperformance was attributable to a few investment managers in equity and fixed income. Over longer time periods TCERA's results reflect historical market volatility with annualized returns of 8.6% for 3 years, and 5.2% for 5 years.

**Funding Status:** As of June 30, 2019, the date of the last actuarial valuation, the funded ratio for TCERA was 91.8%. This represents a slight reduction over the prior year ratio of 92.0%. 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, 2018.

**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, 2018 PAFR.

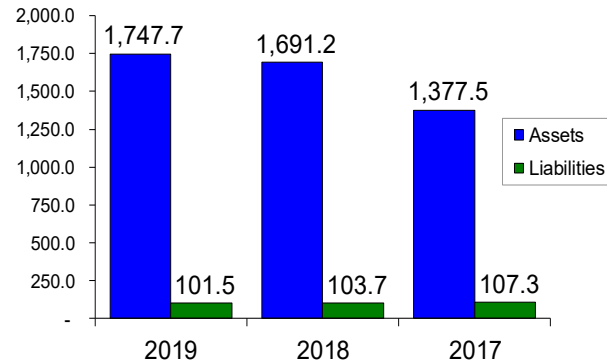
Respectfully submitted,

Leanne Malison, Retirement Administrator

### Financial Highlights

Assets of \$1.75 billion less liabilities of \$101.5 million resulted in a fiduciary net position restricted for pensions of \$1.65 billion at June 30, 2019, an increase of \$59 million. Investment performance was the primary reasons for the increase.

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



TCERA's fiscal year end net fiduciary position increased by 3.7%. 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. The decrease in Employer Contributions over last year is due to the POB proceeds received in 2018. Despite short-term variations in the stock market, TCERA remains focused 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) |
|-------------|------------------------|------------------------|--|
| 2019        | \$ 33,494              | \$ 22,325              | \$ 90,779                              |
| 2018        | 286,263                | 18,512                 | 95,857                                 |
| 2017        | 33,616                 | 18,190                 | 132,865                                |

Deductions from Net Position (dollars in thousands)

| Fiscal Year | Retiree Benefits | Member Refunds | Admin and Other |
|-------------|------------------|----------------|-----------------|
| 2019        | \$ 82,236        | \$ 2,861       | \$ 2,806        |
| 2018        | 77,083           | 3,633          | 2,666           |
| 2017        | 73,442           | 3,519          | 2,612           |

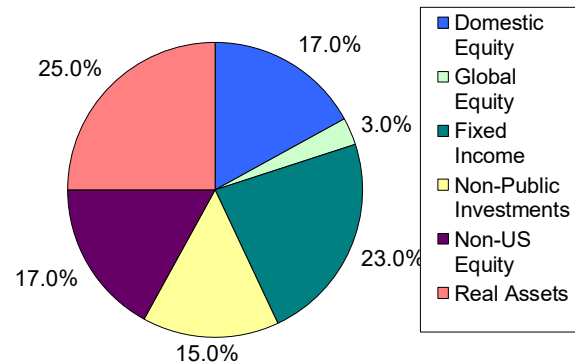
### Investment Highlights

#### Investment Returns Fiscal Year Ended 6/30/19

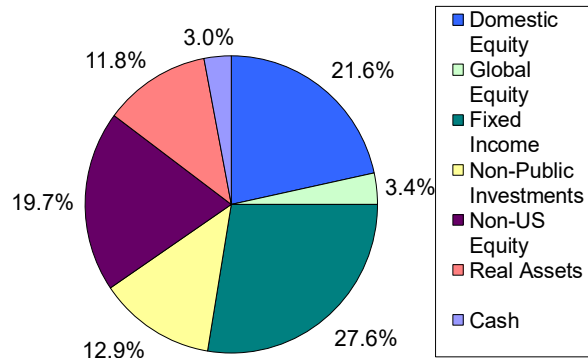
| Investment              | Current      | 3-Year       | 5-Year       |
|-------------------------|--------------|--------------|--------------|
| Domestic Equity         | 8.00%        | 14.90%       | 10.60%       |
| International Equity    | 3.90%        | 10.30%       | 2.80%        |
| Global Equity           | 2.70%        | 10.70%       | N/A          |
| Fixed Income            | 7.50%        | 3.60%        | 3.10%        |
| Hedge Funds             | 2.40%        | 5.40%        | 2.90%        |
| Private Equity          | 17.80%       | 13.80%       | 11.60%       |
| Private Credit          | 11.20%       | N/A          | N/A          |
| Opportunistic           | -6.20%       | 8.50%        | 8.00%        |
| Commodities             | -7.30%       | 0.60%        | -7.60%       |
| Real Estate             | 7.00%        | 6.60%        | 9.50%        |
| <b>Total TCERA Fund</b> | <b>6.30%</b> | <b>8.70%</b> | <b>5.20%</b> |

TCERA Policy Index\* 7.00% 8.40% 5.30%  
 Time Weighted Returns. \*Policy Index 20% Russell 3000, 27% BBgBarcAgg, 20% M S CI ACWI ex US, 3% M S CI, 10% NCREIF Property, 5% CP I+500 bps, 5% Bloomberg Comm, 5% actual Private Equity, 5% actual Private Credit returns

#### 2019 Target Asset Allocation

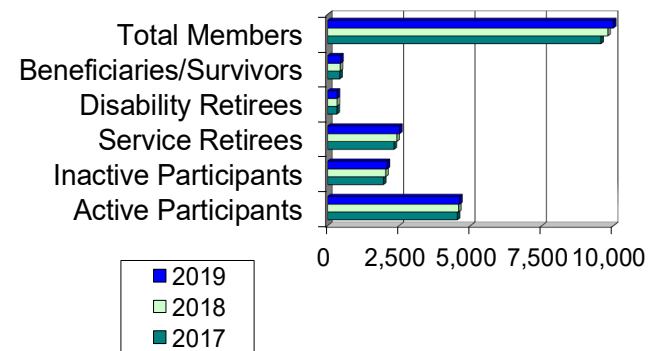


#### 2019 Actual Asset Allocation



### Membership Highlights

#### TCERA Membership

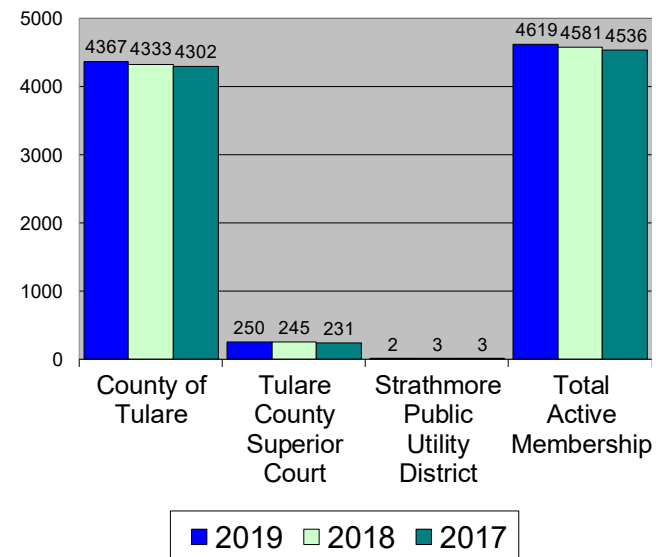


#### Average Annual Benefit Payments

Fiscal years ending June 30 (Dollars in thousands)

| Membership Type | 2019      | 2018      | 2017      |
|-----------------|-----------|-----------|-----------|
| General Members | \$ 21,492 | \$ 20,733 | \$ 20,151 |
| Safety Members  | 35,328    | 34,876    | 33,873    |

#### Participating Employers and Active Members



### Funding Highlights

As of June 30, 2019, TCERA's funded ratio (based on GASB Statement No. 25) was 91.8%, a decrease of 0.2% over the prior year. The funded ratio is a plan's assets as a percentage of liabilities. 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 the POB receivable 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 |
|--------------------|---------------------------|---------------------|--------------|
| 2019               | \$ 1,598,431              | \$ 1,741,283        | 91.8%        |
| 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%        |

#### Employer Contributions

(Projected dollars in thousands)

| Year Ended June 30 | Actuarially Determined Contribution | Percentage Contributed |
|--------------------|-------------------------------------|------------------------|
| 2019               | \$ 33,494                           | 100%                   |
| 2018               | 36,263                              | 100%                   |
| 2017               | 33,616                              | 100%                   |
| 2016               | 31,297                              | 100%                   |
| 2015               | 30,992                              | 100%                   |