

Tulare County Employees' Retirement Association

A Pension Trust Fund of the County of Tulare, California

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by:

The Accounting Department
Tulare County Employees' Retirement Association

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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.

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introductory section

Introductory Section	
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COUNTY OF TULARE BOARD OF RETIREMENT

David J. Kehler Retirement Administrator

136 N. AKERS STREET VISALIA, CA 93291 TELEPHONE (559) 713-2900 FAX (559) 730-2631

Letter of Transmittal

December 1, 2017

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

Dear Board Members:

The Tulare County Employees' Retirement Association (TCERA) staff is submitting for your review the Comprehensive Annual Financial Report of the Tulare County Employees' Retirement Association for the fiscal year ended June 30, 2017, TCERA's 72nd 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 control is 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, 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:

Enhance Communications with Members and Employers

- 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 has adjusted the dates and times of seminars to accommodate a greater number of members. TCERA tailors preretirement seminars to the employment stage of the members, with a focused session for members whose retirement is less than a year away, and other sessions for members whose retirement is further in the future. These seminars include not only representatives from TCERA and its primary plan sponsor, the County, but also outside speakers covering Social Security, Health Insurance, Deferred Compensation, and other relevant topics for retirement planning. TCERA also offers a "TCERA 101" seminar that provides background and general information to members not yet ready to consider retirement, but interested in learning more about their retirement plan. In addition to seminars presented at TCERA's office, TCERA periodically brings seminars on-site to various employer locations.
- Member benefit statements provided annually have been enhanced to 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 now generated directly from TCERA's pension administration
 system, TCERA is able to distribute these statements more quickly than in previous years.
- Pension Progress, TCERA's quarterly newsletter, continues to provide up to date information for members. Electronic
 distribution for active members ensures timely delivery and easy access for employees. The newsletter is also
 available on TCERA's website.
- TCERA completed the initial phase of development for 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. With this phase complete, TCERA is positioned to roll out access to members in August of 2017. My TCERA will be accessible to members through a link available on TCERA's website.

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

- The Board trustees continue their focus on Board education. Trustees are encouraged to attend seminars and
 conferences offered through qualified outside 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 risk parity, strategic use of currencies, strategic asset allocation,
 disability law and process, actuarial information, and education from many of TCERA's current investment managers.
- The Board trustees took action to further reduce TCERA's interest rate assumption. 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, as well as input from the ad hoc committee charged with the goal of discussing and addressing key pension issues affecting TCERA. This discussion and analysis prompted the Board to eliminate its previously implemented rate reduction plan and move directly from the June 30, 2016 rate of 7.60% to a compounded rate of 7.25% effective June 30, 2017. While this action resulted in an increase to liabilities, this action will place the plan in a more favorable position for reaching its long-term investment return goals and achieving full funding status.
- TCERA's Administrator, in association with the Board's pension ad hoc committee, spent considerable time and
 effort in communication with the Board and the plan sponsor regarding the status of TCERA's unfunded liability. As
 a result of these efforts, the County of Tulare is giving consideration to several options that would reduce or
 eliminate the unfunded liability over time.

- The Board acknowledged its fiduciary responsibility in administrative matters through the periodic review of Board policies and resolutions. The trustees analyzed some key policies and took action to update its policies regarding division of community property, funds owed and due, and investments. The Board also adopted revised disability retirement procedures.
- TCERA continues to ensure that it complies with Internal Revenue Service requirements. As a result, the Board
 adopted a resolution regarding the treatment of differential wage payments to active duty employees in the U.S. Armed
 Forces as required by the Internal Revenue Service.

Improve the Level and Delivery of Services Provided to Plan Participants

- TCERA continued the implementation of its Pension Administration System, pursuant to the selection in 2010 of CPAS Systems, Inc. for the project. TCERA went "live" with the system on July 1, 2013 for major functions related to active members and pension payroll. TCERA is working with the vendor to clear minor member functionality issues and correct deficiencies in processes and reports not associated directly with member activity such as accounting and web access features. Work flow efficiencies have already been realized as a result of this project. Procedures continue to be refined to make the best use of the system's features. The major piece of implementation remaining was the establishment of member web access for active and retired participants that will allow them to access and update their information, as well as provide real time benefit estimates for TCERA's active membership. The initial development phase of this module was completed in June of 2017 with rollout to members planned in August of 2017.
- TCERA continued the use of group retirement sessions for members completing the final paperwork for TCERA retirement. In the face of increasing numbers of retirements and limited staff, TCERA found that this approach to the retirement process allows streamlining of retirement sessions while still offering personalized service. Employees meet with a retirement specialist in a group of four to six TCERA members. The session focuses on final retirement decisions and the completion of the retirement application packet. Following the meeting, members have the opportunity to meet separately with a staff member if necessary. These group retirement sessions have allowed TCERA to continue to meet the individual needs of our growing retirement population.
- TCERA staff completed the process of a thorough review of disability procedures with the intention of improving the disability application process and clarifying communication with all parties including the member, employer, medical providers, and counsel. The Board approved the revised procedures in September of 2016.

Achieve and Sustain Top Quartile Investment Performance as Measured by the Public Fund Universe

- The Board reviewed its investment policy as a result of its discussions regarding its strategic asset allocation. The policy was updated to include Private Credit investments.
- The Board completed the evaluation of several aspects of the investment portfolio resulting in the following changes:
 - Private Credit Selected TPG to implement the allocation to Private Credit. This asset class is expected to provide an improved risk/return profile over TCERA's previous allocation to High Yield Fixed Income.
 - Commodities The Board spent considerable time in communication with its investment consultant evaluating the Commodities allocation. The Board continues to monitor the Commodities Portfolio carefully.
- TCERA's investments returned 11.9% for fiscal year 2017, ranking in the 58th percentile. This represents a significant
 improvement over last year's disappointing returns and ranking. All sectors performed well with the exception of the
 Commodities portfolio, which continued to negatively impact returns. TCERA has taken steps as outlined above to
 continue to improve its investment landscape. TCERA continues to be optimistic in its ability to achieve its long-term
 investment goals as well as improve TCERA's position in comparison to peers.
- TCERA's policy of smoothing asset returns allowed the Board to authorize the posting of positive interest for both December 31, 2016 and June 30, 2017 in spite of falling short of the interest assumption rate of 7.25%. 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.

Attract, Develop, and Retain Competent and Professional Staff

- TCERA had a significant departure from its long history of very limited staff turnover. In the fiscal year, three long-term employees took advantage of their well-deserved benefits and retired from employment. As a small office, these retirements represented a turnover of 25% of total staff. While this loss of experienced personnel certainly presented challenges, it also allowed TCERA to promote existing staff members to all three vacancies a testament to TCERA's dedication to developing and retaining exceptional employees.
- The Board authorized the addition of two new staff members. A new Retirement Specialist and a new Accountant will be hired next fiscal year. This additional staffing will allow TCERA to continue to meet its goals for customer service in light of increased retirements, investment complexity, and regulatory requirements.
- TCERA continued its focus on cross-training and professional development for all staff members. The recent retirements of three TCERA staff members has offered numerous opportunities for remaining staff to enhance their knowledge of pension and other office processes. Weekly staff meetings provide an environment for exchange of information and training in various aspects of pension administration.
- Staff members participated in on-site training and off-site seminars and roundtables to bolster their understanding of retirement principles.

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.

As of June 30, 2017 and 2016 2017	2016
Author Disc Bestistance (actal/account d)	400
,	,496
Inactive Participants (vested/non-vested) 1,954 1	,851
Service Retirees 2,323 2	,265
Disability Retirees 325	294
Survivors/Beneficiaries 424	381
Total Retirees/Beneficiaries 3,072 2	,940
Total Members 9,562 9	,287

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

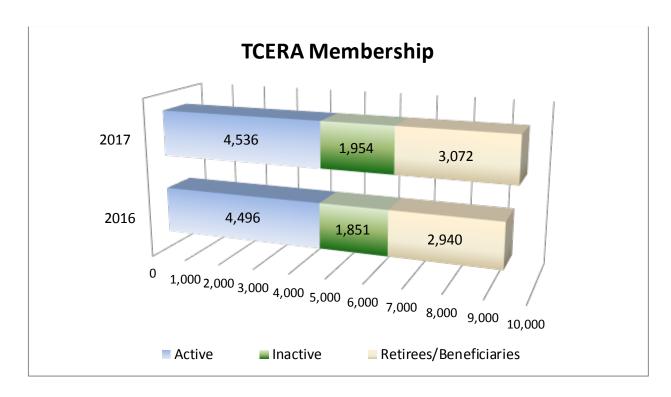
<u>Tier 1</u> – Includes all members who have a membership date on or before December 31, 1979. The County pays one-half of Tier 1 members' normal contributions. Benefits are calculated using the highest average one-year salary. Tier 1 members receive a maximum of 3% cost-of-living adjustment annually 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.

<u>Tier 2</u> – 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.

<u>Tier 3</u> – 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, 2017 and 2016 as reported in the most recent actuarial GASB 67/68 report dated June 30, 2017 was \$243,366,102 and \$238,558,790, 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 of Retirement 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 of Retirement's policies and guidelines.

For the fiscal years ended June 30, 2017 and June 30, 2016, TCERA's investments provided an 11.9% and -1.2% rate of return, respectively. TCERA's annualized rate of return over the last three years was 3.9%. For the 5-year and 10-year periods, the fund returned 8.1% and 3.9% annualized, respectively. 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.

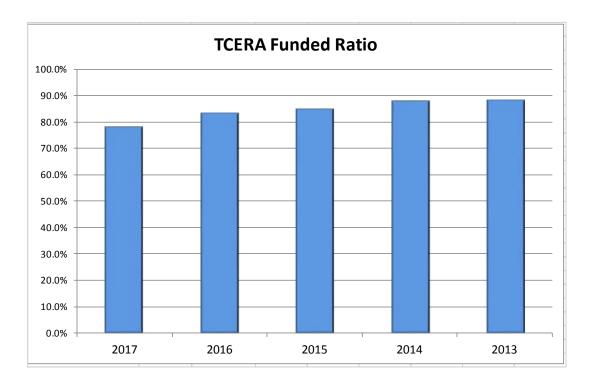
In developing and maintaining TCERA's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the 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 are an integral part of the new pension administration system currently under development.

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, 2017, the date of the last actuarial evaluation, the funded ratio for TCERA was 78.1%. 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:



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 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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. 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 Comprehensive Annual 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 Comprehensive Annual 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, 2016.

In addition, TCERA applied for and was awarded the Public Pension Standards Award for Funding and Administration for 2017. 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,

David J. Kehler

Retirement Administrator

David A. Cehler

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 Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Public Pension Standards Award



Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2017

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.

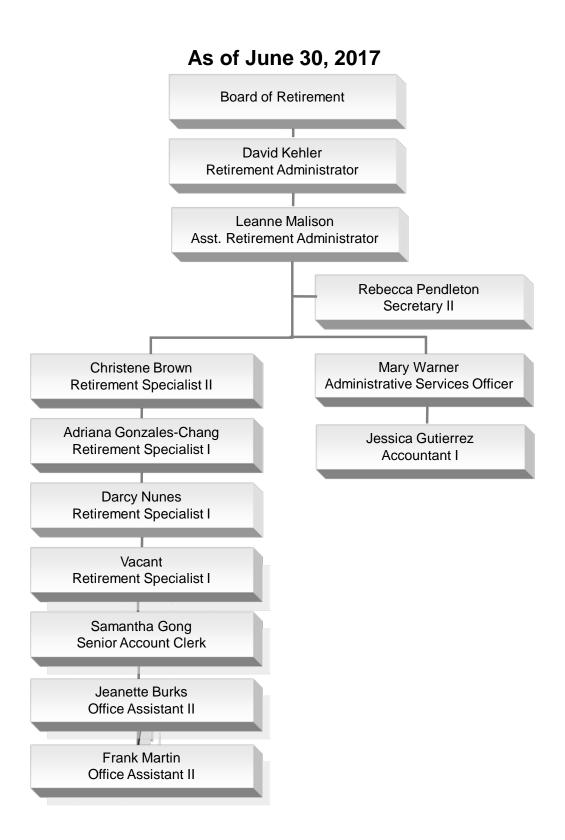
Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle Program Administrator

alan Allinble

TCERA Organizational Chart



Members of the Board of Retirement At June 30, 2017

Roland Hill, Chair
General Membership Representative
Elected by General Members
Present term expires 12/31/2018

Gary Reed, Vice Chair
Appointed by the
Board of Supervisors
Present term expires 12/31/2019

Wayne Ross, Member
Appointed by the
Board of Supervisors
Present term expires 12/31/2018

Pete Vander Poel, Member
Appointed by the
Board of Supervisors
Present term expires 12/31/2019

James Young, Member
Appointed by the
Board of Supervisors
Present term expires 12/31/2018

Frank Embrey, Jr., Member General Membership Representative Elected by General Members Present term expires 12/31/2019

Mike Watson, Member Safety Membership Representative Elected by Safety Members Present term expires 12/31/2018

Rita Woodard, Member Auditor-Controller/Treasurer-Tax Collector Ex-Officio Member

Charles Norman, Alternate
Safety Membership Representative
Elected by Safety Members
Present Term expires 12/31/2018

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

Patricia Crawford, Member
Retired
Elected by Retired Members
Present term expires 12/31/2019

Jan Taylor, Alternate
Retired
Elected by Retired Members
Present term expires 12/31/2019

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 Bridget 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 76-78 of the Investment Section.

EQUITY: DOMESTIC

Boston Partners
State Street Global Advisors
William Blair Investment Management
Waddell & Reed Asset Mgmt. Group
Quantitative Management Associates
LMCG Investments

EQUITY: INTERNATIONAL

PIMCO RAE

Fidelity Institutional Asset Mgmt. State Street Global Advisors

EQUITY: GLOBAL

Kleinwort Benson Investors (KBI)

FIXED INCOME: DOMESTIC

BlackRock Financial Mgmt., Inc.
MacKay Shields
DoubleLine
Shenkman Capital Management
State Street Global Advisors

FIXED INCOME: GLOBAL

Franklin Templeton Institutional

CASH OVERLAY

Parametric

REAL ESTATE

RREEF

TA Associates Realty

HEDGE FUND OF FUNDS

Aetos Capital, LLC Titan Advisors

PRIVATE EQUITY

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

PRIVATE CREDIT

TPG Special Situations Partners

COMMODITIES

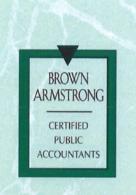
Wellington Management Company Gresham Investment Management

OPPORTUNISTIC

KKR Capital Markets, LLC PIMCO Investments, LLC

financial section

Independent Auditor's Report



BAKERSFIELD OFFICE (MAIN OFFICE)

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SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST SUITE 208 FRESNO, CA 93720 TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE SUITE 255 LAGUNA HILLS, CA 92653 TEL 949.652.5422

STOCKTON OFFICE

5250 CLAREMONT AVENUE SUITE 150 STOCKTON, CA 95207 TEL 209.451.4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements and the Other Information

We have audited the accompanying Statement of Fiduciary Net Position of Tulare County Employees' Retirement Association (TCERA), as of June 30, 2017, the Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the 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 total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense as of and for the year ended June 30, 2017 (specified column totals), listed as other information in the table of contents.

Management's Responsibility for the Financial Statements and the Other Information

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements and the other information based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and the other information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and other information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the other information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TCERA's preparation and fair presentation of the financial statements and the other information 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements and the other information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements and the other information referred to above present fairly, in all material respects, the respective fiduciary financial position of TCERA as of June 30, 2017, and the respective changes in fiduciary net position for the year then ended; the Schedule of Cost Sharing Employer Allocations of TCERA for the year ended June 30, 2017; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) as of and for the year ended June 30, 2017, listed as other information in the table of contents, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, 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 required supplementary information 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 Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TCERA's basic financial statements. The other supplemental information and the introductory, investment, actuarial, and statistical sections, as noted in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental 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. Such 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 supplemental information, as noted in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited TCERA's June 30, 2016 financial statements, and our reported dated December 1, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presentation herein as of June 30, 2016, is consistent in all material respects, with the audited 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 1, 2017, 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 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 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 fecountarcy Corporation

Bakersfield, California December 1, 2017

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, 2017. 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 Comprehensive Annual Financial Report.

Financial Highlights

- At the close of the fiscal year 2017, TCERA's Fiduciary Net Position restricted for pensions was \$1.27 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 \$105.1 million, or 9.02%, as a result of increases in the fair value of investments and other assets.
- 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, 2017, the date of the last actuarial valuation, the funded ratio for TCERA was 78.1%. In general, this indicates that for every dollar of benefits due TCERA had approximately \$0.781 of assets available for payment as of that date.
- ➤ Revenues (additions to Fiduciary Net Position) for the fiscal year ending June 30, 2017 totaled \$184.7 million, which includes employer contributions of \$33.6 million, employee contributions of \$18.2 million, net investment income of \$132.7 million, and lease and other income of \$0.2 million.
- Expenses (deductions from Fiduciary Net Position) for the fiscal year ending June 30, 2017 totaled \$79.6 million, which includes retiree benefits of \$73.4 million, member refunds of \$3.6 million, and administrative expenses of \$2.6 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**.

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 forprofit 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 Net Position 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 25-26 of this report.)

Supporting the disclosures in the financial statements are the notes to the basic financial statements. Also included in this Comprehensive Annual 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 financial statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. (See Notes to Financial Statements on pages 27-49 of this report.)

Required and Other Supplemental Information is included in addition to the basic financial statements and accompanying notes on pages 50-59. Required supplemental 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 supplemental 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, Administrative Budget Analysis, Investment Manager Fees and Other Investment Expenses, Payments to Consultants, and Net Position Restricted for Pensions are other supplemental information and are presented on pages 55-59 immediately following the required supplemental information on pensions of this report.

Financial Analysis

As previously noted, 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 exceed its liabilities at the close of the fiscal year June 30, 2017. As of June 30, 2017, \$1.27 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, 2017, Fiduciary Net Position increased by 9.02% over the prior fiscal year primarily due to an increase in the fair value of investments and other assets. This was slightly offset by an increase in liabilities. Current assets and liabilities are mainly comprised of cash, securities collateral and investment trades in transit at the end of the fiscal year. The changes in current and other assets and total liabilities were the result of increased cash, increases in receivables and payables for purchases of investments, and increased collateral and obligations under TCERA's securities lending program during the fiscal year.

Despite the 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.

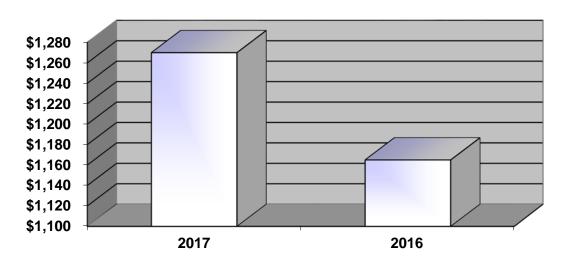
Management's Discussion and Analysis

TCERA'S FIDUCIARY NET POSITION (Table 1)

As of June 30			Amount Increase/	Percent Increase/
	2017	2016	(Decrease)	(Decrease)
Current and Other Assets	\$ 142,981,513	\$ 110,956,156	\$ 32,025,357	28.86%
Investments at Fair Value	1,231,829,948	1,134,918,213	96,911,735	8.54%
Capital Assets, Net	2,681,058	3,004,058	(323,000)	(10.75%)
Total Assets	1,377,492,519	1,248,878,427	128,614,092	10.30%
Total Liabilities	(107,266,741)	(83,751,093)	(23,515,648)	28.08%
Net Position	\$1,270,225,778	\$1,165,127,334	\$ 105,098,444	9.02%

TCERA'S NET POSITION

(Dollars in Millions)



Capital Assets

As of June 30, 2017, TCERA's investment in capital assets decreased slightly over the last fiscal year with a total of approximately \$2.7 million (net of accumulated depreciation and amortization) compared to \$3.0 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 10.75% less than fiscal year ended June 30, 2016, 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, 2016 and June 30, 2017 at a rate less than investment returns and less than the actuarial assumption rate. Tiers 1, 2 and 3 were credited interest of 2.1128% for December 31, 2016 and 2.1380% for June 30, 2017. Tier 4 was credited 1.8256% for December 31, 2016 and 1.0618% for June 30, 2017. This, combined with an increase to the Plan's contingency reserve and the increase in the fair value of investments in the fiscal year ended June 30, 2017, resulted in an increase in the Market Stabilization Reserve equal to \$70.9 million as of June 30, 2017.

TCERA'S RESERVES AT FAIR VALUE (Table 2)

As of June 30

	2017	2016
Employee Reserves	\$ 278,900,255	\$ 272,740,488
Employer Reserves	509,155,763	491,347,084
Retiree Reserves	400,056,600	392,924,756
Supplemental Retirement Benefit Reserves	108,203,552	109,980,158
Other Reserves	466,351	(632, 192)
Market Stabilization Reserve	(66,632,628)	(137,495,102)
Contingency Reserve	39,662,444	35,950,077
TCERA Property, Inc. Retained Earnings		
(Holding Corporation)	413,441	312,065
Total Reserves at Fair Value	\$1,270,225,778	\$1,165,127,334

ADDITIONS TO AND DEDUCTIONS FROM 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. These income sources for the fiscal year June 30, 2017 resulted in a gain of \$184.7 million, while the income sources for June 30, 2016 resulted in a gain of \$27.8 million (see Table 3).

Amount

Percent

ADDITIONS TO FIDUCIARY NET POSITION (Table 3)

For the Fiscal Years Ended June 30

	2017	2016	Increase/ (Decrease)	Increase/ (Decrease)
Employer Contributions	\$ 33,615,885	\$ 31,297,240	\$ 2,318,645	7.41%
Plan Member Contributions	18,190,415	16,814,551	1,375,864	8.18%
Investment Income	140,796,162	(13,694,046)	154,490,208	1128.16%
Less Investment Expense	(8,096,730)	(6,780,070)	(1,316,660)	19.42%
Other Income	 165,600	165,615	(15)	-0.01%
Total	\$ 184,671,332	\$ 27,803,290	\$ 156,868,042	564.21%

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, 2017 were equal to \$2.6 million, or 17/100ths of 1 percent of the Association's accrued actuarial liability of \$1.57 billion. This represents a decrease in administrative expenses of 0.16% over the fiscal year ended June 30, 2016. Of the total expenses, TCERA has identified \$407.3 thousand in computer and actuarial costs that are excluded from the '37 Act administrative limits. As a result, TCERA's administrative expenses were 14/100ths of 1 percent of the accrued actuarial liability, well under the statutory limit of 21/100ths of 1 percent.

DEDUCTIONS FROM FIDUCIARY NET POSITION (Table 4)

For the Fiscal Years Ended	June	e 30		Amount Increase/	Percent Increase/
		2017	2016	 (Decrease)	(Decrease)
Retiree Benefits	\$	73,442,266	\$ 69,134,188	\$ 4,308,078	6.23%
Member Refunds		3,519,060	3,198,234	320,826	10.03%
Administrative Expenses		2,611,562	 2,615,856	(4,294)	-0.16%
Total	\$	79,572,888	\$ 74,948,278	\$ 4,624,610	6.17%

Change in Fiduciary Net Position

As of June 30, 2017, Fiduciary Net Position increased \$105.1 million resulting in a 9.02% increase in Fiduciary Net Position over the previous fiscal year. The improvement in the Fiduciary Net Position is due primarily to the increase in the fair value of investments and other assets.

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, 2017 actuarial valuation established TCERA's funding status to be 78.1% using the entry age normal method with a ten-year smoothing actuarial value of assets. The funded ratio of the Plan decreased by approximately 5.2% from 83.3% to 78.1% and the actuarial value of assets increased by 3.1% to \$1.2 billion. During the year, the value of actuarial liabilities increased by 9.9% to \$1.6 billion. As of June 30, 2017, the Unfunded Actuarial Liability (UAL) was equal to \$344.8 million.

Economic Factors

Investment returns improved significantly in fiscal year 2017. Global economies, both developed and emerging, began to accelerate. A confluence of low inflation, higher employment, improving consumer and business sentiment, and a relatively accommodative central bank policy were some of the drivers of these improved results. Additional analysis of economic conditions can be found in the Investment Section. The Board of Retirement will continue to monitor and respond to changes in economic factors in relation to its investment portfolio.

Management's Discussion and Analysis

New Pension Accounting and Financial Reporting Standards

On April 11, 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, a new accounting standard for financial reporting to address implementation issues related to new pension accounting standards for state and local governments. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. TCERA has analyzed the impact of this Statement and has determined that reportable dollar amounts are minor and immaterial to its financial statements.

Requests for Information

The financial report is designed to provide the Board of Retirement, 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,

David Kehler

Retirement Administrator

Statement of Fiduciary Net Position

As of June 30, 2017, with Comparative Totals

716 of vario 60, 2011, with comparative rotate		2017		2016
ASSETS		2017		2010
Cash, Short Term Investments and Securities Lending Collateral				
Cash	\$	40,429,319	\$	25,124,945
Short Term Investments		19,151,992	•	12,379,099
Collateral on Loaned Securities		55,755,489		51,823,894
Total Cash, Short Term Investments				
and Securities Lending Collateral		115,336,800		89,327,938
Receivables				
Sales of Investments		24,718,343		18,319,318
Interest and Dividends		1,770,583		2,313,112
Employee and Employer Contributions		1,122,850		979,384
Other Receivables		32,937		16,404
Total Receivables		27,644,713		21,628,218
Investments, at Fair Value				
U.S. Government Obligations		88,415,682		68,756,636
Global Bonds		75,883,564		67,573,416
Domestic Corporate Bonds		221,648,992		207,183,603
Domestic Stocks		260,877,773		284,278,905
International Stocks		308,184,443		284,549,244
Real Estate		101,063,213		72,509,060
Commodities		37,068,592		38,580,219
Alternative Investments (Hedge Funds, Private Equity, Futures)		138,687,689		111,487,130
Total Investments, at Fair Value		1,231,829,948		1,134,918,213
Capital Assets				
Land		370,346		370,346
Building, Office Equipment & Furniture,				
net of accumulated depreciation of \$591,529		793,960		822,949
and \$562,019, respectively				
Pension Administration System,				
net of accumulated amortization of \$1,238,344				
and \$934,994, respectively		1,516,752		1,810,763
Total Capital Assets, net		2,681,058		3,004,058
TOTAL ASSETS	\$	1,377,492,519	\$	1,248,878,427
LIABILITIES				
Current Liabilities				
Purchase of Investments	\$	47,931,143	\$	28,313,952
Obligations under Securities Lending Program	Ψ	55,755,489	Ψ	51,823,894
Refunds Payable		1,985,806		2,433,892
Accounts Payable		1,481,596		1,048,088
Total Current Liabilities		107,154,034	-	83,619,826
Long-Term Liabilities		- , - ,		, ,
Compensated Absences		112,707		131,267
Total Long-Term Liabilities		112,707		131,267
				·
TOTAL LIABILITIES	\$	107,266,741	\$	83,751,093
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$</u>	1,270,225,778		1,165,127,334
The accompanying notes are an integral part of these financial statements				

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

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2017 with Comparative Totals

	2017		2016
ADDITIONS			
Contributions			
Employer	\$ 33,615,885	\$	31,297,240
Plan Member	18,190,415		16,814,551
Total Contributions	51,806,300		48,111,791
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	127,697,895		(30,259,532)
Interest	5,109,375		6,633,962
Dividends	3,803,026		3,956,452
Real Estate Operating Income	2,526,209		3,945,235
Other Investment Income	1,035,040		1,736,131
Total Investment Activity Income (Loss)	140,171,545		(13,987,752)
Less Expenses from Investing Activities	7,718,257		6,628,573
Net Investing Activity Income (Loss)	132,453,288		(20,616,325)
From Securities Lending Activities			
Securities Lending Income	624,617		293,706
Less Expenses from Securities Lending Income			
Management Fee	12,625		14,684
Borrower Rebate	365,848		136,813
Net Securities Lending Income	246,144		142,209
Total Net Investment Income (Loss)	132,699,432		(20,474,116)
Other Income	165,600		165,615
TOTAL ADDITIONS	\$ 184,671,332	\$	27,803,290
DEDUCTIONS			
Benefits	\$ 73,442,266	\$	69,134,188
Refunds of Contributions	3,519,060		3,198,234
Administrative Expenses	2,611,562		2,615,856
TOTAL DEDUCTIONS	\$ 79,572,888	\$	74,948,278
Net Increase (Decrease)	105,098,444		(47,144,988)
NET POSITION RESTRICTED FOR PENSION BENEFITS Beginning of Year	1,165,127,334	1	,212,272,322
END OF YEAR	\$ 1,270,225,778	\$ 1	,165,127,334

The accompanying notes are an integral part of these 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 seg., 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 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 Statement No. 39, The Financial Reporting Entity, for inclusion as a component unit of the Association.

BASIS OF ACCOUNTING

The Association prepares its 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, 2017 the annual money-weighted rate of return on the Plan's investments, net of investment expense, was 11.7%. 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, 2017.

ESTIMATES

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAPITAL ASSETS

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 \$246,144 and \$142,209 for the years ended June 30, 2017 and June 30, 2016, respectively. The increase in net securities lending income was due primarily to the increase in investment assets available for the Association. 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

On April 11, 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, a new accounting standard for financial reporting to address implementation issues related to new pension accounting standards for state and local governments. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. TCERA has analyzed the impact of this Statement and has determined that reportable dollar amounts are minor and immaterial to its financial statements.

RECLASSIFICATIONS

Comparative data for the prior year has been presented in the selected sections of the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Also, certain amounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

FUTURE PRONOUNCEMENTS

TCERA has reviewed GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans, GASB Statement No. 81 – Irrevocable Split-Interest Agreements, GASB Statement No. 83 – Certain Asset Retirement Obligations, GASB Statement No. 84 – Fiduciary Activities, GASB Statement No. 85 – Omnibus 2017, GASB Statement No. 86 Certain Debt Extinguishment Issues, and GASB Statement No. 87 – Leases and does not believe these pronouncements will have any material affect.

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 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 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% 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 on or after January 1, 1990. 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 fiscal years ended June 30, 2017 and June 30, 2016, as calculated according to GASB Statement No. 67, GASB Statement No. 68, and GASB Statement No. 82 requirements, was \$243.4 million and \$238.6 million, respectively.

NOTE 2 - PLAN DESCRIPTION (Cont.)

As of June 30	2017	2016
Active Plan Participants (vested/non-vested) Inactive Participants (vested/non-vested)	4,536 1,954	4,496 1,851
Service Retirees Disability Retirees Survivors/Beneficiaries	2,323 325 424	2,265 294 381
Total Retirees/Beneficiaries	3,072	2,940
Total Members	9,562	9,287

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 TCERA 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 cost-of-living adjustment (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 nonservice 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 his 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%
Five years, but less than six years	20 / 0
Six years, but less than seven years	
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 - <u>DEPOSIT AND INVESTMENT RISK DISCLOSURES</u>

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 Estate Policy
- Private Equity Policy
- Private Credit Policy
- Hedge Funds 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, 2017 are as follows (Dollars in Thousands):

Quality Ratings	Fair Value
AAA	\$ 9,037
AA	1,804
Α	13,633
BAA	17,831
ВА	10,137
В	15,383
>BBB	6,107
FHLMC Pools (AAA)	10,243
FNMA Pools (AAA)	20,513
GNMA Pools (AAA)	6,533
U.S. Agencies (AAA)	1,053
U.S. Governments (AAA)	47,444
Not Rated*	226,230
Total Investments in Fixed Income Securities	\$ 385,948

^{*}Securities not rated include commitments to purchase FHLMC, FNMA, and GNMA reported in the Fixed Income Securities chart beginning on page 36.

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, 2017, 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. 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, 2017, TCERA had the following investments and maturities (Dollars in Thousands):

	201	17
Investment Type	Fair Value	Modified Duration
Asset Backed Securities - Airplane Receivables	\$ 136	6.53
Asset Backed Securities - Car Loans	1,183	0.41
Asset Backed Securities - Credit Cards	860	3.53
Asset Backed Securities - Equipment	54	4.84
Aerospace and Defense	1,266	5.55
Automobiles & Components	341	6.52
Banking & Finance	11,686	4.50
Banking & Finance - Yankee - Perpetual	210	15.93
Capital Goods	324	7.59
Chemicals	246	6.22
CMBS - Conduit	2,209	4.96
Commercial Services & Supplies	448	6.68
Commit to Purchase FHLMC Pools	(2,786)	10.03
Commit to Purchase FNMA Pools	2,228	6.73
Commit to Purchase GNMA Pools	1,374	4.46
Commit to Purchase GNMA Multi Family Pools	1,663	6.83
Communications	3,566	6.68
Credit Default Swaps	(4)	N/A
FHLMC Multiclass	372	5.30
FHLMC Pools	9,871	6.26
FNMA Pools	20,232	5.68
FNMA REMIC	282	4.33
Food Beverage & Tobacco	747	6.95
Food Products	288	6.61
GNMA Multi Family Pools	5,998	4.28
GNMA Single Family Pools	557	3.95

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

	2017	
Investment Type	Fair Value	Modified Duration
Health Care	4,929	6.44
Household Products	185	2.75
Housing Related	52	5.82
Industrial	550	5.03
Insurance	507	11.35
Interest Only U.S. Agencies	165	11.69
Leisure Time	155	4.36
Materials	184	5.83
Mining	509	4.44
Non-U.S. Government Bonds	1,271	5.80
Oil & Gas	4,340	6.57
Other Corporate Bonds	75	4.79
Preferred Shares - Perpetual	252	21.21
Principal Only U.S. Agencies	120	12.67
Private Placements - ABS	5,007	2.11
Private Placements - MBS	4,190	4.36
Private Placements - More than 1 Year	20,084	4.71
REITS	1,354	5.57
Retail	1,488	7.50
Technology	3,510	7.01
Transportation	362	10.31
Treasury Bonds	10	1,335.18
Treasury Notes	(2)	399.24
U.S TIPS	1,053	9.26
U.S. Governments	47,444	6.55
Utility - Electric	2,459	7.65
Utility - Gas	488	6.61

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

	2017		
Investment Type	Fair Value	Modified Duration	
Utility - Telephone	4,750	6.06	
Whole Loan - Collateralized Mortgage Obligation	42	6.90	
Yankee Bonds	47	12.11	
SUBTOTAL	168,931		
Commingled Funds U.S. Debt	152,675	N/A	
International Commingled Funds	64,342	N/A	
Total TCERA Fixed Income	\$ 385,948		

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 23% of the portfolio with a maximum investment of 35%. The majority of TCERA's international investments are in commingled funds with currency exposure managed according the investment contract. TCERA's direct exposure to Foreign Currency Risk in U.S. dollars for equity and fixed income investments as of June 30, 2017 is provided in the following table. Negative fair values in the table are related to derivative positions discussed herein.

As of June 30, 2017

		Cash/Fixed			
Currency Type	Equity	Income	Currency		Total
Canadian Dollar	\$5,572,245	\$ 2,540	\$ (10,543)	\$ 5,56	4,242
Total Securities Subject to Foreign Currency Risk	\$5,572,245	\$ 2,540	\$ (10,543)	\$ 5,56	4,242

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 year ended June 30, 2017, classified by type. For financial reporting purposes, all TCERA derivatives are classified as investment derivatives.

Investment Derivatives

As of June 30, 2017

	Notional	
<u>Derivative Type</u>	Value	Fair Value
Currency Forward Contracts	\$ 10,531	\$ (12)
Counterparty Swap Exposure	170,000	(4,138)
Total	\$ 180,531	\$ (4,150)

Foreign currency forward transactions are conducted with highly rated AA financial institutions, typically major worldwide commercial or investment banks. As of June 30, 2017, 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 DISCLOSURE (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.

At June 30, 2017, the fair value of securities loaned was \$54,506,775 and the fair value of cash collateral totaled \$55,755,489. This resulted in an overcollateralization with a ratio of 102.29%. 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.

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, 2017 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.

<u>Level 3</u> 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.

Hedge Fund, Private Equity, and Real Estate Funds

Investments in Hedge Fund, Private Equity, and Real Estate 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 Estate Investments

Investments in Real Estate 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. TCERA did not hold any investments classified in Level 3 as of June 30, 2017. When certain requirements are met, an investment may be measured at the Net Asset Value (NAV). Assets meeting these criteria are reported separately with descriptions of the investments.

NOTE 4 - FAIR VALUE MEASUREMENT (Cont.)

FAIR VALUE MEASUREMENT

June 30, 2017			Fair Value Measurements Usin			ments Using
Investments by Fair Value Level ¹	_Tota	al at 6/30/2017		uoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)
Debt Securities						
U.S. Government Obligations	\$	88,415,682	\$	48,624,155	\$	39,791,527
Global Bonds		11,541,659		-		11,541,659
Domestic Corporate Bonds		68,973,551		-		68,973,551
Equity Securities						
Domestic Stocks		190,290,934		190,290,934		-
International Stocks		5,590,363		5,590,363		-
Commingled Funds						
Global Bonds		64,341,905		-		64,341,905
Domestic Corporate Bonds		152,675,441		-		152,675,441
Domestic Stocks		70,586,839		-		70,586,839
International Stocks		214,019,202		-		214,019,202
Short Term Investments ²		19,151,992		-		19,151,992
Securities Lending Collateral		55,755,489		-		55,755,489
Total Investments by Fair Value Level	\$	941,343,057	\$	244,505,452	\$	696,837,605

Investments Measured at NAV	
International Equity Funds	

Currency Exchange Contracts - Forwards

International Equity Funds	\$ 88,574,878
Real Estate Funds	101,063,213
Commodity Funds	37,068,592
Hedge Funds	59,856,324
Private Equity Funds	72,219,868
Futures Overlay Funds	6,611,497
Total Investments Measured at NAV	365,394,372

Total Investments \$ 1,306,737,429

Derivatives

\$

(12)

\$

(12)

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, 2017.

² Short term investments of \$19,151,492 consist of a BNY Mellon Short Term Investment Fund (STIF).

NOTE 4 - FAIR VALUE MEASUREMENT (Cont.)

INVESTMENTS MEASURED AT NET ASSET VALUE June 30, 2017

Investments Measured at NAV	Total at 6/30/2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International Equity Funds (1)	\$ 88,574,878	\$ -	Monthly	30 days
Real Estate Funds (2)	101,063,213	20,000,000	Quarterly, Not Eligible	45 days
Commodity Funds (3)	37,068,592	-	Daily	1 day
Hedge Funds (4)	59,856,324	-	Quarterly	90 days
Private Equity Funds (5)	72,219,868	104,003,857	Not Eligible	Not applicable
Futures Overlay Funds (6)	6,611,197		Daily	
Total Investments Measured at NAV	\$365,394,072	\$ 124,003,857		

- (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 Estate Funds.** This portfolio includes two real estate funds, one private Real Estate Investment Trust and one closed end fund, that invest primariliy in a diversified portfolio of institutional quality multifamily, industrial, retail, and office assets in the United States. This category also includes residual escrow funds from the sale of a separate property. 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 Estate Investment Trust has monthly liquidity under most circumstances, while the closed end fund is ineligible for redemption.
- (3) **Commodity Funds.** This strategy includes two commodity funds that are considered to be commingled in nature. Each is valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.
- (4) Hedge Funds. This investment type consists of two multi-strategy hedge fund of funds. The underlying managers within the fund of funds employ a variety of skill-based and generally proprietary approaches across a diversified range of hedge fund strategies.
- (5) Private Equity Funds. This allocation consists of investments with five fund of funds managers and two direct investments. The underlying managers within the fund of funds diversify investments throughout the various private equity strategies. The direct investments are mezzanine and distressed debt.
- (6) Futures Overlay Funds. Futures overlay is handled through one fund. The program seeks to provide for the disciplined maintenance of target asset allocations. The investments are comprised of derivatives and other investments that allow for the liquidity necessary to overlay TCERA's cash holdings on a daily basis.

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, 2017 was \$39,662,444.

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 21/100^{ths} of 1% of the Association's Actuarial Accrued Liability (AAL). Administrative Expenses as of June 30, 2017, excluding computer and actuarial costs, were approximately 14/100^{ths} of 1% of the Association's AAL. Employer and Employee contributions as of June 30, 2017 were insufficient to cover benefit payments and administrative expenses. The shortfall was financed by investments.

NOTE 7 - COMMERCIAL LEASE AGREEMENT

Effective September 2001, the Board entered into a commercial lease agreement with TCERA Property, Inc. for the purpose of housing the administrative offices of the Association. The lease is perpetual with lease amounts subject to change by action of the Board of Directors of TCERA Property, Inc. The sum of payments for the fiscal year July 1, 2016 through June 30, 2017 was \$165,600. Annual amounts payable are as follows:

Fiscal Year	Annual Amount
2018	\$ 165,600
2019	\$ 165,600

NOTE 8 - CAPITAL ASSETS AND PROJECT IN PROCESS

Capital Assets consist of the following:

Capital / 100010 Consist of the following.	2017	Estimated Useful Life in Years
Assets Not Being Depreciated		
Land	\$ 370,346	N/A
Assets Being Depreciated		
Building and Improvements	1,178,366	40
Office Equipment and Computers	207,123	3 -10
Less: Accumulated Depreciation	(591,529)	
Total Tangible Assets	793,960	
Intangible Assets		
Pension Administration System	2,755,096	10
Less: Accumulated Amortization	(1,238,344)	
Total Intangible Assets	1,516,752	

Capital Assets, Net of Accumulated Depreciation and Amortization \$2,681,058

Depreciation and amortization expense for the year ended June 30, 2017 was \$346,839.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

CAPITAL COMMITMENTS

TCERA's real estate 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.

As of June 30, 2017, outstanding capital commitments consisted of:

		Total Capital	Outstanding Capital
Investment Manager	Investment Type	Commitment	Commitment
BlackRock Alternative Advisors	Private Equity	\$15,000,000	\$2,335,361
Pantheon Ventures, Inc.	Private Equity	\$15,000,000	\$825,000
KKR Mezzanine Partners	Private Equity	\$15,000,000	\$1,582,073
StepStone Group	Private Equity	\$27,000,000	\$8,944,825
Pathway	Private Equity	\$20,000,000	\$13,625,315
Ocean Avenue	Private Equity	\$20,000,000	\$16,000,000
TPG Special Situations Partners	Private Credit	\$80,000,000	\$60,691,283
RREEF America REIT II, Inc.	Real Estate	\$83,500,000	\$20,000,000

NOTE 10 – 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:

	June 30, 2017
Total Pension Liability	\$1,745,959,304
Plan Fiduciary Net Position	(1,270,225,778)
Employers' Net Pension Liability	\$475,733,526
Plan Fiduciary Net Position as a	
percentage of the Total Pension Liability	72.75%

The NPL increased by approximately \$56.4 million since the prior measurement date, primarily due to the decrease in the discount rate and the interest on the liability exceeding the investment income. The investment 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 and outflows of resources.

NOTE 10 - 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, 2017, was measured as of a valuation date of June 30, 2017, 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 3.00% per year.

Expected Return on Assets 7.4% net of investment expenses as of June 30, 2017.

Salary Increases Payroll increases are assumed to increase 3.00% per

year.

Ad hoc Post-Employment

Benefit Changes

None.

Post Retirement COLA Benefits are assumed to increase after retirement at the

rate of 2.7% per year for Tier 1 and 2.0 % per year for Tiers

2-4.

RP-2014 Mortality Tables with Generational improvement

Mortality Assumptions using Projection Scale MP-2015.

Most Recent Actuarial Experience Study

June 30, 2017 (conducted every three years).

Discount Rate 7.32% blended discount rate, net of pension plan

investment expense, including inflation.

Municipal Bond Rate 3.58% net of investment expenses as of June 30, 2017

(Bond Buyer 20-year Bond GO Index, June 30, 2017).

Administrative Expenses used in the cashflow projection

are assumed to average 0.15% of assets annually.

NOTE 10 - 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:

	June 30, 2017			
Asset Class	Target Percen			
Domestic Equity	20.00%			
Non-U.S. Equity (Developed and Emerging)	20.00%			
Global Equity	3.00%			
U.S. Fixed Income	27.00%			
Private Credit	5.00%			
Commodities	5.00%			
Real Estate	10.00%			
Private Equity	5.00%			
Hedge Fund of Funds	5.00%			
	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
Domestic Equity	2.60%
Non-U.S. Equity (Developed and Emerging)	7.30%
Global Equity	4.90%
U.S. Fixed Income	1.80%
Global Fixed Income	-0.10%
Commodities	2.20%
Real Estate	2.50%
Private Equity	5.70%
Private Credit	4.40%
Hedge Fund of Funds	2.90%
Total	4.10%

NOTE 10 - 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 2.1%. Real return forecasts are from Verus Investments' 2017 Capital Market Assumptions.

Discount Rate: The discount rate used to measure the Total Pension Liability was 7.32%.

The investment rate of return assumption used for actuarial funding was 7.25% for the fiscal year ended June 30, 2017.

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 7.32%.

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 2084, 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 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.58% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2017 is 7.32%.

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, 2017, calculated using the discount rate of 7.32%, as well as what TCERA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.32%) or 1-percentage-point higher (8.32%) than the current rate:

TCERA Net Pension Liability	1% Decrease	Discount Rate	1% Increase
	(6.32%)	(7.32%)	(8.32%)
As of June 30, 2017	\$727,182,701	\$475,733,526	\$271,317,266

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to June 30, 2017 and through December 1, 2017, the date through which management evaluated subsequent events and on which the financial statements were issued, TCERA did not identify any subsequent financial events that required disclosure.

Schedule of Changes in Net Pension Liability and Related Ratios Fiscal Years June 30:

	_	2017	2016		2015		2014
Total pension liability							
Service cost	\$	38,202,834 \$		\$	35,167,785	\$	39,672,236
Interest Differences between expected and actual		118,663,755	115,715,729		97,472,957		94,276,973
experience		11,935,775	(40,601,821)		7,590,593		-
Changes of assumptions		69,608,066	23,922,527		180,186,807		13,587,893
Benefit payments, including refunds of member contributions	=	(76,961,326)	(72,332,422)	_	(68,559,888)	=	(65,954,107)
Net change in total pension liability		161,449,104	65,011,498		251,858,254		81,582,995
Total pension liability- beginning	_	1,584,510,200	1,519,498,702	_	1,267,640,448	_	1,186,057,453
Total pension liability- ending (a)	\$_	1,745,959,304 \$	1,584,510,200	\$_	1,519,498,702	\$_	1,267,640,448
Plan fiduciary net position							
Contributions- employer	\$	33,615,885 \$	31,297,240	\$	30,992,069	\$	25,953,288
Contributions- member		18,190,415	16,814,551		18,887,422		18,968,800
Changes of assumptions Net investment income		- 132,865,032	(20,308,501)		111,357,446 11,043,009		- 176,883,870
Benefit Payments, including refunds of		132,003,032	(20,308,301)		11,043,009		170,003,070
member contributions		(76,961,326)	(72,332,422)		(68,559,888)		(65,954,107)
Administrative expense Other		(2,611,562)	(2,615,856)		(2,408,394)		(1,638,772)
Other	-		-	-	<u> </u>	-	2,993,705
Net change in plan fiduciary net		105 000 111	(47.444.000)		104 244 664		457 206 794
position		105,098,444	(47,144,988)		101,311,664		157,206,784
Plan fiduciary net position- beginning	_	1,165,127,334	1,212,272,322	_	1,110,960,658	_	953,753,874
Plan fiduciary net position- ending (b)	Φ	1 270 225 779 ¢	1 165 107 224	Φ	1 010 070 000	ው	1 110 060 659
rian nauciary net position- ending (b)	Φ=	1,270,225,778 \$	1, 105, 127, 554	Ψ=	1,212,212,322	Ψ=	1,110,900,038
Net pension liability- ending (a)-(b)	\$_	475,733,526 \$	419,382,866	\$_	307,226,380	\$_	156,679,790
Plan fiduciary net position as a							
percentage of the total pension		70.750/	70 500/		70.700/		07.0464
liability		72.75%	73.53%		79.78%		87.64%
Covered employee payroll	\$	243,366,102 \$	238,558,790	\$	229,430,663	\$	234,438,456
Net pension liability as a percentage							
of covered employee payroll		195.48%	175.80%		133.91%		66.83%

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

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

Net Pension Liability - See information in Note 10 regarding the increase in the net pension liability.

Benefit Changes – All members with membership date on or after January 1, 2013 enter the new tiers created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

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. Payroll for fiscal year 2015 forward is based on amounts provided to the actuary by the participating employers. Previous payroll figures were determined by the prior actuary.

Schedule of Contributions

(Dollar amounts in thousands)

	,	Actuarially	Re	ontributions in elation to the Actuarially	Contrib			Actuarially Determined Covered	a Perc Co	utions as entage of vered
Year Ended		Determined	[Determined	Defici	ency		Employee	Employee	
June 30	C	ontributions	С	Contributions	(Exc	ess)		Payroll	Payroll	
2008	\$	22,691,963	\$	22,691,963	\$		-	\$ 226,836,234		10.00%
2009		22,430,788		22,430,788			-	227,305,938		9.87%
2010		25,339,346		25,339,346			-	217,811,354		11.63%
2011		23,434,240		23,434,240			-	219,853,614		10.66%
2012		25,257,124		25,257,124			-	222,634,628		11.34%
2013		29,847,226		29,847,226			-	230,954,756		12.92%
2014		25,953,288		25,953,288			-	234,438,456		11.07%
2015		30,992,069		30,992,069			-	229,430,663		13.51%
2016		31,297,240		31,297,240			-	238,558,790		13.12%
2017		33,615,885		33,615,885			-	243,366,102		13.81%

Schedule of Contributions (Cont.)

Notes to Schedule of Contributions:

Valuation date: Actuarially determined contribution rates are calculated as of

June 30, two years prior to the end of the fiscal year in which

contributions are reported.

Methods and assumptions used to determine contribution rates:

Acturarial cost method Entry age normal

Amortization method Level percentage of payroll. Payroll is expected to increase

during the amortization period at the assumed rate of inflation.

Remaining amortization period 19 years, layered

Asset valuation method 10-year smoothing of investment return with a 30% asset

corridor which deviates from the actuarial investment return

assumptions.

Inflation 3.00%

Salary increase assumptions vary by years of service and by Salary increases

division, ranging from 0.5% to 8.0% for General Members and

0.5% to 8.0% for Safety Members.

Investment rate of return 7.25% per annum (7.12% 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 General Members - RP 2014 Sex Distinct Combined Healthy

Tables, published by the Society of Actuaries, with

Generational Improvement, using Projections Scale MP-2016, increased by 12.1% for males and 8.0% for females to reflect

Plan experience.

Safety Members - RP 2014 Sex Distinct Combined Healthy Tables with blue-collar adjustment, published by the Society of Actuaries, with Generational Improvement using Projections Scale MP-2016, increased by 4.5% to reflect Plan experience.

All Members - RP 2014 Sex Distinct Generational Disabled Mortality - Disability

Annuitant Mortality Table with Generational Improvement using

Projection Scale MP-2016.

Cost of living 2.7% per year for Tier 1 and 2% for Tiers 2, 3, and 4.

Schedule of Investment Returns

Fiscal Year:

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	11.70%	-1.30%	1.10%	17.00%	11.90%

Notes to Schedule of Investment Returns:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2017

Personnel Services	
Salaries	
General	\$ 820,078
Benefits	
General	269,521
Board Fees - Per Diem Payments	18,100
Total Personnel Services	1,107,699
Professional Services	
Actuarial	93,156
Data Processing	314,126
Audit	41,800
Professional Services - Disablity	139,013
Legal Counsel	
General	63,848
Disability	66,524
Total Professional Services	718,467
Communication	
Printing	29,645
Communication	13,359
Postage	34,483
Total Communicaton	77,487
Rentals	
Office Space	165,600
Total Rentals	165,600
Other	
Training	2,113
Transportation and Travel	31,766
Maintenance	26,590
Insurance	56,442
Utilities	18,790
Depreciation	346,839
Office	49,359
Other County Department Charges	10,261
Other Service Charges	149
Total Other	542,309
Total Administra C = F	* • • • • • • • • • • • • • • • • • • •
Total Administrative Expenses	\$ 2,611,562

Administrative Budget Analysis

Budget to Actual Expense For the Fiscal Year Ended June 30, 2017

	Approved Budget	Amended Budget	I	Fiscal Year Expense	Percentage Expensed
Personnel Services		 			
Salaries	\$ 849,815	\$ 854,615	\$	820,078	96.0%
Benefits	350,435	345,635		269,521	78.0%
Board Fees - Per Diem Payments	 20,000	 20,000		18,100	90.5%
Total Personnel Services	1,220,250	1,220,250		1,107,699	90.8%
Professional Services					
Actuarial (contract) 1	93,156	93,156		93,156	100.0%
Data Processing ¹	337,448	337,448		314,126	93.1%
Audit ²	44,800	44,800		41,800	93.3%
Professional Services - Disability	164,000	164,000		139,013	84.8%
Legal Counsel ²	161,000	162,800		130,372	80.1%
Total Professional Services	800,404	802,204		718,467	89.6%
Communication					
Printing	27,900	29,750		29,645	99.6%
Communication	11,800	13,800		13,359	96.8%
Postage	31,600	34,600		34,483	99.7%
Total Communication	71,300	78,150		77,487	99.2%
Rentals					
Office Space	165,600	 165,600		165,600	100.0%
Total Rentals	165,600	165,600		165,600	100.0%
Other					
Training	12,500	12,500		2,113	16.9%
Transportation and Travel	57,000	48,350		31,766	65.7%
Maintenance ²	32,750	32,750		26,590	81.2%
Insurance ²	56,850	56,850		56,442	99.3%
Utilities ²	25,200	25,200		18,790	74.6%
Depreciation ²	362,600	362,600		346,839	95.7%
Office	55,501	55,501		49,359	88.9%
Other County Department Charges	16,500	16,500		10,261	62.2%
Other Service Charges ²	 200	 200		149	74.5%
Total Other	619,101	 610,451		542,309	88.8%
Total Administrative Expenses	\$ 2,876,655	\$ 2,876,655	\$	2,611,562	90.8%

¹ Actuarial and data processing expenses are excluded from the 21/100^{ths} percent limitation and are items not required to be included in the administrative budget.

² Budget/Expenses are combined for TCERA Property, Inc.

Fees, Other Investment Expenses and Payments to Consultants For the Fiscal Year Ended June 30, 2017

Investment Activity	
Equity	
Domestic	\$ 1,134,909
International	1,268,143
Fixed Income	, ,
Domestic	718,017
Global	277,448
Alternative Investments	
Hedge Funds	620,737
Private Equity	1,990,804
Futures Overlay	49,178
Commodities	284,495
Real Estate	
Real Estate Managers	803,567
Total from Investment Activity	7,147,298
Securities Lending Activity	
Securities Lending Program Expenses	378,473
Total from Securities Lending Activity	378,473
Other Investment Expenses	
Investment Custodian	349,400
Investment Consultant	213,721
Other	7,838
Total from Other Investment Expenses	570,959
Total Fees and Other Investment Expenses	\$ 8,096,730
Payments to Consultants	
Nature of Service	
Actuarial	\$ 93,156
Audit	41,800
Legal Counsel	
General	63,848
Disability	66,524
Total Consulting Fees	\$ 265,328
	,

Schedule of Net Position Restricted for Pension Benefits

As of June 30, 2017

Employee reserves, July 1 \$ 272,740,488 Contributions 18,190,415 Withdrawals (3,519,060) Transfers (19,272,370) Interest crediting 10,760,782 Employee reserves, July 1 491,347,084 Contributions 33,615,885 Benefits Paid - Transfers (37,126,645) Interest crediting 21,319,439 Employer reserves, July 1 392,924,756 Benefits Paid (67,008,766) Transfers 56,387,173 Interest crediting 17,753,437 Retiree reserves, June 30 400,056,600 SRBR reserves, June 30 400,056,600 SRBR reserves, June 30 109,980,158 Genefits Paid (6,433,500) Interest crediting 4,656,894 SRBR reserves, June 30 108,203,552 Other reserves, June 30 466,334 Other reserves, June 30 466,351 Market Stabilization reserve, June 30 466,351 Market Stabilization reserve, June 30 (66,632,628) Co		
Contributions 18,190,415 Withdrawals (3,519,060) Transfers (19,272,370) Interest crediting 10,760,782 Employee reserves, June 30 278,900,255 Employer reserves, July 1 491,347,084 Contributions 33,615,885 Benefits Paid 37,126,645 Interest crediting 21,319,439 Employer reserves, June 30 509,155,763 Retiree reserves, July 1 392,924,756 Benefits Paid (67,008,766) Transfers 56,387,173 Interest crediting 17,783,437 Retiree reserves, June 30 400,056,600 SRBR resenves, July 1 109,980,158 Benefits Paid (6,433,500) Interest crediting 4,656,894 SRBR reserves, June 30 109,980,158 SRBR reserves, July 3 (632,192) Other reserves, June 30 (632,192) Other reserves, June 30 466,351 Market Stabilization reserve, July 3 (632,192) Other reserves, June 30 (66,632,628)	Employee reserves, July 1	\$ 272,740,488
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TCERA Property, Inc. Retained Earnings (Holding Corporation), June 30 413,441		
Net position restricted for pension benefits \$ 1.270.225.778	TCERA Property, Inc. Retained Earnings (Holding Corporation), June 30	
·	Net position restricted for pension benefits	\$ 1,270,225,778

Notes to the Other Supplemental Information

The Tulare County Employees' Retirement Association's (TCERA) budget consists of two components, an administrative budget authorized by California Government Code §31580.2 and a professional services budget authorized by California Government Code §31596.1. TCERA's budget is on a fiscal year basis starting July 1st and ending June 30th. Each spring the budget is presented to the Administrative Committee for review and recommendations. Upon agreement by the Administrative Committee, the budget is then forwarded to the full Board of Retirement for approval.

Administrative Services Budget

California Government Code §31580.2 states in part, "...the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund. The expense incurred in any year may not exceed the greater of the following: 1) Twenty-one hundredths of 1 percent of the accrued actuarial liability of the retirement system. 2) Two million dollars (\$2,000,000)...". TCERA's administrative expenses continue to meet the requirements of this code section.

Professional Services Budget

California Government Code §31596.1 states that "The expenses of investing its moneys shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:

- a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.
- b) The compensation of any bank or trust company performing custodial services.
- c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered with a bank or mortgage service company to service deeds of trust and mortgages.
- d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.
- e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1."

TCERA's professional services budget is driven by contractual agreements with the Actuary, Custodian, Investment Consultant, and Investment Managers.

Other Information

Schedule of Cost Sharing Employer Allocations

For the Fiscal Year Ended June 30, 2017

Employer	2017 Actual Employer Contributions	2017 Employer Allocation Percentage
County of Tulare	\$ 31,839,050	94.71%
Tulare County Association of Governments ¹	161,847	0.48%
Tulare County Superior Court	1,596,198	4.75%
Strathmore Public Utility District	18,790	0.06%
Total	\$ 33,615,885	100.00%

¹ The Tulare County Association of Governments is a district within Tulare County.

Other Information

Employer Pension Amounts Allocated by Cost Sharing Plan June 30, 2017

		Deferred Outflows of Resources					
Employer	Employer Net Pension Liability	Differences Between Expected and Actual Experience	Net Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	
Tulare County	\$ 450,587,676	\$ 11,919,659	\$ 37,115,996	\$ 97,240,495	\$ 237,987	\$ 146,514,137	
Tulare County Assn of Governments ¹	2,290,466	60,591	188,671	494,301	533,252	1,276,815	
Tulare County Sup Court	22,589,464	597,572	1,860,749	4,874,990	1,662,247	8,995,558	
Strathmore Public Utility District	265,920	7,035	21,904	57,388	24,069	110,396	
Total	\$ 475,733,526	\$ 12,584,857	\$ 39,187,320	\$ 102,667,174	\$ 2,457,555	\$ 156,896,906	

				Pension Expense Excluding that Attributable to			
	Deferr	ed Inflows of Res	ources	Employer-Paid Member Contributions			
	Differences Between Expected and Actual Economic Experience	Changes in Employer Proportion and Contribution Differences	Total Deferred Inflows of Resources	Collective Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amts 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	\$ 23,073,439	\$ 1,858,278	\$ 24,931,717	\$ 89,013,292	\$ (514,278)	\$ 88,499,014	
Tulare County Assn of Governments ¹	117,289	-	117,289	452,480	225,973	678,453	
Tulare County Sup Court	1,156,748	577,521	1,734,269	4,462,533	288,927	4,751,460	
Strathmore Public Utility District Total	13,617 \$ 24,361,093	21,756 \$ 2,457,555	35,373 \$ 26,818,648	52,532 \$ 93,980,837	(622)	51,910 \$ 93,980,837	

¹ The Tulare County Association of Governments is a district within Tulare County.

NOTE: There were no Changes of Assumptions affecting deferred inflows of resources for the fiscal year ended June 30, 2017.

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investment section

Independent Consultant's Report



November 8, 2017

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

Equity markets have responded positively to the synchronized growth taking place in both developed and emerging economies. Equities measured by the U.S. broad market Russell 3000 provided an 18.5% return over the year ending June 30. Over the same period, international equities of developed nations, measured by the MSCI EAFE Index, returned 20.3%, and emerging markets soared, as the MSCI EM Index rose 23.7%. Real Estate's solid performance continued with the NCREIF-ODCE Index advancing 7.9% for the fiscal year. On the other hand, U.S. fixed income was down -0.3% over the period as represented by the Barclay's U.S. Aggregate, as interest rates have moved up gradually.

The Tulare County Employees' Retirement Association investment portfolio returned 11.9% for the fiscal year ending June 30, 2017 which outperformed the Plan's policy benchmark by 100 basis points. Plan assets were approximately \$1.25 billion as of this fiscal year end, increasing from the \$1.14 billion at the end of the prior fiscal year end. The portfolio's equity holdings were the largest contributors to performance.

Throughout the year, the Plan has been in the process of implementing the strategic asset allocation that was adopted last year. This process included the funding of a new private credit manager and a new private equity manager.

While it was exciting that the Plan achieved its actuarial rate of return for the fiscal year, we will continue to proceed with caution. The synchronized global growth that's currently being experienced is certainly positive for the outlook and healthier economies should translate to

healthier markets. However, valuations continue to move higher and central banks around the world will have to adjust policy appropriately in order to keep the momentum going. Finally, although rates have crept up over the past year they are still at historic lows. With these low rates being the initial foundation for return premiums, diversified portfolios working toward 7.25% actuarial rate of return will face challenges.

With that in mind, we continue to stand by the principles of diversification and risk management to mitigate against unexpected volatility in the near-term while positioning the Plan to achieve its long-term investment objectives.

Sincerely,

Scott J. Whalen, CFA

Managing Director, Executive Vice President

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

Developed and emerging economies around the world have exhibited synchronized growth for the first time during this recovery, which positively impacted the markets. Compared to other countries around the world, the U.S. economy is further along in its cycle, as the current expansion has continued for about eight years.

While a faction of experts argue that the current cycle has gone on for too long and a recession is looming, there are other cases of longer growth cycles. Looking at examples around the world, Australia's economy continues to expand and hasn't had a recession since 1991. Similarly, South Korea is also currently in an expansionary phase and hasn't experienced a recession since 1998. These are just two of several examples of an economy experiencing an expansion cycle longer than the one the U.S. is in right now.

Despite the length of the expansion, the U.S. economy continues to chug along. Headline unemployment is still improving and is currently at 4.2%, a low not seen since 2001. A broader measure of unemployment that captures underemployed and discouraged workers also improved to 8.3% compared to 9.7% from the prior year. Productivity is up as GDP grew 2.2% year-over-year compared to 1.2% for last year. Consumer sentiment remains positive as well, reflecting an overall upbeat view of the economy. The University of Michigan Consumer Sentiment Survey unexpectedly increased from 95.1 to 101.1 which is the highest level since 2004.

Geopolitical risk also remains top of mind as several recent headlines, especially increased tensions on the Korean peninsula, have led to heightened concerns on how these events will impact the markets. Trying to translate how a geopolitical event will impact a market is difficult due to the unique nature of each event. While the concerns over a nuclear attack from North Korea have escalated, the threat is not a new one. Many pundits believe that the probability of an attack by North Korea against the U.S. or its allies is low because it would jeopardize the existence of the current regime. Additionally, China's support of North Korea has waned in the recent months after it agreed to two new rounds of sanctions through the United Nations Security Council.

Globally, interest rates are still at historic lows, and very little monetary tightening is priced in across developed markets over the forthcoming period. One reason why the markets may not be pricing in higher interest rates is that inflation in developed countries has yet to see much pressure outside the U.K. and remains below central bank targets.

Economic conditions in emerging markets have improved. Several countries, such as Brazil and Russia, are still at the beginning stages of a recovery. Lower inflation has also helped emerging market economies by allowing their central banks to pursue looser monetary policy and monetary stimulus has the potential to provide a tailwind for future economic growth. Also helping performance in emerging markets is the recent reversal in currency trends.

Overall, the current environment of synchronized global growth has translated to favorable equity returns for investors. It is also reassuring that these returns have generally been fundamentally driven and supported by earnings growth rather than valuation expansion. Even in favorable conditions the catalyst for unexpected volatility could appear in a moment, so it is important that we continue to be disciplined and remain grounded in our principles of risk management and diversification throughout our investment process.

Prepared by Verus' Capital Markets Research Group and Scott J. Whalen, CFA

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, 2017 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

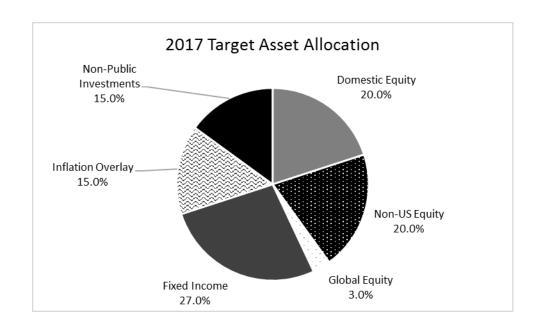
As of June 30, 2017

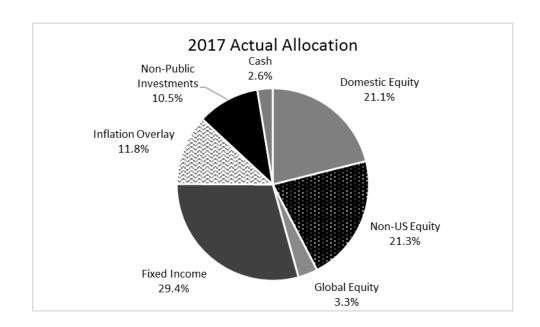
The target asset allocation for the investment portfolio is determined by the Board to facilitate the achievement of the investment program's long-term investment objectives within the established risk parameters. Due to the fact that the allocation of funds between asset classes may be the single most 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	10%	30%	20%
Large Cap Small Mid Cap	10% 0%	25% 10%	15% 5%
Non-U.S. Equity (Developed and Emerging)	10%	30%	20%
Global Equity	0%	5%	3%
Fixed Income	20%	45%	27%
Core-Plus Fixed Income Global Fixed	15% 0%	35% 10%	22% 5%
Inflation Overlay	5%	25%	15%
Commodities Real Estate	0% 5%	10% 15%	5% 10%
Non-Public Investments	0%	20%	15%
Private Equity/VC Private Credit	0% 0%	10% 10%	5% 5%
Liquid Alts/HFoF	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, 2017





Percentages may not equal 100% due to rounding.

Fair Value of Investments

As of June 30, 2017

		Percentage of
Type of Investments	Fair Value	Total Fair Value
Domestic Corporate Bonds	\$122,462,798	9.8%
MBS	30,712,308	2.5%
U.S. Government/Agency Instruments	80,780,148	6.5%
ABS	45,965,331	3.7%
CMO	2,371,621	0.1%
Global Fixed Income Fund	52,694,162	4.2%
U.S. TIPS Fund	10,933,481	0.9%
Other	34,113,689	2.7%
Ouiei	34,113,089	2.1%
Total Bonds	\$380,033,538	30.4%
Domestic Equity	\$263,788,582	21.1%
Non-U.S. Equity	267,153,760	21.3%
Global Equity	41,183,379	3.3%
Private Equity	44,512,950	3.6%
Total Equity	\$616,638,671	49.2%
Hedge Funds	59,856,324	4.8%
Real Estate	99,544,972	7.9%
Commodities	37,083,822	3.0%
Cash	26,664,544	2.1%
Other	32,474,274	2.6%
Total Investments	\$1,252,296,145	100.0%
Less Adjustments for Payables, Receivables, Cash and Accruals	(20,466,197)	
Net Investments	\$1,231,829,948	

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, 2017*

of the Ferrous Ended Julie 30, 2017			lized		
Account	Current	2 Year	3 Year	4 Year	5 Year
Equity					
SSGA S&P 500 Flagship Fund	18.0	10.8	9.7	13.2	14.7
QMA Large Cap Core	18.1	10.3	9.5	13.8	15.5
S&P 500	17.9	10.7	9.6	13.2	14.6
Ivy Large Cap Growth	20.0	8.8	10.1	15.1	15.3
Russell 1000 Growth	20.4	11.4	11.1	14.9	15.3
Boston Partners Large Cap Value	21.0	8.2	7.7	11.3	14.7
Russell 1000 Value	15.5	9.0	7.4	11.3	13.9
SSGA Russell Small Cap Completeness Index	21.7	7.4	7.0	11.7	
Russell Small Cap Completeness	21.8	7.5	7.0	11.8	14.4
William Blair SMID Cap Growth	24.0	10.5	12.7	15.2	17.8
Russell 2500 Growth	21.4	5.9	7.7	12.0	14.3
Lee Munder Small Value	21.5	12.0	9.8	12.4	14.9
Russell 2000 Value	24.9	10.3	7.0	10.7	13.4
Total Domestic Equity	20.0	9.5	9.3	13.3	15.2
SSGA MSCI ACWI Ex US Index Fund	20.8	4.3	1.0	5.9	7.5
Fidelity International Growth	18.6	4.5	2.1	6.2	8.2
PIMCO RAE Fundamental Global Ex US Fund	24.5	5.4	0.4	6.9	
MSCI ACWI ex USA Gross	21.0	4.5	1.3	6.2	7.7
Total International Equity	21.3	4.8	1.2	6.2	7.8
KBI Water Strategy	21.4	9.9			
MSCI ACWI Gross	19.4	7.5	5.4	9.7	11.1
Total Global Equity	21.4	9.9			
Fixed Income					
BlackRock Fixed Income	0.2	3.2	2.8	3.4	2.7
Doubleline Core Plus	1.7				
MacKay Shields Core Plus	2.5				
BBgBarc US Aggregate TR	-0.3	2.8	2.5	3.0	2.2
Shenkman High Yield	10.8	5.1	3.7	5.5	5.7
BofA Merrill Lynch US High Yield Master II TR	12.8	7.1	4.5	6.3	6.9
Franklin Templeton Global Bond Plus	8.8	3.0	1.7	3.2	4.1
JPM GBI Global TR USD	-4.4	3.2	-0.5	1.2	0.0
SSGA TIPS	-0.6	1.8	0.6	1.6	0.3
Total Fixed Income	3.4	3.5	2.6	3.4	3.0

Investment Results (Continued)

For the Periods Ended June 30, 2017*

			alized		
Account	Current	2 Year	3 Year	4 Year	5 Year
Deal Estate					
Real Estate RREEF	-27.3	-5.3	-1.1	1.8	2.5
RREEF America II	-27.3 6.1	-3.3 9.2	-1.1 11.4	12.0	12.3
NCREIF-ODCE	7.9	9.2 9.8	11.4	11.7	11.8
TA Associates Realty	3.0	5.7	9.3	9.5	8.9
NCREIF Property Index	7.0	8.8	10.2	10.4	10.5
Total Real Estate	5.4	9.0	10.2	11.3	10.5 10.9
Total Real Estate	3.4	7. 0	11.1	11.3	10.9
Hedge Funds					
Aetos Capital	8.6	3.2	3.4	4.7	5.7
Titan Advisors	4.5				
BofA ML 90 DAY T-BILLS + 400 bps	3.5	3.3	3.2	3.4	3.6
Total Hedge Funds	6.6	0.7	1.7	3.4	4.7
Private Equity					
BlackRock Alternative Advisors	2.4	-0.9	1.8	6.4	7.6
Pantheon Ventures	6.2	1.7	2.7	5.3	7.4
Ocean Avenue Fund III	-0.3				
Pathway Private Equity Fund Investors 8	9.1				
Stepstone Secondary Opportunities Fund II	9.2	12.3	15.3	21.0	
S&P 500 + 3%	21.4	14.0	12.9	16.5	18.0
Total Private Equity	6.9	6.1	7.9	11.3	12.8
<u>Opportunistic</u>					
PIMCO Bravo	7.2	6.6	6.7	10.7	12.6
KKR Mezzanine Partners	-4.8	-2.1	3.1	9.1	14.2
Total Opportunistic	5.6	4.6	6.7	11.7	15.5
Commodities Contact MTAP Commodity P. 111	2.7	0.7	14.2		
Gresham MTAP Commodity Builder	-3.7	-9.7	-14.3		
Wellington Commodity	-2.9	-8.1	-12.9		
Bloomberg Commodity Index TR USD	-6.5	-10.0	-14.8	-9.6	-9.2
Total Commodities	-3.1	-8.7	-13.8		
Total Fund	11.9	5.3	3.9	7.1	8.1
Policy Index**	10.9	5.5	4.0	6.8	7.4

^{*}Time-Weighted Return Based on the Market Rate of Return.

** Policy Index: 23.5% Russell 3000, 23.5% MSCI ACWI ex US,

3% MSCI ACWI, 25% BC Agg., 5% BC US TIPS, 5% NCREIF Property,

5% Bloomberg Comm., 5% CPI+500 bps, 5% Russell 3000 +300 bps

List of Largest Stock and Bond Holdings

As of June 30, 2017

Largest Stock Holdings (by fair value)

	Shares	Stock	Fair Value (000)
1	28,867	APPLE INC	\$4,157
2	53,359	MICROSOFT CORP	\$3,678
3	38,140	JPMORGAN CHASE & CO	\$3,486
4	123,108	BANK OF AMERICA CORP	\$2,987
5	18,950	FACEBOOK INC	\$2,861
6	3,037	ALPHABET INC-CL A	\$2,823
7	2,667	AMAZON.COM INC	\$2,582
8	19,225	CELGENE CORP	\$2,497
9	16,178	HOME DEPOT INC/THE	\$2,482
10	17,912	JOHNSON & JOHNSON	\$2,370

Largest Bond Holdings (by fair value)

	Par (000)	Bond	Fair Value (000)
1	8,950	U S TREASURY NOTE 1.250% 03/31/2019 DD 03/31/17	\$8,931
2	5,315	U S TREASURY NOTE 2.000% 05/31/2024 DD 05/31/17	\$5,272
3	4,370	U S TREASURY NOTE 1.250% 05/31/2019 DD 05/31/17	\$4,359
4	3,595	U S TREASURY NOTE 1.125% 06/30/2021 DD 06/30/16	\$3,509
5	3,010	U S TREASURY NOTE 1.500% 05/15/2020 DD 05/15/17	\$3,007
6	2,681	GNMA II POOL #0MA4382 3.500% 04/20/2047 DD 04/01/17	\$2,780
7	2,767	FHLMC POOL #G0-8747 3.000% 02/01/2047 DD 01/01/17	\$2,763
8	2,409	U S TREASURY NOTE 2.375% 05/15/2027 DD 05/15/17	\$2,424
9	2,298	COMMIT TO PUR GNMA II JUMBOS 3.000% 07/20/2047 DD 07/01/17	\$2,321
10	1,965	U S TREASURY BOND 3.000% 02/15/2047 DD 02/15/17	\$2,027

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Year Ended June 30, 2017

Domestic Equity		
Robeco Boston Partners	\$	251,468
State Street		26,846
QMA		207,461
LMCG		189,817
Waddell & Reed		289,741
William Blair		169,576
Total	\$	1,134,909
International		
State Street	\$	60,125
PIMCO RAE		465,478
Fidelity		424,688
Kleinwort Benson Investors		317,852
Total	\$	1,268,143
Fixed Income		
BlackRock	\$	156,811
State Street	Ψ	17,641
Shenkman Capital Management, Inc.		185,497
Franklin Templeton		277,448
Mackay Shields		200,316
DoubleLine		157,752
Total	\$	995,465
W 1 P 1		
Hedge Funds	Φ.	400 400
Aetos	\$	406,193
Titan Advisors		214,544
Total	\$	620,737
Private Equity		
Pantheon	\$	74,735
KKR Mezzanine Partners		91,821
PIMCO		32,278
StepStone		305,977
BlackRock Alternative Advisors		82,496
Pathway Capital Mgmt		102,375
Ocean Avenue Capial		170,001
Total	\$	859,683
Private Credit		
TPG	\$	1,131,121
Total	\$	1,131,121

Schedule of Investment Management Fees (cont.) For the Year Ended June 30, 2017

Futures Overlay		
The Clifton Group	\$	49,178
Total	\$	49,178
Commodities		
Gresham Investment Management	\$	138,417
Wellington Management Company		146,078
Total	\$	284,495
Real Estate		
RREEF	\$	641,384
TA Associates Realty		162,183
Total	\$	803,567
Total Investment Manager Fees	\$	7,147,298
Securities Lending Activity		
Management Fee	\$	12,625
Borrower Rebate	•	365,848
Total Fees from Securities Lending Activity	\$	378,473
Other Investment Francisco		
Other Investment Expenses Investment Custodian	Ф	240 400
Investment Custodian Investment Consultant	\$	349,400
Other		213,721
	\$	7,838 570,959
Total Other Investment Expenses	<u> </u>	310,939
Total Fees and Other Investment Expenses	\$	8,096,730

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 Year Ended June 30, 2017:

Commissions

Commission Recapture Rebates	\$ 12,515
Commissions/Share	\$ 0
Total Shares	6,302,379
Base Volume	\$ 317,488,244
Base Commissions	\$ 168,467

actuarial section

Actuary's Certification Letter



Classic Values, Innovative Advice.

November 16, 2017

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the Tulare County Employees' Retirement Association (the Plan) as of June 30, 2017. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2017 (transmitted November 1, 2017) and the GASB 67/68 Report as of June 30, 2017 (transmitted November 1, 2017).

Actuarial Valuation Report as of June 30, 2017

The purpose of the annual Actuarial Valuation Report as of June 30, 2017 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 2018-2019. The prior review was conducted as of June 30, 2016, and included recommended contribution rates for the Fiscal Year 2017-2018.

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, 2017), the amortization policy is 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 ten 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.

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 CAFR, based on the June 30, 2017 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 Retirees and Beneficiaries Added to and Removed from Rolls
- Solvency Test
- 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 this report reflect the results of an Experience Study performed by Cheiron, covering the period from July 1, 2014 through June 30, 2017, and approved by the Board. Based on this study, the discount rate was lowered from 7.60% to 7.25%, the mortality improvement scale was updated to MP-2016, and a number of other demographic assumptions were updated to reflect recent experience. A full summary of all assumptions used in this report is provided in the Actuarial Valuation Report as of June 30, 2017. 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 2020.

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, in particular Standards No. 4, 27, 35 and 44.

GASB 67/68 Report as of June 30, 2017

The purpose of the GASB 67/68 Report as of June 30, 2017, 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, 2017, is measured as of a valuation date of June 30, 2017. The TPL at the beginning of the measurement year, June 30, 2016, was measured as of a valuation date of June 30, 2016.

Please refer to our GASB 67/68 report as of June 30, 2017, for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2017, GASB 67/68 report:

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in 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. 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.

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.

Cheiron's reports were prepared solely for the Plan for the purposes described herein, except that the Plan auditor may rely on these reports solely for the purpose of completing an audit related to the matters herein. They are not intended to benefit any 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

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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) is being funded as a level percentage of payroll over a rolling 15 year period.

1. Interest: 7.25% per annum (7.12% compounded

semi-annually).

2. Interest Credited to Employee Accounts: 7.25% per annum net of investment and

administrative expenses

(7.12% compounded semi-annually).

3. Inflation: 3.00% 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 vary by

years of service and by division, ranging from 3.5% to 8% for General Members

and Safety Members.

6. Rates of Termination of Employment: See "Probability of Occurrence" on page

89.

7. Spouses and Dependents: 85% of General male, 65% of General

female and 90% of Safety male, 70% of

Safety female active employees assumed married at retirement, with wives assumed two years younger than

husbands.

8. Years of Life Expectancy After Retirement: General - RP-2014 Generational

Mortality Table for Males/Females with

MP-2016 projection.

Safety - RP-2014 Generational Mortality Table for Males with blue-collar adjustment and MP-2016

projection.

General mortality rates are increased by 12.1% for males and 8.0% for females to reflect TCERA experience; Safety mortality rates are increased by 4.5% for males to reflect TCERA

experience.

Summary of Actuarial Assumptions and Methods (Cont.)

9. Years of Life Expectancy After Disability Retirement

RP-2014 Generational Disabled Annuitant Mortality Table for Males/Females, with MP-2016 projection.

10. Reciprocity Assumption:

65% of members who terminate with a vested benefit are assumed to enter a reciprocal system. Salaries are assumed to increase by 5.0% per year.

11. Deferral Age for Vested Terminations:

Age 60 for General members, age 53 for

Safety members.

12. Duty-Related Deaths:

Percentages of deaths assumed to be duty-related:

<u>Age</u>	<u>Percentage</u>
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

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
2008	1,913	164	\$ 3,444,133	70	\$ 827,830	2,007	\$ 34,244,000	10.41%	\$ 17,062
2009	2,007	157	\$ 3,418,929	65	\$ 840,949	2,099	\$ 37,485,607	9.47%	\$ 17,859
2010	2,099	170	\$ 4,343,830	88	\$ 334,218	2,181	\$ 41,495,219	10.70%	\$ 19,026
2011	2,181	191	\$ 4,602,464	59	\$ 873,415	2,313	\$ 45,224,268	8.99%	\$ 19,552
2012	2,313	181	\$ 4,736,189	70	\$ 985,645	2,424	\$ 48,974,812	8.29%	\$ 20,204
2013	2,424	183	\$ 4,745,718	65	\$ 483,264	2,542	\$ 53,237,266	8.70%	\$ 20,943
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

Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll		Monthly verage Pay	Percent Increase in Average Pay*
Date	гіан туре	Number	Allitual Payroll		Гау	Average Pay
6/30/2008	General	3,838	\$ 178,829,968	\$	3,883	5.34%
	Safety	835	48,006,266		4,791	6.04%
	Total	4,673	\$ 226,836,234	\$	4,045	6.62%
6/30/2009	General	3,589	\$ 176,043,962	\$	4,088	5.28%
	Safety	847	51,261,976		5,043	5.26%
	Total	4,436	\$ 227,305,938	\$	4,270	5.56%
6/30/2010	General	3,413	\$ 167,013,232	\$	4,078	-0.24%
	Safety	828	50,798,122		5,113	1.39%
	Total	4,241	\$ 217,811,354	\$	4,280	0.23%
6/30/2011	General	3,383	\$ 167,904,886	\$	4,136	1.42%
	Safety	814	51,948,728	,	5,318	4.01%
	Total	4,197	\$ 219,853,614	\$	4,365	1.99%
6/30/2012	General	3,442	\$ 169,023,548	\$	4,092	-1.06%
	Safety	849	53,611,080		5,262	-1.05%
	Total	4,291	\$ 222,634,628	\$	4,324	-0.94%
6/30/2013	General	3,503	\$ 175,385,741	\$	4,172	1.96%
	Safety	880	55,569,015		5,262	0.00%
	Total	4,383	\$ 230,954,756	\$	4,391	1.55%
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%

^{*}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

(Dollars in thousands)

Actuarial Accrued Liabilities For:

Valuation Date	Active Member ntributions	etirees and neficiaries	(Active Members Employer Financed Portion)	Actuarial Accrued Liabilities
6/30/2008	\$ 207,652	\$ 415,349	\$	323,413	\$ 946,414
6/30/2009	\$ 208,638	\$ 453,205	\$	334,904	\$ 996,747
6/30/2010	\$ 223,373	\$ 506,035	\$	303,803	\$ 1,033,211
6/30/2011	\$ 228,275	\$ 546,553	\$	297,316	\$ 1,072,144
6/30/2012	\$ 231,491	\$ 570,367	\$	299,598	\$ 1,101,456
6/30/2013	\$ 238,200	\$ 621,125	\$	326,732	\$ 1,186,057
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

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)
6/30/2008	\$ 879,051	100%	100%	79.2%
6/30/2009	\$ 919,179	100%	100%	76.8%
6/30/2010	\$ 946,640	100%	100%	71.5%
6/30/2011	\$ 969,636	100%	100%	65.5%
6/30/2012	\$ 981,946	100%	100%	60.1%
6/30/2013	\$ 1,048,160	100%	100%	57.8%
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	\$ 1,228,655	100%	100%	29.0%

Actuarial Analysis of Financial Experience (Dollars in thousands)

Plan Years	2007-08	2008-09	2009-10	2010-11	2011-12
Prior Valuation Unfunded Actuarial Liability	\$ 45,062	\$ 67,363	\$ 77,568	\$ 86,571	\$102,509
Expected Increase (Decrease)	(3,296)	2,271	2,388	1,611	-
Liability (Gain) Loss	64,991	(16,730)	(32,639)	(8,771)	(30,721)
Change in Actuary	-	-	-	-	-
Actuarial (Gain) Loss From Asset Sources	(17,758)	178,344	39,254	38,745	-
Non-Economic and Economic Assumption Changes	-	-	-	-	46,660
Change in Actuarial Assumptions	(21,636)	(153,680)	-	(15,647)	-
Change due to Contributions	-	-	-	-	1,063
Change Regarding Contingency Reserve	-	-	-	-	
Ending Unfunded Actuarial Accrued Liability	\$ 67,363	\$ 77,568	\$ 86,571	\$102,509	\$119,511
Enaing offunded Actualial Accided Elability					
Plan Years	2012-13	2013-14	2014-15	2015-16	2016-17
Plan Years					
Plan Years Prior Valuation Unfunded Actuarial Liability	2012-13 \$119,511	2013-14 \$137,898	\$169,902	\$201,848	\$238,794
Plan Years Prior Valuation Unfunded Actuarial Liability Expected Increase (Decrease)	\$119,511 -	\$137,898 -	\$169,902 (3,044)	\$201,848 1,212	\$238,794 (494)
Plan Years Prior Valuation Unfunded Actuarial Liability Expected Increase (Decrease) Liability (Gain) Loss			\$169,902 (3,044) (12,668)	\$201,848	\$238,794
Plan Years Prior Valuation Unfunded Actuarial Liability Expected Increase (Decrease) Liability (Gain) Loss Change in Actuary	\$119,511 - 23,027 -	\$137,898 - (5,070)	\$169,902 (3,044) (12,668) 33,161	\$201,848 1,212 (8,948)	\$238,794 (494) (12,983)
Prior Valuation Unfunded Actuarial Liability Expected Increase (Decrease) Liability (Gain) Loss Change in Actuary Actuarial (Gain) Loss From Asset Sources	\$119,511 -	\$137,898 -	\$169,902 (3,044) (12,668)	\$201,848 1,212	\$238,794 (494)
Plan Years Prior Valuation Unfunded Actuarial Liability Expected Increase (Decrease) Liability (Gain) Loss Change in Actuary	\$119,511 - 23,027 -	\$137,898 - (5,070)	\$169,902 (3,044) (12,668) 33,161	\$201,848 1,212 (8,948)	\$238,794 (494) (12,983)
Prior Valuation Unfunded Actuarial Liability Expected Increase (Decrease) Liability (Gain) Loss Change in Actuary Actuarial (Gain) Loss From Asset Sources Non-Economic and Economic Assumption Changes	\$119,511 - 23,027 -	\$137,898 - (5,070) - 10,841 -	\$169,902 (3,044) (12,668) 33,161 10,913	\$201,848 1,212 (8,948) - 33,948	\$238,794 (494) (12,983) - 35,034
Plan Years Prior Valuation Unfunded Actuarial Liability Expected Increase (Decrease) Liability (Gain) Loss Change in Actuary Actuarial (Gain) Loss From Asset Sources Non-Economic and Economic Assumption Changes Change in Actuarial Assumptions	\$119,511 - 23,027 - 31,625 -	\$137,898 - (5,070) - 10,841 - 24,599	\$169,902 (3,044) (12,668) 33,161 10,913	\$201,848 1,212 (8,948) - 33,948 - 9,170	\$238,794 (494) (12,983) - 35,034 - 82,259

Probability of Occurrence

Probabilities of Separation from Active Service

			4 .
Rates	Ot L	ermın	ation

	Gen	eral Membe	rs	Sa	fety Membe	rs
Age	Svc < 3	Svc 3 - 5	Svc > 5	Svc < 3	Svc 3 - 5	Svc > 5
20	15.00%	12.00%	10.00%	12.00%	7.00%	6.00%
25	15.00%	8.00%	8.00%	12.00%	7.00%	6.00%
30	15.00%	8.00%	6.00%	12.00%	7.00%	4.50%
35	15.00%	8.00%	5.00%	12.00%	7.00%	4.00%
40	14.25%	8.00%	5.00%	12.00%	7.00%	4.00%
45	13.50%	8.00%	5.00%	10.00%	6.00%	3.50%
50	12.75%	5.00%	5.00%	10.00%	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

		Safety Me	embers			
	Male	es	Fema	ales		
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%	0.010%	0.050%	0.560%
40	0.030%	0.030%	0.140%	0.010%	0.075%	0.660%
45	0.050%	0.055%	0.200%	0.010%	0.095%	0.750%
50	0.090%	0.100%	0.300%	0.020%	0.300%	1.000%
55	0.180%	0.350%	0.400%	0.040%	0.550%	2.250%
60	0.280%	0.600%	0.540%	0.070%	0.000%	0.000%
>=65	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Rates of Retirement

	General M	lembers	Safety Members
Age	Svc < 30	Svc > 30	Svc < 30 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%	7.00% 18.00%
60	15.0%	20.00%	20.00% 40.00%
65	35.0%	35.00%	20.00% 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, 2017.

Schedule of Funding Progress

(Dollars in thousands)

Actuarial Valuation Date	Actuaria Value o Assets (a	f	Actuarial Accrued Liabilitly (AAL) Entry Age (b)	funded AAL AAL) (b-a)	Funded Ratio (a/b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2008	\$ 879,051	\$	946,414	\$ 67,363	92.9%	\$ 226,836	29.7%
6/30/2009	\$ 919,179	\$	996,747	\$ 77,568	92.2%	\$ 227,306	34.1%
6/30/2010	\$ 946,640	\$	1,033,211	\$ 86,571	91.6%	\$ 217,811	39.7%
6/30/2011	\$ 969,681	\$	1,072,144	\$ 102,463	90.4%	\$ 219,854	46.6%
6/30/2012	\$ 981,946	\$	1,101,456	\$ 119,510	89.1%	\$ 222,635	53.7%
6/30/2013	\$ 1,048,160	\$	1,186,057	\$ 137,897	88.4%	\$ 230,955	59.7%
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	\$ 1,228,655	⁴ \$	1,573,406	\$ 344,751	78.1%	\$ 254,941	135.2%

¹ Reduction in assumption for inflation from 4.0% to 3.0% and reduction in assumed rate of return from 7.9% to 7.85%

 $^{^{2}}$ 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 Reduction in assumed rate of return from 7.60% to 7.25%.

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 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.

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 67	1.5668 1.5668	1.4593 1.4593	1.3093 1.3093	1.2000 1.2500	1.3099 1.3099	1.3500 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.

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.

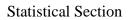
Cost of Living Benefits

(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 (Los Angeles-Riverside-Orange)

changes for the prior calendar year.



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statistical section

Statistical Section Overview

The Statistical Section of the Comprehensive Annual 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 Comprehensive Annual 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 Plan 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
- Average Benefit Payments

Revenues by Source and Expenses by Type For the Fiscal Years ended June 30, 2008 through June 30, 2017

Revenues by Source

Fiscal Year Ended June 30	Employee ontributions	С	Employer ontributions	%	of Annual Covered Payroll ¹	nve	stment Income (Loss)	C	other Income	Total
2008	\$ 17,757,261	\$	22,691,963		10.00%	\$ 3	(81,051,326)	\$	49,586	\$ (40,552,516)
2009	\$ 18,992,735	\$	22,430,788		9.87%	\$ 5	(198,452,460)	\$	51,758	\$ (156,977,179)
2010	\$ 18,330,594	\$	25,339,346		11.63%	\$ 3	79,550,169	\$	51,837	\$ 123,271,946
2011	\$ 17,799,366	\$	23,434,239		10.66%	\$ 3	183,507,113	\$	55,612	\$ 224,796,330
2012	\$ 16,470,845	\$	25,257,124		11.34%	\$ 5	(12,155,061)	\$	55,315	\$ 29,628,223
2013	\$ 18,430,299	\$	29,847,226		12.92%	\$ 3	112,289,019	\$	56,517	\$ 160,623,061
2014	\$ 18,968,800	\$	25,953,288		11.06%	\$ 3	176,828,141	\$	55,730	\$ 221,805,959
2015	\$ 18,887,422	\$	30,992,069		12.96%	\$ 3	10,876,983	\$	166,026	\$ 60,922,500
2016	\$ 16,814,551	\$	31,297,240		12.59%	\$ 5	(20,474,116)	\$	165,615	\$ 27,803,290
2017	\$ 18,190,415	\$	33,615,885		13.19%	\$ 3	132,699,432	\$	165,600	\$ 184,671,332

Expenses by Type

	~ <i>j</i> -	7 P •							
Fiscal Year									
Ended June	Ac	dministrative		Pension					
30		Expenses	Refunds	Benefits	De	ath Benefits	To	otal Benefits	Total
									_
2008	\$	1,460,141	\$ 4,447,283	\$ 38,522,447	\$	318,533	\$	38,840,980	\$ 44,748,404
2009	\$	1,535,272	\$ 3,861,403	\$ 41,797,877	\$	241,332	\$	42,039,209	\$ 47,435,884
2010	\$	1,703,799	\$ 3,271,979	\$ 45,689,832	\$	383,227	\$	46,073,059	\$ 51,048,837
2011	\$	1,694,942	\$ 3,351,823	\$ 50,142,126	\$	287,888	\$	50,430,014	\$ 55,476,779
2012	\$	1,720,190	\$ 4,354,187	\$ 54,034,187	\$	300,787	\$	54,334,974	\$ 60,409,351
2013	\$	1,779,872	\$ 3,394,090	\$ 58,113,480	\$	416,239	\$	58,529,719	\$ 63,703,681
2014	\$	2,048,615	\$ 3,300,343	\$ 62,198,798	\$	454,966	\$	62,653,764	\$ 68,002,722
2015	\$	2,408,394	\$ 3,081,414	\$ 65,191,059	\$	287,415	\$	65,478,474	\$ 70,968,282
2016	\$	2,615,856	\$ 3,198,234	\$ 68,166,208	\$	967,980	\$	69,134,188	\$ 74,948,278
2017	\$	2,611,562	\$ 3,519,060	\$ 72,741,759	\$	700,507	\$	73,442,266	\$ 79,572,888

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, 2008 through June 30, 2017

(Dollars in thousands)							
		2008		2009	2010	2011	2012
ADDITIONS							
Contributions							
Employer Contributions	\$	22,692	\$	22,431	\$ 25,339	\$ 23,434	\$ 25,257
Plan Member Contributions		17,757		18,993	 18,331	 17,799	 16,471
Total Contributions		40,449		41,424	43,670	41,233	41,728
Investment Income (Loss) (net of expense)		(81,051)		(198,452)	79,550	183,507	(12,155)
Other Income		49		51	52	56	55
TOTAL ADDITIONS (DECLINES)							
TO FIDUCIARY NET POSITION	\$	(40,553)	\$	(156,977)	\$ 123,272	\$ 224,796	\$ 29,628
DEDUCTIONS (See Benefit and Refund Deductions fi	rom Fiduci	ary Net Postition	by T	ype)			
Benefits	\$	38,841	\$	42,039	\$ 46,073	\$ 50,430	\$ 54,335
Refunds of Contributions		4,447		3,862	3,272	3,352	4,354
Administrative Expense		1,460		1,535	 1,704	 1,695	 1,720
TOTAL DEDUCTIONS							
FROM FIDUCIARY NET POSITION	\$	44,748	\$	47,436	\$ 51,049	\$ 55,477	\$ 60,409
CHANGE IN FIDUCIARY NET POSITION	\$	(85,301)	\$	(204,413)	\$ 72,223	\$ 169,319	\$ (30,781)
		2013		2014	2015	2016	2017

		0010				2212	22.5
ADDITIONS		2013		2014	2015	2016	2017
ADDITIONS							
Contributions							
Employer Contributions	\$	29,847	\$	25,953	\$ 30,992	\$ 31,297	\$ 33,616
Plan Member Contributions		18,430		18,969	18,887	16,815	18,190
Total Contributions		48,277		44,922	49,879	48,112	51,806
Investment Income (Loss) (net of expense)		112,289		176,828	10,877	(20,474)	132,699
Other Income		57		56	166	165	166
TOTAL ADDITIONS (DECLINES)							
TO FIDUCIARY NET POSITION	\$	160,623	\$	221,806	\$ 60,922	\$ 27,803	\$ 184,671
DEDUCTIONS (See Benefit and Refund Deductions from	m Fiduc	iary Net Position	by Ty	pe)			
Benefits	\$	58,530	\$	62,654	\$ 65,479	\$ 69,134	\$ 73,442
Refunds of Contributions		3,394		3,300	3,081	3,198	3,519
Administrative Expense		1,780		2,049	2,408	2,616	2,612
TOTAL DEDUCTIONS							
FROM FIDUCIARY NET POSITION	\$	63,704	\$	68,003	\$ 70,968	\$ 74,948	\$ 79,573
CHANGE IN FIDUCIARY NET POSITION	\$	96,919	\$	153,803	\$ (10,046)	\$ (47,145)	\$ 105,098

Retired Members by Type of Retirement

	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012
Service Retirement					
General	1,309	1,377	1,447	1,557	1,630
Safety	176	185	201	216	225
Total	1,485	1,562	1,648	1,773	1,855
Ordinary Disability					
General	70	75	75	74	89
Safety	5	7	8	6	9
Total	75	82	83	80	98
Duty Disability					
General	60	65	65	78	74
Safety	79	77	78	81	81
Total	139	142	143	159	155
Beneficiaries					
General	258	261	259	252	265
Safety	50	52	48	49	51
Total	308	313	307	301	316
Total Retirement Members					
General	1,697	1,778	1,846	1,961	2,058
Safety	310	321	335	352	366
Total	2,007	2,099	2,181	2,313	2,424

	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Service Retirement					
General	1,710	1,815	1,899	1,989	2,039
Safety	241	246	262	276	284
Total	1,951	2,061	2,161	2,265	2,323
Ordinary Disability					
General	96	99	107	103	111
Safety	9	11	12	14	15
Total	105	110	119	117	126
Duty Disability					
General	77	78	81	78	94
Safety	84	87	94	99	105
Total	161	165	175	177	199
Beneficiaries					
General	273	287	294	303	335
Safety	52	68	72	78	89
Total	325	355	366	381	424
Total Retirement Members					
General	2,156	2,279	2,381	2,473	2,579
Safety	386	412	440	467	493
Total	2,542	2,691	2,821	2,940	3,072

Schedule of Average Benefit Payments

Valuation			Annual	Annual Average	Percent Increase in Average
Date	Plan Type	Number	Benefits	Benefits	Benefits
6/30/2008	Conorol	1 607	¢ 25 609 055	\$ 15,144	E 700/
6/30/2008	General	1,697 310	\$25,698,055		5.78%
	Safety Total	2,007	8,545,954 \$34,244,009	27,564 \$ 17,064	3.84% 5.26%
	Iolai	2,007	Φ 34,244,009	Ф 17,004	5.20%
6/30/2009	General	1,778	\$28,171,440	\$ 15,840	4.60%
	Safety	321	9,314,166	29,016	5.27%
	Total	2,099	\$37,485,606	\$ 17,856	4.64%
6/30/2010	General	1,846	\$31,098,753	\$ 16,848	6.36%
	Safety	321	10,396,466	31,032	6.95%
	Total	2,167	\$41,495,219	\$ 19,020	6.52%
6/30/2011	General	1,961	\$34,253,416	\$ 17,472	3.70%
0,00,20	Safety	352	10,970,852	31,164	0.43%
	Total	2,313	\$45,224,268	\$ 19,548	2.78%
6/30/2012	General	2,058	\$37,246,457	\$ 18,096	3.57%
0,00,20.2	Safety	366	11,728,355	32,040	2.81%
	Total	2,424	\$48,974,812	\$ 20,208	3.38%
6/30/2013	General	2,156	\$40,459,814	\$ 18,768	3.71%
0,00,00	Safety	386	12,777,452	33,108	3.33%
	Total	2,542	\$53,237,266	\$ 20,940	3.62%
6/30/2014	General	2,279	\$43,087,370	\$ 18,912	0.77%
0,00,00	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	2.44%
3, 33, 2011	Safety	493	16,699,239	33,873	0.90%
	Total	3,072	\$68,669,924	\$ 22,353	2.17%

Participating Employers and Active Members

As of June 30

Year	County of	Tulare	Tulare County Superior Court		Strathmoi Utility D		Total Active Membership		
	Members	Percent	Members	Percent	Members	Percent	Members	Percent	
2008	4,386	93.86%	284	6.08%	3	0.06%	4,673	100.00%	
2009	4,186	94.36%	248	5.59%	2	0.05%	4,436	100.00%	
2010	3,997	94.25%	241	5.68%	3	0.07%	4,241	100.00%	
2011	3,954	94.21%	240	5.72%	3	0.07%	4,197	100.00%	
2012	4,054	94.48%	234	5.45%	3	0.07%	4,291	100.00%	
2013	4,163	94.98%	217	4.95%	3	0.07%	4,383	100.00%	
2014	4,198	95.11%	213	4.83%	3	0.07%	4,414	100.00%	
2015	4,176	94.80%	226	5.13%	3	0.07%	4,405	100.00%	
2016	4,261	94.77%	232	5.16%	3	0.07%	4,496	100.00%	
2017	4,302	94.84%	231	5.09%	3	0.07%	4,536	100.00%	

Retired Members by Type of Benefit

As of June 30, 2017

Amount of	Number of	Type of Retirement ¹									
Monthly	Retired		GE	NERAL					AFETY		
Benefit	Members	1	2	3	4	5	1	2	3	4	5
Deferred	1,954										
\$1 - \$250	133	118	1	0	2	0	7	0	5	0	0
\$251 - \$500	202	172	8	0	6	2	12	1	1	0	0
\$501 - \$750	266	207	27	1	12	0	14	1	0	2	2
\$751 - \$1000	307	254	18	1	14	0	16	2	1	1	0
\$1001 - \$1250	282	236	19	4	5	0	12	3	1	2	0
\$1251 - \$1500	274	209	22	17	3	1	17	2	1	2	0
\$1501 - \$1750	247	190	24	15	0	0	15	1	2	0	0
\$1751 - \$2000	207	150	9	21	1	0	19	1	4	2	0
Over \$2000	1,154	743	20	45	1	1	219	7	110	6	2
TOTAL	3,072	2,279	148	104	44	4	331	18	125	15	4

					Option Selected ²					
		U	1	2	3	4	CS			
\$1 - \$250	133	109	1	20	0	2	1			
\$251 - \$500	202	167	5	25	1	0	4			
\$501 - \$750	267	222	2	33	2	0	8			
\$751 - \$1000	307	272	3	22	0	1	9			
\$1001 - \$1250	282	248	3	24	2	1	4			
\$1251 - \$1500	274	242	2	26	0	1	3			
\$1501 - \$1750	247	233	2	12	0	0	0			
\$1751 - \$2000	207	191	2	13	0	0	1			
Over \$2000	1,153	1,062	7	78	0	1	5			
TOTAL	3,072	2,746	27	253	5	6	35			

Notes:

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

²Option 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
- CS Reduced benefit option for active death continuance

¹ Type of Retirement:

Benefit and Refund Deductions from Fiduciary Net Position

By Type – Last Ten Fiscal Years

(Dollars in thousands)

Type of Benefit	2008	2009	2010	2011	2012
Age and Service Benefits:					
General	\$21,887	\$24,073	\$26,505	\$29,630	\$32,283
Safety	5,934	6,558	7,445	8,150	8,605
Disability Benefits - Service:					
General	1,273	1,374	1,393	1,537	1,740
Safety	1,998	2,025	2,106	2,257	2,267
Disability Benefits - Non-Service:					
General	1,056	1,240	1,426	1,607	1,719
Safety	118	107	128	138	179
Active Death Benefits - Ordinary:					
General	227	247	249	261	266
Safety	88	21	25	24	24
Active Death Benefits - Duty:					
General	14	14	14	14	15
Safety	135	135	195	180	221
SRBR Benefits					
General	4,942	4,942	5,129	5,306	5,536
Safety	1,062	1,062	1,075	1,039	1,178
Death Benefits	319	241	383	288	301
Total Benefits	\$38,841	\$42,039	\$46,073	\$50,431	\$54,334
Type of Refund					
Death	46	261	76	595	131
Separation	3,379	4,186	3,785	2,757	4,223
Total Refunds	\$3,425	\$4,447	\$3,861	\$3,352	\$4,354

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

By Type – Last Ten Fiscal Years

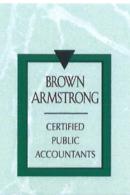
(Dollars in thousands)

Type of Benefit	2013	2014	2015	2016	2017
Age and Service Benefits:					
General	\$35,060	\$37,612	\$39,877	\$42,356	\$45,711
Safety	9,364	10,134	10,760	11,310	12,139
Disability Benefits - Service:					
General	1,800	1,799	1,924	1,865	2,129
Safety	2,385	2,567	2,733	371	3,183
Disability Benefits - Non-Service	:				
General	1,800	1,840	1,882	1,868	1,872
Safety	164	239	375	3,016	449
Active Death Benefits - Ordinary	:				
General	281	432	398	404	389
Safety	25	250	256	210	245
Active Death Benefits - Duty:					
General	15	15	16	16	62
Safety	237	355	127	129	130
SRBR Benefits					
General	5,758	5,718	5,626	5,409	6,130
Safety	1,223	1,238	1,216	1,212	303
Death Benefits	417	455	288	968	700
Total Benefits	\$58,529	\$62,654	\$65,478	\$69,134	\$73,442
Type of Refund					
Death	180	145	73	179	557
Separation	3,214	3,155	3,008	3,019	2,962
Total Refunds	\$3,394	\$3,300	\$3,081	\$3,198	\$3,519

Average Benefit Payment For the Fiscal Years Ended June 30, 2008 th

For the Fiscal Years Ended June 30, 2008 through June 30, 2017 Years Credited Service													
Retirement Effective Dates	0-5		5-10		10-15		15-20		20-25	2	25-30		30+
Period 7/1/2007 to 6/30/2008 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 3. \$ 5,6	18 \$ 10 \$			1,367 4,807 28		1,441 3,644 12		2,340 4,204 22		3,398 4,989 9		5,160 5,694 20
Period 7/1/2008 to 6/30/2009 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 6,9	95 \$ 90 \$	781 4,488 17		1,352 5,104 38		1,476 3,765 12		2,785 6,020 13		2,825 4,855 10		4,984 6,104 16
Period 7/1/2009 to 6/30/2010 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 40 \$ 7,72		1,011 6,113 16		1,503 5,164 40		2,158 4,314 25		2,816 5,566 16		3,320 4,732 13		6,528 7,456 22
Period 7/1/2010 to 6/30/2011 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 6,4	95 \$ 89 \$	1,092 5,451 22		1,435 4,570 41		2,142 4,624 31		2,344 4,241 25		4,249 6,680 12		6,294 7,090 10
Period 7/1/2011 to 6/30/2012 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 6,4	78 \$ 54 \$			1,342 4,400 33		2,318 5,468 20		2,602 5,058 15	\$ \$	3,839 5,528 14		5,532 6,492 17
Period 7/1/2012 to 6/30/2013 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 7,6		1,055 6,192 19		1,573 4,612 37		2,325 5,216 23		2,898 4,957 16		4,387 6,604 15		5,682 6,299 21
Period 7/1/2013 to 6/30/2014 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 7,6	97 \$ 90 \$			1,381 4,555 50		1,718 4,194 31		2,468 4,363 27	\$ \$	4,029 6,250 11		4,375 5,168 10
Period 7/1/2014 to 6/30/2015 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 6,7	24 \$ 52 \$ 17		\$	1,340 4,401 60		2,063 4,583 30		2,377 4,217 17		3,465 5,248 14		5,470 6,514 16
Period 7/1/2015 to 6/30/2016 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 6,5	63 \$ 20 \$ 15		\$	1,575 4,886 40		2,053 4,662 34		2,633 5,009 25		3,421 5,364 17		6,764 7,578 14
Period 7/1/2016 to 6/30/2017 Average Monthly Benefit Average Final Salary Number of Retired Members	\$ 6,1		1,113 5,337 24		1,597 5,280 38		2,081 4,974 28		2,537 4,318 27		2,962 5,024 16		5,275 6,749 14

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



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REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

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 Tulare, 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), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise TCERA's basic financial statements, and the other information, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TCERA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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 the entity's 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TCERA's financial statements 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 determination of financial statement amounts. 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 the TCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG ACCOUNTANCY CORPORATION

Brown Armstrong Secountainey Corporation

Bakersfield, California December 1, 2017