



Popular Annual Financial Report

June 30, 2007

Members of the Board of Retirement

Appointed by the Board of Supervisors

Patrick Pinkham, Chair

Michael Bennett

Connie Conway, County Supervisor

Elected by General Members

Roland Hill

Third Member (Vacant)

Elected by Safety Members

Seventh Member (Vacant)

County Treasurer-Tax Collector

Rita Woodard

Elected by the Retired Members

Ron Neve

Retiree Alternate (Vacant)

Financial Report Issued by:

David J. Kehler, Administrator

Members of the Staff:

Leanne Malison, Assistant Administrator

Marian Galloway, Accountant III

Sherri Rogers, Retirement Specialist II

Renee Smale, Retirement Specialist II

Christene Brown, Retirement Specialist I

Craig Chandler, Retirement Specialist I

Rebecca Pendleton, Secretary II

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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, 2007

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 years ended June 30, 2006 and 2007.

TCERA's accounting and administrative staff prepared the CAFR in accordance with accounting principles and reporting guidelines as set forth in Statement 25 of the Government Accounting Standards Board. The CAFR is available at TCERA's administrative offices for your review. You may also view the report or download a copy 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 years ended June 30, 2006 and 2007.

Plan Changes, Major Initiatives, Service Efforts and Accomplishments

During the fiscal year, the Tulare County Board of Retirement implemented value added real estate and cash overlay strategies to further diversify the Plan's assets while targeting increased returns.

Money Management Letter named TCERA the Small Public Pension Plan of the Year for 2007. The Plan was selected from retirement plans in the United States and Canada with \$1 billion or less in assets. The award recognizes plans for performance and innovation in plan management.

Staff selected Radius 3 as its new web site vendor and began development of a new and improved web site which was launched in November of 2007.

Staff established a new seminar entitled "TCERA 101" which provides background and general information to members regarding their retirement plan. This seminar is in addition to the two existing pre-retirement seminars available for members.

TCERA Membership

All permanent Tulare County, Strathmore Public Utility District, and Tulare County Superior Court employees working 50% or more in a regular allocated position are members of TCERA. As of June 30, 2007, TCERA's total membership consisted of 4,498 Active Plan Participants, 1,710 Inactive Participants, 1,407 Service Retirees, 208 Disability Retirees, and 298 Survivors and Beneficiaries, for a total of 8,121 Plan Members.

Investments

For the fiscal year ended June 30, 2007, TCERA's investments provided a 18.7% rate of return, which ranks in the 12th percentile for all public funds in the Independent Consultant's Cooperative Universe. TCERA's annualized rate of return over the last three years was 14.3%, with annualized returns for five and ten years of 12.8% and 10.5% respectively.

Funding Status

As of June 30, 2007, the date of the last actuarial valuation, the funded ratio for TCERA was 94.7%. TCERA's funding objective is to maintain a status that will allow for the payment of its long-term benefit obligations through contributions and investment income.

Awards for Outstanding Achievement

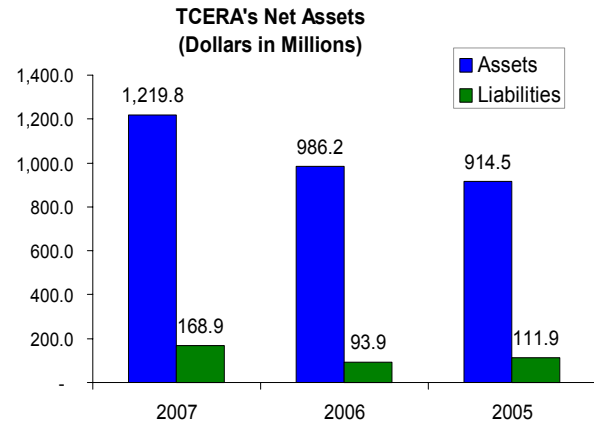
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TCERA for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. In addition, TCERA received a similar award for its Popular Annual Financial Report for June 30, 2006. 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 held total assets of \$1,219.8 million and liabilities of \$168.9 million for total net assets held in trust for pension benefits of \$1,050.9 million.



Net Assets for the fiscal year ended June 30, 2007 increased through Employer and Employee Contributions and Net Investment Income. These additions were offset by Retiree Benefit Payments, Member Refunds, and Administrative Expenses. The increase in Employer Contributions is the result of additional payroll and the deferral of higher investment returns and recognition of lower investment returns from prior periods due to TCERA's 5-year smoothing process. In addition, contributions were affected by a higher benefit formula adopted effective July 1, 2005.

Additions to Net Assets for Fiscal Year

Ended 6/30	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2007	\$ 17,975,005	\$ 15,619,522	\$ 165,138,217
2006	12,442,923	13,395,806	101,896,414
2005	10,541,792	11,771,012	80,983,081

Deductions from Net Assets for Fiscal Year

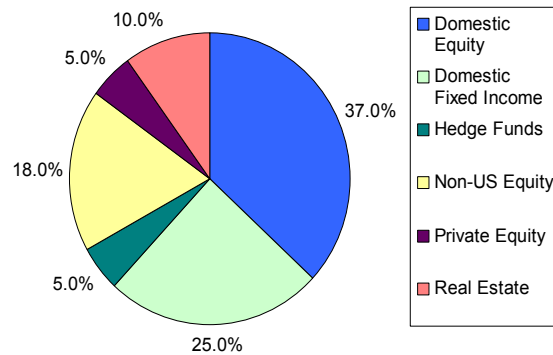
Ended 6/30	Retiree Benefits	Member Refunds	Administrative Expenses
2007	\$ 35,328,187	\$ 3,425,207	\$ 1,355,939
2006	33,399,125	3,484,984	1,184,704
2005	31,314,574	3,961,841	1,157,147

Investment Highlights

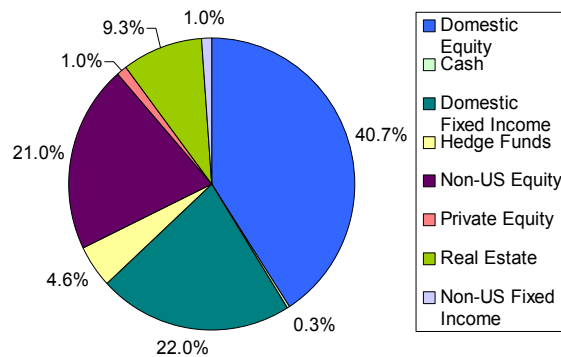
TCERA Investment Returns
Fiscal Year Ended June 30, 2007

Investment	Current Year Return	3-Year Return	5-Year Return
Domestic Equity	21.35%	13.72%	12.86%
Non-US Equity	28.80%	25.89%	20.36%
Fixed Income	6.32%	4.51%	5.16%
Hedge Funds	13.73%	n/a	n/a
Real Estate	22.02%	21.08%	18.82%
Total TCERA Fund	18.66%	14.32%	12.80%

2007 Target Asset Allocation

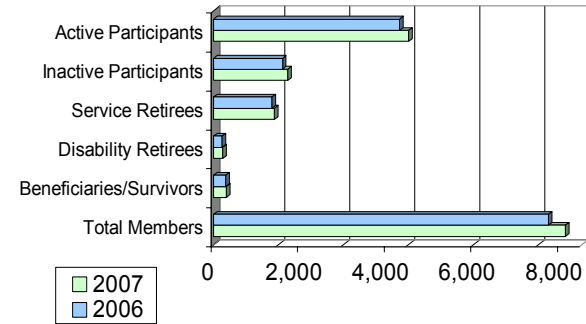


2007 Actual Asset Allocation



Membership Highlights

TCERA Membership

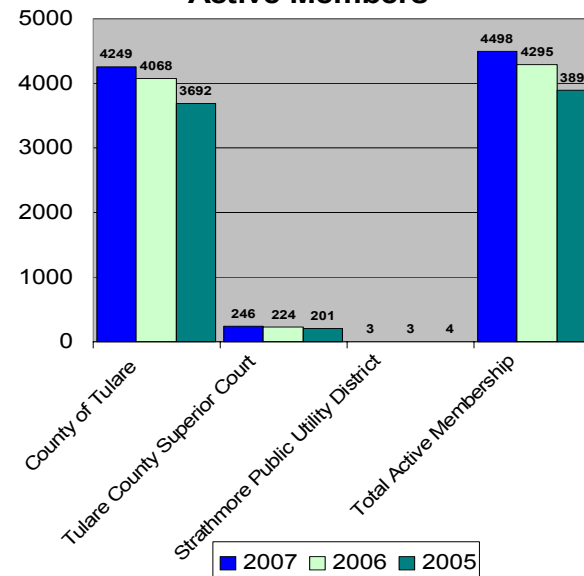


Average Benefit Payments

Fiscal years ending June 30

Membership Type	2007	2006	2005
General Members	\$ 14,316	\$ 13,786	\$ 13,646
Safety Members	26,544	25,704	25,344

Participating Employers and Active Members



Funding Highlights

As of June 30, 2007, the funded ratio for TCERA was 94.7%, reflecting an increase of 2.6% over the prior year, primarily due to the recognition of investment earnings through the 5-year smoothing process. In general, the ratio indicates that for every dollar of benefits due we had approximately \$0.947 of assets available for payments as of that date.

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. The increased benefit levels adopted by the Board of Supervisors effective July 1, 2005 also affected the funded status of the Plan. 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
2007	\$ 800,968	\$ 846,030	94.70%
2006	729,899	792,844	92.10%
2005	681,618	714,656	95.40%
2004	665,244	649,649	102.40%
2003	634,249	608,505	104.20%
2002	612,469	561,377	109.10%

Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 17,975,000	100%
2006	12,443,000	100%
2005	10,542,000	100%
2004	9,595,000	100%
2003	5,245,000	100%
2002	6,186,000	100%