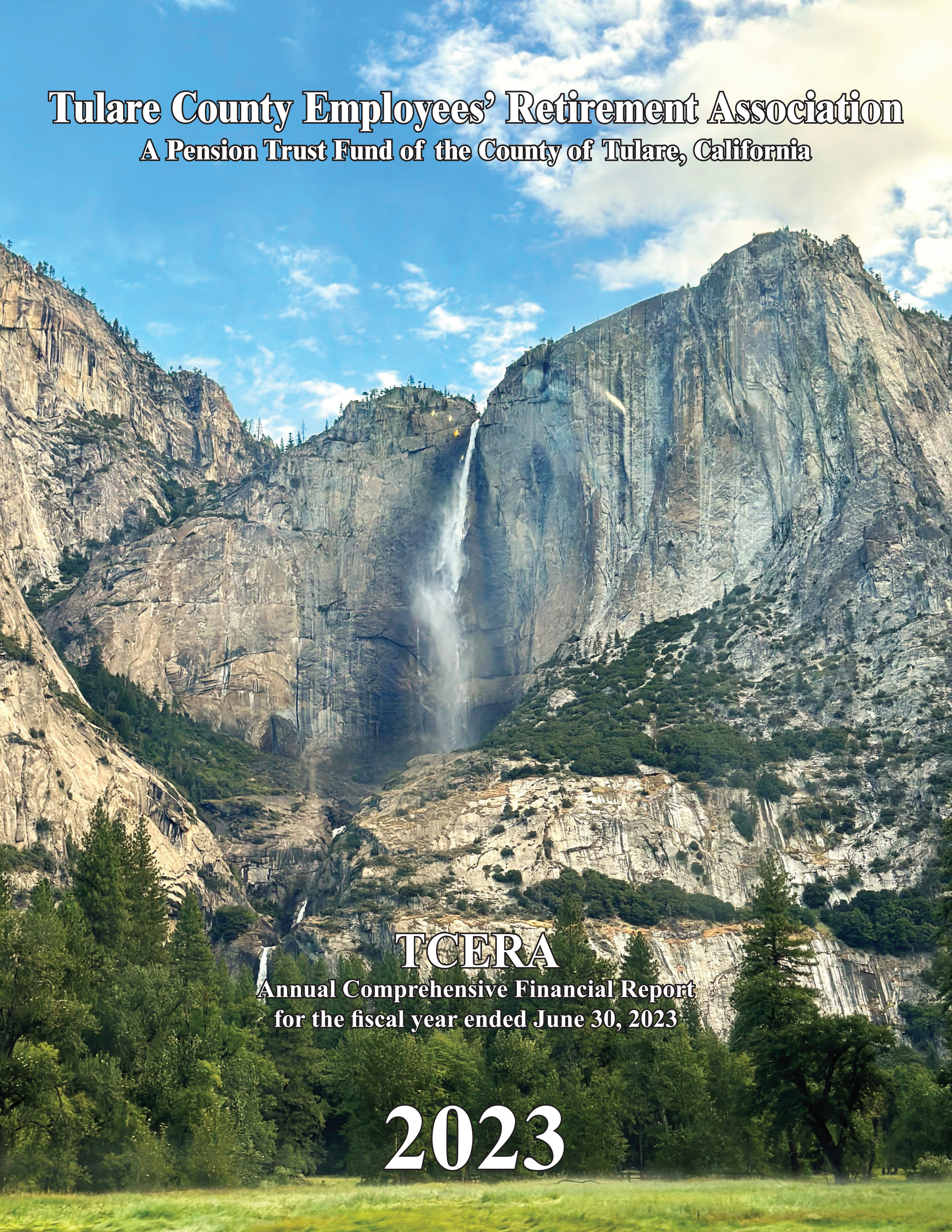
Tulare County Employees' Retirement Association

A Pension Trust Fund of the County of Tulare, California



TCERA

Annual Comprehensive Financial Report
for the fiscal year ended June 30, 2023

2023

Tulare County Employees' Retirement Association

A Pension Trust Fund of the County of Tulare, California

Annual Comprehensive Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Prepared by:

The Accounting Department
Tulare County Employees' Retirement Association

Leanne Malison	***Paul Sampietro***	***Jake Flores***
Retirement Administrator	***Assistant Retirement Administrator***	***Administrative Services Officer II***

Tulare County Employees' Retirement Association
136 N Akers Street
Visalia, California 93291
(559) 713-2900 FAX (559) 730-2631

TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
"TCERA"

***TCERA** is a retirement system, organized under the County Employees Retirement Law of 1937, which provides retirement, disability, and death benefits to the employees, retirees, and former employees of the County of Tulare, the Tulare County Superior Court, and the Strathmore Public Utility District.*

TCERA's principal responsibilities include: management of the trust fund; delivery of retirement, disability, and death benefits to eligible members; administration of cost-of-living programs; and general assistance in retirement and related benefits.

Mission Statement

To provide retirement compensation, death and disability benefits to Tulare County and outside district retirees and their beneficiaries. To provide services for plan members to assist them in planning for their retirement. To preserve and maintain the assets of the system through prudent investment of employee and employer contributions, while maintaining a sound funded status for the system.

TCERA Commitment

TCERA is committed to providing excellent service for its plan participants. The Mission is achieved through a competent, professional, impartial and open decision making process. Investments are managed to decrease risk while increasing returns. TCERA exists for the sole purpose of providing benefits to our members with the goals of maximizing member service, enhancing member communication to increase awareness of available benefits, and minimizing employer contributions.

Goals

- To enhance communications with members and employers.
- To develop an environment which improves the Retirement Board's ability to fulfill its fiduciary responsibilities.
- To improve the level and delivery of services provided to plan participants.
- To achieve and sustain top quartile investment performance as measured by the Public Fund Universe.
- To attract, develop and retain competent and professional staff.

table of contents

INTRODUCTORY SECTION

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

FINANCIAL SECTION (CONTINUED)

OTHER SUPPLEMENTAL INFORMATION

OTHER INFORMATION

INVESTMENT SECTION

ACTUARIAL SECTION

STATISTICAL SECTION

OTHER REPORT

This page intentionally left blank.

introductory section

This page intentionally left blank.

COUNTY OF TULARE
BOARD OF RETIREMENT

Leanne Malison
Retirement Administrator

136 N AKERS STREET
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
www.tcera.org

Letter of Transmittal

December 6, 2023

Board of Retirement and Plan Participants
Tulare County Employees' Retirement Association
136 N. Akers Street
Visalia, CA 93291-5121

Dear Board Members and Plan Participants:

The Tulare County Employees' Retirement Association (TCERA) staff is submitting for your review the Annual Comprehensive Financial Report of the Tulare County Employees' Retirement Association for the fiscal year ended June 30, 2023, TCERA's 78th year of operation. The information contained in this report is designed to provide a complete and accurate review of the year's operations. The required financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Brown Armstrong Accountancy Corporation, independent auditor, has audited the financial statements. Management is responsible for the contents of this report and believes that internal controls are adequate and that the accompanying statements, schedules, and tables are fairly presented.

TCERA AND ITS SERVICES

Currently, TCERA (also referred to as the Association or the Plan) has three plan sponsors. The Plan was established on July 1, 1945, to provide retirement allowances and other benefits to the safety and general members employed by the County of Tulare (the County). On July 1, 1968, the Strathmore Public Utility District joined the members of TCERA under the Association's provisions. Effective January 1, 2004, the Tulare County Superior Court (TCSC) separated from the County. TCERA established TCSC as a separate plan sponsor, which provides inclusion in membership for new employees while retaining the prior County employees with continuing membership.

TCERA is governed by the California Constitution, the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, other California Government Code sections applicable to TCERA, applicable sections and regulations of the United States Internal Revenue Code, and the bylaws, procedures and policies adopted by TCERA's Board of Retirement (the Board). The Tulare County Board of Supervisors may also adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect benefits of TCERA members.

The Board is responsible for determining TCERA's investment objectives, strategies, polices, and general management of TCERA. The Retirement Administrator is accountable for TCERA's operations and is an advisor to the nine member Board.

MAJOR INITIATIVES, SERVICE EFFORTS AND ACCOMPLISHMENTS

During this fiscal year our initiatives, service efforts and accomplishments have continued to reflect the five stated goals of TCERA:

<u>Enhance Communications with Members and Employers</u>

- TCERA continues to focus on opportunities provided to members to increase their knowledge regarding TCERA and retirement benefits by continually evaluating and updating its educational seminars presented to members. TCERA's many seminars are offered primarily through a web meeting platform. This has been successful in ensuring that participation in seminars is not limited due to space or location, allowing TCERA to accommodate more participants.

- Member benefit statements distributed annually provide not only contribution balance information, but also projected benefit estimates for vested members. This gives members an additional tool for their retirement planning. Because these statements are generated directly from TCERA's pension administration system, TCERA is able to distribute these statements quickly without relying on a third party for printing and distribution.

- *Pension Progress*, TCERA's quarterly newsletter, continues to provide up to date information for all members. Electronic distribution for active members and website access ensure timely delivery and easy access for participants.

- TCERA maintains member web services called *My TCERA*. *My TCERA* provides active members access to their demographic and balance information as well as the ability to calculate preliminary retirement benefit estimates using their current data. Retired members have access to payment acknowledgments and 1099R information and can submit updates to certain pension information. The My TCERA Retirement Modeler gives members the opportunity to use "what if" scenarios to assist with achieving their retirement goals. After enrolling in web services, *My TCERA* is accessible to members through a link available on TCERA's website.

- TCERA updates Facebook and Twitter communications with relevant news and information for its members. The use of social media provides yet another means of reaching TCERA members with important information.

- TCERA provides a live stream of Board of Retirement meetings via YouTube to allow the public to see and hear the information presented to the Board and the resulting actions.

- Retirement Specialists from TCERA engage with plan participants at Tulare County's annual Health Fair. This provides the opportunity for TCERA to provide answers to retirement questions and direct participants to resources available on TCERA's website as well as TCERA's local office. The Health Fair also gives the Retirement Specialists the chance to explain the benefits of enrollment in *My TCERA* web access.

<u>Develop an Environment which Improves the Retirement Board's Ability to Fulfill its Fiduciary Responsibilities</u>

- The Board trustees continue their focus on Board education. Trustees are encouraged to attend seminars and conferences offered through qualified outside organizations. Trustees also have the opportunity to participate in web-based presentations from investment managers and professional organizations. In addition, the Board has ramped up its internal education, offering on-site education on various administrative and investment topics. The educational opportunities in this fiscal year's education calendar covered Environmental, Social and Governance (ESG) impacts to investments, private markets investing, actuarial methods and assumptions, and parliamentary procedures. These sessions were in addition to quarterly investment education from TCERA's investment consultant. TCERA's investment managers are invited to meet with the Board on a biennial basis, providing more focused education on individual investments. The presentations from TCERA's investment managers are conducted in person to provide better interaction between the trustees and vendors.

- The Board reviews and discusses TCERA's actuarial methods and assumptions on an annual basis, including TCERA's interest rate assumption. This year, the Board elected to maintain the current compounded rate of 7.00%. 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 interest rate assumption. The Board acknowledged that maintaining the rate at its current level will place the plan in a favorable position for reaching its long-term investment return goals and achieving full funding status.

- The Board acknowledged its fiduciary responsibility in administrative matters through the periodic review of Board policies and resolutions. This year the Board updated or implemented policies regarding minor child eligibility, invoice approval, performance evaluation of TCERA executive staff, hearing officer qualifications, trustee subscription allowance, and the temporary annuity benefit option. In addition, the Board updated TCERA's by-laws to reflect changes in laws and practices affecting TCERA administration. The Board also updated resolutions regarding compensable pay codes.

<u>Improve the Level and Delivery of Services Provided to Plan Participants</u>

- TCERA continued to enhance its Pension Administration System and develop improved processes and workflow through expanded use of the system's capabilities. Staff worked to gain efficiencies in the use of the CPAS system and to refine procedures to make the best use of the system's features.

- Administration implemented focused training in retirement law for TCERA employees to ensure that staff members interacting with members are knowledgeable about the legal aspects of pension administration in addition to the required knowledge of calculations and processes.

- The COVID pandemic was the impetus for expanding the available ways for members to receive counseling regarding retirement and other TCERA benefits. TCERA now offers in-person, phone, email, and on-line meetings via Zoom and Microsoft Teams for discussing benefits and receiving assistance with the completion of required paperwork. Providing choices ensures that members can receive important information and assistance using the medium that works best for their situation.

- TCERA implemented the use of Docusign, software designed to facilitate and document electronic signatures. As approved by the Board, this streamlines the execution of TCERA documents for members who live out of the area or are physically unable to meet with staff at the TCERA office. The use of Docusign confirmed signatures on these documents eliminate the need to use the postal system to provide documents to TCERA.

<u>Achieve and Sustain Top Quartile Investment Performance as Measured by the Public Fund Universe</u>

- The Board conducted its annual review of its investment policy including TCERA's strategic asset allocation. No changes were made to the allocation this year. The trustees were satisfied with the updates made last year, increasing Domestic Equity from 25% to 26%, increasing International Equity from 15% to 16%, decreasing Fixed Income from 27% to 20%, decreasing real assets from 20% to 18%, and increasing Private Markets from 10% to 17%. These changes included the addition of two new asset classes, Opportunistic Real Estate and Infrastructure, and the elimination of Global Fixed Income. This asset mix provided a slightly higher long-term forecasted return than the previous policy while maintaining an acceptable level of risk in the portfolio.

- Verus Advisory, Inc., TCERA's investment consultant with discretionary authority to build out TCERA's Private Markets portfolio, added several new investments to the portfolio. Verus continues to seek out opportunities as they work to achieve TCERA's target allocations. The discretionary contract was the result of last year's decision to increase the target percentage for investments in Private Markets. After considering the legacy Fund of Funds investment model, Fund of One, and Direct Investing, the Board determined that it would be beneficial to use Direct Investing for its Private Markets portfolio and updated the investment policy accordingly.

- TCERA's investments returned 7.0%, gross of fees (6.5% net of fees) for the fiscal year ending June 30, 2023, ranking in the 77th percentile of its peer group. The return is encouraging in that it meets TCERA's 7.0% investment return assumption, although it does represent a less favorable comparison to its peers over the prior year's ranking in the 35th percentile. The return performed better than the Plan's gross of fees policy benchmark of 6.9%. The ten-year portfolio return is 6.8%, just under the investment return assumption. All asset classes, with the exception of domestic equity, met or exceeded the returns of their benchmarks. The primary driver of TCERA's positive return was the recovery of the equity markets during the fiscal year. Interest rates, inflation, and geopolitical turmoil are expected to continue to add volatility and uncertainty in the near term. As a long-term investor, TCERA is focused on the future and expects to weather future market cycles. TCERA's goal is to achieve expected returns and improved peer rankings through the implementation of its strategic investment allocation.

- TCERA's policy of smoothing asset returns allowed the Board to authorize the posting of positive interest for both December 31, 2022 and June 30, 2023 to all plan reserves. The fiscal year's successful investment outcome allowed some gains to be deferred to be used in the future to act as a offset in years when TCERA does not meet the expected return. That return along with the recognition of previous gains and losses caused the smoothed rate used for interest posting to fall short of the interest assumption rate of 7.00% in effect for the fiscal year. The Board is confident that, barring unforeseen market turmoil, the implementation of its asset allocation combined with positive market environments will produce future investment performance in line with TCERA's goals. Member accounts and applicable reserves were credited with interest as follows:

December 31, 2022	Tiers 1-3 – 2.6257% Tier 4 – 2.5016%
June 30, 2023	Tiers 1-3 – 2.8011% Tier 4 – 2.3583%

Attract, Develop, and Retain Competent and Professional Staff

- The Board authorized the review of TCERA's Retirement Specialist positions to ensure that the job descriptions remain relevant and the compensation structure competitive. The result was an increase in the salary ranges for these positions. The Retirement Specialists are the primary contacts for member questions and are responsible for all benefit calculations and processes. Ensuring that these positions offer salaries commensurate with the responsibilities is important in attracting and retaining these valuable staff members.

- The position of Retirement Specialist Supervisor, after remaining vacant for a lengthy period of time, was offered to and accepted by a long-term employee of TCERA. The ability to promote from within is critical to retaining qualified staff. This position provides direct oversight of the Retirement Specialists, giving these positions the supervisory attention they deserve. It is also an important step in fostering an environment that will ensure that TCERA meets its goals for customer service. Developing staff for promotional opportunities is an important element in providing an attractive career path for TCERA's employees.

- TCERA continued its focus on cross-training and professional development for all staff members. Weekly staff meetings provide an environment for exchange of information and training for issues affecting all TCERA employees. Job specific meetings and training in various aspects of pension administration and pension plan accounting are in place to provide more focused training and discussion.

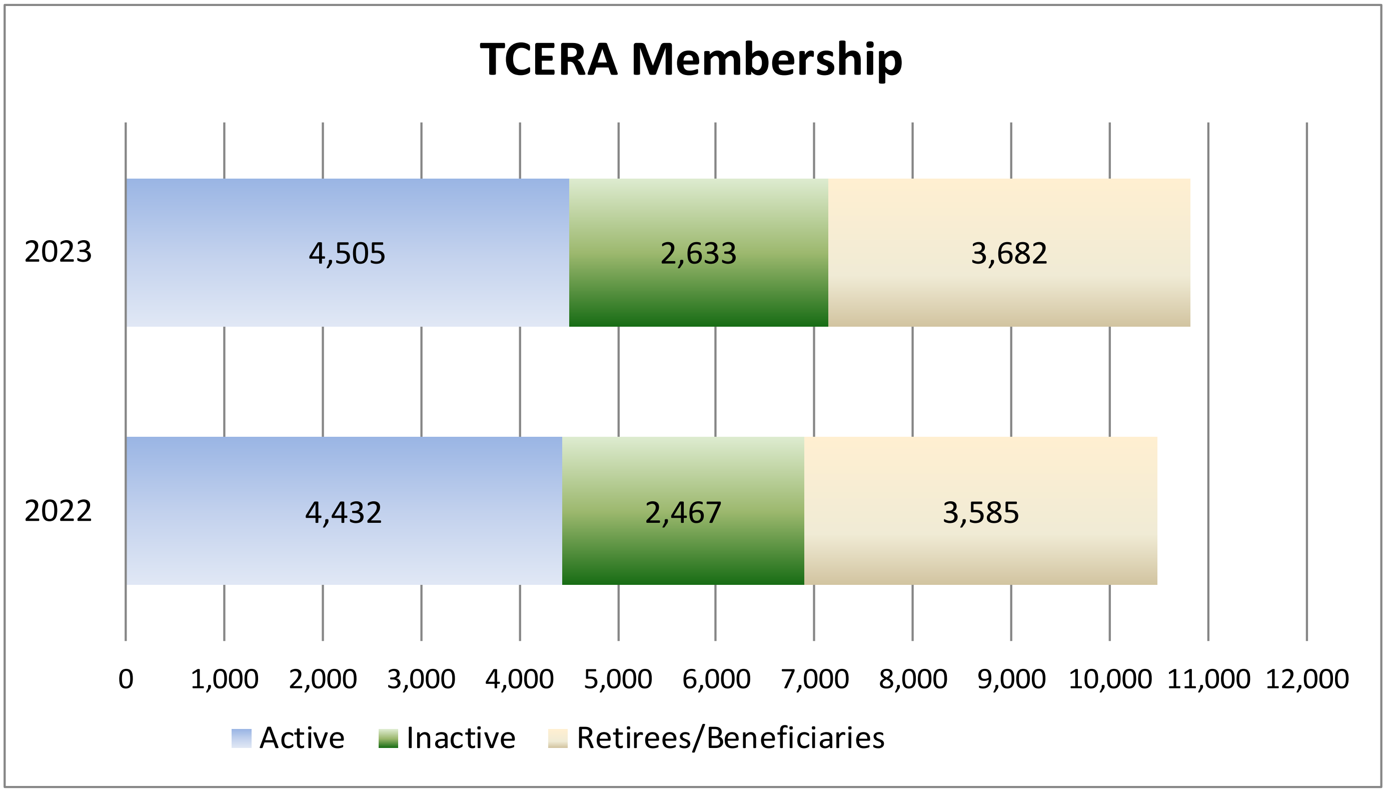
- Staff members participated in on-site training and off-site seminars and roundtables to bolster their understanding of retirement principles and accounting concepts as available.

MEMBERSHIP

All permanent County, Strathmore Public Utility District, and TCSC employees working 50% or more in a regular allocated position are members of the Association.

TCERA's Membership
As of June 30, 2023 and 2022

	2023	2022
Active Plan Participants (vested/non-vested)	4,505	4,432
Inactive Participants (vested/non-vested)	2,633	2,467
Service Retirees	2,808	2,711
Disability Retirees	348	345
Survivors/Beneficiaries	526	529
Total Retirees/Beneficiaries	3,682	3,585
Total Members	**10,820**	**10,484**



The Association's membership consists of General and Safety members who participate in one of the following four tiers:

Tier 1 – Includes all members who have a membership date on or before December 31, 1979. The County pays one-half of Tier 1 members' normal contributions. Benefits are calculated using the highest average one-year salary. Tier 1 members receive a maximum of 3% cost-of-living adjustment annually after retirement. Tier 1 general members with service earned on or after July 1, 2005 are now subject to IRS Section 415 limits due to the implementation of a new benefit formula. Only Tier 1 general members who entered deferred status prior to the implementation of the new benefit formula are exempt from these limits. All Tier 1 members are subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

Tier 2 – Includes all members who have a membership date from January 1, 1980 through December 31, 1989. Benefits are calculated using the highest average three-year salary. Tier 2 members receive a maximum of 2% cost-of-living adjustment annually after retirement. Tier 2 general members with service earned on or after July 1, 2005 are now subject to IRS Section 415 limits due to the implementation of a new benefit formula. Only Tier 2 general members who entered deferred status prior to the implementation of the new benefit formula are exempt from these limits. All Tier 2 members are subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

Tier 3 – Includes all members who have a membership date from January 1, 1990 through December 31, 2012. Benefits are calculated using the highest average three-year salary. Tier 3 members receive a maximum of 2% cost-of-living adjustment annually after retirement. All employees who joined TCERA on or after January 1, 1990 are subject to IRS Section 415 limits. All Tier 3 members are subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

Tier 4 – Includes all members who have a membership date on or after January 1, 2013 and are not eligible for reciprocal membership with another qualified retirement system. Tier 4 was established in response to the provisions of the California Public Employees' Pension Reform Act of 2012 (PEPRA). Benefits are calculated using the highest average three-year salary. Tier 4 members receive a maximum of 2% cost-of-living adjustment annually after retirement. All employees who joined TCERA on or after January 1, 1990 are subject to IRS Section 415 limits. Tier 4 members are not subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

The covered payroll for all tiers for fiscal years ended June 30, 2023 and 2022 as reported in the most recent actuarial Governmental Accounting Standards Board (GASB) Statement No. 67/68 report dated June 30, 2023 was $306.49 million and $288.63 million, respectively.

INVESTMENTS - General Authority

Article XVI, Section 17 of the Constitution of the State of California provides that "Notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for the investment of moneys and administration of the system…"

Article XVI, Section 17(a) of the Constitution of the State of California provides that "the Retirement Board of a public pension or retirement system shall have sole and exclusive fiduciary responsibility over the assets…"

Article XVI, Section 17(c) of the Constitution of the State of California provides that "the members of the Retirement Board of a public pension or retirement system shall discharge their duties... with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aim." By permitting further diversification of investments within a fund, the prudent expert standard may enable a fund to reduce overall risk and increase returns. A summary of TCERA's asset allocation can be found in the Investment Section of this report.

The prudent expert rule permits the Board to establish investment policy based upon professional advice and counsel and allows for the delegation of investment authority to professional advisors. TCERA's Investment Policy outlines the responsibility for the investments of the fund and the degree of risk that is deemed appropriate for the fund. Investment advisors are to carry out their responsibilities in accordance with the Board's policies and guidelines.

TCERA's investment return calculations as reported in the Investment Section of this report are time-weighted and market value based. For the fiscal years ended June 30, 2023 and June 30, 2022, TCERA's investments, net of fees, provided a 6.5% and -5.9% time-weighted rate of return, respectively. TCERA's annualized rate of return net of fees over the last three years was 7.8%. For the 5-year period, the fund returned 5.9% annualized. Details regarding investment performance are included in the Investment Section of this report.

FINANCIAL INFORMATION

Internal Control

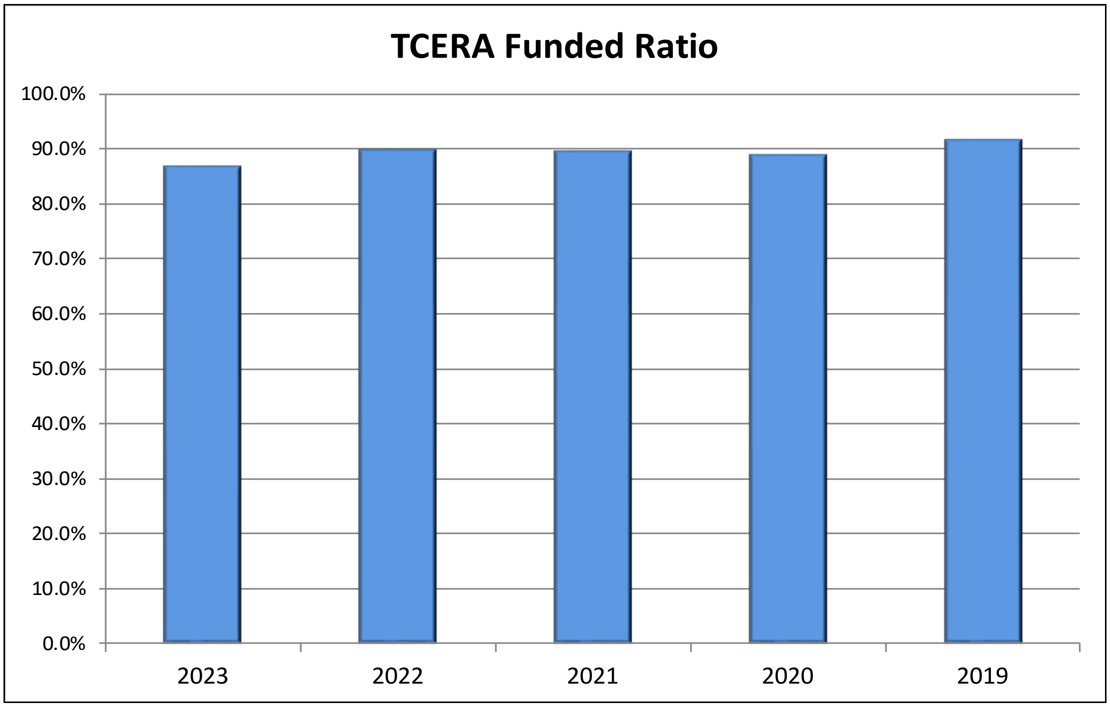
TCERA's management is responsible for implementing and sustaining internal controls designed to provide prudent assurance regarding the protection of assets and the reliability of financial records.

In developing and maintaining TCERA's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. TCERA recognizes that even sound internal controls have inherent limitations. We believe that TCERA's internal accounting controls adequately safeguard assets and provide reasonable assurance that all financial transactions are properly recorded and they are designed to provide reasonable, but not absolute, assurance that these objectives are met. These controls have been improved with the implementation of an integrated pension administration system.

Funding Status and Objective

The policy of the Board is to provide for an actuarial valuation on an annual basis, with an experience study to be conducted every three years. As of June 30, 2023, the date of the last actuarial evaluation, the actuarial value basis funded ratio for TCERA was 87.0%. Over time, TCERA seeks to reach full funding status. To further that end, TCERA has adopted a 19-year layered amortization of the unfunded actuarial liability to ensure that liabilities are fully paid over the amortization period. TCERA's primary funding objective, however, is to maintain a funded status that will allow for the payment of its long-term benefit obligations through contributions and investment income. TCERA will establish contribution rates that, to the extent possible, will remain as a level percentage of payroll over time and will fully fund the liability for each participant by the participant's retirement date. Toward that end, the following chart displays TCERA's healthy and relatively stable funded ratio over recent years:



Not displayed in the chart is the substantial increase in the funded status as of June 30, 2017 as compared to prior periods, primarily due to the issuance of $250 million in Pension Obligation Bonds by the County. TCERA's independent actuary, Cheiron, was authorized to produce a revised valuation for June 30, 2017 that included a receivable for the expected $250 million contribution. The bond proceeds were received by TCERA on June 30, 2018.

Additional Discussion and Analysis of Fiscal Operations for the Fiscal Year

An overview of TCERA's fiscal operations is presented in the Management's Discussion and Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the activities of the pension fund.

CERTIFICATES OF ACHIEVEMENT AND AWARDS

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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

TCERA's Popular Annual Financial Report (PAFR), designed to provide the public with an understanding of TCERA's overall financial condition and enhanced services, achieved the Award for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA for the fiscal year ended June 30, 2022.

In addition, TCERA applied for and was awarded the Public Pension Standards Award for Funding and Administration for 2023. This award is presented by the Public Pension Coordinating Council in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards. The Public Pension Coordinating Council is a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

ACKNOWLEDGMENTS

The preparation of the annual report on a timely basis is made possible by the effective teamwork of TCERA staff. It is intended to provide concise and reliable information reflecting the Board's management of its fiduciary responsibility to TCERA's trust fund and participants. I would like to thank our contract auditor, Brown Armstrong Accountancy Corporation, for their guidance and assistance.

On behalf of TCERA Board of Retirement and staff, I would like to take this opportunity to express our appreciation to the advisors, consultants, and to the many people who have worked so diligently to ensure the success of TCERA.

Respectfully submitted,

Leanne Malison

Leanne Malison
Retirement Administrator

GFOA Certificate of Achievement

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tulare County Employees' Retirement Association
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Public Pension Standards Award

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2023

Presented to

Tulare County Employees' Retirement Association

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

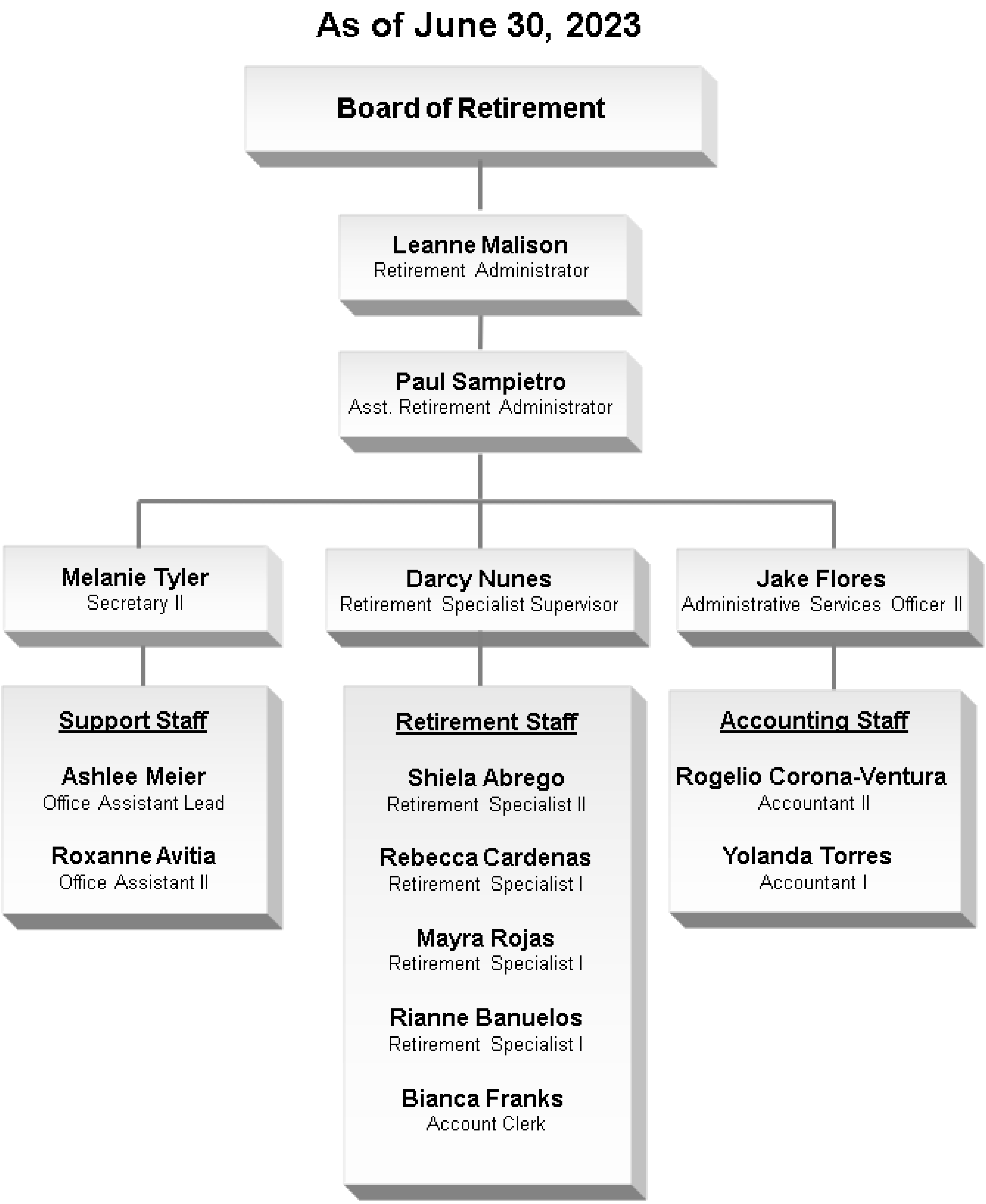
Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

TCERA Organizational Chart



Members of the Board of Retirement
At June 30, 2023

Pete Vander Poel, Chair
Appointed by the
Board of Supervisors
Present term expires 12/31/2025

James Young, Vice Chair
Appointed by the
Board of Supervisors
Present term expires 12/31/2024

Nathan Polk
Safety Membership Representative
Elected by Safety Members
Present term expires 12/31/2024

B. Ty Inman
General Membership Representative
Elected by General Members
Present term expires 12/31/2024

Laura Hernandez
General Membership Representative
Elected by General Members
Present term expires 12/31/2025

Gary Reed, Member
Appointed by the
Board of Supervisors
Present term expires 12/31/2025

Members of the Board of Retirement (Cont.)

Cass Cook, Member
Auditor-Controller/Treasurer-Tax Collector
Ex-Officio Member

Jorge Garcia-Perez, Alternate
Ex-Officio Alternate
For Auditor/Controller/Treasurer-Tax Collector

David Vasquez, Alternate
Safety Membership Representative
Elected by Safety Members
Present Term expires 12/31/2024

Roland Hill, Member
Retired
Elected by Retired Members
Present term expires 12/31/2025

George Finney, Alternate
Retired
Elected by Retired Members
Present term expires 12/31/2025

Vacant Seat
Appointed by the
Board of Supervisors
Present term expires 12/31/2024

List of Professional Consultants

AUDITOR
Brown Armstrong Accountancy Corporation

ACTUARY
Cheiron, Inc.

CUSTODIAN/SECURITIES LENDING
BNY Mellon Global Securities Services

DATA PROCESSING
Tulare County Information & Communications Technology

CUSTODIAL BANK
BNY Mellon

LEGAL COUNSEL
Tulare County Counsel
Nossaman LLP
Hanson Bridgett LLP

INVESTMENT CONSULTANT
Verus Advisory, Inc.

List of Professional Investment Managers

Additional information regarding investment managers, including asset allocation and performance, can be found in the Investment Section of this report. The Schedule of Investment Management Fees and the Brokerage Policy/Commission Recapture can be found on pages 78-79 of the Investment Section.

EQUITY: DOMESTIC
Boston Partners
State Street Global Advisors
William Blair Investment Management
PGIM Quantitative Solutions
Leeward Investments, LLC

EQUITY: INTERNATIONAL
PIMCO RAE
State Street Global Advisors
SG Advisers LP

EQUITY: GLOBAL
Kleinwort Benson Investors (KBI)

FIXED INCOME: DOMESTIC
BlackRock Financial Mgmt., Inc.
MacKay Shields, LLC
DoubleLine Capital LP
State Street Global Advisors

FIXED INCOME: GLOBAL
PGIM, Inc.

REAL ASSETS
RREEF America, LLC
Invesco Commercial Mortgage
American Realty Advisors
State Street Global Advisors
IFM Global Infrastructure, LLC
Verus Advisory, Inc.

PRIVATE EQUITY
Pantheon Ventures, Inc.
BlackRock Alternative Advisors
StepStone Group
Ocean Avenue Capital Partners
Pathway Capital Mgmt.
Verus Advisory, Inc.

PRIVATE CREDIT
Sixth Street Partners
Verus Advisory, Inc.

OPPORTUNISTIC
KKR Capital Markets, LLC
PIMCO Investments, LLC
Sixth Street Partners

This page intentionally left blank.

financial section

Independent Auditor's Report

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Tulare County Employees' Retirement Association
Visalia, California

Report on the Audit of the Basic Financial Statements and the Other Information

Opinions

We have audited the accompanying Statement of Fiduciary Net Position of Tulare County Employees' Retirement Association (TCERA), a pension trust fund of the County of Tulare, as of June 30, 2023, the Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise TCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations of TCERA and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals, as of and for the fiscal year ended June 30, 2023, listed as other information in the table of contents.

In our opinion, the basic financial statements and the other information referred to above present fairly, in all material respects, the fiduciary net position of TCERA as of June 30, 2023, and the respective changes in fiduciary net position for the fiscal year then ended; the Schedule of Cost Sharing Employer Allocations of TCERA for the fiscal year ended June 30, 2023; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals, as of and for the fiscal year ended June 30, 2023, listed as other information in the table of contents, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Basic Financial Statements and the Other Information section of our report. We are required to be independent of TCERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Basic Financial Statements and the Other Information

Management is responsible for the preparation and fair presentation of the basic financial statements and the other information in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements and the other information that are free from material misstatement, whether due to fraud or error.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

In preparing the financial statements and other information, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Management is also responsible for maintaining a current plan instrument, including all TCERA plan amendments; administering TCERA; and determining that TCERA's transactions that are presented and disclosed in the financial statements are in conformity with the TCERA's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Basic Financial Statements and the Other Information

Our objectives are to obtain reasonable assurance about whether the basic financial statements and the other information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the basic financial statements and other information.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements and other information, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements and other information.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TCERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements and other information.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TCERA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise TCERA's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Additional Information

Management is responsible for the additional information included in the annual comprehensive financial report. The additional information comprises the introductory, investment, actuarial, and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited TCERA's June 30, 2022, basic financial statements and other information, and our reported dated November 29, 2022, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presentation herein as of June 30, 2022, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023, on our consideration of TCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 6, 2023

Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of the Tulare County Employees' Retirement Association (TCERA, the Association, or the Plan) for the fiscal year ended June 30, 2023. We encourage readers to take into account the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal beginning on page 1 in this Annual Comprehensive Financial Report.

Financial Highlights

- At the close of the fiscal year 2023, TCERA's Fiduciary Net Position restricted for pension benefits was $1.9 billion. The Fiduciary Net Position is held in trust for the payment of pension benefits to participants and their beneficiaries and is available to meet TCERA's ongoing obligations.

- TCERA's total Fiduciary Net Position restricted for pension benefits increased by $85.0 million, or 4.7%, primarily because of an increase in the fair value of investments.

- TCERA's primary funding objective is to maintain a funded status that will allow for the payment of its long-term benefit obligations through contributions and investment income. TCERA will establish contribution rates that, over time, will remain as a level percentage of payroll and will fully fund the liability for each participant by the participant's retirement date. As of June 30, 2023, the date of the last actuarial valuation, the funded ratio for TCERA was 87.0%. In general, this indicates that for every dollar of benefits due TCERA had approximately $0.87 of assets available for payment as of that date.

- Revenues (additions to Fiduciary Net Position) for the fiscal year ended June 30, 2023, totaled $197.3 million, which includes employer contributions of $45.2 million, Plan member contributions of $28.0 million, net investment income of $124.1 million, and lease and other income of $0.2 million.

- Expenses (deductions from Fiduciary Net Position) for the fiscal year ended June 30, 2023, totaled $112.3 million, which includes retiree benefits of $103.4 million, member refunds of $6.1 million, and administrative expenses of $2.8 million.

Overview of the Financial Statements

This management's discussion and analysis introduces the readers to TCERA's basic financial statements, the **Statement of Fiduciary Net Position** and the **Statement of Changes in Fiduciary Net Position**.

The Statement of Fiduciary Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities.

The Statement of Changes in Fiduciary Net Position, conversely, provides a view of the current year additions to and deductions from the fund.

TCERA's basic financial statements and the note disclosures to the basic financial statements are in compliance with accounting principles generally accepted in the United States of America for governments (GAAP) as established by the Governmental Accounting Standards Board (GASB). GAAP requires certain disclosures and also requires entities such as TCERA to report using the full accrual method of accounting. The full accrual method of accounting is similar to a for-profit pension system's accounting as revenues are recognized when earned and expenses when incurred, regardless of when cash is transferred. TCERA complies with all material requirements of GAAP.

Management's Discussion and Analysis

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about TCERA's balances as of the end of the fiscal year and its activities during the year. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized gains and losses are shown on investments, and all Capital Assets are depreciated over their useful lives.

These two statements summarize TCERA's Fiduciary Net Position restricted for pension benefits. Net Position restricted for pension benefits is the difference between assets and liabilities and is one way to measure the Plan's financial position. Over time, increases and decreases in TCERA's Fiduciary Net Position restricted for pension benefits serve as one indicator of whether the Plan's financial health is improving or deteriorating. Other factors, such as market conditions and funded ratio, should also be considered in measuring TCERA's overall health. (See TCERA's financial statements on pages 27-28 of this report.)

Supporting the disclosures in the financial statements are the notes to the basic financial statements. Also included in this Annual Comprehensive Financial Report, in addition to this discussion and analysis, are the introductory section, required supplemental information, other supplemental information, and investment, actuarial and statistical sections. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. (See Notes to Basic Financial Statements on pages 29-51 of this report.)

Required Supplementary and Other Supplemental Information is included in addition to the basic financial statements and accompanying notes on pages 52-56. Required supplementary information is presented due to the provisions of the Governmental Accounting Standards Board (GASB). Other supplemental information enhances the reader's understanding of TCERA's operations, as do the supporting schedules. Contained within the required supplementary information is information regarding TCERA's progress in funding its obligations to members. Page 90 of the actuarial section includes a Schedule of Funding Progress.

The Schedule of Administrative Expenses, Fees, Other Investment Expenses and Payments to Consultants, and the Schedule of Net Position Restricted for Pension Benefits are other supplemental information and are presented on pages 57-59 immediately following the required supplementary information on pensions of this report.

Other Information, which includes two schedules pertaining to GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The two schedules include the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, is provided on pages 60-62.

Financial Analysis

As previously noted, the Fiduciary Net Position may serve over time as a useful indication of TCERA's financial position (see Table 1 on the following page). The assets of TCERA exceeded its liabilities at the close of the fiscal year June 30, 2023. As of June 30, 2023, $1.9 billion in Fiduciary Net Position was restricted for pension benefits. All of the Net Position is available to meet TCERA's ongoing obligation to plan participants and their beneficiaries.

As of June 30, 2023, Fiduciary Net Position increased by 4.7% over the prior fiscal year primarily due to an increase in the fair value of investments. The changes in total assets and total liabilities were the result of decreased cash, decreases in receivables and payables for purchases of investments, and decreased collateral and obligations under TCERA's securities lending program during the fiscal year.

Despite any challenging short-term variations in the stock market, TCERA remains in a financial position that will enable the Plan to meet its future obligations to participants and beneficiaries. TCERA remains focused on the long-term performance of the fund, dependent on a strong and successful investment program, risk management, and strategic planning.

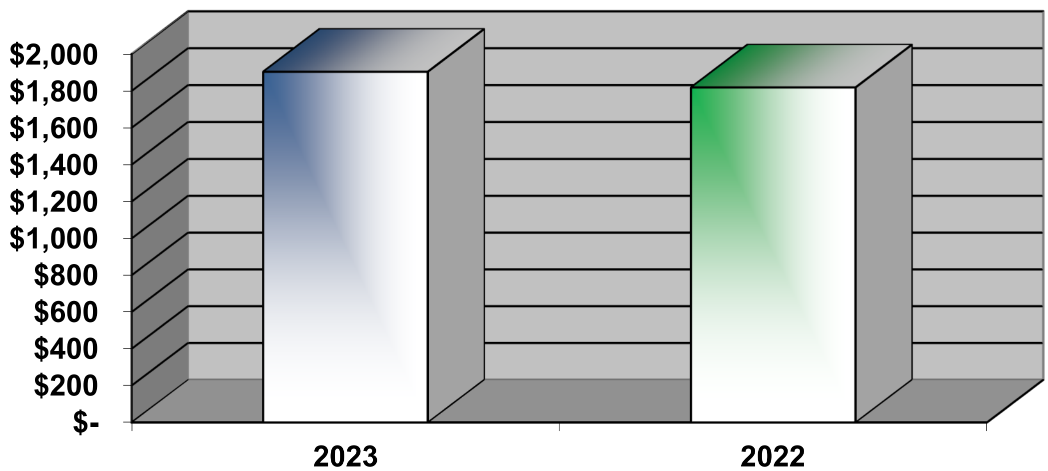
Management's Discussion and Analysis

TCERA'S FIDUCIARY NET POSITION (Table 1)

As of June 30
(dollars in thousands)

	2023	2022	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Current and Other Assets	$ 34,837	$ 47,436	$ (12,599)	-26.56%
Investments at Fair Value	1,910,627	1,824,016	86,611	4.75%
Capital Assets, Net	1,077	1,116	(39)	-3.49%
Total Assets	1,946,541	1,872,568	73,973	3.95%
Total Liabilities	42,487	53,559	(11,072)	-20.67%
Fiduciary Net Position	$ 1,904,054	$ 1,819,009	$ 85,045	4.68%

TCERA'S FIDUCIARY NET POSITION
(Dollars in Thousands)



Capital Assets

As of June 30, 2023, TCERA's investment in capital assets decreased slightly over the last fiscal year with a total of $1.08 million (net of accumulated depreciation and amortization) compared to $1.12 million for the prior year. This investment in capital assets includes equipment, furniture, pension administration system, and TCERA's office building. The decrease in TCERA's investment in capital assets for the current year on a percentage basis was 3.49% less than fiscal year ended June 30, 2022, reflecting a decrease in both tangible and intangible assets associated with the accumulated depreciation and amortization of those assets.

Management's Discussion and Analysis

Reserves

Reserves are not required, nor recognized, under GAAP. These are not shown separately on the Statement of Fiduciary Net Position, but they equate to, and are accounts within, the Fiduciary Net Position restricted for pension benefits and are vital to TCERA's operations.

TCERA's reserves are established from contributions and the accumulation of investment income, after satisfying investment and administrative expenses (see Table 2 below). Furthermore, TCERA has in place a ten-year smoothing methodology. Under GAAP, investments are stated at fair value instead of cost and include the recognition of the unrealized gains and losses in the current period. The difference between the fair value of assets inclusive of the cumulative unrealized gains and losses and the amounts reported from the ten-year smoothing methodology (or actuarial value) comprises the Market Stabilization Reserve. Under the ten-year smoothing methodology, a portion of these gains and losses is recognized and allocated to all other reserves.

As a result of the ten-year smoothing of investment gains and losses, the Plan credited interest at December 31, 2022 and June 30, 2023 at a rate less than investment returns and less than the actuarial assumption rate. Tiers 1, 2 and 3 were credited interest of 2.6257% for December 31, 2022 and 2.8011% for June 30, 2023. Tier 4 was credited 2.5016% for December 31, 2022 and 2.3583% for June 30, 2023. This interest crediting, combined with an increase to the Plan's contingency reserve and smoothed fair value gains in the fiscal year ended June 30, 2023, resulted in an increase in the Market Stabilization Reserve equal to $10.4 million as of June 30, 2023.

TCERA'S RESERVES AT FAIR VALUE (Table 2)

As of June 30

(dollars in thousands)

	2023	2022
Employee Reserves	$ 376,021	$ 359,335
Employer Reserves	1,017,688	966,012
Retiree Reserves	461,073	460,586
Supplemental Retirement Benefit Reserves	112,702	113,702
Other Reserves	2,182	(2,421)
Market Stabilization Reserve	(124,358)	(134,802)
Contingency Reserve	57,602	55,609
TCERA Property, Inc. Retained Earnings (Holding Corporation)	1,144	988
Total Reserves at Fair Value	$ 1,904,054	$ 1,819,009

Changes in Fiduciary Net Position

The Fiduciary Net Position as of June 30, 2023 was $1.9 billion compared to $1.82 billion as of June 30, 2022. This represents an increase in Fiduciary Net Position of $85 million, a 4.68% increase over the previous fiscal year. The increase in the Fiduciary Net Position is due primarily to an increase in investments at fair value (See Table 3 on the following page).

Additions to Fiduciary Net Position: There are three primary sources of funding for TCERA retirement benefits: earnings on investments of assets, employer contributions, and plan member contributions. An increase in employer contributions, an increase in plan member contributions and an increase in net investment income for the fiscal year ended June 30, 2023 combined for total additions of $197.3 million (see Table 3).

Management's Discussion and Analysis

Deductions from Fiduciary Net Position: TCERA's assets are predominantly used for the payment of benefits to retirees and their beneficiaries and for refunds of contributions to terminated employees. Effective for fiscal year 2011, the County Employees Retirement Law of 1937 (the '37 Act) limits administration cost to the greater of 21/100ths of 1 percent of the Association's accrued actuarial liability or $2 million, as adjusted annually by the amount of an annual cost of living adjustment. The '37 Act also allows for some expenses (such as computer related expenses and actuarial costs) to be excluded from the calculation. TCERA's total administrative expenses for the period ended June 30, 2023 were equal to $2.75 million, or 13/100ths of 1 percent of the Association's accrued actuarial liability of $2.2 billion. This represents a decrease in administrative expenses of 7.45% over the fiscal year ended June 30, 2022. Of the total expenses, TCERA has identified $444.9 thousand in computer and actuarial costs that are excluded from the '37 Act administrative limits. As a result, TCERA's administrative expenses were 11/100ths of 1 percent of the accrued actuarial liability, well under the statutory limit of 21/100ths of 1 percent. Retiree benefits, member refunds, and administrative expenses resulted in total deductions of $112.3 million, an increase of 6.22% over the prior fiscal year (See Table 3).

CHANGES IN FIDUCIARY NET POSITION - Condensed (Table 3)

For Fiscal Years Ended June 30
(dollars in thousands)

	2023	2022	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Additions				
Employer Contributions	$ 45,174	$ 40,392	$ 4,782	11.84%
Plan Member Contributions	27,965	25,880	2,085	8.06%
Investment Income (Loss)	138,244	(107,392)	245,636	-228.73%
Less Investment Expense	(14,277)	(10,569)	(3,708)	-35.08%
Other Income	188	188	-	0.00%
Total Additions	$ 197,294	$ (51,501)	$ 248,795	-483.09%
Deductions				
Retiree Benefits	$ 103,392	$ 97,762	$ 5,630	5.76%
Member Refunds of Contributions	6,111	4,946	1,165	23.55%
Administrative Expenses	2,746	2,967	(221)	-7.45%
Total Deductions	$ 112,249	$ 105,675	$ 6,574	6.22%
Changes in Fiduciary Net Position				
Beginning of Fiscal Year	1,819,009	1,976,185	(157,176)	-7.95%
Changes in Fiduciary Net Position	85,045	(157,176)	242,221	-154.11%
End of Fiscal Year	$ 1,904,054	$ 1,819,009	$ 85,045	4.68%

Actuarial Funding Status

TCERA retains an independent actuarial firm, Cheiron, Inc., to conduct annual actuarial valuations to monitor the Plan's funding status. The June 30, 2023 actuarial valuation established TCERA's funding status to be 87.0% using the entry age normal method with a ten-year smoothing to determine the actuarial value of assets. The funded ratio of the Plan decreased by approximately 2.9% from 89.9% in 2022 to 87.0% in 2023 and the actuarial value of assets (excluding the Supplemental Retiree Benefit Reserve (SRBR)) increased by 4.1% from $1.84 billion in 2022 to $1.92 billion in 2023. During the year, the value of actuarial liabilities increased by 7.5% to $2.2 billion. As of June 30, 2023, the Unfunded Actuarial Liability (UAL) for TCERA increased by $79 million, from $207.2 million to $286.2 million. It should be noted that the actuarial funding status of the plan was significantly improved in 2017 due to the issuance of Pension Obligation Bonds by the County of Tulare (the County). The 19-year bonds were issued at coupons ranging from 3.909% to 4.445% and will require level debt service payments through the bond maturity date of June 1, 2037. Details of the bond issuance are available in the Tulare County Annual Comprehensive Financial Report available on the County's website (https://tularecounty.ca.gov/county/).

Management's Discussion and Analysis

Economic Factors

Multiple factors affected market conditions and performance during the fiscal year including uneven GDP growth, headwinds in the real estate market, global conflics, inflation and the rate increases instituted by the Federal Reserve to try to curb that inflation. Though the year began well the second half of the year presented more challenges. Additional analysis of economic conditions can be found in the Investment Section. The Board of Retirement (the Board) will continue to monitor and respond to changes in economic factors in relation to its investment portfolio.

New Pension Accounting and Financial Reporting Standards

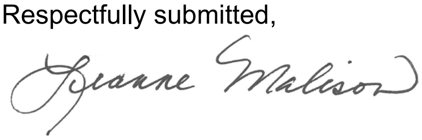
Governmental Accounting Standards Board (GASB) issued the following standards for implementation during the fiscal year ended June 30, 2023. *Statement No. 94, Public-Private and Public-Public Partnerships (PPP's) and Availability Payment Arrangements (APA's),* objective is to improve financial reporting by addressing issues related to PPP's and provide guidance for accounting and financial reportind for APA's. *Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs),* objective is to establish that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding SBITA. *Statement No. 99, Omnibus 2022,* objective is to enhance and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements (e.g., No. 87, 94, 96, et al.), and financial guarantees. These statements have been implemented with no material impact.

Requests for Information

The financial report is designed to provide the Board, our membership, taxpayers, investment managers and others with a general overview of TCERA's finances and to account for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

TCERA
136 N. Akers Street
Visalia, CA 93291-5121

Respectfully submitted,



Leanne Malison
Retirement Administrator

Statement of Fiduciary Net Position

As of June 30, 2023, with Comparative Totals
(dollars in thousands)

	2023	2022
ASSETS		
Cash, Short-Term Investments		
Cash	$ 21,373	$ 27,725
Short-Term Investments	6,824	8,299
Total Cash, Short-Term Investments	**28,197**	**36,024**
Receivables		
Sales of Investments	3,071	9,575
Interest and Dividends	1,981	839
Employee and Employer Contributions	1,579	998
Other Receivables	9	-
Total Receivables	**6,640**	**11,412**
Investments, at Fair Value		
U.S. Government Obligations	45,990	56,832
Municipal Bonds	459	521
Global Bonds	4,708	8,031
Domestic Corporate Bonds	288,124	298,025
Domestic Stocks	526,889	484,974
International Stocks	364,530	312,591
Real Assets	393,413	393,078
Alternative Investments (Private Equity, Private Credit)	262,074	241,242
Collateral on Loaned Securities	24,440	28,722
Total Investments, at Fair Value	**1,910,627**	**1,824,016**
Capital Assets		
Land	370	370
Building, Office Equipment & Furniture, net of accumulated depreciation of $752 and $707, respectively	707	746
Pension Administration System, net of accumulated amortization of $2,755 and $2,755, respectively	-	-
Total Capital Assets, net	**1,077**	**1,116**
TOTAL ASSETS	**$ 1,946,541**	**$ 1,872,568**
LIABILITIES		
Current Liabilities		
Purchase of Investments	$ 9,161	$ 17,507
Obligations under Securities Lending Program	24,440	28,722
Refunds Payable	5,715	4,102
Accounts Payable	3,057	3,122
Total Current Liabilities	**42,373**	**53,453**
Long-Term Liabilities		
Compensated Absences	114	106
Total Long-Term Liabilities	**114**	**106**
TOTAL LIABILITIES	**$ 42,487**	**$ 53,559**
NET POSITION RESTRICTED FOR PENSION BENEFITS	**$ 1,904,054**	**$ 1,819,009**

The accompanying notes are an integral part of these basic financial statements.

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2023 with Comparative Totals
(dollars in thousands)

	2023	2022
ADDITIONS		
Contributions		
Employer	$ 45,174	$ 40,392
Plan Member	27,965	25,880
Total Contributions	**73,139**	**66,272**
Investment Activity Income/(Loss)		
Net Appreciation in Fair Value of Investments	113,150	(127,368)
Interest	5,111	3,296
Dividends	3,943	3,616
Real Asset Operating Income	13,091	7,493
Other Investment Income	1,726	5,392
Total Investment Activity Income/(Loss)	**137,021**	**(107,571)**
Less Expenses from Investing Activities	13,204	10,488
Net Investing Activity Income/(Loss)	**123,817**	**(118,059)**
From Securities Lending Activities		
Securities Lending Income	1,223	179
Less Expenses from Securities Lending Income		
Management Fee	6	8
Borrower Rebate	1,067	73
Net Securities Lending Income	**150**	**98**
Total Net Investment Activity Income/(Loss)	**123,967**	**(117,961)**
Other Income	188	188
TOTAL ADDITIONS	**$ 197,294**	**$ (51,501)**
DEDUCTIONS		
Retiree Benefits	$ 103,392	$ 97,762
Member Refunds of Contributions	6,111	4,946
Administrative Expenses	2,746	2,967
TOTAL DEDUCTIONS	**$ 112,249**	**$ 105,675**
NET POSITION RESTRICTED FOR PENSION BENEFITS		
Changes in Fiduciary Net Position	85,045	(157,176)
Beginning of Fiscal Year	1,819,009	1,976,185
END OF FISCAL YEAR	**$ 1,904,054**	**$ 1,819,009**

The accompanying notes are an integral part of these basic financial statements.

Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Tulare County Employees' Retirement Association (TCERA, Association or the Plan) is under the exclusive management and control of the Board of Retirement (the Board) whose authority is granted by Government Code §31450 et seq., and the California Constitution. The Association is an independent department of the County of Tulare (the County). Selected financial statements and disclosures are included in the County's Annual Comprehensive Financial Report as a pension trust fund. The Association has no financial or operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statements No. 39, *The Financial Reporting Entity,* and No. 61, the *Financial Reporting Entity: Omnibus* and No. 80, *Blending Requirements for Certain Component Units* for inclusion as a component unit of the Association. *Statement No. 84 - Fiduciary Activities*. This standard is not applicable to TCERA. *Statement No. 90, Majority Equity Interests.* This standard is also not applicable to TCERA.

BASIS OF ACCOUNTING

The Association prepares its basic financial statements on the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period when they are incurred. Employee and employer contributions are recognized as revenues when due pursuant to formal commitments as well as statutory or contractual agreements. Benefits and refunds of prior contributions are recognized when they are due and payable in accordance with the Plan. All investment purchases and sales are recorded on trade date. The net appreciation (depreciation) in fair value of investments held by TCERA is recorded as an increase (decrease) to investment income based on the valuation of investments monthly.

The Association follows the accounting principles and reporting guidelines as set forth by GASB.

COMPENSATED ABSENCES

The liability for accumulated annual leave earned by TCERA employees, included in other liabilities on the *Statement of Fiduciary Net Position,* is recorded when earned by the employee. Upon termination of employment, an employee receives compensation for unused annual leave limited by the contractual agreements established by the County.

INVESTMENTS

The Board has exclusive control of the investments of the Association. Statutes authorize the Board to invest, or delegate the authority to invest, the assets of the Association in any investment allowed by statute and considered prudent in the informed opinion of the Board. Investments are stated at fair value, in accordance with accounting principles generally accepted in the United State of America (GAAP). Values for stocks, publicly traded bonds, and issues of the U.S. Government and its agencies are valued according to sale prices of recognized exchanges as of the fiscal year end, with international securities reflecting currency exchange rates in effect at fiscal year end.

Private Equity and Real Assets:

Private equity and real asset partnerships are reported based on the fair value provided by the General Partner on a quarterly basis. The General Partner considers the financial conditions and operating results of the portfolio companies, the nature of the investments, marketability, and other relevant factors.

Rate of Return:

For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on the Plan's investments, net of investment expense, was 6.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

RECEIVABLES

Receivables consist primarily of interest, dividends, and investments in transition, i.e., traded but not settled, and contributions owed by the employing entities as of June 30, 2023.

ESTIMATES

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAPITAL ASSETS

Effective fiscal year July 1, 2012 through June 30, 2013, TCERA's Capitalization threshold is five thousand dollars. Capital Assets are recorded at cost. Depreciation and amortization of Capital Assets are computed on a straight-line basis over their estimated useful lives, currently ranging from three to forty years.

SECURITIES LENDING

Cash collateral received in the course of securities lending transactions is recorded as a current asset of the Association, and the obligation to repay the collateral is recorded as a current liability, in accordance with the requirements of GASB Statement No. 28. In addition, gross earnings received on invested cash collateral are reported as Other Investment Income, and borrower rebates and agent fees are recorded as Investment Expenses. In comparison, the Net Securities Income was $150 thousand and $98 thousand for the fiscal years ended June 30, 2023 and June 30, 2022, respectively. The increase in net securities lending income was due primarily to an increase in the borrower rebate. Non-cash collateral, and the related repayment obligation, is not recorded on the books of the Association, as there is no ability to pledge or sell the collateral absent borrower default. See Note 3 for additional information on securities lending.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

The following standards have been issues by GASB for implementation effective this fiscal year: GASB Statement No. 94 – *Public-Private and Public-Public Partnerships (PPP's) and Availability Payment Arrangements (APA's),* GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs),* and GASB Statement No. 99 – *Omnibus 2022*. These statements have been implemented with no material impact.

FUTURE PRONOUNCEMENTS

TCERA has reviewed GASB Statement No. 100 – *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* and GASB Statement No. 101 – *Compensated Absences,* and does believe these pronouncements will have material effect. The effective date for GASB Statement No. 100 is for fiscal years beginning after June 15, 2023, and thereafter. The effective date for GASB Statement No. 101 is for fiscal years beginning after December 15, 2023, and thereafter.

COMPARATIVE DATA

The accompanying financial statements include summarized information from the prior year's financial statements for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with TCERA's basic financial statements for the fiscal year ended June 30, 2022, from which the summarized information was derived.

NOTE 2 - PLAN DESCRIPTION

TCERA was established July 1, 1945 under the provisions of the County Employees Retirement Law of 1937 (Government Code §31450 et seq.) (the '37 Act). The Association operates as a multiple-employer cost sharing defined benefit plan and provides retirement, disability and death benefits for qualified employees of the County, the Strathmore Public Utility District, and the Tulare County Superior Courts (TCSC). The Association was integrated with Social Security in 1956. A nine-member Board of Retirement (Board) administers the Association. The authority for establishing or amending benefits resides with the Tulare County Board of Supervisors.

MEMBERSHIP

All permanent County, Strathmore Public Utility District, and TCSC employees working 50% or more in a regular allocated position are members of the Association. The Association's membership consists of General and Safety members who participate in one of the following four tiers:

Tier 1 – Includes all members who have a membership date on or before December 31, 1979. The County pays one-half of Tier 1 members' normal contributions. Benefits are calculated using the highest average one-year salary. Tier 1 members receive a maximum of 3% cost-of-living adjustment (COLA) annually after retirement. Tier 1 general members with service earned on or after July 1, 2005 are now subject to Internal Revenue Service Section (IRS) 415 limits due to the implementation of a new benefit formula. Only Tier 1 general members who entered deferred status prior to the implementation of the new benefit formula are exempt from these limits. All Tier 1 members are subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

Tier 2 – Includes all members who have a membership date from January 1, 1980 through December 31, 1989. Benefits are calculated using the highest average three-year salary. Tier 2 members receive a maximum of 2% COLA annually after retirement. Tier 2 general members with service earned on or after July 1, 2005 are now subject to IRS Section 415 limits due to the implementation of a new benefit formula. Only Tier 2 general members who entered deferred status prior to the implementation of the new benefit formula are exempt from these limits. All Tier 2 members are subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

Tier 3 – Includes all members who have a membership date from January 1, 1990 through December 31, 2012. Benefits are calculated using the highest average three-year salary. Tier 3 members receive a maximum of 2% COLA annually after retirement. All employees who joined TCERA on or after January 1, 1990 are subject to IRS Section 415 limits. All Tier 3 members are subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

Tier 4 – Includes all members who have a membership date on or after January 1, 2013 and are not eligible for reciprocal membership with another qualified retirement system. Tier 4 was established in response to the provisions of the California Public Employees' Pension Reform Act of 2012 (PEPRA). Benefits are calculated using the highest average three-year salary. Tier 4 members receive a maximum of 2% COLA annually after retirement. All employees who joined TCERA on or after January 1, 1990 are subject to IRS Section 415 limits. Tier 4 members are not subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

The covered payroll for the fiscal years ended June 30, 2023 and June 30, 2022, as calculated according to GASB Statement No. 67, GASB Statement No. 68, and GASB Statement No. 82 requirements, was $306.49 million and $288.63 million, respectively.

NOTE 2 - PLAN DESCRIPTION (Cont.)

TCERA's Membership *As of June 30*	2023	2022
Active Plan Participants (vested/non-vested)	4,505	4,432
Inactive Participants (vested/non-vested)	2,633	2,467
Service Retirees	2,808	2,711
Disability Retirees	348	345
Survivors/Beneficiaries	526	529
Total Retirees/Beneficiaries	3,682	3,585
Total Members	**10,820**	**10,484**

SERVICE RETIREMENT BENEFIT

Tiers 1, 2, and 3 benefits partially vest at five years of service. Full vesting requires ten years of service and a minimum age of 50 in order to receive a lifetime monthly retirement benefit. Members with 30 years of service (20 years for safety members), regardless of age, are eligible for retirement benefits, as are members who reach age 70, regardless of years of service. The benefit is a percentage of monthly final average salary per year of service, depending on age at retirement. Because the Plan is integrated with Social Security, the benefit is reduced by 1/3 of the percentage multiplied by the first $350 of monthly final average salary, per year of service credited after January 1, 1956.

Tier 4 benefits fully vest at five years of service. A minimum age of 52 for general members and 50 for safety members is required in order to receive a lifetime monthly retirement benefit. The benefit is a percentage of monthly final average salary per year of service, depending on age at retirement.

The summary of major plan provisions, including benefit factors, is disclosed on pages 91-93 in the Actuarial Section of this document.

SUPPLEMENTAL RETIREMENT BENEFIT (Tiers 1, 2, and 3 only)

For Tiers 1, 2, and 3, a supplemental benefit of $45.00 per month was paid to retirees through April 1988. This benefit was increased effective May 1, 1988 to include $1.65 per month for each full year of service from 5 years to 25 years ($8.25 per month for 5 years, up to $41.25 per month for 25 years or more). Effective June 1, 1995, eligibility for this benefit required that retirees have at least five years of service with the County or a TCERA member outside district. Effective April 1, 1996, this benefit is available only to retirees having at least ten years of service with TCERA. This change does not affect any retirees already receiving benefits.

On July 1, 1997, all retirees and beneficiaries/survivors with a retirement date prior to April 1, 1977 received a new benefit of an additional $3.00 per month, per year of service, not to exceed 30 years of service. Retirees received this benefit in addition to the previously granted benefit; beneficiaries/survivors only received this benefit.

Effective January 1, 1999, the Board modified the benefit to allow members to receive $9.50 for every completed year of service. The Board also adopted a change in criteria for payment of the supplemental benefits. This benefit was only paid to those who actually worked under TCERA for a minimum of 10 years, with the benefit capped at a maximum of 20 years.

NOTE 2 - PLAN DESCRIPTION (Cont.)

On July 1, 2000, an increase was made to the monthly payments currently made from the Supplemental Retiree Benefit Reserve (SRBR). Actual amounts varied depending upon completed years with TCERA. Furthermore, a cash continuance was paid to survivors equal to 50% of what the original retiree was receiving as a monthly benefit from the SRBR at the time of his/her death. Additionally, a COLA was applied when the purchasing power of the member's original basic retirement allowance fell below 75% of the original basic allowance.

On November 14, 2001, the Board approved additional cash benefit payments effective on December 1, 2001 from the SRBR which provided a higher level of assistance to current and future retired members. The benefit improvements increased the current benefit from $12.50 per year of service to $16.00 per year of service, beginning with ten years of service and having a cap at twenty years of service.

Effective July 1, 2007, the cash benefit was increased once more to $18.00 per year of service, retaining the ten-year minimum TCERA service requirement and the cap at twenty years of TCERA service. Furthermore, the Board continued the cash continuance paid to survivors equal to 50% of what the original retiree was receiving as a monthly benefit from the SRBR at the time of his/her death. The Board also approved an additional COLA for all retired members to apply when the purchasing power of the member's original basic retirement allowance falls below 85%.

On April 10, 2013, the Board established a reduction to the cash benefit for current and future retirees to be phased in over a five-year period in an effort to ensure that the benefit would be sustained into the foreseeable future. Pursuant to that action, the cash benefit is payable as follows:

- July 1, 2013 - $17.00 per year of qualifying TCERA service
- July 1, 2014 - $16.00 per year of qualifying TCERA service
- July 1, 2015 - $15.00 per year of qualifying TCERA service
- July 1, 2016 - $14.00 per year of qualifying TCERA service
- On or after July 1, 2017 - $12.50 per year of qualifying TCERA service

The service requirements, purchasing power COLA, and continuance benefit as described above remain in effect.

DEATH BENEFIT

Death Before Retirement

In addition to a return of contributions, with interest, a death benefit is payable to the member's beneficiary or estate in the amount of one month's salary for each completed year of service with the Association, but not to exceed six months' salary.

In lieu of the above basic death benefit, if a member dies after becoming eligible for service retirement or non-service connected disability, an eligible spouse or minor child may elect to receive 60% of the allowance that the member would have received for retirement as of the day of the member's death. If the member dies in the performance of duty, an eligible spouse or minor child receives 50% of the member's final average salary.

NOTE 2 - PLAN DESCRIPTION (Cont.)

Death After Retirement

Death benefits after retirement depend upon the type of retirement, the member's employment status at retirement, and the retirement option selected. If the retirement was for service connected disability, 100% of the member's basic allowance as it was at death is continued to the surviving spouse for life. If the retirement was for other than service connected disability, and the unmodified option was selected at the time of retirement, 60% of the member's allowance is continued to an eligible spouse for life. If the deceased member retired directly from active employment with a TCERA employer, a lump sum burial benefit of $5,000 is paid to the beneficiary or estate.

DISABILITY BENEFIT

In accordance with Section 31727.7 of the '37 Act, upon retirement for a non-service connected disability, in lieu of any other allowance, a member who has five years or more of credited service shall receive a disability allowance equal to the percentage of final compensation set forth opposite the member's number of years credited service in the following table:

Years of Service	Percentage of Final Compensation
Five years, but less than six years	20%
Six years, but less than seven years	22
Seven years, but less than eight years	24
Eight years, but less than nine years	26
Nine years, but less than ten years	28
Ten years, but less than eleven years	30
Eleven years, but less than twelve years	32
Twelve years, but less than thirteen years	34
Thirteen years, but less than fourteen years	36
Fourteen years, but less than fifteen years	38
Fifteen or more years	40

If the disability is service connected, the member may retire regardless of length of service, and the benefit is 50% of final average salary, unless the member is also eligible for a service retirement, in which case the member receives the greater of the two amounts.

TERMINATION

Upon termination from the Association, members' accumulated contributions are refundable with interest accrued through the prior interest crediting period. Interest on member accounts is credited semiannually on June 30 and December 31. Withdrawal of such accumulated contributions results in forfeiture of all benefits.

NOTE 3 - DEPOSIT AND INVESTMENT RISK DISCLOSURES

SUMMARY OF INVESTMENT POLICIES

The '37 Act authorizes TCERA's Board with the exclusive control of the investment of the employees' retirement fund. By law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board.

Furthermore, the law requires the Board and its officers and employees to discharge their duties with respect to the Plan:

- Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

The TCERA Investment Policy Statement encompasses the following:

- Domestic Equity Policy
- International Equity Policy
- Fixed Income Policy
- Cash and Cash Equivalents Investments Policy
- Real Asset Policy
- Private Equity Policy
- Private Credit Policy
- Securities Lending Program Policy
- Directed Brokerage Policy
- Manager Monitoring and Review Policy

CREDIT RISK

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TCERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established and documented in TCERA's Investment Policy and individual manager contracts.

The Fixed Income Portfolio as presented in the Credit Quality Ratings chart includes the following components:

- U.S. Core/Core Plus Fixed Income – This portfolio will provide exposure to the U.S. fixed income market (maturities greater than 1 year) including, but not limited to, Treasury and government agency bonds, corporate debt, mortgage bonds (including collateralized mortgage obligations), Yankees, asset-backed securities, Eurodollar bonds, private placements and emerging market bonds. The portfolio will be comprised of both investment grade and below-investment grade issues. This category may include High Yield and U.S. TIPS investments as allowed in TCERA's investment policy and as directed by the Board.

- Global Fixed Income – The global fixed income allocation will provide broader exposure to fixed income opportunities in both domestic and international markets.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Cont.)

CREDIT QUALITY RATINGS OF INVESTMENTS IN FIXED INCOME SECURITIES

The credit quality of investments in fixed income securities as rated by nationally recognized ratings organizations as of June 30, 2023 are as follows (dollars in thousands):

Quality Ratings	Fair Value
AAA	$ 6,802
AA	1,084
A	6,903
BAA	12,507
BA	1,414
B	605
CAA	6
FHLMC Pools	7,711
FNMA Pools	11,394
GNMA Pools	3,389
U.S. Agencies	1,976
U.S. Governments	16,151
Not Rated*	269,339
Total Investments in Fixed Income Securities	$ 339,281

*Securities not rated include commitments to purchase FHLMC, FNMA, and GNMA reported in the Fixed Income Securities chart beginning on page 38.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Cont.)

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a financial institution's failure, TCERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or collateralized. Although there is no specific policy addressing custodial credit risk, TCERA has taken steps to mitigate any such risk. TCERA's deposits are not exposed to custodial credit risk as its deposits are eligible for and covered by "pass-through" insurance in accordance with applicable law and Federal Deposit Insurance Corporation (FDIC) rules and regulations. Additional insurance against loss and theft is provided through a Financial Institution Bond.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, TCERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in TCERA's name, and held by the counterparty. TCERA's direct securities investments are not exposed to custodial credit risk because all securities are held by TCERA's custodial bank in TCERA's name.

Concentration of Credit Risk

As of June 30, 2023, TCERA did not hold any investments in any one issuer that would represent five percent or more of fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Retirement has not adopted a formal policy related to interest rate risk. Interest rate risk is controlled through portfolio restrictions incorporated into each fixed income investment manager's guidelines.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Cont.)

FIXED INCOME SECURITIES

As of June 30, 2023, TCERA had the following investments and maturities (dollars in thousands):

	2023	
Investment Type	**Fair Value**	**Modified Duration**
Asset Backed Securities - Airplane Receivables	$ 331	3.08
Asset Backed Securities - Car Loans	642	2.16
Asset Backed Securities - Credit Cards	1,245	3.31
Asset Backed Securities - Equipment	142	2.38
Asset Backed Securities - Utility	14	10.11
Aerospace and Defense	722	11.51
Banking & Finance	3,422	5.25
Banking & Finance - Perpetual	23	0.27
Capital Goods	86	4.39
Chemicals	12	16.67
Cleared Credit Default Swaps	(39)	N/A
CMBS - Agency	78	10.34
CMBS - Conduit	873	2.82
Commercial Services & Supplies	388	6.23
Commit to Purchase FNMA Pools	3,650	4.87
Commit to Purchase GNMA Multi Family Pools	1,434	6.68
Commit to Purchase GNMA Pools	153	6.72
Communications	793	10.16
FHLMC Multiclass	591	3.54
FHLMC Pools	7,120	5.52
FNMA Pools	11,083	5.65
FNMA REMIC	311	5.72
Food Beverage & Tobacco	354	6.45
GNMA Multi Family Pools	3,163	6.06
GNMA Remic	33	6.02

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Cont.)

	2023	
Investment Type	**Fair Value**	**Modified Duration**
GNMA Single Family Pools	$ 226	4.91
Health Care	1,390	11.09
Industrial	169	4.83
Insurance	321	6.47
Interest Only US Agencies	186	5.63
Interest Rate Futures - UK	(23)	(38.83)
Interest Rate Swaps	2	N/A
International Government Bond Futures	(4)	1,669.56
Materials	3	1.54
Non-U.S. Government Bonds	1,192	5.12
Oil & Gas	2,217	6.14
OIS Interest Rate Swaps	2	10.55
Paper and Forest Products	12	12.50
Principal only U.S. Agencies	135	6.59
Private Placements - ABS-CLO	2,669	0.37
Private Placements - ABS	4,031	2.11
Private Placements - MBS	2,462	4.38
Private Placements - More than 1 Year	2,542	5.45
Reits	1,457	6.54
Retail	132	5.30
Taxable Municipals	459	10.11
Technology	1,050	9.09
Transportation	360	12.07

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Cont.)

	2023	
Investment Type	**Fair Value**	**Modified Duration**
Treasury Bonds	$ (3)	6,040.19
Treasury Notes	(186)	(149.57)
U.S. TIPS	425	4.56
U.S. Agencies	1,472	8.35
U.S. Governments	16,152	9.93
Utility - Electric	2,299	10.44
Utility - Gas	62	6.12
Untility - Telephone	2,999	3.15
Whole Loan - Collateralized Mortgage Obligation	111	4.84
Yankee Bonds	11	9.38
SUBTOTAL	80,956	
Commingled Funds U.S. Debt	258,325	N/A
Total TCERA Fixed Income	$ 339,281	

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. TCERA's international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures (maturity ranging from at least 30 days and not to exceed one year for either instrument) are permitted for defensive currency hedging. Although TCERA does not have a specific policy regarding foreign currency risk, TCERA seeks to mitigate this risk through its Investment Policy constraints.

INTERNATIONAL INVESTMENT SECURITIES AT FAIR VALUE

TCERA's Non-U.S. and global equity investments are targeted at 18% of the portfolio with a maximum investment of 30%. The majority of TCERA's international investments are in commingled funds with currency exposure managed according to the investment contract. As of June 30, 2023, there was no direct exposure to Foreign Currency Risk in U.S. Dollars.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Cont.)

DERIVATIVES

The Association invests indirectly, through its portfolio managers, in foreign currency forward transactions to limit its exposure to fluctuations in foreign currency exchange rates. Aside from net currency gains or losses reported as a component of investment income, no other amounts are recorded on the financial statements. These forward transactions typically range from one to six months. When used in a hedging strategy, a loss in value of the underlying security, due to a weakening of a foreign currency relative to the U.S. Dollar will result in an opposite gain in value of the foreign currency transaction. The reverse is true for a foreign currency, which strengthens relative to the U.S. Dollar. Fair values of currency forward contracts are obtained through TCERA's custodian bank, BNY Mellon Global Securities Services (BNY Mellon Global). BNY Mellon Global uses an independent third party pricing service for these price quotes.

The following Investment Derivatives schedule reports the fair value balances and notional amounts of derivatives outstanding as of and for the fiscal year ended June 30, 2023, classified by type. For financial reporting purposes, all TCERA derivatives are classified as investment derivatives.

Investment Derivatives
As of June 30, 2023
(dollars in thousands)

Derivative Type	Notional Value	Fair Value
Counterparty Swap Exposure	$ 2,580	$ (39)
Total	**$ 2,580**	**$ (39)**

Foreign currency forward transactions are conducted with highly rated AA financial institutions, typically major worldwide commercial or investment banks. As of June 30, 2023, the maximum amount of loss that could occur due to credit risk is the fair value above. Collateral is not required by TCERA to reduce exposure to credit risk. Furthermore, TCERA is not party to master netting agreements.

Counterparty risk occurs when the financial institution (who engages in the forward transaction with the Association) has a liability due to the Association and is unable to pay. This risk is monitored on a daily basis by the investment advisors and limited to maximum levels of exposure for the entire portfolio.

SECURITIES LENDING

State statutes do not prohibit the Association from participating in securities lending transactions, and the Association has, via a Securities Lending Authorization Agreement with BNY Mellon Global, authorized BNY Mellon Global to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. Any of the Association's securities may be loaned pursuant to the terms of the securities lending agreement, unless the Association notifies BNY Mellon Global otherwise. Due to the decreased liquidity in the credit markets in 2008, the Board elected to cap the Association's participation in Securities Lending at $87,100,589, effective October 31, 2008. The Board has taken no action to remove the cap.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Cont.)

Available securities may be loaned to any borrower selected by BNY Mellon Global in its sole discretion, provided credit quality criteria are met. Securities on loan must be collateralized with a value of not less than 100% of the fair value of the loaned securities. Collateral received may include cash, U.S. Government securities, sovereign debt rated A or better, Canadian Provincial Debt, convertible bonds, and other agreed upon collateral, with restrictions on the use of foreign collateral. At year-end, TCERA had no credit risk exposure to borrowers, because the collateral exceeded the amount borrowed.

As of June 30, 2023, the fair value of securities on loan was $25.8 million and the value of collateral received for the securities on loan was $26.4 million, of which $2.0 million was non-cash collateral and $24.4 million was cash collateral from equity and fixed income securities. This resulted in an overcollateralization with a ratio of 102.29%. Non-cash collateral, which TCERA does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. The maturities of collateral investments in the securities lending program are not structured to match the maturities of the securities lending arrangements. Lending arrangements are considered “open loans” that do not have a set maturity.

Securities Lending Program
As of June 30, 2023
(dollars in thousands)

Securities on Loan	Fair Value of Securites on Loan	Collateral Received	Collateral Percent
Domestic Equities	$ 18,188	$ 18,611	
Domestic Fixed Income	5,703	5,829	
Total Cash	23,891	24,440	
Total Non-Cash	1,914	1,955	
Total Securities on Loan	$ 25,805	$ 26,395	**102.29%**

EXTERNAL INVESTMENT POOLS

The Association participates in various external investment pools, as defined by GASB Statement No. 31. The Association maintains funds on deposit with the Tulare County Treasurer. These funds are pooled with those of other agencies in the County and invested. Substantially all information required for GASB Statement No. 31 was not available at the time these financial statements were prepared. The difference between cost and fair value of investments held by the County Treasury at June 30, 2023 was determined to be immaterial. The Association's participation in the County investment pool is not mandatory.

During the fiscal year, the Association has, via a Securities Lending Authorization Agreement, authorized BNY Mellon Global to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. Cash collateral received in respect of such loans was invested at the direction of the Association in the Pooled Employee ASL Short Term Fund, a pooled external investment vehicle (the Fund).

The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service. Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, BNY Mellon Global has valued the Fund's investments at fair value for reporting purposes. The Fund is not registered with the Securities and Exchange Commission. BNY Mellon Global, and consequently the investment vehicles it sponsors (including the Fund), is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Association's position in the Fund is not the same as the value of the Fund shares. There was no involuntary participation in this external investment pool by the Association for the fiscal year.

NOTE 4 - FAIR VALUE MEASUREMENT

As required by GASB Statement No. 72, *Fair Value Measurement and Application*, TCERA has classified its investments according to a fair value hierarchy. The hierarchy is structured based on three types of input to develop the fair value measurements for investment.

Level 1 reflects measurements based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 reflects measurements based on inputs, other than quoted prices, that are observable for an asset or a liability, either directly or indirectly.

Level 3 reflects measurements based on unobservable inputs for an asset or a liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

The categorization of TCERA's investments within the fair value hierarchy is based upon the pricing transparency of the instrument and should not be perceived as a measure of the particular investment's risk.

Equity and Fixed Income Securities

Equity securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities, classified in Level 2 of the fair value hierarchy, are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities, classified in Level 3 of the fair value hierarchy, are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by TCERA's custodian bank, BNY Mellon Global Securities Services.

Private Equity and Real Asset Funds

Investments in Private Equity, and Real Asset funds are valued at estimated fair value, as determined in good faith by the General Partner (GP). These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are valued at Net Asset Value (NAV).

Real Asset Investments

Investments in Real Assets are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the Investment Manager. Properties are subject to independent third party appraisals every three years. As applicable, these assets are reported in Level 3 or at NAV.

The following two charts provide a summary of TCERA's investments as classified according to the fair value hierarchy requirements. Assets classified in Level 1 are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available from the primary vendor. When certain requirements are met, an investment may be measured at NAV. Assets meeting these criteria are reported separately with descriptions of the investments.

NOTE 4 - FAIR VALUE MEASUREMENT (Cont.)

FAIR VALUE MEASUREMENT
June 30, 2023
(dollars in thousands)

		Fair Value Measurements Using	
Investments by Fair Value Level [1]	**June 30, 2023**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Debt Securities			
U.S. Government Obligations	$ 46,449	$ 16,388	$ 30,061
Global Bonds	4,708	-	4,708
Domestic Corporate Bonds	29,799	-	29,799
Equity Securities			
Domestic Stocks	282,283	282,283	-
Commingled Funds			
Securities Lending Collateral	24,440	-	24,440
Total Investments by Fair Value	$ 387,679	$ 298,671	$ 89,008
Investments Measured at the Net Asset Value (NAV)			
International Equity Funds	$ 103,801		
Real Asset Funds	393,413		
Private Equity Funds	137,337		
Private Credit Funds	124,737		
Commingled Funds			
Domestic Corporate Bonds	258,325		
Domestic Stocks	244,606		
International Stocks	260,729		
Total Investments Measured at NAV	1,522,948		
Total Investments	**$ 1,910,627**		

Note: Values derived from custodian bank and presented based on securities classification. Amounts per asset class, when aggregated, correspond to values presented in the Statement of Fiduciary Net Position.

[1] TCERA did not hold any investments classified in Level 3 as of June 30, 2023.

NOTE 4 - FAIR VALUE MEASUREMENT (Cont.)

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)

June 30, 2023
(dollars in thousands)

Investments Measured at NAV	June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International Equity Funds (1)	$ 103,801	$ -	Monthly	30 days
Real Asset Funds (2)	393,413	46,089	Quarterly, Not Eligible	45 days
Private Equity Funds (3)	137,337	108,269	Not Eligible	Not applicable
Private Credit Funds (4)	124,737	82,013	Not Eligible	Not applicable
Commingled Funds (5)	763,660	-	Not Eligible	Not applicable
Total Investments Measured at NAV	**$ 1,522,948**	**$ 236,371**		

(1) **International Equity Funds.** This investment type includes one international equity fund that is considered to be commingled in nature. It is valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.

(2) **Real Asset Funds.** This portfolio includes five real asset funds, one private Real Asset Investment Trust, one closed end fund, one Infrastructure, one opportunistic Real Asset, and one Real Asset Debt fund, that invest primarily in a diversified portfolio of institutional quality multi-family, industrial, retail, and office assets in the United States. The fair values of the investments in this type have been determined using the NAV (or its equivalent) of the Plan's ownership interest in partners capital or trust. The Real Asset Investment Trust has monthly liquidity under most circumstances, while the closed end fund is ineligible for redemption.

(3) **Private Equity Funds.** This allocation consists of investments with six fund of funds managers, three direct investments, one Private Markets Discretionary fund, and one Secondaries fund. The underlying managers within the fund of funds diversify investments throughout the various private equity strategies. The direct investments are buy-out funds.

(4) **Private Credit Funds.** The private credit allocation is to a single manager structured to provide diversified private credit exposure across various sub-asset classes via seven funds.

(5) **Commingled Funds.** This investment type is derived from funds TCERA invests in that are commingled with other investors rather than invested as separate accounts. These funds include domestic bonds, domestic stocks, and international stocks.

NOTE 5 – CONTINGENCY RESERVES

California Government Code (§31616) requires a minimum of 1.0% of the total assets of the Plan be set aside as a contingency reserve. It was created to serve as a reserve against deficiencies in interest earnings or losses on investments in other years, and for other contingencies. The target Contingency Reserve goal set by the Board was adopted for 3.0% of total assets. TCERA's Contingency Reserve balance of 3.0% of total accounting assets, excluding securities lending collateral, as of June 30, 2023 was $57.6 million.

NOTE 6 – ADMINISTRATIVE EXPENSES

The Board establishes an annual administrative budget as authorized by Government Code §31580.2. The annual budget for administrative expenses is limited to 21/100ths of 1% of the Association's Actuarial Accrued Liability (AAL). Administrative Expenses as of June 30, 2023, excluding computer and actuarial costs, were approximately 11/100ths of 1% of the Association's AAL. Employer and Employee contributions as of June 30, 2023 were insufficient to cover benefit payments and administrative expenses. The shortfall was covered by investments.

NOTE 7 – CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2023 is as follows:
(dollars in thousands)

	Beginning Balance	Additions	Disposals	Ending Balance	Estimated Useful Life in Years
Assets Not Being Depreciated					
Land	370	-	-	370	N/A
Assets Being Depreciated					
Building and Improvements	1,279	-	-	1,279	40
Less: Accumulated Depreciation	(567)	(37)		(605)	
Office Equipment and Computers	175	17	(12)	180	3 -10
Less: Accumulated Depreciation	(140)	(19)	12	(147)	
Total Tangible Assets	747	(39)	-	707	
Intangible Assets	.	.			
Pension Administration System	2,755	-	-	2,755	10
Less: Accumulated Amortization	(2,755)	-	-	(2,755)	
Total Intangible Assets	-	-	-	-	
Capital Assets, Net of Accumulated Depreciation and Amortization	**1,116**	**(39)**	**-**	**1,077**	

Depreciation and amortization expense for the fiscal year ended June 30, 2023 was $57 thousand.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

CAPITAL COMMITMENTS

TCERA's real asset and private equity investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity and discretion is controlled by TCERA's Investment Policy and the guidelines and limitations set forth in the contract, subscription agreement, limited partnership agreement and/or other contractual documents applicable to each manager. Such investments are further restricted by the amount of capital allocated or committed to each manager. TCERA's Investment Policy, contractual obligations, and capital commitments are subject to approval by the Board and may be updated as often as necessary to reflect TCERA investment preferences, as well as changes in market conditions.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Cont.)

OUTSTANDING CAPITAL COMMITMENTS
As of June 30, 2023
(dollars in thousands)

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
Sixth Steet Partners TAO Fund	Private Credit	$50,000	$23,683
Sixth Street Partners DCP Fund	Private Credit	$160,000	$58,330
KKR Mezzanine Partners	Private Equity	$15,000	$472
Ocean Avenue Fund III	Private Equity	$20,000	$1,400
Ocean Avenue Fund IV	Private Equity	$26,000	$1,560
Ocean Avenue Fund V	Private Equity	$20,000	$18,000
Pantheon Ventures, Inc.	Private Equity	$15,000	$825
Pathway Fund 8	Private Equity	$20,000	$1,683
Pathway Fund 9	Private Equity	$20,000	$3,399
Pathway Fund 10	Private Equity	$30,000	$8,211
StepStone Group	Private Equity	$27,500	$3,893
Verus Advisory, Inc.	Private Equity	$69,000	$68,826
Verus Advisory, Inc.	Real Asset Debt	$47,000	$46,089
Total Outstanding Commitments			**$236,371**

NOTE 9 – NET PENSION LIABILITY

Net Pension Liability of Employers: The net pension liability (NPL) (i.e., the Plan's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below in thousands:

	June 30, 2023
Total Pension Liability	$2,409,072
Plan Fiduciary Net Position	(1,904,054)
Employers' Net Pension Liability	$505,018
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	79.04%

The NPL increased by approximately $78 million since the prior measurement date, primarily due to differences between expected and actual experience. The discount rate decreased from 7.09% to 7.08% due to the results of the crossover test. The investment gains or losses are recognized over five years, and the actuarial liability gains and assumption changes are recognized over the average remaining service life, which is also five years. Unrecognized amounts are reported as deferred inflows of resources and deferred outflows of resources.

NOTE 9 – NET PENSION LIABILITY (Cont.)

Actuarial Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The Total Pension Liability at the end of the measurement year, June 30, 2023, was measured as of a valuation date of June 30, 2023, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used are presented below:

Inflation	The cost-of-living as measured by the Consumer Price Index (CPI) will increase at the rate of 2.75% per year.
Expected Return on Assets	7.15% net of investment expenses as of June 30, 2023.
Salary Increases	Payroll increases are assumed to increase 3.00% per year. Individual salaries are assumed to increase with a wage inflation component of 3.00% and a longevity/ promotion component that varies by years of service and division, ranging from 0.50% to 8.00% for General Members and 1.25% to 9.00% for Safety Members.
Ad hoc Post-Employment Benefit Changes	None.
Post Retirement COLA	Benefits are assumed to increase after retirement at the rate of 2.6% per year for Tier 1 and 2.0 % per year for Tiers 2-4. An additional COLA of 0.4% per year (for a total COLA growth rate of 3.0%) is included for Tier 1 participants in pay status to reflect their accumulated COLA banks.
Mortality Assumptions	RP-2014 Mortality Tables with Generational improvement using Projection Scale MP-2019 and adjusted to reflect TCERA experience.
Most Recent Actuarial Experience Study	June 30, 2023 (conducted every three years).
Discount Rate	7.08% blended discount rate, net of pension plan investment expense, including inflation.
Municipal Bond Rate	3.65% net of investment expenses as of June 30, 2023 (Bond Buyer 20-year Bond GO Index, June 30, 2023).
Administrative Expenses	Administrative Expenses used in the cashflow projection are assumed to average 0.15% of assets annually.

NOTE 9 – NET PENSION LIABILITY (Cont.)

Asset Allocation and Expected Long-Term Real Rate of Return by Asset Class:

The allocation of investment assets within the investment portfolio is approved by the Board and is incorporated into TCERA's Investment Policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following table displays the Board approved asset allocation:

Asset Class	June 30, 2023 Target Percent
Large Cap Equity	20.00%
Small Mid Cap Equity	6.00%
Non-U.S. Equity (Developed and Emerging)	16.00%
Global Equity	3.00%
US Fixed Income	17.00%
Emerging Market Debt	3.00%
Core Real Estate	3.00%
Value-Add Real Estate	4.00%
Opportunistic Real Estate	4.00%
Infrastructure	4.00%
Real Estate Debt	3.00%
Private Credit	5.00%
Private Equity	12.00%
	100.00%

The following table displays the Expected Long-Term Real Rate of Return by Asset Class:

Asset Class	Expected Long-Term Real Rate of Return
Large Cap Equity	4.00%
Small Mid Cap Equity	2.90%
Non-U.S. Equity (Developed and Emerging)	6.60%
Global Equity	4.90%
US Fixed Income	2.10%
Emerging Market Debt	5.50%
Core Real Estate	3.30%
Value-Add Real Estate	5.30%
Opportunistic Real Estate	6.30%
Infrastructure	5.30%
Real Estate Debt	2.70%
Private Credit	5.70%
Private Equity	6.70%
Total Fund	4.64%

NOTE 9 – NET PENSION LIABILITY (Cont.)

The long-term expected real rate of return was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation of 2.5%. Real return forecasts are from Verus Investments' 2023 Capital Market Assumptions.

Discount Rate: The discount rate used to measure the Net Pension Liability was 7.08%.

The investment rate of return assumption used for actuarial funding was 7.00% for the fiscal year ended June 30, 2023.

GASB Statement No. 67 requires determination that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the total pension liability was 7.08%.

The projection of cash flows used to determine the discount rate assumed that TCERA contributions will be equal to the actuarially determined contributions, reflecting a payment equal to annual Normal Cost and an amount necessary to amortize the total June 30, 2015 Unfunded Actuarial Liability (UAL) as a level percentage of payroll over a closed 19-year period with payments as a level percentage of payroll, assuming payroll increases of 3.00% per year. Subsequent gains and losses are being amortized over new 19-year closed periods, also as a level percentage of payroll.

Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members until 2088, when only a portion of the projected benefit payments can be made from the projected fiduciary net position.

Projected benefit payments are discounted at the long-term expected return on assets of 7.15% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the Net Pension Liability as of June 30, 2023 was 7.08%.

The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of TCERA as of June 30, 2023, calculated using the discount rate of 7.08%, as well as what TCERA's net pension liability in thousands would be if it were calculated using a discount rate that is 1-percentage-point lower (6.08%) or 1-percentage-point higher (8.08%) than the current rate:

As of June 30, 2023:
(dollars in thousands)

TCERA Net Pension Liability	1% Decrease (6.08%)	Current Discount Rate (7.08%)	1% Increase (8.08%)
	$843,372	$505,018	$228,471
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.3%	79.0%	89.3%

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to June 30, 2023 and through December 6, 2023, the date through which management evaluated subsequent events and on which the financial statements were issued, TCERA did not identify any subsequent financial events.

Schedule of Changes in Net Pension Liability and Related Ratios

Fiscal Years June 30:
(dollars in thousands)

	2023	2022	2021	2020	2019
Total Pension Liability					
Service cost	$ 54,448	$ 56,123	$ 54,859	$ 49,424	$ 49,484
Interest	157,325	154,625	141,880	140,390	133,895
Differences between expected and actual experience	71,644	(69,048)	85,474	(54,091)	(6,667)
Changes of assumptions	(10,869)	(40,693)	2,930	70,788	(37,996)
Benefit payments, including refunds of member contributions	(109,503)	(102,708)	(96,276)	(91,427)	(85,097)
Net Change in Total Pension Liability	163,045	(1,701)	188,867	115,084	53,619
Total Pension Liability - Beginning	2,246,027	2,247,728	2,058,861	1,943,777	1,890,158
Total Pension Liability - Ending (a)	$ 2,409,072	$ 2,246,027	$ 2,247,728	$ 2,058,861	$ 1,943,777
Plan Fiduciary Net Position					
Contributions- employer	$ 45,174	$ 40,392	$ 36,766	$ 35,310	$ 33,494
Contributions- member	27,965	25,880	23,536	23,104	22,325
Net investment income (loss)	124,156	(117,773)	395,079	9,515	90,779
Benefit Payments, including refunds of member contributions	(109,503)	(102,708)	(96,276)	(91,427)	(85,097)
Administrative expense	(2,747)	(2,967)	(2,740)	(2,853)	(2,806)
Net Change in Plan Fiduciary Net Position	85,045	(157,176)	356,365	(26,351)	58,695
Plan Fiduciary Net Position - Beginning	1,819,009	1,976,185	1,619,820	1,646,171	1,587,476
Plan Fiduciary Net Position - Ending (b)	$ 1,904,054	$ 1,819,009	$ 1,976,185	$ 1,619,820	$ 1,646,171
Net Pension Liability - Ending (a)-(b)	$ 505,018	$ 427,018	$ 271,543	$ 439,041	$ 297,606
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**79.04%**	**80.99%**	**87.92%**	**78.68%**	**84.69%**
Covered Payroll	$ 306,492	$ 288,629	$ 276,127	$ 283,640	$ 264,218
Net Pension Liability as a Percentage of Covered Payroll	**164.77%**	**147.95%**	**98.34%**	**154.79%**	**112.64%**

Note: Numbers may not add to totals due to rounding

Schedule of Changes in Net Pension Liability and Related Ratios (Cont.)

Fiscal Years June 30:
(dollars in thousands)

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	46,838 $	38,203 $	38,308 $	35,168 $	39,672
Interest	126,586	118,664	115,716	97,473	94,277
Changes of benefit terms		-	-	-	-
Differences between expected and actual experience	10,342	11,936	(40,602)	7,590	-
Changes of assumptions	41,148	69,608	23,922	180,187	13,588
Benefit payments, including refunds of member contributions	(80,716)	(76,961)	(72,332)	(68,560)	(65,954)
Net Change in Total Pension Liability	144,198	161,450	65,012	251,858	81,583
Total Pension Liability - Beginning	1,745,960	1,584,510	1,519,498	1,267,640	1,186,057
Total Pension Liability - Ending (a)	1,890,158 $	1,745,960 $	1,584,510 $	1,519,498 $	1,267,640
Plan Fiduciary Net Position					
Contributions- employer	286,263 $	33,616 $	31,297 $	30,992 $	25,953
Contributions- member	18,512	18,190	16,815	18,887	18,969
Net investment income	95,857	132,865	(20,309)	122,400	179,878
Benefit Payments, including refunds of member contributions	(80,716)	(76,961)	(72,332)	(68,560)	(65,954)
Administrative expense	(2,666)	(2,612)	(2,616)	(2,408)	(1,639)
Net Change in Plan Fiduciary Net Position	317,250	105,098	(47,145)	101,311	157,207
Plan Fiduciary Net Position - Beginning	1,270,226	1,165,127	1,212,272	1,110,961	953,754
Plan Fiduciary Net Position - Ending (b)	1,587,476 $	1,270,225 $	1,165,127 $	1,212,272 $	1,110,961
Net Pension Liability - Ending (a)-(b)	302,682 $	475,735 $	419,383 $	307,226 $	156,679
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**83.99%**	**72.75%**	**73.53%**	**79.78%**	**87.64%**
Covered Payroll	256,049 $	243,366 $	238,559 $	229,431 $	234,439
Net Pension Liability as a Percentage of Covered Payroll	**118.21%**	**195.48%**	**175.80%**	**133.91%**	**66.83%**

Note: Numbers may not add to totals due to rounding

Schedule of Changes in Net Pension Liability and Related Ratios (Cont.)

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Net Pension Liability – See information in Note 9 regarding the increase in the net pension liability.

Benefit Changes – All members with a membership date on or after January 1, 2013 enter the new tiers created by the California Public Employees' Pension Reform Act of 2013 (PEPRA). There were no changes in benefits during the year.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the preparation of the actuarial valuation and does not include subsequent adjustments.

Scope of Schedule – The schedule is intended to show information for 10 years. Recalculations of prior years are not required. If prior years are not reported in accordance with the standards of Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Schedule of Contributions

(dollars in thousands)

Fiscal Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Actuarially Determined Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	25,953	25,953	-	234,439	11.07%
2015	30,992	30,992	-	229,431	13.51%
2016	31,297	31,297	-	238,559	13.12%
2017	33,616	33,616	-	243,366	13.81%
2018 *	36,263	36,263	-	256,049	14.16%
2019	33,494	33,494	-	264,218	12.68%
2020	35,310	35,310	-	283,640	12.45%
2021	36,766	36,766	-	276,127	13.31%
2022	40,392	40,392	-	288,629	13.99%
2023	45,174	45,174	-	306,492	14.74%

** For the FYE 2018, the contribution shown in this schedule does not include the additional $250 million contribution made by the County at the end of the Fiscal Year.*

Schedule of Contributions (Cont.)

Notes to Schedule of Contributions:

Valuation date (1)	Actuarially determined contribution rates are calculated as of **June 30, 2021**, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll with separate periods for the UAL as of June 30, 2015 (13 years remaining as of 6/30/21), and additional 19-year layers for unexpected changes in UAL after 6/30/15.
Remaining amortization period	19 years, layered
Asset valuation method	10-year smoothed market, with a 30% corridor around the market value.
Inflation	2.75%
Salary increases	3% plus merit component based on employee classification and years of service.
Investment rate of return	7.00% per annum (6.88% compounded semi-annually). The investment rate of return includes inflation.
Retirement age	Retirement age varies by membership type and tier. Refer to Note 2, Plan Description for more information.
Mortality - Retirement	For General: RP-2014 Combined Healthy Sex Distinct Table, with Generational improvement using Projection Scale MP-2019, increased by 2.2% for males and 8.0% for females to reflect Plan experience For Safety: RP-2014 Combined Healthy Male Table with blue-collar adjustment, with Generational improvement using Projection Scale MP-2019, increased by 4.5% for males to reflect Plan experience
Mortality - Disability	All Members - RP-2014 Combined Healthy Sex Distinct Table, with Generational improvement using Projection Scale MP-2019.
Cost of living adjustments	2.6% per year for Tier 1 and 2% for Tiers 2, 3, and 4.

(1) Actuarial determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment expense

Fiscal Year:	**2023**	**2022**	**2021**	**2020**	**2019**
	6.45%	-5.79%	23.85%	0.74%	6.10%

Fiscal Year:	**2018**	**2017**	**2016**	**2015**	**2014**
	7.60%	11.70%	-1.30%	1.10%	17.00%

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2023
(dollars in thousands)

Personnel Services	
Salaries	
General	$ 971
Benefits	
General	437
Board Fees - Per Diem Payments	19
Total Personnel Services	**1,427**
Professional Services	
Actuarial	87
Data Processing	357
Audit	45
Professional Services - Disablity	136
Legal Counsel	
General	66
Disability	26
Total Professional Services	**717**
Communication	
Printing	35
Communication	14
Postage	59
Total Communicaton	**108**
Rentals	
Office Space	188
Total Rentals	**188**
Other	
Training	6
Transportation and Travel	22
Maintenance	22
Insurance	74
Utilities	29
Depreciation and Amortization	57
Office	79
Other County Department Charges	17
Total Other	**306**
Total Administrative Expenses	**$ 2,746**

Fees, Other Investment Expenses and Payments to Consultants

For the Fiscal Year Ended June 30, 2023
(dollars in thousands)

Investment Activity	
Equity	
Domestic	$ 1,074
International	1,259
Fixed Income	
Domestic	984
Alternative Investments	
Private Equity	2,683
Private Credit	1,609
Real Asset	
Real Asset Managers	4,486
Total from Investment Activity	**12,095**
Securities Lending Activity	
Securities Lending Program Expenses	1,073
Total from Securities Lending Activity	**1,073**
Other Investment Expenses	
Investment Custodian	286
Investment Consultant	570
Other	253
Total from Other Investment Expenses	**1,109**
Total Fees and Other Investment Expenses	**$ 14,277**

Payments to Consultants	
Nature of Service	
Actuarial	$ 87
Audit	45
Legal Counsel	
General	66
Disability	26
Total Consulting Fees	**$ 224**

Schedule of Net Position Restricted for Pension Benefits

As of June 30, 2023
(dollars in thousands)

Employee reserves, July 1	$ 359,335
Contributions	27,965
Withdrawals	(6,111)
Transfers	(23,467)
Interest crediting	18,299
Employee reserves, June 30	376,021
Employer reserves, July 1	966,012
Contributions	45,174
Benefits Paid	-
Transfers	(46,576)
Interest crediting	53,078
Employer reserves, June 30	1,017,688
Retiree reserves, July 1	460,586
Benefits Paid	(96,237)
Transfers	70,017
Interest crediting	26,707
Retiree reserves, June 30	461,073
SRBR reserves, July 1	113,702
Benefits Paid	(7,155)
Interest crediting	6,155
SRBR reserves, June 30	112,702
Other reserves, July 1	(2,421)
Transfers - Intra Member Contribution Account	4,420
Interest crediting	183
Other reserves, June 30	2,182
Market Stabilization reserve, July 1	(134,802)
Net Change in Market Stabilization	10,444
Market Stabilization reserve, June 30	(124,358)
Contingency reserve, July 1	55,608
Transfers	1,994
Contingency reserve, June 30	57,602
TCERA Property, Inc. Retained Earnings (Holding Corporation), July 1	988
Net income	156
TCERA Property, Inc. Retained Earnings (Holding Corporation), June 30	1,144
Net position restricted for pension benefits	**$ 1,904,054**

Schedule of Cost Sharing Employer Allocations

For the Fiscal Year Ended June 30, 2023
(dollars in thousands)

Employer	2023 Actual Employer Contributions	2023 Employer Allocation Percentage
County of Tulare	$ 41,258	91.33%
Tulare County Association of Governments[1]	220	0.49%
Tulare County Superior Court	3,657	8.10%
Strathmore Public Utility District	39	0.09%
Total	$ 45,174	100.00%

[1] The Tulare County Association of Governments is a district within Tulare County.
Note: Numbers may not add to totals due to rounding

Employer Pension Amounts Allocated by Cost Sharing Plan

June 30, 2023
(dollars in thousands)

		DEFERRED OUTFLOWS OF RESOURCES				
Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Differences Between Projected and Actual Investment Earnings	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Tulare County	$ 461,239	$ 83,572	$ 13,999	$ 62,272	$ 997	$ 160,840
Tulare County Assn of Goverments [1]	2,459	446	75	332	76	929
Tulare County Superior Court	40,884	7,408	1,241	5,520	1,174	15,343
Strathmore Public Utility District Total	436	79	13	59	29	180
Total	**$ 505,018**	**$ 91,505**	**$ 15,328**	**$ 68,183**	**$ 2,276**	**$ 177,292**

[1] The Tulare County Association of Governments is a district within Tulare County.
Note: Numbers may not add to totals due to rounding

Employer Pension Amounts Allocated by Cost Sharing Plan (Cont.)

Employer	DEFERRED INFLOWS OF RESOURCES				
	Differences Between Expected and Actual Economic Experience	Changes of Assumptions	Net Differences Between Projected and Actual Investment Earnings	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Tulare County	$ 47,718	$ 30,240	$ -	$ 1,049	$ 79,007
Tulare County Assn of Goverments [1]	254	161	-	122	537
Tulare County Superior Court	4,230	2,680	-	1,090	8,000
Strathmore Public Utility District Total	45	29	-	15	89
Total	**$ 52,247**	**$ 33,110**	**$ -**	**$ 2,276**	**$ 87,633**

Employer	PENSION EXPENSE		
	Collective Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
Tulare County	$ 76,522	$ 591	$ 77,113
Tulare County Assn of Goverments [1]	408	(147)	261
Tulare County Superior Court	6,783	(445)	6,338
Strathmore Public Utility District Total	72	1	73
Total	**$ 83,785**	**$ -**	**$ 83,785**

[1] The Tulare County Association of Governments is a district within Tulare County.
Note: Numbers may not add to totals due to rounding

Notes to Other Information

BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Employers that participate in TCERA were required to implement GASB 68 for their first fiscal year that commenced after June 15, 2014. The amounts reported as of their fiscal year end (their reporting date) must be based on a measurement date up to 12 months prior to their reporting date. For employers with a reporting date of June 30, their 2023 disclosures can be based on either the June 30, 2022 or 2023 measurement dates. If an employer elects to base their 2023 disclosures on the June 30, 2022 measurement date, the GASB 68 schedules in this report with a measurement date of June 30, 2023 will be used for their 2024 reporting date.

TCERA is a cost-sharing multiple-employer pension plan, each employer participating in TCERA must reflect a portion of the collective Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows in their financial statements.

USE OF ESTIMATES IN THE PREPARATION OF THE SCHEDULES

The preparation of these schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Proportionate shares for each participating employer are generally determined based on the ratio of each participating employer’s actual contributions to TCERA during the measurement year to the sum of the employer contributions. Proportionate shares for each participating employer are generally determined based on the ratio of each participating employer’s actual contributions to TCERA during the measurement year to the sum of the employer contributions.

The proportionate share allocated to each individual employer will change on each measurement date. The net effect of the change in proportion on the share of the collective NPL, collective deferred outflows, and collective deferred inflows allocated to each employer becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of TCERA’s active and inactive members (five years). Similarly, the difference between each employer’s actual contributions and the employer’s proportionate share of collective employer contributions becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of TCERA’s active and inactive members (five years).

The difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining difference between projected and actual investment earnings on pension plan investments at June 30, 2023, is to be amortized over the remaining periods. The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through TCERA (active and inactive employees) determined as of June 30, 2022 (the beginning of the measurement period ending June 30, 2023) and is four years. Prior period changes of assumptions and differences between expected and actual experience are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

investment section

Independent Consultant's Report

Verus

September 11, 2023

The Board of Retirement
Tulare County Employees' Retirement Association
136 N. Akers Street
Visalia, California 93291

The investment portfolio of the Tulare County Employees' Retirement Association attained a total value of $1.91 billion for the fiscal year ending June 30, 2023; the fiscal year return was 6.7%, net of investment management fees. This return was below the Plan's policy benchmark of 6.9%. Capital markets rebounded over the last year driven by decreasing inflation and a resilient economy. With that said, the U.S. continues to face inflation that is higher than the Federal Reserve's target level despite prices moderating significantly from its Summer 2022 peak. In response, the Federal Reserve continued to increase interest rates to combat rising prices which has had a volatile effect on equity and fixed income markets. Despite positive absolute performance, TCERA underperformed their policy index and ranked in the 77th percentile in a universe of public pension plans with assets greater than $1 billion. Underperformance relative to the median peer resulted primarily from TCERA's overweight to real estate which had negative returns for the year.

Verus worked with the Board on various projects including a private markets review, asset allocation analysis, and investment manager fee analysis. Furthermore, we also met various "as-needed" tasks such as ESG education and country specific exposure.

Moving forward, we will continue to work with the Board to monitor the Plan's strategic asset allocation and its implementation for potential improvement opportunities as we jointly remain focused on ensuring the retirement of TCERA's participants is secure.

Sincerely,

Jeffrey MacLean
Chief Executive Officer, Senior Consultant

NOTE: Returns for periods greater than one year are annualized. Investment return calculations are time-weighted, market value based, and consistent with industry standards and best practices for performance measurement.

Economic Conditions and Outlook

Summary

Risks assets delivered a strong start to 2023, building off the positive momentum seen towards the end of 2022. Year-to-date performance was positive across all major asset classes outside of commodities, as was performance on a one-year basis. Despite the challenging outlook presented in our last letter, economic growth proved to be resilient, despite an ending to the large amount of stimulus introduced in response to the pandemic, and quickly rising interest rates. While earlier in the year many economists had forecast a U.S. recession in mid to late summer (especially after a series of regional bank failures, notably Silicon Valley Bank and First Republic), sentiment eased considerably as the prospect of a "soft-landing" was revived. Falling headline inflation, resilient labor market data, and the first rate pause from the Federal Reserve all contributed to a more positive macroeconomic outlook.

Despite the strong first half of 2023, challenges remain going forward. Within the U.S., inflation is still a concern. The Federal Reserve continues to face difficult policy decisions as inflation, while lower, sits above the two-percent target and economic and labor market strength persists. The FOMC paused rate hikes in June, but markets are pricing in as many as two additional hikes before the end of the current tightening cycle. Overseas, growth in advanced economies remains stunted as many central banks continue their battle against inflation. Within emerging markets, the loudest narrative has centered on China. Reopening after the pandemic provided a material boost to activity, though positive momentum has been overshadowed by mounting geopolitical tension with the United States, a lack of broader accommodative stimulus from Beijing, and a hobbling real estate market.

U.S. Equity

Shares in the U.S. outperformed relative to international developed and emerging market counterparts across both the year-to-date and one-year timeframe. The S&P 500 index rose by an outstanding 19.6% over the trailing one-year period, driven by strength seen in 2023 (16.9% gain year-to-date). Many expected a higher rate environment and slowing domestic consumer to be a ceiling on domestic equity prices, especially following a series of regional bank failures, most notably Silicon Valley Bank and First Republic Bank in March. This ceiling was quickly shattered as the prospect and development of artificial intelligence (AI) technology boosted the already technology-heavy S&P 500 index.

Following concerns over the stability of the broader U.S. financial system, a wave of AI developments fueled a rally in many U.S. technology shares. Some of the largest technology names, which have committed significant investments in research and development over past years, saw the biggest jumps. Notable year-to-date movers include Nvidia (+189.5%), Meta (+138.5%), Apple (+49.3%), and Microsoft (+42.0%).

The significant movements of heavyweight technology names are apparent when looking at size and style factors. Large-cap equities significantly outperformed over the one-year, with the Russell 1000 index gaining 19.4% relative to a 12.3% increase in the Russell 2000 index. Growth handily outperformed value, with the Russell 1000 Growth index rising 27.1% from last year compared to an 11.5% gain from the Russell 1000 Value index.

While U.S. shares have outperformed, the earnings story remains uncertain. Per FactSet, S&P 500 companies are on track for their third straight quarter of year-over-year earnings decline. The expected decline of -7.0% in Q2 2023 reflects a volatile business environment. While earnings expectations are rosier going forward, recent gains seen from U.S. equities are by no means an indicator that the Federal Reserve has successful achieved a “soft-landing” for the economy.

International Equity

International share performance lagged the U.S. as technology-related gains were primarily captured by large U.S. firms. Despite underperformance, both international developed and emerging market shares saw gains on a one-year horizon. While directionality was the same, performance divergence was significant between the two. The MSCI EAFE index increased 18.8% year-over-year, but the MSCI EM index posted a meager 1.7% gain.

International developed shares rebounded in Q4 of 2022, and this momentum carried into 2023, driven by strength from both European and Japanese shares. The STOXX 50, which represents the 50 largest companies in Europe, rose 36.3% from the prior year. While Europe continues to face tighter central bank policies due to high inflation (June 2023 CPI came in at 5.5% year-over-year), resilience was much better than expected, especially in comparison to the negative sentiment following Russia’s invasion of Ukraine. Japanese equities also saw strong performance due to a combination of positive economic growth, inflation (Japan has sought higher inflation for many years), and a potential shift regarding foreign shareholder prioritization. Gains in Japanese equities were mostly achieved in 2023. The TOPIX index increased 25.9% over the year-to-date, making up most of the 31.2% one-year gain.

China dominated the narrative in emerging markets, as emerging market shares initially outperformed on enthusiasm around the country’s reopening. This reopening momentum turned out to be short-lived, as negative sentiment quickly overshadowed the move away from an almost three-year “zero-covid” policy. It appears that two primary factors contributed to losses for Chinese shares. The first was a smaller-than-expected reopening wave of economic activity, with no substantial monetary or fiscal stimulus used to accelerate the reopening. This contrasted sharply to the large amounts of stimulus used in the U.S. and Europe. This smaller-than-expected reopening wave provided no reprieve to the already struggling real estate market. The second factor was growing geopolitical tension with the United States. A series of events, including a spy balloon being shot down over U.S. airspace, continued to bolster negative relations between the two global leaders, which likely hurt foreign investor sentiment. The MSCI China index fell -5.5% over the year-to-date, further adding to the -16.8% loss seen over the one-year period.

Fixed Income

Inflation and Federal Reserve action continued to be the dominant driver of fixed income performance over the past year. With the bulk of Federal Reserve rate hikes occurring in the second half of 2022, bonds received the brunt of the pain over the 2022 calendar year (Bloomberg U.S. Aggregate down -13.0%). The Federal Reserve continued to increase rates in response to inflation in 2023, but at a considerably slower pace. The upper bound of the Fed's target rate moved from 4.50% to 5.25% over the 2023 year-to-date period. Smaller hikes were likely in response to strong signs of falling inflation, as headline CPI fell to 3.0% in June of 2023. While the FOMC decided to pause their rate hikes at the June meeting, commentary from Federal Reserve Chairman Powell was very explicit that pausing was not a signal of the end of the tightening cycle. Fed funds futures (an indicator of investor expectations) are pricing in another 25-basis point rate hike at the FOMC's July meeting, as the Federal Reserve will continue to watch the path of inflation, especially when looking at the core basket (4.8% year-over-year rise in June).

Positive performance in 2023 has helped to improve one-year performance for the fixed income complex. Core fixed income (Bloomberg U.S. Aggregate) saw a 2.1% gain over the year-to-date period, bringing the one-year loss to -0.9%. In terms of duration, short maturity U.S. treasuries outperformed, with the Bloomberg U.S. Treasury 1-3 Year index gaining 0.1% over the one-year, compared to -2.1% and -6.8% losses from the U.S. Treasury index and U.S. Treasury Long index, respectively.

Expectations for worsening credit conditions may have reached a peak earlier in the year following the failure of several regional banks, as many investors expected a material pull back in credit availability. While high-yield bond and leveraged loan default rates have reached a two-year high per J.P. Morgan, the broader credit spectrum has performed strongly over the one-year period. Emerging market debt in local currency (+11.4%) was the best performer, followed by leveraged loans (+10.1%), high-yield bonds (+9.1%), and hard currency emerging market debt (+7.4%). Credit spreads compressed over the year-to-date, with the average option-adjusted spread for high-yield and investment grade bonds sitting at 390 basis points and 123 basis points, respectively. It has been surprising to see credit spread remain at low levels, despite recent rises in bond default activity, and expectations that defaults will continue to rise into 2024.

Commodities

In 2022, there was two major stories in the commodities space. First, the rapid increase in energy and grain prices—much of this due to Russia's invasion of Ukraine—was an igniting factor for global inflation issues. The second story was commodity performance. Commodities were one of the few asset classes to post a positive return during the 2022 calendar year, and the asset dominated the narrative in 2022 with some market participants calling for a new booming commodity cycle. However, commodities ended up playing a much smaller role in 2023, as a combination of easing supply pressures and lower demand hurt price performance. The Bloomberg Commodity index fell -7.8% over the year-to-date, driving the -9.6% one-year loss.

Currency

The strong dollar theme which prevailed in the first three quarters of 2022 quickly reversed course in the fourth quarter of 2022. The dollar has broadly weakened in 2023, but movements have been relatively small. Interest rates have played a material role. As inflation in the U.S. seems to be under control, this has led to lower rate expectations relative to other major currencies such as the Euro and the British Pound. During this period, the Japanese Yen saw a small surge on speculation of changing rate policy under new Bank of Japan Governor Kazuo Ueda. However, this speculation proved to be only speculation, as the Yen weakened 8.7% against the dollar over the year-to-date. The Bloomberg Dollar index, a gauge of the U.S. dollar relative to major pairs, saw moderate losses, down -2.2% in comparison to one year ago.

Outlook

The first half of 2023 has been a strong period for most risk assets, especially across the equity and credit spectrum. Despite this strength, investor views of the future have diverged regarding whether the economy has achieved a new equilibrium (“soft landing”), or whether a material recession is in imminent. Domestic investor sentiment remains positive as inflation has shown signs of easing, real earnings growth has moved back into positive territory, and the labor market remains resilient despite the quick rise in interest rates. While strong asset performance has further boosted sentiment, risks including regional banks, commercial office real estate, and sticker inflation remain. It is important to remember that rising interest rates tend to impact the economy with a lag. We believe many effects of interest rate rises have yet to be felt, and that the economy and markets may feel some pain by early 2024. Across international developed markets, we believe growth will continue to face headwinds until inflation is under control, but for the moment, these markets have shown greater resilience than expected. Lastly, emerging markets are set to grow faster than advanced economy counterparts, but China may continue to overshadow the narrative, especially as the U.S. China relationship remains tenuous.

Written by Verus Advisory

Investment Objectives

The Board of Retirement (the Board) has adopted Investment Policies and Guidelines, which outline the Tulare County Employees' Retirement Association's (TCERA, the Association, or the Plan) investment goals and objectives. The Investment Policy Statement combines planning and philosophy and contains a Policies and Procedures section, Statement of Investment Goals, and General Investment Goals and Guidelines.

The Plan's general investment goals are broad in nature. The primary objectives are to efficiently allocate and manage the assets in order to satisfy the liabilities of the Plan. The following goals, consistent with the above-described purpose, are adopted:

- The overall goal of TCERA's investments is to provide Plan participants with retirement, disability, and death and survivor benefits, as provided for under the County Employees Retirement Law of 1937. This will be accomplished through a carefully planned and executed long-term investment program.

- The total portfolio over the long-term will be expected to:

  1. Produce a total portfolio, long-term real (above inflation) return commensurate with the target asset allocation (annualized, net of fees, over a full market cycle, normally defined as 3-5 years);
  2. Exceed the assumed actuarial rate of return over rolling five-year periods; and
  3. Exceed a weighted index of the total Plan's asset allocation policy and component benchmark over rolling five-year periods by an appropriate amount (annualized, net of fees, over a full market cycle).

- TCERA's Investment Policy has been designed to produce a total portfolio, long-term real return. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this goal.

Asset Allocation

The Board adopts and implements an asset allocation policy that is predicated on a number of factors, including:

- Expected long-term capital market risk and return behavior;
- Projected assets, liabilities, benefit payments, and contributions provided by TCERA's actuary;
- An assessment of future economic conditions, including inflation and interest rate levels; and
- The specific investment objectives set forth by TCERA.

The Plan will be diversified both by asset class (e.g., common stocks, bonds, real estate, other alternatives) and within asset classes (e.g., within common stocks by economic sector, industry, quality, and market capitalization). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total Plan.

The basis of the data presented is fair value as of June 30, 2023 prior to adjustments for accruals and cash positions. Performance reported is based on time-weighted returns based on the market rate of return.

Target Asset Allocation

As of June 30, 2023

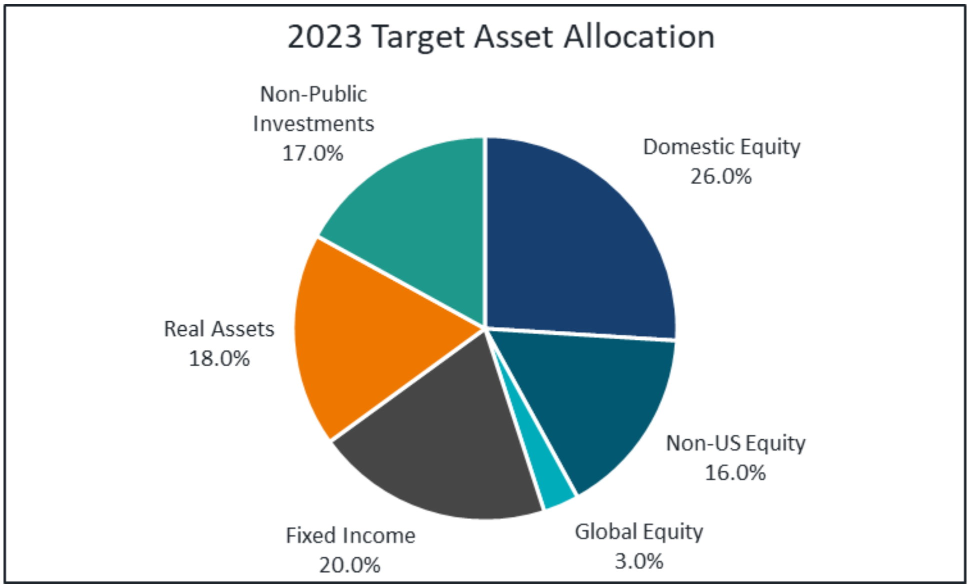
The target asset allocation for the investment portfolio is determined by the Board to facilitate the achievement of the investment program's long-term investment objectives within the established risk parameters. Due to the fact that the allocation of funds between asset classes may be the single most important determinant of the investment performance over the long run, the Plan's assets shall be divided into the following asset classes:

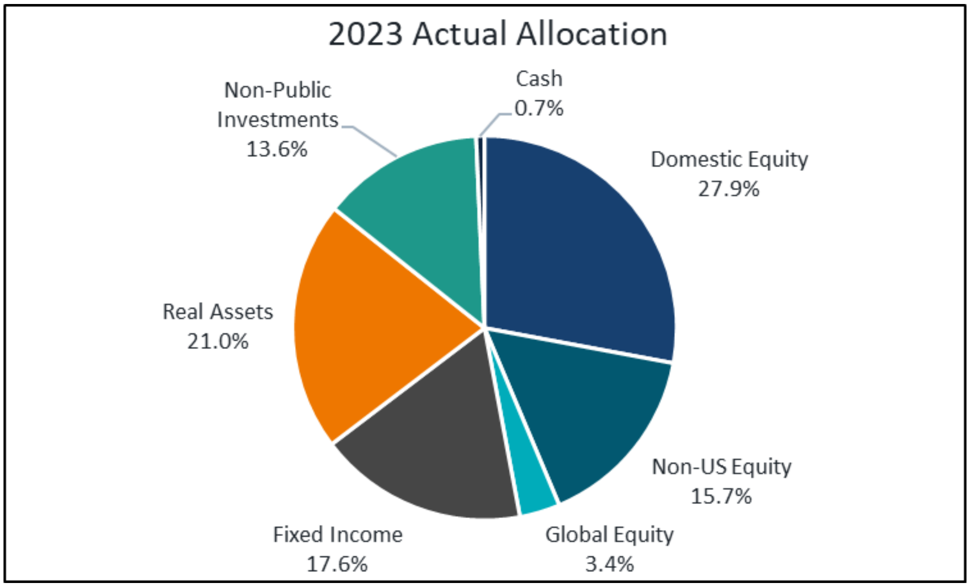
Asset Class	Minimum Percent	Maximum Percent	Target Percent
Domestic Equity	**15%**	**35%**	**26%**
Large Cap	*10%*	*25%*	*20%*
Small Mid Cap	*0%*	*10%*	*6%*
Non-U.S. Equity (Developed and Emerging)	**5%**	**25%**	**16%**
Global Equity	**0%**	**5%**	**3%**
Fixed Income	**10%**	**35%**	**20%**
Core-Plus Fixed Income	*10%*	*30%*	*17%*
Emerging Market Debt	*0%*	*6%*	*3%*
Real Assets	**10%**	**30%**	**18%**
Core Real Estate	*5%*	*10%*	*3%*
Value-Add Real Estate	*0%*	*10%*	*4%*
Opportunistic Real Estate	*0%*	*10%*	*4%*
Infrastructure	*0%*	*10%*	*4%*
Real Estate Debt	*0%*	*10%*	*3%*
Alternative Investments	**0%**	**20%**	**17%**
Private Equity/VC	*0%*	*16%*	*12%*
Private Credit	*0%*	*10%*	*5%*

Formal asset allocation studies will be conducted at least every five years, with annual evaluations of the validity of the adopted asset allocation based on updated return projections. Any change in capital market assumptions or liabilities will require consideration of revision to the asset allocation policy.

Target Asset vs. Actual Asset Allocation

As of June 30, 2023





Percentages may not equal 100% due to rounding.

Fair Value of Investments

As of June 30, 2023

Type of Investments	Fair Value	Percentage of Total Fair Value
Domestic Corporate Bonds	$71,365,446	3.7%
MBS	$101,674,852	5.3%
ABS	$22,058,985	1.2%
U.S. Government/Agency Instruments	$60,490,426	3.2%
Municipal Bonds	$678,496	0.0%
Emerging Markets Fixed Income	$60,329,126	3.2%
Other	$19,748,826	1.0%
Total Bonds	**$336,346,156**	**17.6%**
Domestic Equity	$531,282,578	27.9%
Non-U.S. Equity	$298,782,608	15.7%
Global Equity	$65,746,813	3.4%
Total Equity	**$895,811,999**	**47.0%**
Real Estate	$317,648,886.28	16.7%
Infrastructure	$84,128,607	4.4%
Total Real Assets	**$400,866,824.00**	**21.1%**
Private Equity	$136,517,371.98	7.2%
Private Credit	$122,865,950	6.4%
Total Non-Public Investments	**$260,293,991**	**13.6%**
Cash	**$13,605,149**	**0.7%**
Total Investments	**$1,906,924,119**	**100.0%**
Plan Adjustments for Accruals, Cash, Payables, Receivables and Private Equity.	**3,702,881**	
Net Investments	**$1,910,627,000**	

Individual Categories for purposes of this report are determined by the Investment Consultant and may not reflect the categories as reported from the custodial bank in the financial statements.

Investment Results

For the Periods Ended June 30, 2023[1]

		Annualized (%)			
Account	**Current**	**2 Year**	**3 Year**	**4 Year**	**5 Year**
Equity					
SSGA S&P 500 Flagship Fund	19.6	3.3	14.6	12.7	12.3
QMA Large Cap Core	19.1	4.1	14.8	11.9	10.8
S&P 500	*19.6*	*3.4*	*14.6*	*12.8*	*12.3*
Boston Partners Large Cap Value	11.5	3.6	17.1	10.0	8.9
Russell 1000 Value	*11.5*	*1.9*	*14.3*	*8.0*	*8.1*
William Blair Large-Cap Growth	24.8	--	--	--	--
Russell 1000 Growth	*27.1*	--	--	--	--
SSGA U.S. Extended Market Index	15.2	-10.1	--	--	--
Dow Jones U.S. Completion Total Stock Market	*15.0*	*-10.3*	--	--	--
William Blair SMID Cap Growth	20.8	-6.8	7.3	7.0	7.6
Russell 2500 Growth	*18.6*	*-10.1*	*6.6*	*7.2*	*7.0*
Leeward Small Cap Value	11.0	1.3	18.6	9.2	6.3
Russell 2000 Value	*6.0*	*-5.8*	*15.4*	*6.1*	*3.5*
Total Domestic Equity	**17.9**	**0.7**	**13.6**	**11.2**	**10.4**
SSGA MSCI ACWI Ex US Index Fund	12.9	-4.5	7.4	4.3	3.7
MSCI ACWI ex USA Net	*12.7*	*-4.7*	*7.2*	*4.1*	*3.5*
PIMCO RAE Fundamental Global Ex US Fund	16.3	-0.8	12.6	5.0	3.7
MSCI ACWI ex USA Value Net	*12.2*	*-1.1*	*10.4*	*3.3*	*2.7*
SGA International Growth	19.3	-2.9	8.2	7.7	8.3
MSCI ACWI ex USA Growth Net	*13.3*	*-8.3*	*4.0*	*4.4*	4.1
Total International Equity	**16.1**	**-2.8**	**9.3**	**5.9**	**5.4**
Skellig Water Fund (aka KBI)	19.2	2.3	16.3	11.0	9.1
MSCI ACWI Net	*16.5*	*-0.9*	*11.0*	*8.7*	*8.1*
Total Global Equity	**19.2**	**2.3**	**16.3**	**11.0**	**9.1**

Investment Results (Continued)

For the Periods Ended June 30, 2023[1]

		Annualized (%)			
Account	**Current**	**2 Year**	**3 Year**	**4 Year**	**5 Year**
Fixed Income					
BlackRock Fixed Income	-0.8	-6.1	-4.0	-0.9	0.8
Doubleline Core Plus	0.2	-5.1	-2.5	-0.9	0.6
MacKay Shields Core Plus	-0.5	-6.4	-3.2	-0.4	1.1
BBgBarc US Aggregate TR	*-0.9*	*-5.7*	*-4.0*	*-0.9*	*0.8*
PGIM Emerging Markets Debt	12.5	-4.8	0.0	--	--
50% JPM EMBI Global Div/50% JPM GBI EM Global Div	*9.4*	*-6.6*	-2.2	--	--
Total Fixed Income	**1.4**	**-5.9**	**-3.2**	**-0.7**	**0.9**
Real Estate					
RREEF America II	-11.6	9.7	7.1	6.7	6.7
American Realty	-1.8	8.6	6.9	--	--
SSGA US REIT Index	-0.7	--	--	--	--
Invesco Commercial Mortgage Income Fund	-1.7	--	--	--	--
KSL Capital Partners Fund VI (Closed-End Fund)	--	--	--	--	--
NCREIF-ODCE	*-10.7*	*7.0*	*7.0*	*5.6*	*5.6*
Total Real Estate	**-7.2**	**7.6**	**5.8**	**5.6**	**5.8**
Private Equity					
Ocean Avenue Fund III	-0.7	28.9	27.7	24.0	26.2
Ocean Avenue Fund IV	13.1	28.4	30.7	--	--
Ocean Avenue Fund V	--	--	--	--	--
Pantheon Ventures	-7.2	-16.7	-10.2	-13.4	-9.9
Pathway Private Equity Fund Investors 8	-16.1	2.0	20.3	16.3	18.2
Pathway Private Equity Fund Investors 9	-5.1	10.6	28.6	20.7	21.0
Pathway Private Equity Fund Investors 10	-0.8	11.1	21.9	--	--
Stepstone Secondary Opportunities Fund II	-16.7	-11.9	-1.7	-1.4	-0.7
Altas Partners Holdings III	--	--	--	--	--
Total Private Equity	**-3.4**	**12.4**	**21.7**	**17.4**	**17.5**
Private Credit					
Sixth Street DCP (frmrly TSSP DCP)	2.7	5.1	12.3	7.9	8.5
Total Private Credit	**2.7**	**5.1**	**12.3**	**7.9**	**8.5**

Investment Results (Continued)

For the Periods Ended June 30, 2023[1]

		Annualized (%)			
Account	**Current**	**2 Year**	**3 Year**	**4 Year**	**5 Year**
<u>Opportunistic</u>					
Sixth Street TAO Contingent (frmrly TSSP TAO Contingent)	1.7	4.3	12.5	17.3	--
PIMCO Bravo	--	--	--	--	--
KKR Mezzanine Partners	13.7	-2.3	-6.2	-6.5	-4.9
Total Opportunistic	**5.0**	**10.4**	**11.9**	**7.1**	**4.3**
Total Fund	**6.5**	**0.6**	**7.8**	**5.9**	**5.9**
Policy Index[2]	*6.9*	*0.4*	*7.1*	*6.1*	*6.2*

1-Time-Weighted Return Based on the Market Rate of Return.
2-Policy Index: 26% Russell 3000, 16% MSCI ACWI ex US, 3% MSCI ACWI, 17% Bloomberg US Aggregate, 3% JPM EMBI Global/JPM GBI EM Index, 13.4% NCREIF ODCE, 7% Private Equity returns, 5% Private Credit returns, 5% Russell 2000, 4.6% MSCI REIT

List of Largest Stock and Bond Holdings

As of June 30, 2023

Largest Stock Holdings (by fair value)

	Shares	Stock	Fair Value
1	48,659	MICROSOFT CORP	$16,570,336
2	84,053	ALPHABET INC	$10,061,144
3	59,727	AMAZON.COM INC	$7,786,012
4	31,380	APPLE INC	$6,086,779
5	10,883	UNITED HEALTH GROUP INC	$5,230,805
6	12,987	MASTERCARD INC	$5,107,787
7	11,822	NVIDIA CORP	$5,000,942
8	10,241	BERSHIRE HATHAWAY INC	$3,492,181
9	22,324	JPMORGAN CHASE & CO	$3,246,803
10	10,215	ACCENTURE PLC	$3,152,145

Largest Bond Holdings (by fair value)

	Par	Bond	Fair Value
1	2,415,000	U S TREASURY BOND 3.00% 11/15/2045 DD 11/15/15	$2,032,271
2	1,886,000	U S TREASURY NOTE 4.625% 03/15/2026 DD 03/15/23	$1,887,697
3	1,595,000	SPRINT LLC 7.875% 09/15/2023 DD 12/31/22	$1,598,828
4	1,515,000	U S TREASURY NOTE 4.250% 12/31/2024 DD 12/31/22	$1,493,578
5	893,000	COMMIT TO PUR FNMA SF MTG 4.000% 07/01/2053 DD 07/01/23	$837,920
6	809,000	U S TREASURY BOND 4.000% 11/15/2052 DD 11/15/22	$829,605
7	640,000	U S TREASURY BOND 4.375% 02/15/2038 DD 02/15/08	$679,923
8	610,000	U S TREASURY BOND 4.000% 11/15/2042 DD 11/15/22	$605,138
9	630,000	VIPER ENERGY PARTNERS LP 144A 5.375% 11/01/2027 DD 10/16/19	$604,624
10	533,000	COMMIT TO PUR GNMA II JUMBOS 4.500% 07/20/2053 DD 07/01/23	$514,782

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Fiscal Year Ended June 30, 2023
(dollars in thousands)

Domestic Equity		
Robeco Boston Partners	$	301
State Street		42
QMA		22
Leeward Investments		208
William Blair		501
Total Domestic Equity	$	1,074
International		
State Street	$	46
PIMCO RAE		495
Kleinwort Benson Investors		506
SG Advisers		212
Total International	$	1,259
Fixed Income		
BlackRock	$	233
PGIM		205
Mackay Shields		266
DoubleLine		280
Total Fixed Income	$	984
Private Equity		
KKR Mezzanine Partners	$	19
StepStone		206
Pathway Capital Mgmt		554
Ocean Avenue Capial		1,615
Verus Advisory, Inc		289
Total Private Equity	$	2,683
Private Credit		
SSP	$	1,609
Total Private Credit	$	1,609
Real Asset		
DSW RREEF	$	1,670
Invesco		688
State Street		3
American Realty Advisers		785
IFM Global Infrastructure		772
Verus Advisory, Inc		568
Total Real Asset		4,486
Total Investment Manager Fees	$	12,095

Schedule of Investment Management Fees (Cont.)
For the Fiscal Year Ended June 30, 2023
(dollars in thousands)

Securities Lending Activity	
Management Fee	$ 6
Borrower Rebate	1,067
Total Securities Lending Activity	$ 1,073
Other Investment Expenses	
Investment Custodian	$ 286
Investment Consultant	570
Other	253
Total Other Investment Expenses	$ 1,109
Total Fees and Other Investment Expenses	**$ 14,277**

Brokerage Policy/Commission Recapture

TCERA charges its investment managers with the optimization of transaction expense, including commissions and execution costs, for the lowest possible transaction cost. TCERA encourages active equity managers to direct a specific percentage of brokerage transactions for Plan assets under their management through designated commission recapture brokers only when best execution can be assured. TCERA also encourages its fixed income managers, on a "best effort" basis, to utilize the services of designated commission recapture brokerage firms. Commission recapture brokerage firms must provide the best price and execution consistent with market conditions, bearing in mind the best interest of the Plan's beneficiaries and considering all relevant factors.

Commissions and Rebates for the Fiscal Year Ended June 30, 2023:
(dollars in thousands)

Base Commissions	$ 66
Base Volume	$ 272,671
Total Shares	4,351
Commissions/Share	$ -
Commission Recapture Rebates	**$ -**

This page intentionally left blank.

actuarial section

Actuary's Certification Letter

CHEIRON Classic Values, Innovative Advice.

Via Electronic Mail

October 30, 2023

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the Tulare County Employees' Retirement Association (the Plan) as of June 30, 2023. This letter includes references to two documents produced by Cheiron for the Plan: the actuarial valuation report as of June 30, 2023 (transmitted October 20, 2023) and the GASB 67/68 report as of June 30, 2023 (transmitted October 23, 2023).

Actuarial Valuation Report as of June 30, 2023

The purpose of the annual actuarial valuation report as of June 30, 2023 is to determine the actuarial funding status of the Plan on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2024-2025. The prior review was conducted as of June 30, 2022 and included recommended contribution rates for the Fiscal Year 2023-2024.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the Unfunded Actuarial Liability (UAL). As of the valuation date (June 30, 2023), the amortization policy specifies layered 19-year amortization. The UAL as of June 30, 2015 was amortized over a closed 19-year period and subsequent gains or losses are being amortized over new closed 19-year periods.

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. For actuarial valuation purposes, Plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all investment gains and losses (returns above or below expected returns) over a period of 10 years, limited by a corridor that restrains the actuarial value to within 30% of the Market Value of Assets. Note that the Actuarial Value of Assets excludes the Supplemental Retiree Benefit Reserve (SRBR).

The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan.

We prepared the following schedules, which we understand will be included in the Actuarial Section of the ACFR, based on the June 30, 2023 actuarial valuation. All historical information prior to the June 30, 2015 actuarial valuation shown in these schedules is based on information reported by Buck Consultants.

- Schedule of Retirants and Beneficiaries Added to and Removed from Payroll
- Schedule of Funded Liabilities by Type
- Schedule of Funding Progress
- Schedule of Employer Contributions

The TCERA Board has the authority to select economic and demographic assumptions for the Plan. The assumptions used in the actuarial valuation report reflect the results of an Experience Study performed by Cheiron covering the period July 1, 2020 through June 30, 2023, and adopted by the Board at their October 11, 2023 meeting. Based on this study, a number of demographic assumptions were updated. A summary of the assumptions is provided in the actuarial valuation report as of June 30, 2023. The assumptions used in the valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years through 2026.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, including Standards No. 4, 27, 35, and 44. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes, with the exception of the discount rate, which is calculated as prescribed by GASB 67/68, and the treatment of assets and liabilities associated with the SRBR. The assets and liabilities associated with the SRBR are included in the GASB 67/68 report, but they are excluded from the assets and liabilities used for funding purposes, though they are disclosed separately in the actuarial valuation report.

GASB 67/68 Report as of June 30, 2023

The purpose of the GASB 67/68 Report as of June 30, 2023 is to provide accounting and financial reporting information under GASB 67 for the Plan and under GASB 68 for the County of Tulare and other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

The Total Pension Liability (TPL) at the end of the measurement year, June 30, 2023 is measured as of a valuation date of June 30, 2023. The TPL at the beginning of the measurement year, June 30, 2022 was measured as of a valuation date of June 30, 2022.

Please refer to our GASB 67/68 report as of June 30, 2023 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the ACFR based on the June 30, 2023 GASB 67/68 report:

- Change in Collective Net Pension Liability
- Sensitivity of Collective Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Collective Net Pension Liability and Related Ratios
- Schedule of Collective Employer Contributions
- Notes to the Schedule of Employer Contributions

We certify that the report was performed in accordance with generally accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

In preparing our reports, we relied on information (some oral and some written) supplied by the Tulare County Employees' Retirement Association. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

Cheiron utilizes ProVal, an actuarial valuation application leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect our reports.

These reports are for the use of the Plan and the Plan auditor in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of these reports is not an intended user and is considered a third party, and Cheiron assumes no duty or liability to any such party.

We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. These reports do not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully Submitted,
Cheiron

Graham A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary
703-893-1456, x1137
gschmidt@cheiron.us

Steven M. Hastings, FSA, EA, FCA, MAAA
Consulting Actuary
703-893-1456, x1157
shastings@cheiron.us

Summary of Actuarial Assumptions and Methods

The Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2015 is being amortized over a closed 19-year period as a level percentage of payroll. Subsequent changes in the UAAL due to experience gains and losses, assumption changes, or plan changes will be amortized over new closed 19-year periods.

1. Interest:	7.00% per annum (6.88% compounded semi-annually).
2. Interest Credited to Employee Accounts:	7.00% per annum net of investment and administrative expenses (6.88% compounded semi-annually).
3. Inflation:	2.75% per annum.
4. Asset Valuation:	Smoothed actuarial value (over 10 years) beginning with fiscal year 2009, with 30% corridor around fair value.
5. Salary Scale:	Salary increase assumptions includes a wage inflation component of 3% and a longevity/ promotion component that varies by years of service and division, ranging from 0.5% to 8% for General Members and 1.25% to 9% for Safety Members.
6. Rates of Termination of Employment:	See "Probability of Occurrence" on page 89.
7. Spouses and Dependents:	80% of General male, 55% of General female and 80% of Safety male, 55% of Safety female active employees assumed married at Retirement, with spouses of male members assumed to be female and 2 years younger and spouses of female members assumed to be male and 2 years older.
8. Years of Life Expectancy After Retirement:	General - RP-2014 Generational Mortality Table for Males/Females with MP-2021 projection. Safety - RP-2014 Generational Mortality Table for Males with blue-collar adjustment and MP-2021 projection. General mortality rates had no additional changes for males and an adjustment of 10% for females to reflect TCERA experience; Safety mortality rates are increased by 5.0% for both males and females to reflect TCERA experience.
9. Years of Life Expectancy After Disability Retirement:	RP-2014 Generational Disabled Annuitant Mortality Table for Males/Females, with MP2021 projection.

Summary of Actuarial Assumptions and Methods (Cont.)

10. Reciprocity Assumption: 60% of General and 65% of Safety members who terminate with a vested benefit are assumed to enter a reciprocal system. Salaries are assumed to increase by 3.5% for General and 4.25% for Safety members per year.

11. Deferral Age for Vested Terminations: Age 60 for General members, age 55 for Safety members.

12. Duty-Related Deaths: Percentages of Safety employee deaths assumed to be duty-related:

Age	Percentage
20-24	37%
25-30	42%
31-34	45%
35-43	50%
44-45	52%
46-47	54%
48-49	56%
50-54	58%
55-56	60%
57-58	62%
59	63%

Retirants and Beneficiaries Added to and Removed from Payroll

For the Fiscal Years Ended June 30, 2014 through June 30, 2023

Plan Year Ended June 30	At Beginning of Year	Added During Year	Annual Allowances Added to the Rolls	Removed During Year	Annual Allowances Removed from the Rolls	At End of Year	Annual Retiree Payroll	Percent Increase in Annual Retiree Payroll	Average Annual Allowance
2014	2,542	224	$ 4,198,797	75	$ 659,212	2,691	$ 56,776,851	6.65%	$ 21,099
2015	2,691	218	$ 4,360,151	88	$ 1,432,880	2,821	$ 59,960,567	5.61%	$ 21,255
2016	2,821	185	$ 4,540,356	66	$ 986,150	2,940	$ 64,292,378	7.22%	$ 21,868
2017	2,940	191	$ 4,483,587	59	$ 895,529	3,072	$ 68,669,924	6.81%	$ 22,353
2018	3,072	178	$ 5,487,994	58	$ 830,938	3,192	$ 73,731,771	7.37%	$ 23,099
2019	3,192	174	$ 4,705,555	54	$ 1,098,384	3,312	$ 78,971,061	7.11%	$ 23,844
2020	3,312	163	$ 4,626,973	67	$ 925,421	3,408	$ 84,412,237	6.89%	$ 24,769
2021	3,408	141	$ 3,908,186	77	$ 1,434,138	3,472	$ 88,623,368	4.99%	$ 25,525
2022	3,472	178	$ 5,109,979	65	$ 1,181,524	3,585	$ 94,138,915	6.22%	$ 26,259
2023	3,585	176	$ 5,106,635	79	$ 1,576,004	3,682	$ 99,442,825	5.63%	$ 27,008

Active Member Valuation Data

For the Fiscal Years Ended June 30, 2014 through June 30, 2023

Valuation Date	Plan Type	Number	Annual Payroll	Monthly Average Pay	Percent Increase in Average Pay*
6/30/2014	General	3,514	$ 177,150,423	$ 4,201	0.70%
	Safety	900	57,418,578	5,317	1.05%
	Total	4,414	$ 234,569,001	$ 4,429	0.87%
6/30/2015	General	3,506	$ 180,978,576	$ 4,302	2.40%
	Safety	899	58,076,191	5,383	1.24%
	Total	4,405	$ 239,054,767	$ 4,522	2.10%
6/30/2016	General	3,605	$ 189,379,500	$ 4,378	1.77%
	Safety	891	59,134,379	5,531	2.75%
	Total	4,496	$ 248,513,879	$ 4,606	1.86%
6/30/2017	General	3,660	$ 195,555,207	$ 4,453	1.71%
	Safety	876	59,385,565	5,649	2.13%
	Total	4,536	$ 254,940,772	$ 4,684	1.69%
6/30/2018	General	3,708	$ 203,019,596	$ 4,563	2.47%
	Safety	873	59,694,221	5,698	0.87%
	Total	4,581	$ 262,713,817	$ 4,779	2.03%
6/30/2019	General	3,726	$ 209,592,852	$ 4,688	2.74%
	Safety	893	62,822,741	5,863	2.90%
	Total	4,619	$ 272,415,593	$ 4,915	2.85%
6/30/2020	General	3,736	$ 218,605,089	$ 4,876	4.01%
	Safety	869	65,666,913	6,297	7.40%
	Total	4,605	$ 284,272,002	$ 5,144	4.66%
6/30/2021	General	3,638	$ 221,223,225	$ 5,067	3.92%
	Safety	846	65,663,142	6,468	2.72%
	Total	4,484	$ 286,886,367	$ 5,332	3.65%
6/30/2022	General	3,611	$ 227,403,431	$ 5,248	3.57%
	Safety	821	66,041,522	6,703	3.63%
	Total	4,432	$ 293,444,953	$ 5,518	3.49%
6/30/2023	General	3,708	$ 252,477,368	$ 5,674	8.12%
	Safety	797	70,565,512	7,378	10.07%
	Total	4,505	$ 323,042,880	$ 5,976	8.30%

*Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.

Actuarial Solvency Test

For the Fiscal Years Ended June 30, 2014 through June 30, 2023
(dollars in thousands)

Valuation Date	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)	Actuarial Accrued Liabilities
6/30/2014	$ 252,883	$ 660,147	$ 358,802	$ 1,271,832
6/30/2015	$ 264,870	$ 698,147	$ 395,418	$ 1,358,435
6/30/2016	$ 272,740	$ 748,703	$ 409,993	$ 1,431,436
6/30/2017	$ 278,900	$ 808,799	$ 485,707	$ 1,573,406
6/30/2018	$ 287,078	$ 869,729	$ 499,550	$ 1,656,357
6/30/2019	$ 301,935	$ 925,027	$ 514,321	$ 1,741,283
6/30/2020	$ 319,562	$ 1,008,432	$ 547,804	$ 1,875,797
6/30/2021	$ 339,547	$ 1,050,032	$ 568,406	$ 1,957,985
6/30/2022	$ 359,335	$ 1,105,920	$ 582,095	$ 2,047,350
6/30/2023	$ 376,021	$ 1,172,759	$ 653,143	$ 2,201,923

		Portion of Accrued Liabilities Covered by Valuation Assets For:		
Valuation Date	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
6/30/2014	$ 1,101,929	100%	100%	52.6%
6/30/2015	$ 1,156,587	100%	100%	49.0%
6/30/2016	$ 1,192,642	100%	100%	41.8%
6/30/2017	$ 1,461,755	100%	100%	77.0%
6/30/2018	$ 1,523,030	100%	100%	73.3%
6/30/2019	$ 1,598,431	100%	100%	72.2%
6/30/2020	$ 1,670,786	100%	100%	62.6%
6/30/2021	$ 1,759,025	100%	100%	65.0%
6/30/2022	$ 1,840,109	100%	100%	64.4%
6/30/2023	$ 1,915,710	100%	100%	56.2%

Numbers may not add to totals due to rounding.

Actuarial Analysis of Financial Experience

(dollars in thousands)

Plan Years	2013-14	2014-15	2015-16	2016-17	2017-18
Prior Valuation Unfunded Actuarial Liability	$ 137,898	$ 169,902	$ 201,848	$ 238,794	$ 111,651
Expected Increase (Decrease)	-	(3,044)	1,212	(494)	(2,106)
Liability (Gain) Loss	(5,070)	(12,668)	(8,948)	(12,983)	286
Change in Actuary	-	33,161	-	-	-
Actuarial (Gain) Loss From Asset Sources	10,841	10,913	33,948	35,034	23,696
Non-Economic and Economic Assumption Changes	-	-	-	-	-
Change in Actuarial Assumptions	24,599	3,584	9,170	82,259	-
Change due to Contributions	5,138	-	1,564	(230,959)	(201)
Change Regarding Contingency Reserve	(3,504)	-	-	-	-
Ending Unfunded Actuarial Accrued Liability	$ 169,902	$ 201,848	$ 238,794	$ 111,651	$ 133,326

Plan Years	2018-19	2019-20	2020-21	2021-22	2022-23
Prior Valuation Unfunded Actuarial Liability	$ 133,326	$ 142,851	$ 205,011	$ 198,960	$ 207,241
Expected Increase (Decrease)	(2,726)	(3,378)	(4,668)	(5,555)	(6,634)
Liability (Gain) Loss	(161)	5,587	(9,840)	(1,920)	76,717
Change in Actuary	-	-	-	-	-
Actuarial (Gain) Loss From Asset Sources	10,746	15,577	(2,068)	11,008	22,555
Non-Economic and Economic Assumption Changes	-	-	-	-	-
Change in Actuarial Assumptions	-	42,435	-	-	(14,014)
Change due to Contributions	1,667	1,939	10,524	4,748	349
Change Regarding Contingency Reserve	-	-	-	-	-
Ending Unfunded Actuarial Accrued Liability	$ 142,852	$ 205,011	$ 198,960	$ 207,241	$ 286,213

Numbers may not add to totals due to rounding.

Probability of Occurrence

Probabilities of Separation from Active Service

Rates of Termination

Age	General Members Svc < 3	General Members Svc 3 - 5	General Members Svc > 5	Safety Members Svc < 3	Safety Members Svc 3 - 5	Safety Members Svc > 5
20	15.00%	12.00%	10.00%	11.00%	7.00%	6.00%
25	15.00%	8.00%	8.00%	11.00%	7.00%	6.00%
30	15.00%	8.00%	6.00%	11.00%	7.00%	4.50%
35	15.00%	8.00%	5.00%	11.00%	7.00%	4.00%
40	14.25%	8.00%	5.00%	11.00%	7.00%	4.00%
45	13.50%	8.00%	5.00%	8.00%	6.00%	3.50%
50	12.75%	5.00%	5.00%	8.00%	6.00%	0.00%
55	12.00%	5.00%	5.00%	5.00%	6.00%	0.00%
60	11.25%	5.00%	5.00%	0.00%	0.00%	0.00%
>=65	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Rates of Disability

	General Members				Safety Members	
	Males		Females			
Age	Ordinary	Service	Ordinary	Service	Ordinary	Service
20	0.000%	0.010%	0.000%	0.010%	0.000%	0.110%
25	0.010%	0.010%	0.010%	0.010%	0.050%	0.170%
30	0.010%	0.010%	0.010%	0.010%	0.050%	0.400%
35	0.020%	0.020%	0.080%	0.020%	0.050%	0.560%
40	0.030%	0.030%	0.140%	0.030%	0.075%	0.660%
45	0.050%	0.055%	0.200%	0.055%	0.095%	0.750%
50	0.090%	0.100%	0.300%	0.100%	0.300%	1.000%
55	0.180%	0.350%	0.400%	0.350%	0.550%	2.250%
60	0.280%	0.600%	0.540%	0.600%	0.000%	0.000%
>=65	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Rates of Retirement

Age	General Members Svc < 30	General Members Svc > 30	Safety Members Svc < 30	Safety Members Svc > 30
45	0.0%	0.00%	7.00%	7.00%
50	5.0%	10.00%	7.00%	7.00%
55	6.0%	10.00%	10.00%	18.00%
60	15.0%	20.00%	20.00%	40.00%
65	35.0%	35.00%	40.00%	75.00%
70	35.0%	35.00%	100.00%	100.00%
>=75	100.0%	100.00%	100.00%	100.00%

Note: Information compiled from Actuarial Report prepared by Cheiron dated June 30, 2023.

Schedule of Funding Progress

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Projected Covered Payroll (c)	UAAL as a Percentage of Projected Covered Payroll ((b-a)/c)
6/30/2014	$ 1,101,929 [1]	$ 1,271,832	$ 169,902	86.6%	$ 234,569	72.4%
6/30/2015	$ 1,156,587 [2]	$ 1,358,435	$ 201,848	85.1%	$ 239,055	84.4%
6/30/2016	$ 1,192,642 [3]	$ 1,431,436	$ 238,794	83.3%	$ 248,514	96.1%
6/30/2017 [4]	$ 1,461,755 [5]	$ 1,573,406	$ 111,651	92.9%	$ 254,941	43.8%
6/30/2018 [6]	$ 1,523,030	$ 1,656,357 [7]	$ 133,327	92.0%	$ 262,714	50.7%
6/30/2019	$ 1,598,431	$ 1,741,283 [7]	$ 142,852	91.8%	$ 272,416	52.4%
6/30/2020	$ 1,670,786 [8]	$ 1,875,797	$ 205,011	89.1%	$ 284,272	72.1%
6/30/2021	$ 1,759,025	$ 1,957,985	$ 198,960	89.8%	$ 286,886	69.4%
6/30/2022	$ 1,840,190	$ 2,047,350	$ 207,160	89.9%	$ 293,445	70.6%
6/30/2023	$ 1,915,710	$ 2,201,923	$ 286,213	87.0%	$ 323,043	88.6%

[1] Reduction in assumed rate of return from 9.9% to 7.85%, inflation from 4.0% to 3.0%.

[2] Reduction in assumed rate of return from 7.85% to 7.65%.

[3] Reduction in assumed rate of return from 7.65% to 7.60%.

[4] Information for June 30, 2017 includes an accrual for Tulare County Pension Obligation Bond proceeds of $250 million.

[5] Reduction in assumed rate of return from 7.60% to 7.25%.

[6] Information for June 30, 2018 includes the receipt of $250 million in Pension Obligation Bond proceeds.

[7] This value reflects the information in the Actuarial Valuation report and is off by one due to rounding.

See also the Schedule of Contributions on page 54

Summary of Major Plan Provisions

Eligibility	First pay period following date of employment.
Final Average Salary	Highest 12 consecutive months of compensation earnable for Tier 1 members and highest 36 consecutive months of compensation earnable for Tier 2, Tier 3 and Tier 4 members. The compensation for Tier 4 members will be limited to the Social Security Wage Base on January 1, 2013, adjusted based on the annual change in the Consumer Price Index (CPI-U) each January 1 thereafter.
Service Retirement	**Early Retirement**

General Tiers 1-3	Age 50 and 10 years, or 30 years, or age 70
General Tier 4	Age 52 and 5 years
Safety Tiers 1-3	Age 50 and 10 years, or 20 years, or age 70
Safety Tier 4	Age 50 and 5 years

Benefit - General Members:

For service prior to July 1, 2005 Tiers 1-3:

> Benefits under Section 31676.11 (Tier 1) and Section 31676.1 (Tier 2 and Tier 3): 1/60 of final average salary times years of service times factor in the table on the following page.

For service after June 30, 2005 Tiers 1-3:

> Benefits under Section 31676.12 (Tiers 1-3) 1/50 of final average salary times years of service times factor in the table on the following page.

For service for membership after December 31, 2012 Tier 4:

> Benefits required by AB340 (Tier 4) of 2% of final average salary times years of service times factor on the following page.

Benefit - Safety Members:

For service for membership prior to January 1, 2013 (Tiers 1-3):

> Benefits under Section 31664 (Tiers 1-3) of 2% of final average salary times years of service times factor on the following page.

For service for membership after December 31, 2012 (Tier 4):

> Benefits required by AB340 (Tier 4) of 2% of final average salary times years of service times factor on the following page.

Summary of Major Plan Provisions (Cont.)

Benefit Factors:

Age	General Tier 1 31676.11	General Tiers 2 & 3 31676.1	General Tiers 1-3 31676.12	General Tier 4 AB340	Safety Tiers 1-3 31664	Safety Tier 4 AB340
41	n/a	n/a	n/a	n/a	0.6258	n/a
42	n/a	n/a	n/a	n/a	0.6625	n/a
43	n/a	n/a	n/a	n/a	0.7004	n/a
44	n/a	n/a	n/a	n/a	0.7397	n/a
45	n/a	n/a	n/a	n/a	0.7805	n/a
46	n/a	n/a	n/a	n/a	0.8226	n/a
47	n/a	n/a	n/a	n/a	0.8678	n/a
48	n/a	n/a	n/a	n/a	0.9085	n/a
49	n/a	n/a	n/a	n/a	0.9522	n/a
50	0.7454	0.7091	0.6681	n/a	1.0000	1.0000
51	0.7882	0.7457	0.7056	n/a	1.0516	1.0500
52	0.8346	0.7816	0.7454	0.5000	1.1078	1.1000
53	0.8850	0.8181	0.7882	0.5500	1.1692	1.1500
54	0.9399	0.8556	0.8346	0.6000	1.2366	1.2000
55	1.0000	0.8954	0.8850	0.6500	1.3099	1.2500
56	1.0447	0.9382	0.9399	0.7000	1.3099	1.3000
57	1.1048	0.9846	1.0000	0.7500	1.3099	1.3500
58	1.1686	1.0350	1.0447	0.8000	1.3099	1.3500
59	1.2365	1.0899	1.1048	0.8500	1.3099	1.3500
60	1.3093	1.1500	1.1686	0.9000	1.3099	1.3500
61	1.3608	1.1947	1.2365	0.9500	1.3099	1.3500
62	1.4123	1.2548	1.3093	1.0000	1.3099	1.3500
63	1.4638	1.3186	1.3093	1.0500	1.3099	1.3500
64	1.5153	1.3865	1.3093	1.1000	1.3099	1.3500
65	1.5668	1.4593	1.3093	1.1500	1.3099	1.3500
66	1.5668	1.4593	1.3093	1.2000	1.3099	1.3500
67	1.5668	1.4593	1.3093	1.2500	1.3099	1.3500

Non-Service Connected Disability Retirement — 20% if 5 years of service plus 2% for each of the next ten years or service retirement benefit (if eligible).

Service Connected Disability Retirement — Greater of 50% of final average salary or service retirement benefit (if eligible).

Integration with Social Security — Tiers 1-3 members are integrated with Social Security. Benefits based on the first $350 of monthly final average salary are reduced by 1/3.

Summary of Major Plan Provisions (Cont.)

Death Before Retirement	If non-service connected before eligible to retire, this benefit is a refund of contributions plus 1/12 of last year's salary per year of service up to 6 years. If eligible for non-service connected disability or service retirement, the benefit is 60% of member's accrued allowance. If service connected death, the benefit is 50% of salary.
Death After Retirement	For service retirement or non-service connected disability, the benefit is 60% of member's allowance payable to an eligible spouse. For service connected disability, the benefit is 100% of member's allowance payable to an eligible spouse. $5,000 lump sum benefit payable to member's beneficiary.
Vesting	After five years of service. Must leave contributions on deposit.
Contributions	Member contributions based on entry age. Tiers 1-3 Members with 30 or more years of service do not pay member contributions.
Maximum Benefit	100% of final average salary.
Cost of Living Adjustments (COLA)	Payable April 1. Up to 3% COLA for Tier 1 members, 2% for Tier 2, Tier 3 and Tier 4 members, depending on CPI (Riverside-San Bernardino-Ontario) changes for the prior calendar year.

statistical section

Statistical Section Overview

The Statistical Section of the Annual Comprehensive Financial Report provides additional detailed information in order to promote a more comprehensive understanding of this year's financial statements, note disclosures, and supplemental information. In addition, the multi-year trend information for the financial and operating segments of the Plan provided in this section is intended to facilitate understanding of how the organization's financial activities and positions have changed over time. Information in this section is compiled from data in other sections of the Annual Comprehensive Financial Report as well as plan data maintained by TCERA.

Governmental Accounting Standards Board (GASB) Statement No. 44 establishes five categories of information to be provided in the Statistical Section: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information. As a public pension plan engaged in only fiduciary activities, reporting is not applicable in all categories.

Financial Trends – Financial trends information is intended to assist users in understanding and assessing how a government's financial position has changed over time. Reports addressing Financial Trends for TCERA include:

- Revenues by Source and Expenses by Type
- Statement of Changes in Fiduciary Net Position
- Benefit and Refund Deductions from Fiduciary Net Position by Type

Revenue Capacity – Entities engaged only in fiduciary activities are not required to present revenue capacity schedules.

Debt Capacity – The Plan has no long-term debt and therefore does not present debt capacity schedules.

Demographic and Economic Information – Entities engaged only in fiduciary activities are not required to present demographic and economic statistics schedules.

Operating Information – Operating Information is intended to provide additional details regarding the Plan's retired member benefits and principal participating employers. Reports addressing Operating Information for TCERA include:

- Retired Members by Type of Retirement
- Schedule of Average Benefit Payments
- Participating Employers and Active Members
- Retired Members by Type of Benefit
- Benefit and Refund Deductions from Fiduciary Net Position
- Average Benefit Payment

Revenues by Source and Expenses by Type

For the Fiscal Years Ended June 30, 2014 through June 30, 2023

Revenues by Source

(dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	% of Annual Covered Payroll[1]	Investment Income (Loss)	Other Income	Total
2014	$ 18,969	$ 25,953	11.06%	$ 176,828	$ 56	$ 221,806
2015	$ 18,888	$ 30,992	12.96%	$ 10,877	$ 166	$ 60,923
2016	$ 16,814	$ 31,297	12.59%	$ (20,474)	$ 166	$ 27,803
2017	$ 18,190	$ 33,616	13.19%	$ 132,699	$ 166	$ 184,671
2018	$ 18,512	$ 286,263	108.96%	$ 95,670	$ 187	$ 400,632
2019	$ 22,325	$ 33,494	12.30%	$ 90,590	$ 189	$ 146,598
2020	$ 23,104	$ 35,310	12.42%	$ 9,327	$ 188	$ 67,929
2021	$ 23,536	$ 36,766	12.82%	$ 394,891	$ 188	$ 455,381
2022	$ 25,880	$ 40,392	13.76%	$ (117,961)	$ 188	$ (51,501)
2023	$ 27,965	$ 45,174	13.98%	$ 123,967	$ 188	$ 197,294

Expenses by Type

(dollars in thousands)

Fiscal Year Ended June 30	Administrative Expenses	Refunds	Pension Benefits	Death Benefits	Total Benefits	Total
2014	$ 2,049	$ 3,300	$ 62,199	$ 455	$ 62,654	$ 68,003
2015	$ 2,408	$ 3,081	$ 65,192	$ 287	$ 65,479	$ 70,968
2016	$ 2,616	$ 3,198	$ 68,166	$ 968	$ 69,134	$ 74,948
2017	$ 2,612	$ 3,519	$ 72,742	$ 700	$ 73,442	$ 79,573
2018	$ 2,666	$ 3,633	$ 76,644	$ 439	$ 77,083	$ 83,382
2019	$ 2,806	$ 2,861	$ 81,715	$ 521	$ 82,236	$ 87,903
2020	$ 2,853	$ 3,534	$ 87,311	$ 582	$ 87,893	$ 94,280
2021	$ 2,740	$ 3,586	$ 92,179	$ 511	$ 92,690	$ 99,016
2022	$ 2,967	$ 4,946	$ 97,150	$ 612	$ 97,762	$ 105,675
2023	$ 2,746	$ 6,111	$ 102,624	$ 768	$ 103,392	$ 112,249

[1] Annual Covered Payroll for purposes of this calculation is the actual pensionable compensation for the fiscal year.

Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended June 30, 2014 through June 30, 2023
(dollars in thousands)

	2014	2015	2016	2017	2018
ADDITIONS					
Contributions					
Employer Contributions	$ 25,953	$ 30,992	$ 31,297	$ 33,616	$ 286,263
Plan Member Contributions	18,969	18,887	16,815	18,190	18,512
Total Contributions	**44,922**	**49,879**	**48,112**	**51,806**	**304,775**
Investment Income (Loss) (net of expense)	176,828	10,877	(20,474)	132,699	95,670
Other Income	56	166	165	166	187
TOTAL ADDITIONS (DECLINES) TO FIDUCIARY NET POSITION	**$ 221,806**	**$ 60,922**	**$ 27,803**	**$ 184,671**	**$ 400,632**
DEDUCTIONS (See Benefit and Refund Deductions from Fiduciary Net Postition by Type)					
Benefits	$ 62,654	$ 65,479	$ 69,134	$ 73,442	$ 77,083
Refunds of Contributions	3,300	3,081	3,198	3,519	3,633
Administrative Expense	2,049	2,408	2,616	2,612	2,666
TOTAL DEDUCTIONS FROM FIDUCIARY NET POSITION	**$ 68,003**	**$ 70,968**	**$ 74,948**	**$ 79,573**	**$ 83,382**
CHANGES IN FIDUCIARY NET POSITION	**$ 153,803**	**$ (10,046)**	**$ (47,145)**	**$ 105,098**	**$ 317,250**

	2019	2020	2021	2022	2023
ADDITIONS					
Contributions					
Employer Contributions	$ 33,494	$ 35,310	$ 36,766	$ 40,392	$ 45,174
Plan Member Contributions	22,325	23,104	23,536	25,880	27,965
Total Contributions	**55,819**	**58,414**	**60,302**	**66,272**	**73,139**
Investment Income (Loss) (net of expense)	90,590	9,327	394,891	(117,961)	123,967
Other Income	189	188	188	188	188
TOTAL ADDITIONS (DECLINES) TO FIDUCIARY NET POSITION	**$ 146,598**	**$ 67,929**	**$ 455,381**	**$ (51,501)**	**$ 197,294**
DEDUCTIONS (See Benefit and Refund Deductions from Fiduciary Net Position by Type)					
Benefits	$ 82,236	$ 87,893	$ 92,690	$ 97,762	$ 103,392
Refunds of Contributions	2,861	3,534	3,586	4,946	6,111
Administrative Expense	2,806	2,853	2,740	2,967	2,746
TOTAL DEDUCTIONS FROM FIDUCIARY NET POSITION	**$ 87,903**	**$ 94,280**	**$ 99,016**	**$ 105,675**	**$ 112,249**
CHANGES IN FIDUCIARY NET POSITION	**$ 58,695**	**$ (26,351)**	**$ 356,365**	**$ (157,176)**	**$ 85,045**

Retired Members by Type of Retirement

	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Service Retirement					
General	1,815	1,899	1,989	2,039	2,111
Safety	246	262	276	284	311
Total	2,061	2,161	2,265	2,323	2,422
Ordinary Disability					
General	99	107	103	111	107
Safety	11	12	14	15	17
Total	110	119	117	126	124
Duty Disability					
General	78	81	78	94	93
Safety	87	94	99	105	113
Total	165	175	177	199	206
Beneficiaries					
General	287	294	303	335	347
Safety	68	72	78	89	93
Total	355	366	381	424	440
Total Retirement Members					
General	2,279	2,381	2,473	2,579	2,658
Safety	412	440	467	493	534
Total	2,691	2,821	2,940	3,072	3,192

	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Service Retirement					
General	2,188	2,226	2,262	2,333	2,405
Safety	331	348	357	378	403
Total	2,519	2,574	2,619	2,711	2,808
Ordinary Disability					
General	109	105	103	101	97
Safety	19	18	18	18	18
Total	128	123	121	119	115
Duty Disability					
General	96	102	101	103	107
Safety	111	122	120	123	126
Total	207	224	221	226	233
Beneficiaries					
General	356	382	399	410	405
Safety	102	105	112	119	121
Total	458	487	511	529	526
Total Retirement Members					
General	2,749	2,815	2,865	2,947	3,014
Safety	563	593	607	638	668
Total	3,312	3,408	3,472	3,585	3,682

Schedule of Average Benefit Payments

Includes Retirees and Beneficiaries

Valuation Date	Plan Type	Number	Annual Benefits	Annual Average Benefits	Percent Increase in Average Benefits
6/30/2014	General	2,279	$43,087,370	$ 18,912	0.77%
	Safety	412	13,689,481	33,228	0.36%
	Total	2,691	$56,776,851	$ 21,096	0.74%
6/30/2015	General	2,381	$45,238,105	$ 19,000	0.47%
	Safety	440	14,722,461	33,460	0.70%
	Total	2,821	$59,960,566	$ 21,255	0.75%
6/30/2016	General	2,473	$48,616,638	$ 19,659	3.47%
	Safety	467	15,675,740	33,567	0.32%
	Total	2,940	$64,292,378	$ 21,868	2.88%
6/30/2017	General	2,579	$51,970,685	$ 20,151	2.50%
	Safety	493	16,699,239	33,873	0.91%
	Total	3,072	$68,669,924	$ 22,353	2.22%
6/30/2018	General	2,658	$55,107,749	$ 20,733	2.89%
	Safety	534	18,624,022	34,876	2.96%
	Total	3,192	$73,731,771	$ 23,099	3.34%
6/30/2019	General	2,749	$59,081,180	$ 21,492	3.66%
	Safety	563	19,889,881	35,328	1.30%
	Total	3,312	$78,971,061	$ 23,844	3.23%
6/30/2020	General	2,815	$62,618,882	$ 22,245	3.50%
	Safety	593	21,793,355	36,751	4.03%
	Total	3,408	$84,412,237	$ 24,769	3.88%
6/30/2021	General	2,865	$65,750,480	$ 22,950	3.17%
	Safety	607	22,872,888	37,682	2.53%
	Total	3,472	$88,623,368	$ 25,525	3.05%
6/30/2022	General	2,947	$69,411,269	$ 23,553	2.63%
	Safety	638	24,727,646	38,758	2.86%
	Total	3,585	$94,138,915	$ 26,259	2.88%
6/30/2023	General	3,014	$72,997,199	$ 24,219	2.83%
	Safety	668	26,445,626	39,589	2.14%
	Total	3,682	$99,442,825	$ 27,008	2.85%

Participating Employers and Active Members

As of June 30

Year	County of Tulare		Tulare County Superior Court		Strathmore Public Utility District		Total Active Membership	
	Members	Percent	Members	Percent	Members	Percent	Members	Percent
2014	4,198	95.11%	213	4.82%	3	0.07%	4,414	100%
2015	4,176	94.80%	226	5.13%	3	0.07%	4,405	100%
2016	4,261	94.77%	232	5.16%	3	0.07%	4,496	100%
2017	4,302	94.84%	231	5.09%	3	0.07%	4,536	100%
2018	4,333	94.59%	245	5.35%	3	0.07%	4,581	100%
2019	4,367	94.54%	250	5.41%	2	0.04%	4,619	100%
2020	4,352	94.51%	251	5.45%	2	0.04%	4,605	100%
2021	4,243	94.63%	238	5.31%	3	0.07%	4,484	100%
2022	4,183	94.38%	246	5.55%	3	0.07%	4,432	100%
2023	4,256	94.47%	246	5.46%	3	0.07%	4,505	100%

Retired Members by Type of Benefit

As of June 30, 2023

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [1]									
		GENERAL					SAFETY				
		1	2	3	4	5	1	2	3	4	5
Deferred	**2,633**										
$1 - $250	145	131	1	0	2	0	6	0	5	0	0
$251 - $500	224	197	4	1	2	2	16	1	1	0	0
$501 - $750	280	234	13	0	10	0	20	1	0	1	1
$751 - $1,000	302	237	24	0	14	0	22	1	1	2	1
$1,001 - $1,250	273	224	17	0	8	0	21	3	0	0	0
$1,251 - $1,500	284	239	17	9	4	0	10	1	1	3	0
$1,501 - $1,750	257	194	19	15	1	1	22	2	1	2	0
$1,751 - $2,000	243	181	17	17	0	2	24	0	2	0	0
Over $2,000	1674	1070	22	81	3	1	333	11	142	9	2
TOTAL	3,682	2,707	134	123	44	6	474	20	153	17	4

Amount of Monthly Benefit	Number of Retired Members	Option Selected [2]					
		U	1	2	3	4	CS
$1 - $250	144	121	1	19	0	2	1
$251 - $500	225	188	1	33	2	0	1
$501 - $750	280	247	3	24	1	0	5
$751 - $1,000	302	265	1	23	1	0	12
$1,001 - $1,250	273	233	3	33	0	0	4
$1,251 - $1,500	284	251	2	23	1	2	5
$1,501 - $1,750	257	234	3	18	0	0	2
$1,751 - $2,000	243	224	2	16	0	0	1
Over $2,000	1,674	1,553	6	102	0	1	12
TOTAL	3,682	3,316	22	291	5	5	43

Notes:

[1] Type of Retirement:

1 Service
2 Non-Service Connected Disability
3 Service Connected Disability
4 Beneficiary Payment - Ordinary Death
5 Beneficiary Payment - Duty Death

[2] Option Selected:

U Unmodified: Eligible Surviving Spouse receives 60% continuance
The following options reduce the retired member's monthly benefit.
The Beneficiary receives:
1 Funds remaining in member's account
2 100% continuance of member's reduced monthly benefit
3 50% continuance of member's reduced monthly benefit
4 Continuance for multiple beneficiaries calculated by actuary

Benefit and Refund Deductions from Fiduciary Net Position

Last Ten Fiscal Years
(dollars in thousands)

Type of Benefit	2014	2015	2016	2017	2018
Age and Service Benefits:					
General	$37,612	$39,877	$42,356	$45,711	$48,774
Safety	10,134	10,760	11,310	12,139	13,121
Disability Benefits - Service:					
General	1,799	1,924	1,868	2,129	2,110
Safety	2,567	2,733	3,016	3,183	3,418
Disability Benefits - Non-Service:					
General	1,840	1,882	1,865	1,872	1,883
Safety	239	375	371	449	512
Death Benefits - Ordinary:					
General	432	398	404	389	395
Safety	250	256	210	245	252
Death Benefits - Duty:					
General	15	16	16	62	51
Safety	355	127	129	130	129
SRBR Benefits					
General	5,718	5,626	5,409	6,130	5,706
Safety	1,238	1,217	1,212	303	293
Death Benefits	455	288	968	700	439
Total Benefits	$62,654	$65,479	$69,134	$73,442	$77,083
Type of Refund					
Death	145	73	179	557	403
Separation	3,155	3,008	3,019	2,962	3,230
Total Refunds	$3,300	$3,081	$3,198	$3,519	$3,633

Benefit and Refund Deductions from Fiduciary Net Position (Cont.)

Last Ten Fiscal Years
(dollars in thousands)

Type of Benefit	2019	2020	2021	2022	2023
Age and Service Benefits:					
General	$52,010	$55,515	$58,776	$61,948	$65,293
Safety	14,497	15,786	17,038	18,309	19,888
Disability Benefits - Service:					
General	2,181	2,382	2,432	2,510	2,574
Safety	3,536	3,821	3,827	4,025	4,191
Disability Benefits - Non-Service:					
General	1,892	1,863	1,885	1,844	1,839
Safety	547	590	583	582	591
Death Benefits - Ordinary:					
General	429	449	469	529	577
Safety	258	265	297	336	330
Death Benefits - Duty:					
General	51	52	54	55	56
Safety	125	159	142	142	130
SRBR Benefits					
General	5,847	6,044	6,274	6,451	6,614
Safety	342	385	402	419	541
Death Benefits	521	582	511	612	768
Total Benefits	$82,236	$87,893	$92,690	$97,762	$103,392
Type of Refund					
Death	154	125	232	375	339
Separation	2,707	3,409	3,354	4,571	5,772
Total Refunds	$2,861	$3,534	$3,586	$4,946	$6,111

Average Benefit Payment

For the Fiscal Years Ended June 30, 2014 through June 30, 2023

Retirement Effective Dates	Years Credited Service 0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/2013 to 6/30/2014							
Average Monthly Benefit	$ 597	$ 953	$ 1,381	$ 1,718	$ 2,468	$ 4,029	$ 4,375
Average Final Salary	$ 7,690	$ 4,831	$ 4,555	$ 4,194	$ 4,363	$ 6,250	$ 5,168
Number of Retired Members	13	26	50	31	27	11	10
Period 7/1/2014 to 6/30/2015							
Average Monthly Benefit	$ 424	$ 825	$ 1,340	$ 2,063	$ 2,377	$ 3,465	$ 5,470
Average Final Salary	$ 6,752	$ 4,916	$ 4,401	$ 4,583	$ 4,217	$ 5,248	$ 6,514
Number of Retired Members	17	29	60	30	17	14	16
Period 7/1/2015 to 6/30/2016							
Average Monthly Benefit	$ 463	$ 917	$ 1,575	$ 2,053	$ 2,633	$ 3,421	$ 6,764
Average Final Salary	$ 6,520	$ 5,713	$ 4,886	$ 4,662	$ 5,009	$ 5,364	$ 7,578
Number of Retired Members	15	31	40	34	25	17	14
Period 7/1/2016 to 6/30/2017							
Average Monthly Benefit	$ 606	$ 1,113	$ 1,597	$ 2,081	$ 2,537	$ 2,962	$ 5,275
Average Final Salary	$ 6,130	$ 5,337	$ 5,280	$ 4,974	$ 4,318	$ 5,024	$ 6,749
Number of Retired Members	19	24	38	28	27	16	14
Period 7/1/2017 to 6/30/2018							
Average Monthly Benefit	$ 340	$ 745	$ 1,758	$ 2,462	$ 2,772	$ 4,470	$ 6,504
Average Final Salary	$ 7,312	$ 4,976	$ 5,631	$ 5,297	$ 5,610	$ 6,271	$ 7,555
Number of Retired Members	19	27	38	29	26	15	17
Period 7/1/2018 to 6/30/2019							
Average Monthly Benefit	$ 333	$ 1,030	$ 1,935	$ 2,523	$ 3,826	$ 4,298	$ 4,900
Average Final Salary	$ 7,813	$ 6,401	$ 6,175	$ 5,436	$ 6,985	$ 6,438	$ 5,830
Number of Retired Members	18	31	32	23	25	12	23
Period 7/1/2019 to 6/30/2020							
Average Monthly Benefit	$ 510	$ 1,263	$ 1,838	$ 2,677	$ 3,090	$ 2,945	$ 6,069
Average Final Salary	$ 9,153	$ 6,668	$ 5,925	$ 6,010	$ 6,058	$ 4,611	$ 7,204
Number of Retired Members	17	20	26	20	25	19	25
Period 7/1/2020 to 6/30/2021							
Average Monthly Benefit	$ 234	$ 1,064	$ 1,713	$ 2,458	$ 3,034	$ 4,691	$ 6,435
Average Final Salary	$ 7,776	$ 6,944	$ 5,582	$ 5,472	$ 5,683	$ 6,848	$ 7,720
Number of Retired Members	15	19	24	24	21	11	19
Period 7/1/2021 to 6/30/2022							
Average Monthly Benefit	$ 337	$ 839	$ 1,927	$ 2,244	$ 2,656	$ 4,231	$ 6,231
Average Final Salary	$ 7,661	$ 4,823	$ 6,963	$ 5,042	$ 5,355	$ 6,561	$ 7,400
Number of Retired Members	12	37	25	19	30	23	20
Period 7/1/2022 to 6/30/2023							
Average Monthly Benefit	$ 480	$ 861	$ 2,196	$ 2,652	$ 3,753	$ 3,609	$ 5,049
Average Final Salary	$ 9,771	$ 5,610	$ 7,647	$ 6,353	$ 6,697	$ 5,765	$ 6,141
Number of Retired Members	20	29	19	29	39	14	16

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance in Accordance with Government Auditing Standards

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Retirement
Tulare County Employees' Retirement Association
Visalia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Tulare County Employees' Retirement Association (TCERA), a pension trust fund of the County of Tulare, as of and for the fiscal year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise TCERA's basic financial statements, and the Schedule of Cost Sharing Employer Allocations of TCERA, and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (other information), as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated December 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements and other information, we considered TCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements and other information, but not for the purpose of expressing an opinion on the effectiveness of TCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of TCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TCERA's basic financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TCERA's basic financial statements and other information are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the basic financial statements and other information. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 6, 2023