



Popular Annual Financial Report

June 30, 2010

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

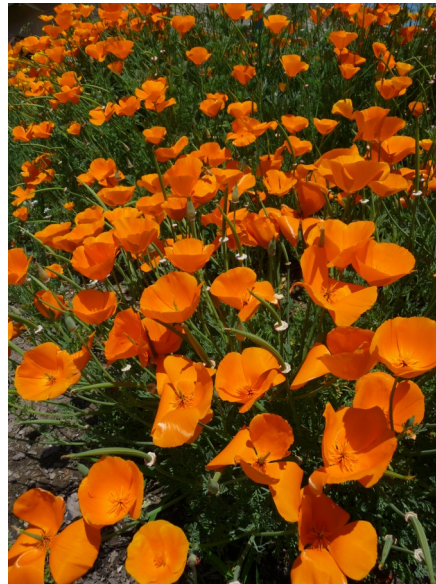
Members of the Staff:

Leanne Malison, Assistant Administrator
Donna Thorp, 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
Janet Hogue, Senior Account Clerk

TCERA
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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,*



TCERA Fiscal Report for the year ended June 30, 2010

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, 2010. 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 web site, 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, 2010.

Plan Changes, Major Initiatives, Service Efforts and Accomplishments

The Board of Retirement selected CPAS Systems, Inc. as the vendor for a new integrated Pension Administration System for TCERA. The system will combine active and retiree pension administration resulting in streamlined procedures and enhanced member services. The CPAS project was initiated in January of 2010.

TCERA issued a Request for Proposal (RFP) for a General Investment Consultant pursuant to its policy to periodically evaluate investment consulting services. The selected consultant is expected to be in place by December of 2010 and will assist the Board of Retirement with evaluating its investment strategies and fund objectives.

The Board of Retirement authorized the expansion of TCERA's office building, taking advantage of current low construction costs to add needed office space.

TCERA completed a major phase of its Business Continuity Plan through establishing procedures for conducting business using laptop computers in the event of a local disaster.

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, 2010, TCERA's membership consisted of 4,241 Active Members, 1,766 Inactive Members, 1,648 Service Retirees, 226 Disability Retirees, and 307 Survivors and Beneficiaries, for a total of 8,188 Plan Members.

Investments: As a result of improved market conditions, TCERA's investments posted a gain of 10.91% for the fiscal year ended June 30, 2010, exceeding its policy benchmark. Over longer time periods TCERA's performance reflects the impact of recent challenging market conditions with annualized returns for five and ten years of 1.99% and 3.37%, respectively.

Funding Status: As of June 30, 2010, the date of the last actuarial valuation, the funded ratio for TCERA was 91.6%. 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.

Awards for Outstanding Achievement: 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, 2009 and its Popular Annual Financial Report for June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

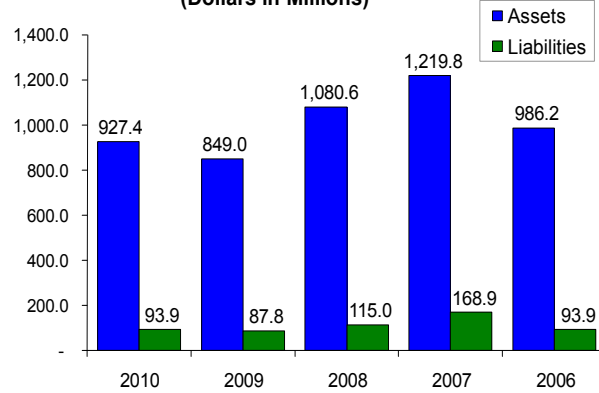
Respectfully submitted,

David Kehler, Retirement Administrator

Financial Highlights

TCERA total assets of \$927.4 million less liabilities of \$93.9 million resulted in total net assets held in trust for pension benefits of \$833.5 million.

TCERA's Net Asset Components
(Dollars in Millions)



Net Assets for the fiscal year ended June 30, 2010 increased primarily due to a net investment gain for the year. This gain, as well as increased Employer Contributions were partially offset by Retiree Benefit Payments, Member Refunds, Administrative Expenses, and a slight reduction in Employee Contributions due to decreased payroll. The increase in employer contributions was the result of higher contribution rates. The previous trend of steady increases in net assets returned in 2010 after decreases in 2008 and 2009 due to difficult market conditions.

Additions to Net Assets for Fiscal Year

Ended 6/30	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2010	\$25,339,346	\$18,330,594	\$79,602,006
2009	22,430,788	18,992,735	(198,400,702)
2008	22,691,963	17,757,261	(81,001,740)

Deductions from Net Assets for Fiscal Year

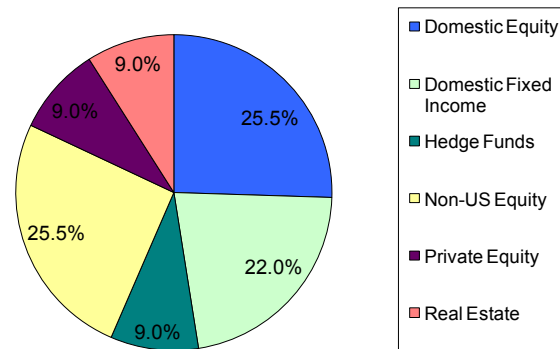
Ended 6/30	Retiree Benefits	Member Refunds	Administrative Expenses
2010	\$46,073,059	\$3,271,979	\$1,703,799
2009	42,039,209	3,861,403	1,535,272
2008	38,840,980	4,447,283	1,460,141

Investment Highlights

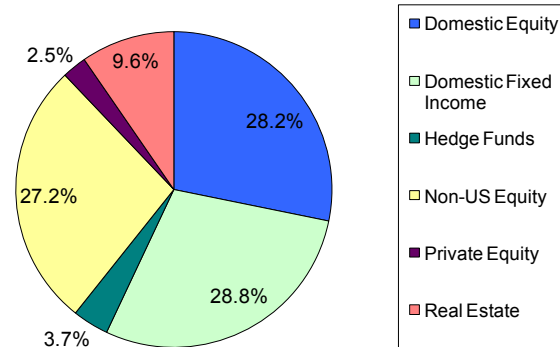
TCERA Investment Returns Fiscal Year Ended June 30, 2010

Investment	Current Year Return	3-Year Return	5-Year Return
Domestic Equity	16.56%	-9.37%	0.23%
Non-US Equity	9.46%	-14.72%	0.94%
Fixed Income	17.38%	7.24%	5.62%
Hedge Funds	9.27%	-1.73%	3.34%
Real Estate	-12.21%	-12.14%	0.50%
Total TCERA Fund	10.91%	-6.41%	1.99%

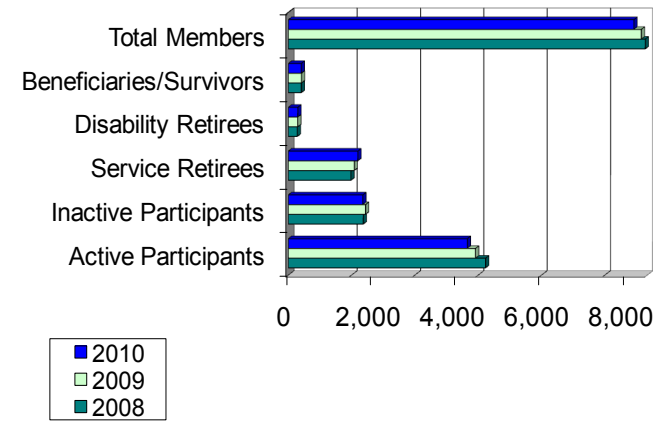
2010 Target Asset Allocation



2010 Actual Asset Allocation



TCERA Membership



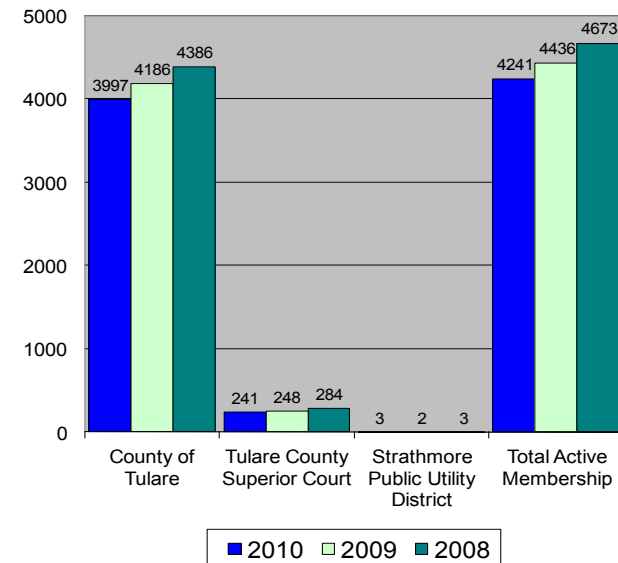
Membership Highlights

Average Annual Benefit Payments

Fiscal years ending June 30

Membership Type	2010	2009	2008
General Members	\$16,847	\$15,840	\$15,144
Safety Members	31,034	29,016	27,564

Participating Employers and Active Members



Funding Highlights

As of June 30, 2010, the funded ratio for TCERA was 91.6%, a decrease of 0.6% over the prior year. In general, the ratio indicates that for every dollar of benefits due we had approximately \$0.916 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, salary scale assumptions of 5.5% average 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
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%
2006	729,899	792,844	92.1%
2005	681,618	714,656	95.4%

Employer Contributions

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$25,339	100%
2009	22,431	100%
2008	22,692	100%
2007	17,975	100%
2006	12,443	100%
2005	10,542	100%