



Popular Annual Financial Report

June 30, 2012

Members of the Board of Retirement

Appointed by the Board of Supervisors

Michael Bennett
Gary Reed
Marc Lippincott

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
Shirley Van Wormer (Alternate)

Financial Report Issued by:

David J. Kehler, Administrator

Members of the Staff:

Leanne Malison, Assistant Administrator
Mary Warner, Accountant III
Sherri Machado, Retirement Specialist II
Renee Smale, Retirement Specialist II
Craig Chandler, Retirement Specialist II
Christene Brown, Retirement Specialist I
Rebecca Pendleton, Secretary II
Darcy Nunes, Senior Account Clerk

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,*



TCERA Fiscal Report for the year ended June 30, 2012

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, 2012. 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, 2012.

Plan Changes, Major Initiatives, Service Efforts and Accomplishments

Development of TCERA's new integrated Pension Administration System continued to move forward as TCERA staff began User Acceptance Testing. Full implementation is planned for early 2013.

TCERA placed continued focus on education, utilizing pre-retirement seminars for plan participants and making additional on-site educational presentations available to the Board of Retirement. TCERA also now features video segments on its website designed to educate members.

The Board of Retirement initiated the formation of a Pension Task Force, a joint effort of the Board of Retirement and the Board of Supervisors. The task force, created in an effort to improve communication through discussion of issues vital to the ongoing health of the pension fund, is expected to make its first report by the end of calendar year 2012.

The Board of Retirement completed the evaluation of several key areas of the investment portfolio, resulting in a new investment in a commodities index fund and changes to the fixed income, core equity and international equity portfolios.

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, 2012, TCERA's membership consisted of 4,291 Active Members, 1,742 Inactive Members, 1,855 Service Retirees, 253 Disability Retirees, and 316 Survivors and Beneficiaries, for a total of 8,457 Plan Members.

Investments: Market volatility returned to the portfolio this fiscal year, resulting in TCERA posting an investment loss of -0.9% for the fiscal year ended June 30, 2012. Over longer time periods TCERA's performance reflects the impact of positive historical performance and recent challenging market conditions with annualized returns of 10.3% for three years and -0.2% for five years.

Funding Status: As of June 30, 2012, the date of the last actuarial valuation, the funded ratio for TCERA was 89.1%. TCERA's policy to use a ten year asset smoothing period with no corridor constraints contributed to TCERA's 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, 2011.

Award for Outstanding Achievement in Popular Annual Financial Reporting: The GFOA awarded a Certificate of Achievement for Excellence in Popular Annual Financial Reporting to TCERA for its June 30, 2011 PAFR.

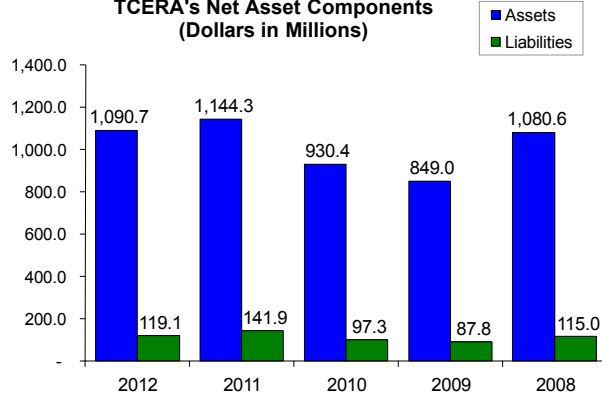
Respectfully submitted,

David Kehler, Retirement Administrator

Financial Highlights

TCERA total assets of \$1.1 billion less liabilities of \$119.1 million resulted in total net assets held in trust for pension benefits of just under \$1.0 billion.

TCERA's Net Asset Components
(Dollars in Millions)



Net Assets for the fiscal year ended June 30, 2012 decreased primarily due to reductions in Employer and Employee Contributions and Net Investment Income. Benefit Payments, Member Refunds, and Administrative Expenses also contributed to the decrease. Employer contributions decreased in spite of increased contribution rates due to reduced average payroll. Employee contributions also decreased as a result of lower payroll. The recent history of TCERA's Investment Returns reflects the impact of challenging market conditions and volatility.

Additions to Net Assets for Fiscal Year

Ended 6/30	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2012	\$ 25,257,124	\$ 16,470,845	\$ (12,099,746)
2011	23,434,239	17,799,366	183,562,725
2010	25,339,346	18,330,594	79,602,006

Deductions from Net Assets for Fiscal Year

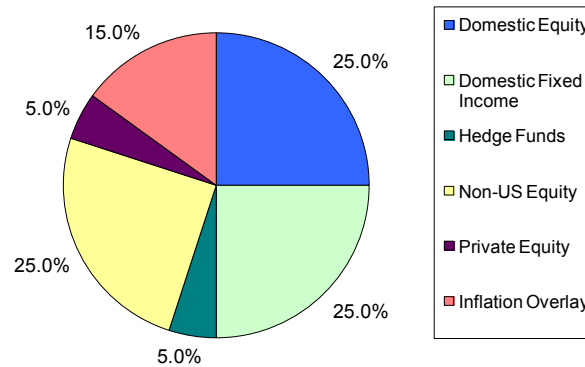
Ended 6/30	Retiree Benefits	Member Refunds	Admin and Other Expenses
2012	\$ 54,334,974	\$ 4,354,187	\$ 1,720,190
2011	50,430,014	3,351,823	1,694,942
2010	46,073,059	3,271,979	2,078,956

Investment Highlights

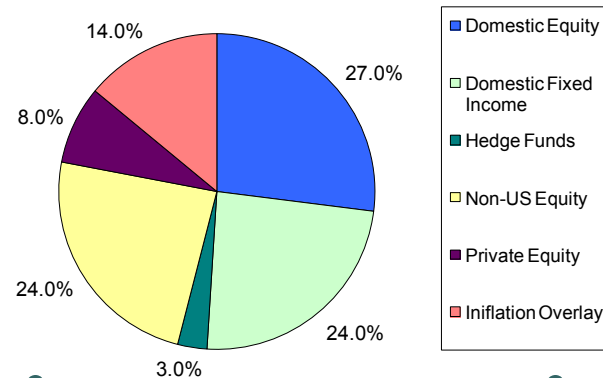
TCERA Investment Returns Fiscal Year Ended June 30, 2012

Investment	Current Year Return	3-Year Return	5-Year Return
Domestic Equity	2.60%	16.60%	0.20%
Non-US Equity	-16.20%	6.10%	-7.50%
Fixed Income	9.20%	11.00%	7.50%
Hedge Funds	0.10%	5.60%	0.20%
Private Equity	9.60%	7.30%	6.10%
Real Estate	9.10%	3.50%	-3.00%
Total TCERA Fund	-0.90%	10.30%	-0.20%

2012 Target Asset Allocation

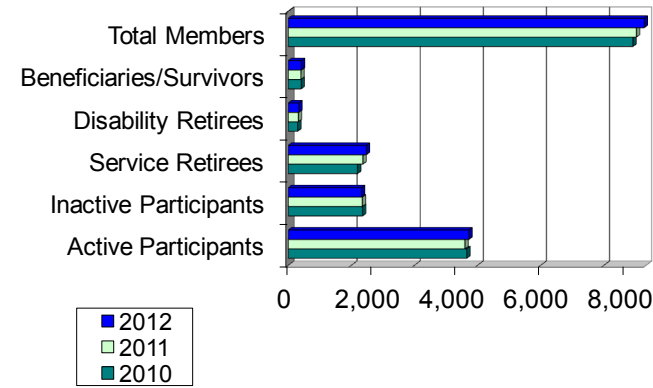


2012 Actual Asset Allocation



Membership Highlights

TCERA Membership

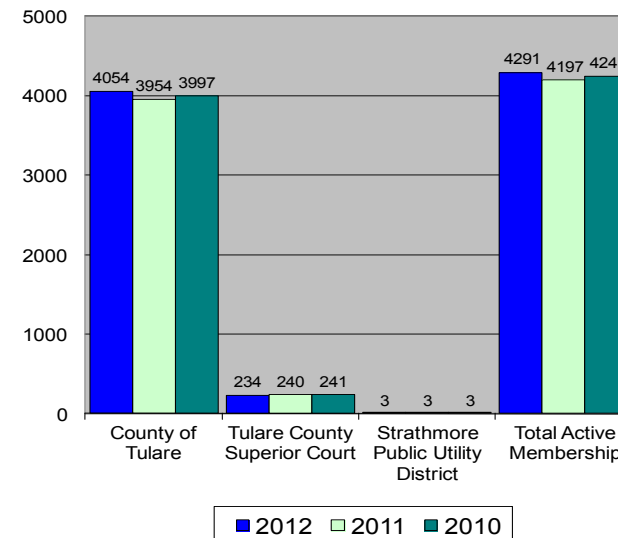


Average Annual Benefit Payments

Fiscal years ending June 30

Membership Type	2012	2011	2010
General Members	\$ 18,096	\$ 17,472	\$ 16,848
Safety Members	32,040	31,164	31,032

Participating Employers and Active Members



Funding Highlights

As of June 30, 2012, the funded ratio for TCERA was 89.1%, a decrease of 1.3% over the prior year. In general, the ratio indicates that for every dollar of benefits due we had approximately \$0.891 of assets available for payments as of that date. The recognition of investment earnings through the 10-year smoothing process continues to bolster the funded status of the plan in spite of somewhat volatile returns in recent years for the Plan's investments.

Some significant actuarial assumptions used in calculating the funded status include an investment earnings rate of 7.9% compounded annually, graded merit and longevity salary scale assumptions (ranging from 4.3% to 6.3% per year), and an inflation rate of 4.0% per year. TCERA's Plan Sponsors historically have contributed 100% of required contributions each year.

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
2012	\$ 981,946	\$ 1,101,456	89.1%
2011	969,636	1,072,144	90.4%
2010	946,640	1,033,211	91.6%
2009	919,179	996,747	92.2%
2008	879,051	946,414	92.9%
2007	800,968	846,030	94.7%

Employer Contributions

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 25,257	100%
2011	23,434	100%
2010	25,339	100%
2009	22,431	100%
2008	22,692	100%
2007	17,975	100%