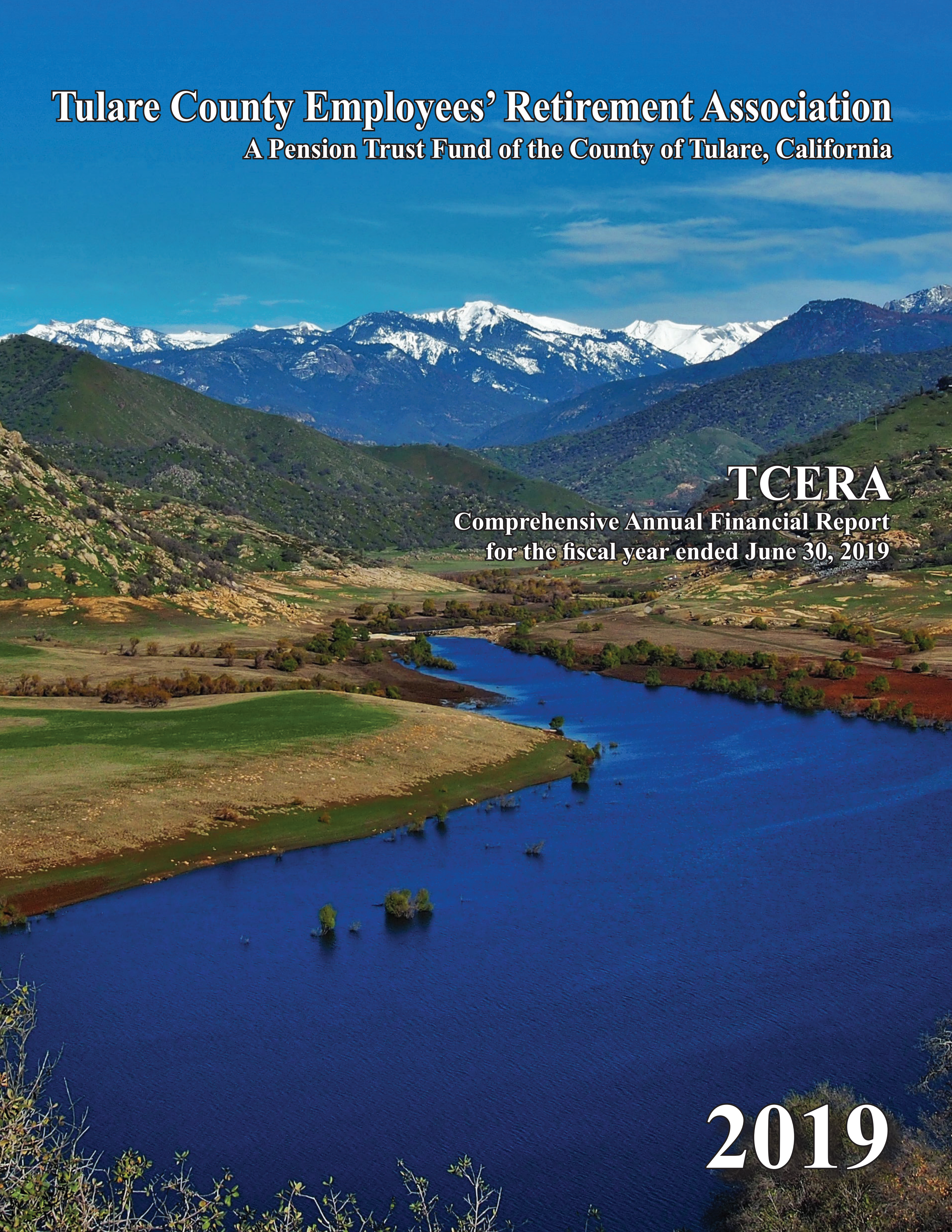
Tulare County Employees' Retirement Association

A Pension Trust Fund of the County of Tulare, California



TCERA

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019

2019

Cover Photography
By Mary Warner

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, 2019

Prepared by:

The Accounting Department
Tulare County Employees' Retirement Association

Leanne Malison	***Mary Warner***
Retirement Administrator	***Administrative Services Officer***

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

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COUNTY OF TULARE
BOARD OF RETIREMENT

Leanne Malison
Retirement Administrator

136 N. AKERS STREET
VISALIA, CA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631

Letter of Transmittal

December 2, 2019

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, 2019, TCERA's 74th year of operation. The information contained in this report is designed to provide a complete and accurate review of the year's operations. The required financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Brown Armstrong Accountancy Corporation, independent auditor, has audited the financial statements. Management is responsible for the contents of this report and believes that internal controls are adequate and that the accompanying statements, schedules, and tables are fairly presented.

TCERA AND ITS SERVICES

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

TCERA is governed by the California Constitution, the County Employees Retirement Law of 1937, 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 pre-retirement 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. Because the number of Tier 4 employees has increased substantially, TCERA has implemented seminars targeted to specifically to Tier 4 members to ensure they receive information tailored to their tier.

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

- *Pension Progress*, TCERA’s quarterly newsletter, continues to provide up to date information for 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 final 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. After enrolling in web services, My TCERA is accessible to members through a link available on TCERA’s website.

- TCERA rolled out Facebook and Twitter communications this fiscal year. The use of social media provides yet another means of reaching TCERA members with important information.

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 real estate investments, emerging market debt, transaction cost management, private equity, private credit, strategic asset allocation, and education from many of TCERA’s current investment managers.

- The Board elected to maintain the current compounded assumed rate of return of 7.25%. 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 rate of return assumption. The Board acknowledged that maintaining the rate at its current level will place the plan in a favorable position for reaching its long-term investment return goals and achieving full funding status.

- The Board acknowledged its fiduciary responsibility in administrative matters through the periodic review of Board policies and resolutions. The trustees reviewed key policies and took action to update its policy regarding errors and omissions. The Board also updated resolutions regarding compensable pay codes.

- The Board authorized Staff to contract with a third party to conduct a security assessment of TCERA's pension administration system in an effort to ensure the safety and security of member data. The assessment was completed in June of 2019.

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

- TCERA continued to enhance its Pension Administration System. TCERA is working with the vendor, CPAS Systems, Inc., to improve reporting, accounting functionality and to correct any remaining deficiencies in processes and reports. Although work flow efficiencies have already been realized in the use of the CPAS system, procedures continue to be refined to make the best use of the system's features. TCERA is working with the vendor to move from a server based platform to a cloud environment. This transition, intended to help TCERA stay up to date with current technology, is expected to be completed in the next fiscal year.

- 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.

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

- The Board conducted its annual review of its investment policy as a part of its discussions regarding TCERA's strategic asset allocation. The trustees took action to update the policy to allow for investments in value added real estate, real estate debt, and emerging market debt. This change is expected to add diversification while enhancing future returns. Selection managers and implementation of these new mandates is expected to be completed by December 31, 2019.

- TCERA's investments returned 6.3%, gross of fees, for the fiscal year ending June 30, 2019, ranking in the 47th percentile of its peer group. This fell short of TCERA's investment rate assumption of 7.25% but still represents a continued improvement in TCERA's ranking. All asset classes, excluding commodities, achieved positive returns for the fiscal year, with the majority of TCERA's managers performing as expected. The global fixed income portfolio was the only sector within TCERA's asset classes that posted negative returns. 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, 2018 and June 30, 2019 in spite of the recognition of previous losses causing the smoothed rate to fall 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. Member accounts and applicable reserves were credited with interest as follows:

December 31, 2018	Tiers 1-3 – 3.4522% Tier 4 – 3.5441%
June 30, 2019	Tiers 1-3 – 2.8408% Tier 4 – 2.2357%

Attract, Develop, and Retain Competent and Professional Staff

- TCERA's long-time Retirement Administrator, David Kehler, retired on March 30, 2019 after a public service career of nearly thirty-five years, over twenty-one of which were earned at TCERA. His knowledge and experience will be missed. The Board selected TCERA's Assistant Retirement Administrator, Leanne Malison, to move into the Retirement Administrator role effective March 31, 2019 allowing for continuity of leadership for the plan. The ability to promote from within the organization is a testament to the Board and Staff's attention to developing existing staff as part of its succession planning.

- TCERA continued its focus on cross-training and professional development for all staff members. Weekly staff meetings provide an environment for exchange of information and training 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.

TCERA's Membership *As of June 30, 2019 and 2018*	**2019**	**2018**
Active Plan Participants (vested/non-vested)	4,619	4,581
Inactive Participants (vested/non-vested)	2,082	2,032
Service Retirees	2,519	2,422
Disability Retirees	335	330
Survivors/Beneficiaries	458	440
Total Retirees/Beneficiaries	3,312	3,192
Total Members	**10,013**	**9,805**

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

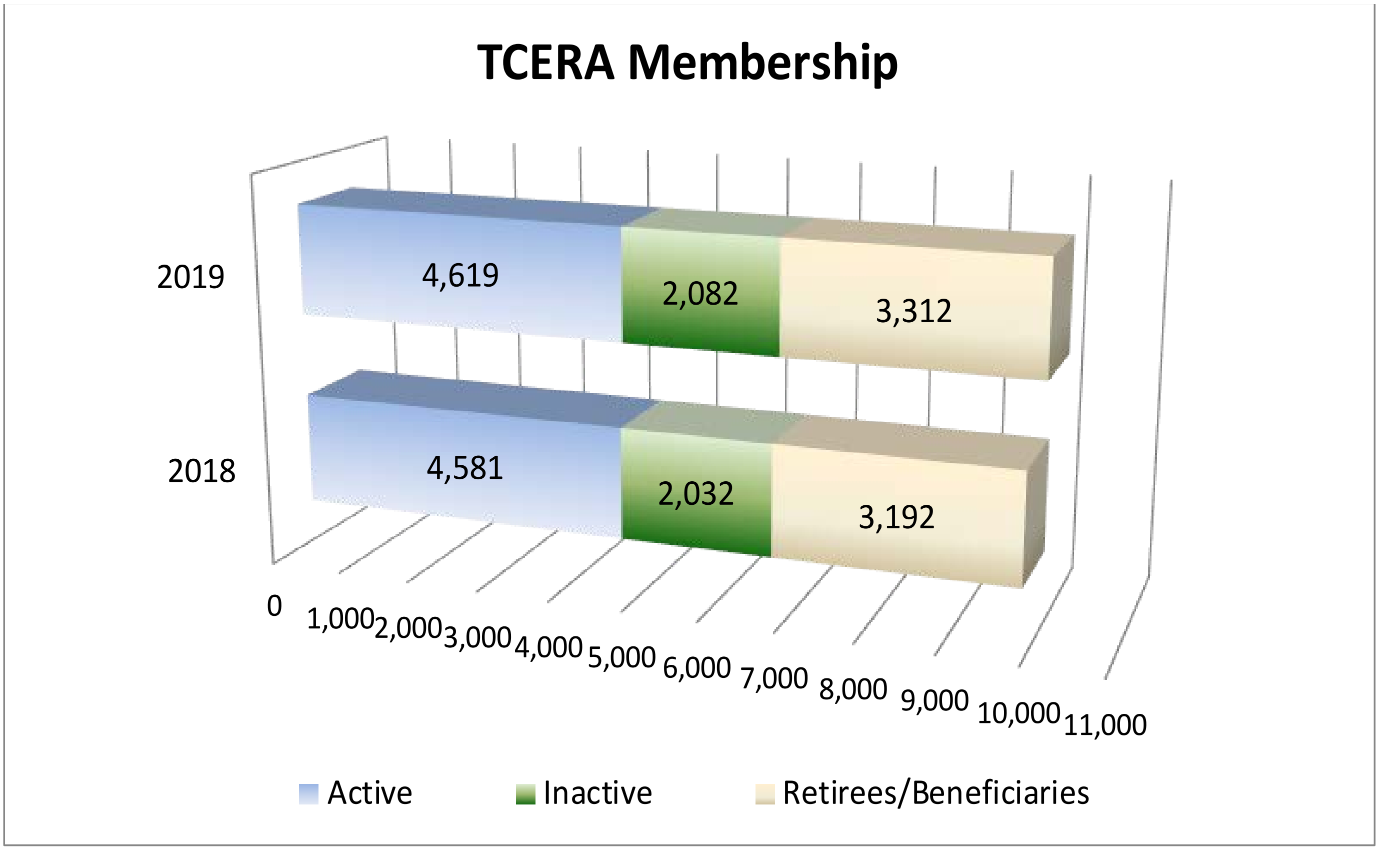
Tier 1 – Includes all members who have a membership date on or before December 31, 1979. The County pays one-half of Tier 1 members' normal contributions. Benefits are calculated using the highest average one-year salary. Tier 1 members receive a maximum of 3% cost-of-living adjustment annually after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

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

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

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

The covered payroll for all tiers for fiscal years ended June 30, 2019 and 2018 as reported in the most recent actuarial Governmental Accounting Standards Board (GASB) Statement No. 67/68 report dated June 30, 2019 was $264.22 million and $256.05 million, respectively.



INVESTMENTS - General Authority

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

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

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

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

For the fiscal years ended June 30, 2019 and June 30, 2018, TCERA's investments provided a 6.3% and 7.8% rate of return, respectively. TCERA's annualized rate of return over the last three years was 8.6%. For the 5-year and 10-year periods, the fund returned 5.2% and 8.5% annualized, respectively. Details regarding investment performance are included in the Investment Section of this report.

FINANCIAL INFORMATION

Internal Control

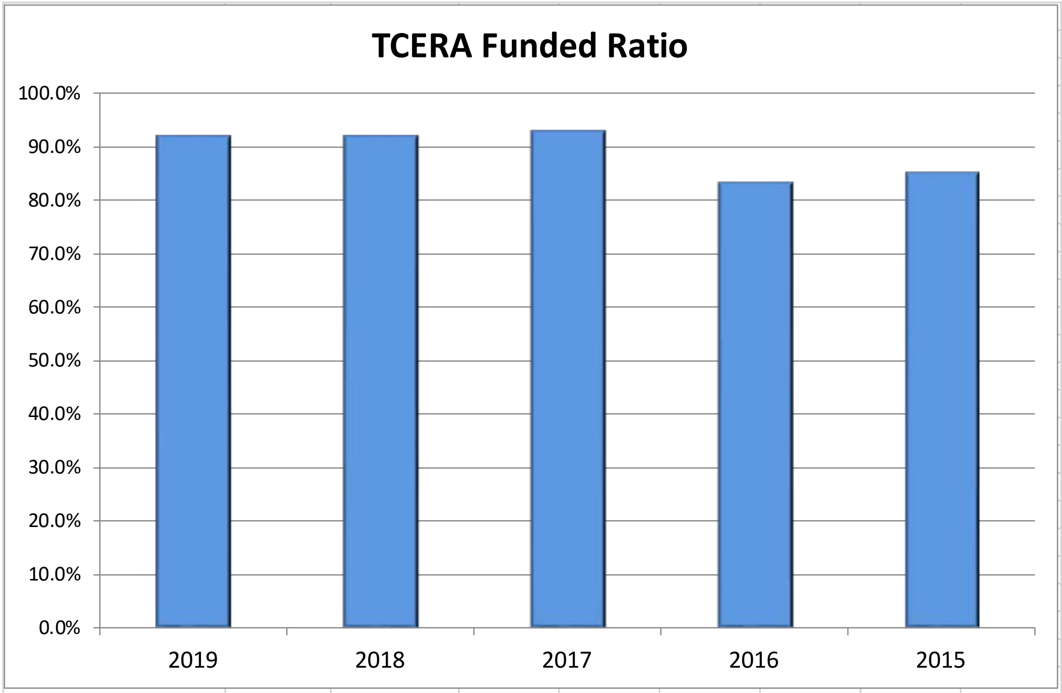
TCERA's management is responsible for implementing and sustaining internal controls designed to provide prudent assurance regarding the protection of assets and the reliability of financial records.

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 have been improved with the implementation of an integrated pension administration system.

Funding Status and Objective

The policy of the Board is to provide for an actuarial valuation on an annual basis, with an experience study to be conducted every three years. As of June 30, 2019, the date of the last actuarial evaluation, the funded ratio for TCERA was 91.8%. 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:



The substantial increase in the funded status as of June 30, 2017 is primarily due to the issuance of $250 million in Pension Obligation Bonds by the County. TCERA's independent actuary, Cheiron, was authorized to produce a revised valuation for June 30, 2017 that included a receivable for the expected $250 million contribution. The bond proceeds were received by TCERA on June 30, 2018.

Additional Discussion and Analysis of Fiscal Operations for the Fiscal Year

An overview of TCERA's fiscal operations is presented in the Management's Discussion and Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the activities of the 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, 2018. 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, 2018.

In addition, TCERA applied for and was awarded the Public Pension Standards Award for Funding and Administration for 2019. This award is presented by the Public Pension Coordinating Council in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards. The Public Pension Coordinating Council is a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

Leanne Malison
Retirement Administrator

GFOA Certificate of Achievement

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tulare County

Employees' Retirement Association

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Public Pension Standards Award

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
_2019_

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.

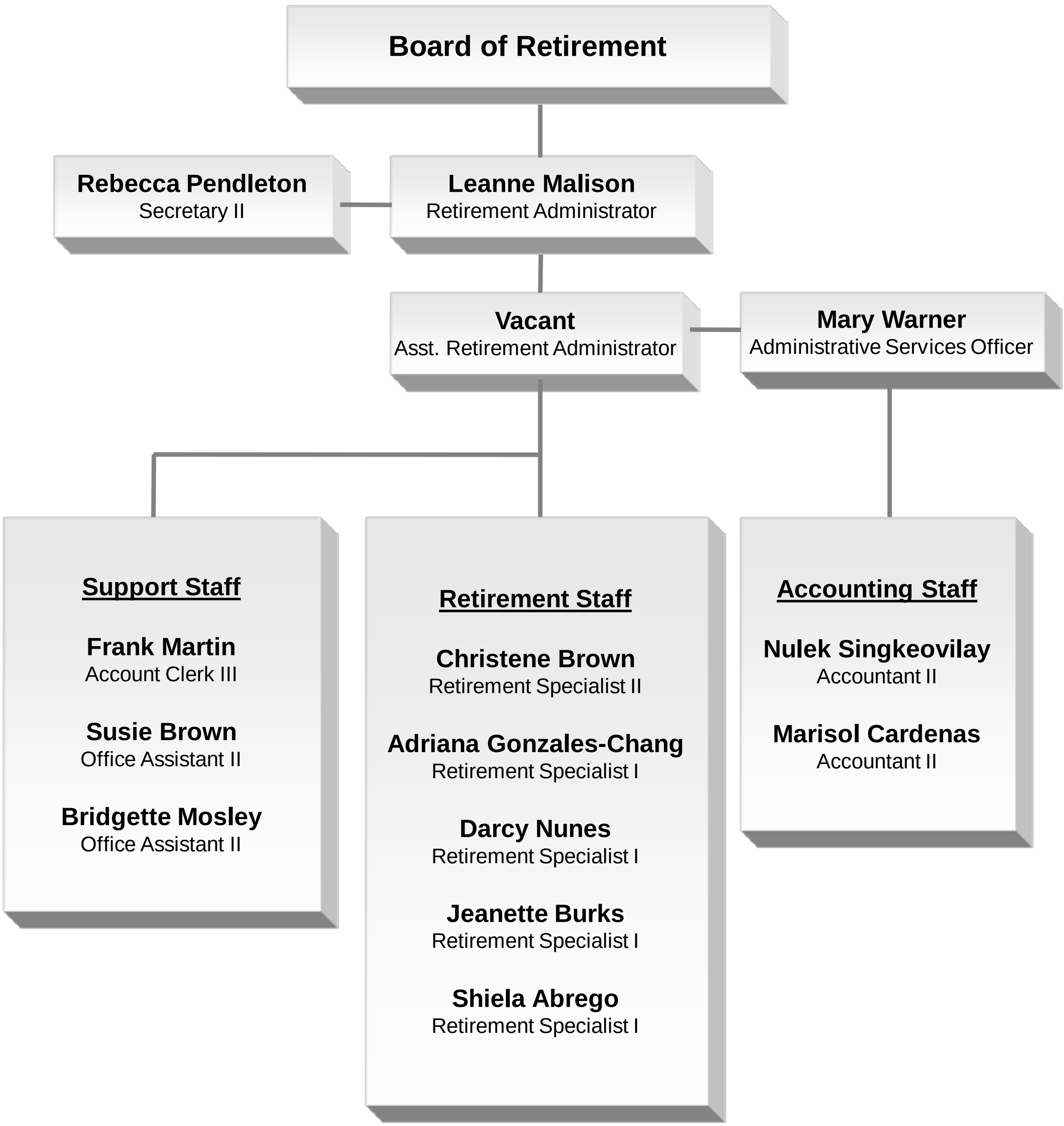
Presented by the Public Pension Coordinating Council, a confederation of

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

TCERA Organizational Chart

As of June 30, 2019



Members of the Board of Retirement
At June 30, 2019

Roland Hill, Chair
General Membership Representative
Elected by General Members
Present term expires 12/31/2021

Mike Watson, Vice Chair
Safety Membership Representative the
Elected by Safety Members
Present term expires 12/31/2021

Wayne Ross, Member
Appointed by the
Board of Supervisors
Present term expires 12/31/2021

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 12/31/2021

John Mauro
General Membership Representative
Elected by General Members
Present term expires 12/31/2019

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

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

David Vasquez, Alternate
Safety Membership Representative
Elected by Safety Members
Present Term expires 12/31/2021

Paul Sampietro, 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 75-77 of the Investment Section.

EQUITY: DOMESTIC
Boston Partners
State Street Global Advisors
William Blair Investment Management
Ivy Investments
Quantitative Management Associates
LMCG Investments

EQUITY: INTERNATIONAL
PIMCO RAE
State Street Global Advisors
SG Advisers

EQUITY: GLOBAL
Kleinwort Benson Investors (KBI)

FIXED INCOME: DOMESTIC
BlackRock Financial Mgmt., Inc.
MacKay Shields
DoubleLine
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

BROWN ARMSTRONG

CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE (MAIN OFFICE)
4200 TRUXTUN AVENUE 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

STOCKTON OFFICE
1919 GRAND CANAL BLVD SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Basic 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, 2019, the Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise TCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations of TCERA and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan 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 (other information) as of and for the fiscal year ended June 30, 2019 (specified column totals), listed as other information in the table of contents.

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

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic 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 basic 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 basic 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 basic 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 basic 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 basic 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 basic 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, 2019, and the respective changes in fiduciary net position for the fiscal year then ended; the Schedule of Cost Sharing Employer Allocations of TCERA for the fiscal year ended June 30, 2019; 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 fiscal year ended June 30, 2019, 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 supplementary information (RSI), 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise TCERA's basic financial statements. The other 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 supplementary 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, 2018 basic financial statements, and our reported dated November 30, 2018, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presentation herein as of June 30, 2018, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, 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
Accountancy Corporation

Bakersfield, California
December 2, 2019

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, 2019. 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 2019, TCERA's Fiduciary Net Position restricted for pension benefits was $1.65 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 $58.7 million, or 3.7%, primarily as a result of an increase in the fair value of investments.

- TCERA's primary funding objective is to maintain a funded status that will allow for the payment of its long-term benefit obligations through contributions and investment income. TCERA will establish contribution rates that, over time, will remain as a level percentage of payroll and will fully fund the liability for each participant by the participant's retirement date. As of June 30, 2019, the date of the last actuarial valuation, the funded ratio for TCERA was 91.8%. In general, this indicates that for every dollar of benefits due TCERA had approximately $0.918 of assets available for payment as of that date.

- Revenues (additions to Fiduciary Net Position) for the fiscal year ended June 30, 2019 totaled $146.6 million, which includes employer contributions of $33.5 million, employee contributions of $22.3 million, net investment income of $90.6 million, and lease and other income of $0.2 million.

- Expenses (deductions from Fiduciary Net Position) for the fiscal year ended June 30, 2019 totaled $87.9 million, which includes retiree benefits of $82.2 million, member refunds of $2.9 million, and administrative expenses of $2.8 million.

Overview of the Financial Statements

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

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

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

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

FINANCIAL STATEMENTS

Management's Discussion and Analysis

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

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

Other Information, which includes the Schedule of Cost Sharing Employer allocations and the Employer Pension Amounts Allocated by Cost Sharing Plan, is provided on pages 60-61.

Financial Analysis

As previously noted, the Fiduciary Net Position may serve over time as a useful indication of TCERA's financial position (see Table 1 on the following page). The assets of TCERA exceed its liabilities at the close of the fiscal year June 30, 2019. As of June 30, 2019, $1.65 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, 2019, Fiduciary Net Position increased by 3.7% over the prior fiscal year primarily due to an increase in the fair value of investments. A decrease in liabilities also contributed to the overall increase in Fiduciary Net Position. 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 decreased collateral and obligations under TCERA's securities lending program during the fiscal year.

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

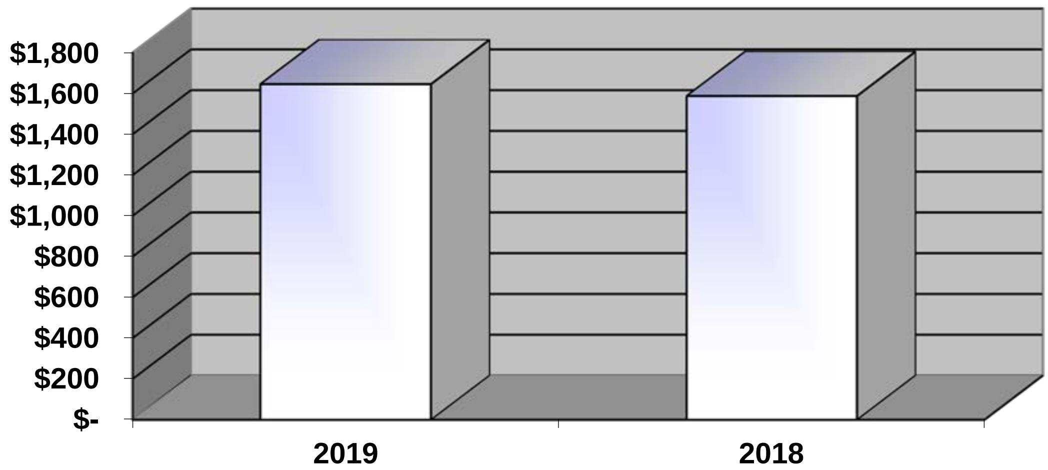
Management's Discussion and Analysis

TCERA'S FIDUCIARY NET POSITION (Table 1)

As of June 30
(dollars in thousands)

	2019	2018	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Current and Other Assets	$ 91,431	$ 298,621	$ (207,190)	-69.38%
Investments at Fair Value	1,654,215	1,390,208	264,007	18.99%
Capital Assets, Net	2,011	2,344	(333)	-14.21%
Total Assets	1,747,657	1,691,173	56,484	3.34%
Total Liabilities	(101,486)	(103,697)	(2,211)	-2.13%
Fiduciary Net Position	$ 1,646,171	$ 1,587,476	$ 58,695	3.70%

TCERA'S FIDUCIARY NET POSITION
(Dollars in Millions)



Capital Assets

As of June 30, 2019, TCERA's investment in capital assets decreased slightly over the last fiscal year with a total of just over $2.0 million (net of accumulated depreciation and amortization) compared to $2.3 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 14.21% less than fiscal year ended June 30, 2018, reflecting a decrease in both tangible and intangible assets associated with the accumulated depreciation and amortization of those assets.

FINANCIAL STATEMENTS

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, 2018 and June 30, 2019 at a rate less than investment returns and less than the actuarial assumption rate. Tiers 1, 2 and 3 were credited interest of 3.4522% for December 31, 2018 and 2.8408% for June 30, 2019. Tier 4 was credited 3.5441% for December 31, 2018 and 2.2357% for June 30, 2019. This interest crediting, combined with an increase to the Plan's contingency reserve smoothed market losses in the fiscal year ended June 30, 2019, resulted in a decrease in the Market Stabilization Reserve equal to $14.8 million as of June 30, 2019.

TCERA'S RESERVES AT FAIR VALUE (Table 2)

As of June 30

(dollars in thousands)

	2019	2018
Employee Reserves	$ 301,935	$ 287,078
Employer Reserves	817,209	781,335
Retiree Reserves	426,060	405,175
Supplemental Retirement Benefit Reserves	107,766	107,192
Other Reserves	1,896	2,498
Market Stabilization Reserve	(60,026)	(45,232)
Contingency Reserve	50,671	48,895
TCERA Property, Inc. Retained Earnings (Holding Corporation)	660	535
Total Reserves at Fair Value	$ 1,646,171	$ 1,587,476

Changes in Fiduciary Net Position

The Fiduciary Net Position as of June 30, 2019 was $1.65 billion compared to $1.59 billion as of June 30, 2018. This represents an increase in Fiduciary Net Position of $58.7 million, a 3.7% increase over the previous fiscal year. The improvement in the Fiduciary Net Position is due an increase in investments at fair value (See Table 3 on the following page).

FINANCIAL STATEMENTS

Management's Discussion and Analysis

Additions to Fiduciary Net Position: There are three primary sources of funding for TCERA retirement benefits: earnings on investments of assets, employer contributions, and plan member contributions. A decrease in employer contributions, an increase in plan member contributions and a decrease in net investment income for the fiscal year ended June 30, 2019 combined for total additions of $146.6 million (see Table 3).

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 21/100^{ths} 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, 2019 were equal to $2.81 million, or 16/100^{ths} of 1 percent of the Association's accrued actuarial liability of $1.74 billion. This represents an increase in administrative expenses of 5.25% over the fiscal year ended June 30, 2018. Of the total expenses, TCERA has identified $442.5 thousand in computer and actuarial costs that are excluded from the '37 Act administrative limits. As a result, TCERA's administrative expenses were 14/100^{ths} of 1 percent of the accrued actuarial liability, well under the statutory limit of 21/100^{ths} of 1 percent. Retiree benefits, member refunds, and administrative expenses resulted in total deductions of $87.9 million, an increase of 5.42% over the prior fiscal year (See Table 3).

CHANGES IN FIDUCIARY NET POSITION - Condensed (Table 3)

For Fiscal Years Ended June 30
(dollars in thousands)

	2019	2018	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Additions				
Employer Contributions	$ 33,494	$ 286,263	$ (252,769)	-88.30%
Plan Member Contributions	22,325	18,512	3,813	20.60%
Investment Income	100,282	104,532	(4,250)	-4.07%
Less Investment Expense	(9,692)	(8,862)	830	9.37%
Other Income	189	187	2	1.07%
Total Additions	$ 146,598	$ 400,632	$ (254,034)	-63.41%
Deductions				
Retiree Benefits	$ 82,236	$ 77,083	$ 5,153	6.69%
Member Refunds	2,861	3,633	(772)	-21.25%
Administrative Expenses	2,806	2,666	140	5.25%
Total Deductions	$ 87,903	$ 83,382	$ 4,521	5.42%
Changes in Fiduciary Net Position				
Beginning of Fiscal Year	1,587,476	1,270,226	317,250	24.98%
Changes in Fiduciary Net Position	58,695	317,250	(258,555)	-81.50%
End of Fiscal Year	$ 1,646,171	$ 1,587,476	$ 58,695	3.70%

FINANCIAL STATEMENTS

Management's Discussion and Analysis

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, 2019 actuarial valuation established TCERA's funding status to be 91.8% using the entry age normal method with a ten-year smoothing to determine the actuarial value of assets. The funded ratio of the Plan decreased by approximately 0.2% from 92% to 91.8% from 2018 and the actuarial value of assets (excluding the Supplemental Retiree Benefit Reserve (SRBR)) increased by 5.0% from $1.52 billion in 2018 to $1.60 billion in 2019. During the year, the value of actuarial liabilities increased by 5.1% to $1.74 billion. As of June 30, 2019, the Unfunded Actuarial Liability (UAL) was equal to $142.9 million. It should be noted that the actuarial funding status of the plan was significantly improved in 2017 due to the issuance of Pension Obligation Bonds by the County of Tulare (the County). The 19-year bonds were issued at coupons ranging from 3.909% to 4.445% and will require level debt service payments through the bond maturity date of June 1, 2037. Details of the bond issuance are available in the Tulare County Comprehensive Annual Financial Report available on the County's website (https://tularecounty.ca.gov/county/).

Economic Factors

Investment returns returned positive results in all asset classes in fiscal year 2019. After a significant downturn at the end of calendar year 2018, markets rallied in 2019 fueling an expansion that has become the longest United States expansion on record. Healthy inflation rates, low unemployment, steady wage growth, and reasonable GDP growth signal a strong economy. Areas of concern continue to be the inverted yield curve, consumer sentiment, and government debt levels. Global political and economic risk, including trade disputes, issues with Britain and the European Union, and increased tension across the globe contribute to some uncertainty in both domestic and international economies. Additional analysis of economic conditions can be found in the Investment Section. The Board of Retirement (the Board) will continue to monitor and respond to changes in economic factors in relation to its investment portfolio.

New Pension Accounting and Financial Reporting Standards

The following standards have been issued by the Governmental Accounting Standards Board (GASB) for implementation effective for this fiscal year: Statement No. 83, *Certain Asset Retirement Obligations* – This standard is not applicable to TCERA. Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – This standard is not applicable to TCERA.

Requests for Information

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

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

Respectfully submitted,

Leanne Malison

Leanne Malison
Retirement Administrator

Statement of Fiduciary Net Position

As of June 30, 2019, with Comparative Totals
(dollars in thousands)

	2019	2018
ASSETS		
Cash, Short-Term Investments		
Cash	$ 41,404	$ 262,758
Short-Term Investments	7,018	13,149
Total Cash, Short-Term Investments	**48,422**	**275,907**
Receivables		
Sales of Investments	38,890	19,248
Interest and Dividends	2,653	2,198
Employee and Employer Contributions	1,446	1,242
Other Receivables	20	26
Total Receivables	**43,009**	**22,714**
Investments, at Fair Value		
U.S. Government Obligations	99,958	76,387
Global Bonds	108,505	82,409
Domestic Corporate Bonds	236,745	217,775
Domestic Stocks	346,026	304,005
International Stocks	375,098	319,175
Real Estate	141,552	117,844
Commodities	63,922	41,679
Alternative Investments (Hedge Funds, Private Equity, Futures)	225,084	171,415
Collateral on Loaned Securities	57,325	59,519
Total Investments, at Fair Value	**1,654,215**	**1,390,208**
Capital Assets		
Land	370	370
Building, Office Equipment & Furniture, net of accumulated depreciation of $605 and $584, respectively	731	761
Pension Administration System, net of accumulated amortization of $1,845 and $1,542, respectively	910	1,213
Total Capital Assets, net	**2,011**	**2,344**
TOTAL ASSETS	**$ 1,747,657**	**$ 1,691,173**
LIABILITIES		
Current Liabilities		
Purchase of Investments	$ 40,140	$ 39,573
Obligations under Securities Lending Program	57,325	59,519
Refunds Payable	2,549	2,626
Accounts Payable	1,382	1,847
Total Current Liabilities	**101,396**	**103,565**
Long-Term Liabilities		
Compensated Absences	90	132
Total Long-Term Liabilities	**90**	**132**
TOTAL LIABILITIES	**$ 101,486**	**$ 103,697**
NET POSITION RESTRICTED FOR PENSION BENEFITS	**$ 1,646,171**	**$ 1,587,476**

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

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2019 with Comparative Totals
(dollars in thousands)

	2019	2018
ADDITIONS		
Contributions		
Employer	$ 33,494	$ 286,263
Plan Member	22,325	18,512
Total Contributions	**55,819**	**304,775**
Investment Activity Income		
Net Appreciation in Fair Value of Investments	78,961	87,044
Interest	9,522	6,091
Dividends	4,460	3,564
Real Estate Operating Income	3,918	3,630
Other Investment Income	1,905	3,189
Total Investment Activity Income	**98,766**	**103,518**
Less Expenses from Investing Activities	8,301	8,010
Net Investing Activity Income	**90,465**	**95,508**
From Securities Lending Activities		
Securities Lending Income	1,516	1,014
Less Expenses from Securities Lending Income		
Management Fee	12	12
Borrower Rebate	1,379	840
Net Securities Lending Income	**125**	**162**
Total Net Investment Activity Income	**90,590**	**95,670**
Other Income	189	187
TOTAL ADDITIONS	**$ 146,598**	**$ 400,632**
DEDUCTIONS		
Benefits	$ 82,236	$ 77,083
Refunds of Contributions	2,861	3,633
Administrative Expenses	2,806	2,666
TOTAL DEDUCTIONS	**$ 87,903**	**$ 83,382**
NET POSITION RESTRICTED FOR PENSION BENEFITS		
Net Changes in Fiduciary Net Position	58,695	317,250
Beginning of Fiscal Year	1,587,476	1,270,226
END OF FISCAL YEAR	**$ 1,646,171**	**$ 1,587,476**

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

Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Tulare County Employees' Retirement Association (TCERA, Association or the Plan) is under the exclusive management and control of the Board of Retirement (the Board) whose authority is granted by Government Code §31450 et seq., and the California Constitution. The Association is an independent department of the County of Tulare (the County). Selected financial statements and disclosures are included in the County's Annual 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 basic financial statements on the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period when they are incurred. Employee and employer contributions are recognized as revenues when due pursuant to formal commitments as well as statutory or contractual agreements. Benefits and refunds of prior contributions are recognized when they are due and payable in accordance with the Plan. All investment purchases and sales are recorded on trade date. The net appreciation (depreciation) in fair value of investments held by TCERA is recorded as an increase (decrease) to investment income based on the valuation of investments monthly.

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

COMPENSATED ABSENCES

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

INVESTMENTS

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

Private Equity and Real Assets:

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

Rate of Return:

For the fiscal year ended June 30, 2019 the annual money-weighted rate of return on the Plan’s investments, net of investment expense, was 6.10%. 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, 2019.

ESTIMATES

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

CAPITAL ASSETS

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 $125 thousand and $162 thousand for the fiscal years ended June 30, 2019 and June 30, 2018, respectively. The decrease in net securities lending income was due primarily to the increase in the borrower rebate. Non-cash collateral, and the related repayment obligation, is not recorded on the books of the Association, as there is no ability to pledge or sell the collateral absent borrower default. See Note 3 for additional information on securities lending.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

The following standards have been issued by GASB for implementation effective for this fiscal year: *Statement No. 83, Certain Asset Retirement Obligations* – This standard is not applicable to TCERA. *Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – This standard is not applicable to TCERA.

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. 84 – *Fiduciary Activities*, GASB Statement No. 87 – *Leases,* GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period,* GASB Statement No. 90 *Majority Equity Interests,* and GASB Statement No. 91 *Conduit Debt Obligations* and does not believe these pronouncements will have any material effect.

Notes to Financial Statements

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 (COLA) annually after retirement. Tier 1 general members with service earned on or after July 1, 2005 are now subject to Internal Revenue Service Section (IRS) 415 limits due to the implementation of a new benefit formula. Only Tier 1 general members who entered deferred status prior to the implementation of the new benefit formula are exempt from these limits. All Tier 1 members are subject to Article 5.5 Alternative Financial Provisions of the California Government Code.

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

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

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

The covered payroll for fiscal years ended June 30, 2019 and June 30, 2018, as calculated according to GASB Statement No. 67, GASB Statement No. 68, and GASB Statement No. 82 requirements, was $264.22 million and $256.05 million, respectively.

NOTE 2 - PLAN DESCRIPTION (Cont.)

TCERA's Membership
As of June 30

	2019	**2018**
Active Plan Participants (vested/non-vested)	4,619	4,581
Inactive Participants (vested/non-vested)	2,082	2,032
Service Retirees	2,519	2,422
Disability Retirees	335	330
Survivors/Beneficiaries	458	440
Total Retirees/Beneficiaries	3,312	3,192
Total Members	**10,013**	**9,805**

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 COLA was applied when the purchasing power of the member's original basic retirement allowance fell below 75% of the original basic allowance.

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

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

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

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

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

DEATH BENEFIT

Death Before Retirement

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

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

NOTE 2 - PLAN DESCRIPTION (Cont.)

Death After Retirement

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

DISABILITY BENEFIT

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

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

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

TERMINATION

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

NOTE 3 - DEPOSIT AND INVESTMENT RISK DISCLOSURES

SUMMARY OF INVESTMENT POLICIES

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

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

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

The TCERA Investment Policy Statement encompasses the following:

- Domestic Equity Policy
- International Equity Policy
- Fixed Income Policy
- Cash and Cash Equivalents Investments Policy
- Real 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, 2019 are as follows (dollars in thousands):

Quality Ratings	Fair Value
AAA	$ 8,317
AA	4,487
A	20,773
BAA	32,377
BA	5,670
B	693
>BBB	31
FHLMC Pools (AAA)	9,665
FNMA Pools (AAA)	21,501
GNMA Pools (AAA)	12,909
U.S. Agencies (AAA)	4,378
U.S. Governments (AAA)	55,675
Not Rated*	268,732
Total Investments in Fixed Income Securities	$ 445,208

*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, 2019, TCERA did not hold any investments in any one issuer that would represent five percent or more of fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

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

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

FIXED INCOME SECURITIES

As of June 30, 2019, TCERA had the following investments and maturities (dollars in thousands):

	2019	
Investment Type	**Fair Value**	**Modified Duration**
Asset Backed Securities - Airplane Receivables	$ 477	4.80
Asset Backed Securities - Car Loans	949	2.07
Asset Backed Securities - Credit Cards	368	4.01
Asset Backed Securities - Equipment	353	1.20
Aerospace and Defense	2,680	6.18
Automobiles & Components	111	10.79
Banking & Finance	15,101	2.34
Banking & Finance - Perpetual	66	3.81
Capital Goods	645	5.51
Chemicals	394	10.29
Cleared Credit Default Swaps	(155)	N/A
CMBS - Agency	126	10.85
CMBS - Conduit	2,318	5.26
Commercial Services & Supplies	405	5.34
Commit to Purchase FNMA Pools	(2,028)	3.22
Commit to Purchase GNMA Pools	3,397	2.19
Commit to Purchase GNMA Multi Family Pools	(5,700)	3.26
Communications	1,964	8.84
Credit Default Swaps	5	N/A
FHLMC Multiclass	798	4.20
FHLMC Pools	8,867	4.89
FNMA Pools	21,316	4.58
FNMA REMIC	186	0.07
Food Beverage & Tobacco	1,517	8.84
Food Products	128	7.07
GNMA Multi Family Pools	12,313	3.94

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

	2019	
Investment Type	**Fair Value**	**Modified Duration**
GNMA Single Family Pools	$ 596	4.20
Health Care	5,640	5.05
Household Products	27	7.51
Industrial	812	7.24
Insurance	766	8.74
Interest Only U.S. Agencies	186	9.64
Investment Companies	111	4.94
Materials	13	14.74
Mining	34	14.03
Non-U.S. Government Bonds	2,827	6.48
Oil & Gas	6,697	5.96
Paper and Forest Products	44	16.04
Preferred Shares - Perpetual	193	3.29
Preferred Shares - Perpetual Prvt PCL Bank	1,005	0.94
Principal Only U.S. Agencies	137	10.61
Private Placements - ABS	4,154	2.08
Private Placements - Banking & Finance	2,483	2.13
Private Placements - MBS	3,042	4.01
Private Placements - More than 1 Year	8,250	4.38
REITS	936	3.14
Retail	1,097	10.05
Technology	3,592	8.50
Transportation	1,231	11.43
Treasury Bonds	49	468.28
Treasury Notes	(212)	494.11
U.S. TIPS	4,252	9.11
U.S. Governments	55,675	7.72

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

	2019	
Investment Type	**Fair Value**	**Modified Duration**
Utility - Electric	$ 3,881	9.98
Utility - Gas	261	12.66
Untility - Telephone	2,075	9.66
Whole Loan - Collateralized Mortgage Obligation	281	1.49
Yankee Bonds	120	9.88
Yankee Bonds - Financial	207	0.19
SUBTOTAL	177,063	
Commingled Funds U.S. Debt	174,642	N/A
International Commingled Funds	93,503	N/A
Total TCERA Fixed Income	$ 445,208	

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 20% 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. As of June 30, 2019 there was no direct exposure to Foreign Currency Risk in U.S. Dollars.

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

DERIVATIVES

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

The following Investment Derivatives schedule reports the fair value balances and notional amounts of derivatives outstanding as of and for the fiscal year ended June 30, 2019, classified by type. For financial reporting purposes, all TCERA derivatives are classified as investment derivatives.

Investment Derivatives
As of June 30, 2019
(dollars in thousands)

Derivative Type	Notional Value	Fair Value
Currency Forward Contracts	$ -	$ -
Counterparty Swap Exposure	7,270	(152)
Total	$ 7,270	$ (152)

Foreign currency forward transactions are conducted with highly rated AA financial institutions, typically major worldwide commercial or investment banks. As of June 30, 2019, the maximum amount of loss that could occur due to credit risk is the fair value above. Collateral is not required by TCERA to reduce exposure to credit risk. Furthermore, TCERA is not party to master netting agreements.

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

SECURITIES LENDING

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

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

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

As of June 30, 2019, the fair value of securities on loan was $57.8 million and the value of collateral received for the securities on loan was $59.2 million, of which $1.9 was non-cash collateral and $57.3 million was cash collateral from equity and fixed income securities. This resulted in an overcollateralization with a ratio of 102.29%. Non-cash collateral, which TCERA does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. The maturities of collateral investments in the securities lending program are not structured to match the maturities of the securities lending arrangements. Lending arrangements are considered “open loans” that do not have a set maturity.

Securities Lending Program
As of June 30, 2019
(dollars in thousands)

Securities on Loan	Fair Value of Securities on Loan	Collateral Received	Collateral Percent
Domestic Equities	$ 36,040	$ 36,869	
Domestic Fixed Income	19,997	20,456	
Total Cash	56,037	57,325	
Total Non-Cash	1,807	1,844	
Total Securities on Loan	**$ 57,844**	**$ 59,169**	**102.29%**

EXTERNAL INVESTMENT POOLS

The Association participates in various external investment pools, as defined by GASB Statement No. 31. The Association maintains funds on deposit with the Tulare County Treasurer. These funds are pooled with those of other agencies in the County and invested. Substantially all information required for GASB Statement No. 31 was not available at the time these financial statements were prepared. The difference between cost and fair value of investments held by the County Treasury at June 30, 2019 was determined to be immaterial. The Association's participation in the County investment pool is not mandatory.

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

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

NOTE 4 - FAIR VALUE MEASUREMENT

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

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

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

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

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

Equity and Fixed Income Securities

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

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, 2019. When certain requirements are met, an investment may be measured at NAV. Assets meeting these criteria are reported separately with descriptions of the investments.

NOTE 4 - FAIR VALUE MEASUREMENT (Cont.)

FAIR VALUE MEASUREMENT
June 30, 2019
(dollars in thousands)

		Fair Value Measurements Using:	
Investments by Fair Value Level [1]	**Total at 6/30/2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Debt Securities			
U.S. Government Obligations	$ 99,958	$ 59,765	$ 40,193
Global Bonds	15,002	-	15,002
Domestic Corporate Bonds	62,103	-	62,103
Equity Securities			
Domestic Stocks	251,602	251,602	-
Commingled Funds			
Global Bonds	93,503	-	93,503
Domestic Corporate Bonds	174,642	-	174,652
Domestic Stocks	94,424	-	94,424
International Stocks	273,139	-	273,139
Securities Lending Collateral	57,325	-	57,325
Total Investments by Fair Value Level	$ 1,121,698	$ 311,367	$ 810,341
Investments Measured at NAV			
International Equity Funds	$ 101,959		
Real Estate Funds	141,552		
Commodity Funds	63,922		
Hedge Funds	88,412		
Private Equity Funds	127,758		
Futures Overlay Funds	8,914		
Total Investments Measured at NAV	532,517		
Total Investments	$ 1,654,215		

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, 2019.

NOTE 4 - FAIR VALUE MEASUREMENT (Cont.)

INVESTMENTS MEASURED AT NET ASSET VALUE
June 30, 2019
(dollars in thousands)

Investments Measured at NAV	Total at 6/30/2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International Equity Funds (1)	$ 101,959	$ -	Monthly	30 days
Real Estate Funds (2)	141,552	25,000	Quarterly, Not Eligible	45 days
Commodity Funds (3)	63,922	-	Daily	1 day
Hedge Funds (4)	88,412	-	Quarterly	90 days
Private Equity Funds (5)	127,758	150,127	Not Eligible	Not applicable
Futures Overlay Funds (6)	8,914	-	Daily	
Total Investments Measured at NAV	$ 532,517	$ 175,127		

(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 primarily in a diversified portfolio of institutional quality multi-family, 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, 2019 was $50.7 million.

NOTE 6 – ADMINISTRATIVE EXPENSES

The Board establishes an annual administrative budget as authorized by Government Code §31580.2. The annual budget for administrative expenses is limited to 21/100ths of 1% of the Association's Actuarial Accrued Liability (AAL). Administrative Expenses as of June 30, 2019, excluding computer and actuarial costs, were approximately 14/100ths of 1% of the Association's AAL. Employer and Employee contributions as of June 30, 2019, excluding pension obligation bond proceeds, were insufficient to cover benefit payments and administrative expenses. The shortfall was covered 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, 2018 through June 30, 2019 was $187,680. Annual amounts payable are as follows:

Fiscal Year	Annual Amount
2020	$ 187,680
2021	$ 187,680

NOTE 8 – CAPITAL ASSETS AND PROJECT IN PROCESS

Capital Assets consist of the following:
(dollars in thousands)

	2019	Estimated Useful Life in Years
Assets Not Being Depreciated		
Land	$ 370	N/A
Assets Being Depreciated		
Building and Improvements	1,178	40
Office Equipment and Computers	158	3 -10
Less: Accumulated Depreciation	(605)	
Total Tangible Assets	731	
Intangible Assets		
Pension Administration System	2,755	10
Less: Accumulated Amortization	(1,845)	
Total Intangible Assets	910	
Capital Assets, Net of Accumulated Depreciation and Amortization	**$ 2,011**	

Depreciation and amortization expense for the fiscal year ended June 30, 2019 was $346 thousand.

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, 2019, outstanding capital commitments consisted of:
(dollars in thousands)

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
BlackRock Alternative Advisors	Private Equity	$15,000	$2,411
KKR Mezzanine Partners	Private Equity	$15,000	$1,582
Ocean Avenue Fund III	Private Equity	$20,000	$4,400
Ocean Avenue Fund IV	Private Equity	$20,000	$20,000
Pantheon Ventures, Inc.	Private Equity	$15,000	$825
Pathway Fund 8	Private Equity	$20,000	$7,020
Pathway Fund 9	Private Equity	$20,000	$13,367
RREEF America REIT II, Inc.	Real Estate	$154,500	$25,000
StepStone Group	Private Equity	$27,000	$5,110
TPG TSSP	Private Credit	$100,000	$45,412
TPG TAO Fund Special	Private Credit	$50,000	$50,000
Total Outstanding Commitments			$175,127

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 in thousands:

	June 30, 2019
Total Pension Liability	$1,943,777
Plan Fiduciary Net Position	(1,646,171)
Employers' Net Pension Liability	$297,606
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	84.69%

The NPL decreased by approximately $5.08 million since the prior measurement date, primarily due to the change in the discount rate. The discount rate increased from 7.15% to 7.30% due to the results of the crossover test. 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 of resources 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, 2019, was measured as of a valuation date of June 30, 2019, 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	7.40% net of investment expenses as of June 30, 2019.
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.
Mortality Assumptions	RP-2014 Mortality Tables with Generational improvement using Projection Scale MP-2016.
Most Recent Actuarial Experience Study	June 30, 2017 (conducted every three years).
Discount Rate	7.30% blended discount rate, net of pension plan investment expense, including inflation.
Municipal Bond Rate	3.50% net of investment expenses as of June 30, 2019 (Bond Buyer 20-year Bond GO Index, June 30, 2019).
Administrative Expenses	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:

Asset Class	June 30, 2019 Target Percent
Domestic Equity	17.00%
Non-U.S. Equity (Developed and Emerging)	17.00%
Global Equity	3.00%
U.S. Fixed Income	23.00%
Private Credit	5.00%
Commodities	5.00%
Real Estate	20.00%
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	3.70%
Non-U.S. Equity (Developed and Emerging)	6.10%
Global Equity	4.80%
U.S. Fixed Income	2.10%
Global Fixed Income	0.10%
Commodities	2.20%
Real Estate	4.10%
Private Equity	6.80%
Private Credit	5.70%
Hedge Fund of Funds	2.40%
Total	3.98%

Notes to Financial Statements

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 2.0%. Real return forecasts are from Verus Investments' 2019 Capital Market Assumptions.

Discount Rate: The discount rate used to measure the Total Pension Liability was 7.30%.

The investment rate of return assumption used for actuarial funding was 7.25% for the fiscal year ended June 30, 2019.

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 7.30%.

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 2085, 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 3.50% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2019 is 7.30%.

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, 2019, calculated using the discount rate of 7.30%, as well as what TCERA's net pension liability in thousands would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

As of June 30, 2019:

TCERA Net Pension Liability	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
	$575,234	$297,606	$71,798
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.1%	84.7%	95.8%

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to June 30, 2019 and through December 2, 2019, 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:

(dollars in thousands)

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 49,484	$ 46,838	$ 38,203	$ 38,308	$ 35,168	$ 39,672
Interest	133,895	126,586	118,664	115,716	97,473	94,277
Differences between expected and actual experience	(6,667)	10,342	11,936	(40,602)	7,590	-
Changes of assumptions	(37,996)	41,148	69,608	23,922	180,187	13,588
Benefit payments, including refunds of member contributions	(85,097)	(80,716)	(76,961)	(72,332)	(68,560)	(65,954)
Net change in total pension liability	53,619	144,198	161,450	65,012	251,858	81,583
Total pension liability- beginning	1,890,158	1,745,960	1,584,510	1,519,498	1,267,640	1,186,057
Total pension liability- ending (a)	$ 1,943,777	$ 1,890,158	$ 1,745,960	$ 1,584,510	$ 1,519,498	$ 1,267,640
Plan fiduciary net position						
Contributions- employer	$ 33,494	$ 286,263	$ 33,616	$ 31,297	$ 30,992	$ 25,953
Contributions- member	22,325	18,512	18,190	16,815	18,887	18,969
Net investment income	90,779	95,857	132,865	(20,309)	122,400	179,878
Benefit Payments, including refunds of member contributions	(85,097)	(80,716)	(76,961)	(72,332)	(68,560)	(65,954)
Administrative expense	(2,806)	(2,666)	(2,612)	(2,616)	(2,408)	(1,639)
Net change in plan fiduciary net position	58,695	317,250	105,098	(47,145)	101,312	157,207
Plan fiduciary net position- beginning	1,587,476	1,270,226	1,165,127	1,212,272	1,110,961	953,754
Plan fiduciary net position- ending (b)	$ 1,646,171	$ 1,587,476	$ 1,270,226	$ 1,165,127	$ 1,212,272	$ 1,110,961
Net pension liability- ending (a)-(b)	$ 297,606	$ 302,682	$ 475,734	$ 419,383	$ 307,226	$ 156,679
Plan fiduciary net position as a percentage of the total pension liability	84.69%	83.99%	72.75%	73.53%	79.78%	87.64%
Covered payroll	$ 264,218	$ 256,049	$ 243,366	$ 238,559	$ 229,431	$ 234,439
Net pension liability as a percentage of covered payroll	112.64%	118.21%	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). There were no changes in benefits during the year.

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

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

Fiscal Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Actuarially Determined Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	25,339	25,339	-	217,811	11.63%
2011	23,434	23,434	-	219,854	10.66%
2012	25,257	25,257	-	222,635	11.34%
2013	29,847	29,847	-	230,955	12.92%
2014	25,953	25,953	-	234,439	11.07%
2015	30,992	30,992	-	229,431	13.51%
2016	31,297	31,297	-	238,559	13.12%
2017	33,616	33,616	-	243,366	13.81%
2018	36,263	36,263	-	256,049	14.16%
2019	33,494	33,494	-	264,218	12.68%

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:

Actuarial 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 increases	Salary increase assumptions vary by years of service and by 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.
Mortality - Disability	All Members - RP 2014 Sex Distinct Generational Disabled Annuitant Mortality Table with Generational Improvement using Projection Scale MP-2016.
Cost of living adjustments	2.7% per year for Tier 1 and 2% for Tiers 2, 3, and 4.

Schedule of Investment Returns

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

Fiscal Year:	2019	2018	2017	2016	2015
	6.10%	7.60%	11.70%	-1.30%	1.10%

Fiscal Year:	2014	2013	2012	2011	2010
	17.00%	11.90%	n/a	n/a	n/a

Notes to Schedule of Investment Returns:

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

Years where information is not available are identified as n/a.

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2019
(dollars in thousands)

Personnel Services	
Salaries	
General	$ 905
Benefits	
General	343
Board Fees - Per Diem Payments	17
Total Personnel Services	1,265
Professional Services	
Actuarial	72
Data Processing	370
Audit	42
Professional Services - Disablity	124
Legal Counsel	
General	73
Disability	41
Total Professional Services	722
Communication	
Printing	29
Communication	17
Postage	34
Total Communicaton	80
Rentals	
Office Space	188
Total Rentals	188
Other	
Training	7
Transportation and Travel	35
Maintenance	22
Insurance	59
Utilities	20
Depreciation	346
Office	48
Other County Department Charges	14
Total Other	551
Total Administrative Expenses	$ 2,806

Administrative Budget Analysis

Budget to Actual Expense
For the Fiscal Year Ended June 30, 2019
(dollars in thousands)

	Approved Budget	Amended Budget	Fiscal Year Expense	Percentage Expensed
Personnel Services				
Salaries	$ 946	$ 946	$ 905	95.7%
Benefits	428	428	343	80.1%
Board Fees - Per Diem Payments	20	20	17	85.0%
Total Personnel Services	**1,394**	**1,394**	**1,265**	**90.7%**
Professional Services				
Actuarial (contract) [1]	72	72	72	100.0%
Data Processing[1]	404	404	370	91.6%
Audit [2]	45	45	42	93.3%
Professional Services - Disability	164	164	124	75.6%
Legal Counsel [2]	179	178	114	64.0%
Total Professional Services	**864**	**863**	**722**	**83.7%**
Communication				
Printing	34	34	29	85.3%
Communication	19	19	17	89.5%
Postage	33	37	34	91.9%
Total Communication	**86**	**90**	**80**	**88.9%**
Rentals				
Office Space	188	188	188	100.0%
Total Rentals	**188**	**188**	**188**	**100.0%**
Other				
Training	12	11	7	63.6%
Transportation and Travel	47	47	35	74.5%
Maintenance[2]	31	31	22	71.0%
Insurance [2]	61	61	59	96.7%
Utilities [2]	26	26	20	76.9%
Depreciation [2]	368	368	346	94.0%
Office	85	85	48	56.5%
Other County Department Charges	19	17	14	82.4%
Total Other	**649**	**646**	**551**	**85.3%**
Total Administrative Expenses	**$ 3,181**	**$ 3,181**	**$ 2,806**	**88.2%**

[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, 2019
(dollars in thousands)

Investment Activity	
Equity	
Domestic	$ 1,289
International	1,182
Fixed Income	
Domestic	772
Global	339
Alternative Investments	
Hedge Funds	610
Private Equity	865
Private Credit	857
Futures Overlay	58
Commodities	438
Real Estate	
Real Estate Managers	1,184
Total from Investment Activity	**7,594**
Securities Lending Activity	
Securities Lending Program Expenses	1,391
Total from Securities Lending Activity	**1,391**
Other Investment Expenses	
Investment Custodian	332
Investment Consultant	246
Other	129
Total from Other Investment Expenses	**707**
Total Fees and Other Investment Expenses	**$ 9,692**

Payments to Consultants	
Nature of Service	
Actuarial	$ 72
Audit	42
Legal Counsel	
General	73
Disability	41
Total Consulting Fees	**$ 228**

Schedule of Net Position Restricted for Pension Benefits

As of June 30, 2019
(dollars in thousands)

Employee reserves, July 1	$ 287,078
Contributions	22,325
Withdrawals	(2,861)
Transfers	(21,562)
Interest crediting	16,955
Employee reserves, June 30	301,935
Employer reserves, July 1	781,335
Contributions	33,494
Benefits Paid	-
Transfers	(47,769)
Interest crediting	50,149
Employer reserves, June 30	817,209
Retiree reserves, July 1	405,175
Benefits Paid	(76,047)
Transfers	69,315
Interest crediting	27,617
Retiree reserves, June 30	426,060
SRBR reserves, July 1	107,192
Benefits Paid	(6,189)
Interest crediting	6,763
SRBR reserves, June 30	107,766
Other reserves, July 1	2,498
Transfers - Intra Member Contribution Account	(653)
Interest crediting	51
Other reserves, June 30	1,896
Market Stabilization reserve, July 1	(45,232)
Net Change in Market Stabilization	(14,794)
Market Stabilization reserve, June 30	(60,026)
Contingency reserve, July 1	48,895
Transfers	1,776
Contingency reserve, June 30	50,671
TCERA Property, Inc. Retained Earnings (Holding Corporation), July 1	535
Net income	125
TCERA Property, Inc. Retained Earnings (Holding Corporation), June 30	660
Net position restricted for pension benefits	**$ 1,646,171**

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 discussion and 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.

Schedule of Cost Sharing Employer Allocations

For the Fiscal Year Ended June 30, 2019
(dollars in thousands)

Employer		2019 Actual Employer Contributions	2019 Employer Allocation Percentage
County of Tulare	$	30,578	91.29%
Tulare County Association of Governments[1]		163	0.49%
Tulare County Superior Court		2,730	8.15%
Strathmore Public Utility District		23	0.07%
Total	$	33,494	100.00%

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

Employer Pension Amounts Allocated by Cost Sharing Plan

June 30, 2019
(dollars in thousands)

Employer	Employer Net Pension Liability	Deferred Outflows of Resources: Differences Between Expected and Actual Experience	Net Differences Between Projected and Actual Investment Earnings	Assumption Changes	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Tulare County	$ 271,696	$ 10,022	$ 20,329	$ 53,104	$ 18,673	$ 102,128
Tulare County Assn of Govts[1]	1,448	53	108	283	963	1,407
Tulare County Sup Court	24,258	895	1,816	4,741	9,957	17,409
Strathmore Public Utility District	204	8	15	40	91	154
Total	$ 297,606	$ 10,978	$ 22,268	$ 58,168	$ 29,684	$ 121,098

Employer	Deferred Inflows of Resources: Differences Between Expected and Actual Economic Experience	Assumption Changes	Changes in Employer Proportion and Contrib. Differences	Total Deferred Inflows of Resources	Pension Expense Excluding that Attributable to Employer-Paid Member Contributions: 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 Contrib.
Tulare County	$ 12,283	$ 27,751	$ 11,006	$ 51,040	$ 102,161	$ 2,055	$ 104,216
Tulare County Assn of Govts[1]	65	148	2,025	2,238	545	(107)	438
Tulare County Sup Court	1,097	2,478	16,458	20,033	9,121	(1,915)	7,206
Strathmore Public Utility District	9	20	195	224	77	(33)	44
Total	$ 13,454	$ 30,397	$ 29,684	$ 73,535	$ 111,904	$ -	$ 111,904

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

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investment section

Independent Consultant's Report

October 7, 2019

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

The investment portfolio of the Tulare County Employees' Retirement Association increased to $1.62 billion over the fiscal year and returned 6.3% for the period. This ranked the Plan in the top half of its peer group for the year but below its policy benchmark of 7.0%. Outperformance compared to peers was primarily the result of the Plan's relatively conservative investment posture in a year marked by heightened volatility, particularly in the fourth quarter of 2018. Underperformance relative to the policy index is largely attributable to disappointing near-term performance by a handful of the Plan's investment managers in domestic equity and fixed income.

Notable activity over the past fiscal year included the Plan's investment of $250 million raised by the County through the issuance of a pension obligation bond designed to increase the Plan's funded status and improve its financial position. These funds were invested steadily throughout the year to reduce the potential impact of sudden market movements, an approach which bore fruit during the fourth quarter of 2018, when the U.S. stock market fell nearly 20%.

Also over the past year, the Board took steps to upgrade the Plan's strategic asset allocation by investing in emerging market debt and adding to its real estate portfolio. Based on our analysis, these changes provide the Plan with a higher expected return with a modest increase in expected risk, thereby improving the risk/reward profile.

More recently, the Board has undertaken an assessment of its hedge fund and commodities allocations, which resulted in the repositioning of those assets and a decrease in portfolio complexity. Moving forward, the Board plans to re-evaluate the use of active and passive investment management to ensure the Plan is receiving sufficient value for the fees paid to run the investment program and for taking active management risk.

Through all these actions, we continue to work with the Board to apply the timeless principles of diversification and the latest risk management techniques to mitigate the impact of volatility spikes and large market movements 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

The US economy has been growing slowly and steadily since the Global Financial Crisis ended more than 10 years ago, and in July this year, the current expansion became the longest US expansion on record, surpassing the previous record of 120 months set in March 2001. While talk of recession remains at the forefront of economic news, the US economy continues to plug away. As of June 30, unemployment remained well below 4%, reaching a level of strength not seen since the 1960s, as wages have grown steadily over the past five years. At 2.1%, the annual inflation rate remains in a range most economists (and the Fed) consider healthy. In addition, economic growth, as measured by gross domestic product, grew at 2.0% in the second quarter from a year ago. All these metrics imply a “goldilocks” economy that is running at a sustainable pace.

However, there are also signs giving many economists and market participants pause. First and foremost is something known as an inverted yield curve. This is a condition in bond markets characterized by rates on longer term debt falling below rates on shorter term debt. In the past, this condition has served as a prelude to an economic downturn, and it recently occurred for the first time since 2007, as the yield on the 10-year Treasury note briefly dropped below that of the 2-year note. In addition, other predictive indicators such as Purchasing Manager Indices and business and consumer sentiment have recently peaked and are moving lower. Finally, global political and economic risk, including trade disputes, Britain’s pending departure from the European Union, and increased tension between the US and many of its traditional enemies have market watchers paying close attention.

Over the past year, risk markets have been driven by three primary factors: US/China trade tensions; the Fed’s willingness to ease monetary policy; and corporate earnings projections. Uncertainty surrounding each of these factors has recently led to higher market volatility, with markets most recently focusing on trade tensions. Depending on how these three issues play out, the economy and risk markets may continue their steady march forward or turn toward recession and higher market volatility.

Even if we do enter a recession, however, it is not anticipated to be nearly as severe as the last one experienced more than 10 years ago. Overall, the US consumer is in a much better position to weather an economic downturn, as are banks and corporations, and much of the excesses one typically sees this late in an economic cycle have not materialized this time around. Further, TCERA’s investment portfolio is positioned relatively conservatively, which should limit the impact of any downturn.

Prepared by Scott J. Whalen, CFA, CAIA

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, 2019 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, 2019

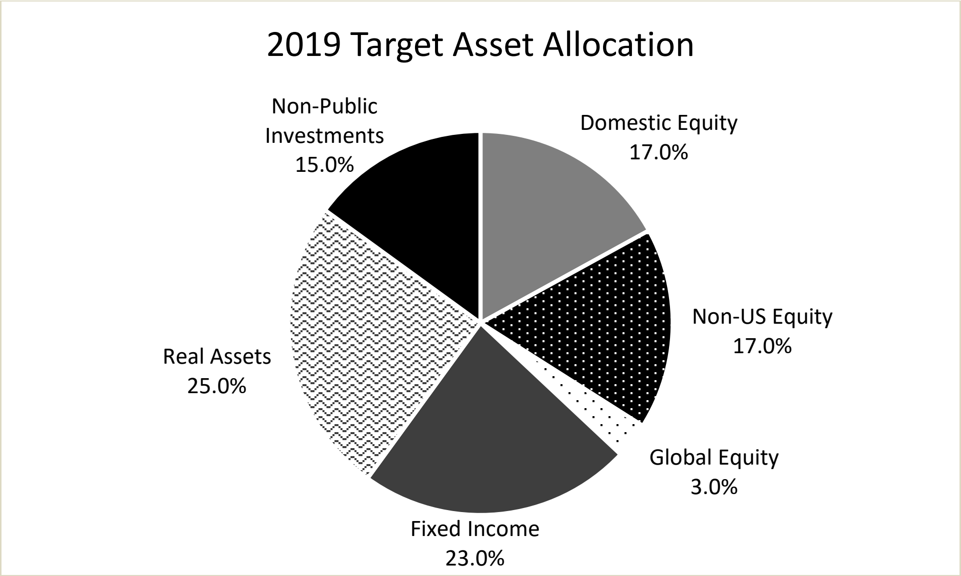
The target asset allocation for the investment portfolio is determined by the Board to facilitate the achievement of the investment program's long-term investment objectives within the established risk parameters. Due to the fact that the allocation of funds between asset classes may be the single most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

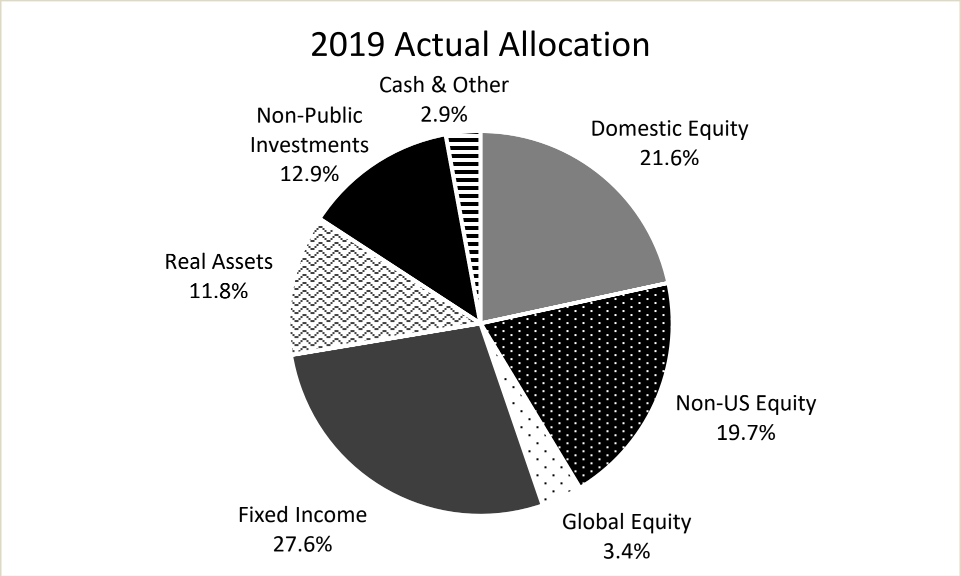
Asset Class	Minimum Percent	Maximum Percent	Target Percent
Domestic Equity	**10%**	**30%**	**17%**
Large Cap	*10%*	*25%*	*13%*
Small Mid Cap	*0%*	*10%*	*4%*
Non-U.S. Equity (Developed and Emerging)	**10%**	**30%**	**17%**
Global Equity	**0%**	**5%**	**3%**
Fixed Income	**15%**	**35%**	**23%**
Core-Plus Fixed Income	*10%*	*30%*	*13%*
Global Fixed	*0%*	*10%*	*5%*
Emerging Market Debt	*0%*	*10%*	*5%*
Real Assets	**15%**	**35%**	**25%**
Commodities	*0%*	*10%*	*5%*
Core Real Estate	*5%*	*15%*	*10%*
Value-Add Real Estate	*0%*	*10%*	*5%*
Real Estate Debt	*0%*	*10%*	*5%*
Alternative Investments	**0%**	**30%**	**15%**
Private Equity/VC	*0%*	*10%*	*5%*
Private Credit	*0%*	*10%*	*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, 2019





Percentages may not equal 100% due to rounding.

Fair Value of Investments

As of June 30, 2019

Type of Investments	Fair Value	Percentage of Total Fair Value
Domestic Corporate Bonds	$126,395,879	7.8%
MBS	$50,187,105	3.1%
U.S. Government/Agency Instruments	$102,400,719	6.3%
ABS	$57,241,210	3.5%
CMO	$5,348,890	0.3%
Global Fixed Income Fund	71,019,319	4.4%
Other	35,052,034	2.2%
Total Bonds	**$447,645,156**	**27.6%**
Domestic Equity	$350,733,207	21.6%
Non-U.S. Equity	319,231,802	19.7%
Global Equity	55,865,605	3.4%
Private Equity	65,820,713	4.1%
Total Equity	**$791,651,327**	**48.8%**
Hedge Funds	**$88,411,683**	**5.5%**
Real Estate	**$127,970,572**	**7.9%**
Commodities	**$63,986,554**	**3.9%**
Cash	**$33,848,331**	**2.1%**
Other	**$68,044,683**	**4.2%**
Total Investments	**$1,621,558,306**	**100.0%**
Plus Adjustments for Payables, Receivables, Cash and Accruals	**32,656,694**	
Net Investments	**$1,654,215,000**	

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

Investment Results

For the Periods Ended June 30, 2019*

		Annualized			
Account	**Current**	**2 Year**	**3 Year**	**4 Year**	**5 Year**
<u>Equity</u>					
SSGA S&P 500 Flagship Fund	10.5	12.4	14.2	11.6	10.8
QMA Large Cap Core	6.9	11.5	13.7	10.9	10.3
S&P 500	*10.4*	*12.4*	*14.2*	*11.5*	*10.7*
Ivy Large Cap Growth	15.7	21.2	20.8	14.8	14.4
Russell 1000 Growth	*11.6*	*16.9*	*18.1*	*14.1*	*13.4*
Boston Partners Large Cap Value	5.0	7.7	12.0	8.0	7.7
Russell 1000 Value	*8.5*	*7.6*	*10.2*	*8.3*	*7.5*
SSGA Russell Small Cap Completeness Index	2.3	9.3	13.3	8.4	7.9
Russell Small Cap Completeness	*2.4*	*9.4*	*13.4*	*8.4*	*7.9*
William Blair SMID Cap Growth	11.1	17.7	19.7	14.0	14.7
Russell 2500 Growth	*6.1*	*13.6*	*16.1*	*9.7*	*10.0*
Lee Munder Small Value	-3.9	2.8	8.7	7.3	6.9
Russell 2000 Value	*-6.2*	*3.0*	*9.8*	*6.6*	*5.4*
Total Domestic Equity	**8.0**	**12.5**	**14.9**	**11.0**	**10.6**
SSGA MSCI ACWI Ex US Index Fund	1.6	4.5	9.7	4.4	2.4
PIMCO RAE Fundamental Global Ex US Fund	-1.0	2.7	9.5	4.1	1.3
SGA Global Growth	11.2	--	--	--	--
MSCI ACWI ex USA Gross	*1.8*	*4.8*	*9.9*	*4.6*	*2.6*
Total International Equity	**3.9**	**5.2**	**10.3**	**5.0**	**2.8**
Skellig DST Water Fund	2.7	5.8	10.7	7.8	--
MSCI ACWI Gross	*6.3*	*8.8*	*12.2*	*8.2*	*6.7*
Total Global Equity	**2.7**	**5.8**	**10.7**	**7.8**	**--**
<u>Fixed Income</u>					
BlackRock Fixed Income	8.3	3.9	2.7	3.6	3.3
Doubleline Core Plus	7.3	3.8	3.1	--	--
MacKay Shields Core Plus	7.9	3.9	3.5	--	--
BBgBarc US Aggregate TR	*7.9*	*3.7*	*2.3*	*3.2*	*2.9*
Franklin Templeton Global Bond Plus	6.6	2.8	4.7	2.9	2.1
JPM GBI Global TR USD	*5.7*	*3.7*	*0.9*	*3.5*	*1.2*
Total Fixed Income	**7.5**	**3.8**	**3.6**	**3.7**	**3.1**

Investment Results (Cont.)

For the Periods Ended June 30, 2019*

		Annualized			
Account	**Current**	**2 Year**	**3 Year**	**4 Year**	**5 Year**
Real Estate					
RREEF America II	6.9	7.1	6.8	8.2	9.9
NCREIF-ODCE	*6.4*	*7.4*	*7.6*	*8.6*	*9.8*
TA Associates Realty	3.9	7.0	5.6	6.4	8.4
NCREIF Property Index	*6.5*	*6.8*	*6.9*	*7.8*	*8.8*
Total Real Estate	**7.0**	**7.3**	**6.6**	**8.1**	**9.5**
Commodities					
Gresham MTAP Commodity Builder	-9.2	0.9	-0.7	-4.6	-8.5
Wellington Commodity	-5.4	4.0	1.7	-2.2	-6.5
Bloomberg Commodity Index TR USD	*-6.8*	*0.0*	*-2.2*	*-5.1*	*-9.1*
Total Commodities	**-7.3**	**2.5**	**0.6**	**-3.3**	**-7.6**
Hedge Funds					
Aetos Capital	2.8	3.1	4.9	3.2	3.3
Titan Advisors	2.1	6.5	5.8	--	--
BofA ML 90 DAY T-BILLS + 400 bps	*5.4*	*4.9*	*4.4*	*4.1*	*3.9*
Total Hedge Funds	**2.4**	**4.8**	**5.4**	**2.7**	**2.9**
Private Equity					
BlackRock Alternative Advisors	8.8	10.7	7.9	4.7	5.3
Pantheon Ventures	5.6	6.6	6.5	4.1	4.2
Ocean Avenue Fund III	35.4	39.3	24.6	--	--
Pathway Private Equity Fund Investors 8	26.4	26.5	20.4	--	--
Pathway Private Equity Fund Investors 9	22.0	--	--	--	--
Stepstone Secondary Opportunities Fund II	2.1	5.3	6.6	8.7	11.2
Total Private Equity	**17.8**	**17.5**	**13.8**	**11.6**	**11.6**
Private Credit					
TPG Diversified Credit	11.2	9.5	--	--	--
Total Private Credit	**11.2**	**9.5**	--	--	--
Opportunistic					
PIMCO Bravo	-45.1	5.9	2.2	1.8	4.2
KKR Mezzanine Partners	1.5	10.0	9.1	8.3	8.0
Total Opportunistic	**-6.2**	**9.9**	**8.5**	**7.2**	**8.0**
Total Fund	**6.3**	**7.1**	**8.7**	**6.2**	**5.2**
*Policy Index***	*7.0*	*7.2*	*8.4*	*6.4*	*5.3*

*Time-Weighted Return Based on the Market Rate of Return.
** Policy Index: 20% Russell 3000, 20% MSCI ACWI ex US, 3% MSCI ACWI, 27% BBgBarc Agg., 10% NCREIF Property, 5% Bloomberg Comm., 5% CPI+500 bps, 5% actual Private Equity returns, 5% actual Private Credit returns

List of Largest Stock and Bond Holdings

As of June 30, 2019

Largest Stock Holdings (by fair value)

	Shares	Stock	Fair Value (000)
1	70,210	MICROSOFT CORP	$9,405
2	4,553	ALPHABET INC-CL A	$4,908
3	24,663	APPLE INC	$4,881
4	2,526	AMAZON.COM INC	$4,783
5	26,220	VISA INC	$4,550
6	17,455	BERKSHIRE HATHAWAY INC	$3,721
7	18,200	FACEBOOK INC	$3,513
8	108,245	BANK OF AMERICA CORP	$3,139
9	71,403	COMCAST CORP	$3,019
10	20,872	JOHNSON & JOHNSON	$2,907

Largest Bond Holdings (by fair value)

	Par (000)	Bond	Fair Value (000)
1	7,830	U S TREASURY NOTE 3.125% 11/15/2028 DD 11/15/18	$5,972
2	7,498	U S TREASURY NOTE 2.250% 04/30/2021 DD 04/30/14	$5,510
3	5,445	U S TREASURY NOTE 2.625% 07/15/2021 DD 07/15/18	$3,075
4	5,465	U S TREASURY BOND 3.125% 11/15/2041 DD 11/15/11	$2,814
5	3,023	COMMIT TO PUR GNMA II JUMBOS 4.000% 07/20/2049 DD 7/01/19	$2,579
6	2,515	GNMA II POOL #0MA5467 4.500% 09/20/2048 DD 09/01/18	$2,498
7	2,488	U S TREASURY NOTE 2.125% 05/31/2021 DD 05/31/19	$2,471
8	2,390	GNMA II POOL #0MA3521 3.500% 03/20/2046 DD 03/01/16	$2,370
9	2,455	U S TREASURY NOTE 2.500% 02/28/2026 DD 02/28/19	$2,256
10	2,290	U S TREASURY BOND 3.125% 05/15/2048 DD 05/15/18	$2,232

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Fiscal Year Ended June 30, 2019
(dollars in thousands)

Domestic Equity	
Robeco Boston Partners	$ 255
State Street	31
QMA	204
LMCG	223
Ivy Investments	322
William Blair	254
Total Domestic Equity	$ 1,289
International	
State Street	$ 65
PIMCO RAE	502
Kleinwort Benson Investors	373
SG Advisers	242
Total International	$ 1,182
Fixed Income	
BlackRock	$ 209
State Street	5
Shenkman Capital Management, Inc.	60
Franklin Templeton	339
Mackay Shields	276
DoubleLine	222
Total Fixed Income	$ 1,111
Hedge Funds	
Aetos	$ 415
Titan Advisors	195
Total Hedge Funds	$ 610
Private Equity	
Pantheon	$ 61
KKR Mezzanine Partners	47
StepStone	239
BlackRock Alternative Advisors	67
Pathway Capital Mgmt	276
Ocean Avenue Capial	175
Total Private Equity	$ 865
Private Credit	
TPG	$ 857
Total Private Credit	$ 857

Schedule of Investment Management Fees (cont.)
For the Fiscal Year Ended June 30, 2019

Futures Overlay		
The Clifton Group	$	58
Total Futures Overlay	$	58
Commodities		
Gresham Investment Management	$	219
Wellington Management Company		219
Total Commodities	$	438
Real Estate		
RREEF	$	1,181
TA Associates Realty		3
Total Real Estate	$	1,184
Total Investment Manager Fees	$	7,594
Securities Lending Activity		
Management Fee	$	12
Borrower Rebate		1,379
Total Securities Lending Activity	$	1,391
Other Investment Expenses		
Investment Custodian	$	332
Investment Consultant		246
Other		129
Total Other Investment Expenses	$	707
Total Fees and Other Investment Expenses	**$**	**9,692**

Brokerage Policy/Commission Recapture

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

Commissions and Rebates for the Fiscal Year Ended June 30, 2019:
(dollars in thousands)

Commissions		
Base Commissions	$	223
Base Volume	$	275,182
Total Shares		4,605
Commissions/Share	$	-
Commission Recapture Rebates	$	3

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actuarial section

Actuary's Certification Letter

Classic Values, Innovative Advice.

November 15, 2019

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, 2019. This letter includes references to two documents produced by Cheiron for the Plan: the actuarial valuation report as of June 30, 2019 (transmitted October 29, 2019) and the GASB 67/68 report as of June 30, 2019 (transmitted November 14, 2019).

Actuarial Valuation Report as of June 30, 2019

The purpose of the annual actuarial valuation report as of June 30, 2019 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 2020-2021. The prior review was conducted as of June 30, 2018, and included recommended contribution rates for the Fiscal Year 2019-2020.

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, 2019), the amortization policy specifies layered 19-year amortization. The UAL as of June 30, 2015 was amortized over a closed 19-year period and subsequent gains or losses are being amortized over new closed 19-year periods.

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

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, 2019 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, 2019. 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, including Standards No. 4, 27, 35, and 44. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes, with the exception of the discount rate, which is calculated as prescribed by GASB 67/68.

GASB 67/68 Report as of June 30, 2019

The purpose of the GASB 67/68 Report as of June 30, 2019, 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, 2019, is measured as of a valuation date of June 30, 2019. The TPL at the beginning of the measurement year, June 30, 2018, was measured as of a valuation date of June 30, 2018.

Please refer to our GASB 67/68 report as of June 30, 2019, 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, 2019, 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 Safety employee deaths assumed to be duty-related:

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

Retirants and Beneficiaries Added to and Removed from Payroll

For the Fiscal Years Ended June 30, 2010 through June 30, 2019

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
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
2018	3,072	178	$ 5,487,994	58	$ 830,938	3,192	$ 73,731,771	7.37%	$ 23,099
2019	3,192	174	$ 4,705,555	54	$ 1,098,384	3,312	$ 78,971,061	7.11%	$ 23,844

Active Member Valuation Data

For the Fiscal Years Ended June 30, 2010 through June 30, 2019

Valuation Date	Plan Type	Number	Annual Payroll	Monthly Average Pay	Percent Increase in Average Pay*
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%
6/30/2018	General	3,708	$ 203,019,596	$ 4,563	2.47%
	Safety	873	59,694,221	5,698	0.87%
	Total	4,581	$ 262,713,817	$ 4,779	2.03%
6/30/2019	General	3,726	$ 209,592,852	$ 4,688	2.74%
	Safety	893	62,822,741	5,863	2.90%
	Total	4,619	$ 272,415,593	$ 4,915	2.85%

*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 Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)	Actuarial Accrued Liabilities
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
6/30/2018	$ 287,078	$ 869,729	$ 499,550	$ 1,656,357
6/30/2019	$ 301,935	$ 925,027	$ 514,321	$ 1,741,283

		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)
6/30/2010	$ 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	$ 1,461,755	100%	100%	77.0%
6/30/2018	$ 1,523,030	100%	100%	73.3%
6/30/2019	$ 1,598,431	100%	100%	72.2%

Actuarial Analysis of Financial Experience

(dollars in thousands)

Plan Years	2009-10	2010-11	2011-12	2012-13	2013-14
Prior Valuation Unfunded Actuarial Liability	$ 77,568	$ 86,571	$ 102,509	$ 119,511	$ 137,898
Expected Increase (Decrease)	2,388	1,611	-	-	-
Liability (Gain) Loss	(32,639)	(8,771)	(30,721)	23,027	(5,070)
Change in Actuary	-	-	-	-	-
Actuarial (Gain) Loss From Asset Sources	39,254	38,745	-	31,625	10,841
Non-Economic and Economic Assumption Changes	-	-	46,660	-	-
Change in Actuarial Assumptions	-	(15,647)	-	-	24,599
Change due to Contributions	-	-	1,063	(1,844)	5,138
Change Regarding Contingency Reserve	-	-	-	(34,421)	(3,504)
Ending Unfunded Actuarial Accrued Liability	$ 86,571	$ 102,509	$ 119,511	$ 137,898	$ 169,902

Plan Years	2014-15	2015-16	2016-17	2017-18	2018-19
Prior Valuation Unfunded Actuarial Liability	$ 169,902	$ 201,848	$ 238,794	$ 111,651	$ 133,326
Expected Increase (Decrease)	(3,044)	1,212	(494)	(2,106)	(2,726)
Liability (Gain) Loss	(12,668)	(8,948)	(12,983)	286	(161)
Change in Actuary	33,161	-	-	-	-
Actuarial (Gain) Loss From Asset Sources	10,913	33,948	35,034	23,696	10,746
Non-Economic and Economic Assumption Changes	-	-	-	-	-
Change in Actuarial Assumptions	3,584	9,170	82,259	-	-
Change due to Contributions	-	1,564	(230,959)	(201)	1,667
Change Regarding Contingency Reserve	-	-	-	-	-
Ending Unfunded Actuarial Accrued Liability	$ 201,848	$ 238,794	$ 111,651	$ 133,326	$ 142,852

Probability of Occurrence

Probabilities of Separation from Active Service

Rates of Termination

	General Members			Safety Members		
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

	General Members				Safety Members	
	Males		Females			
Age	Ordinary	Service	Ordinary	Service	Ordinary	Service
20	0.000%	0.010%	0.000%	0.010%	0.000%	0.110%
25	0.010%	0.010%	0.010%	0.010%	0.050%	0.170%
30	0.010%	0.010%	0.010%	0.010%	0.050%	0.400%
35	0.020%	0.020%	0.080%	0.010%	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 Members		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, 2019.

Schedule of Funding Progress

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilitly (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Projected Covered Payroll (c)	UAAL as a Percentage of Projected Covered Payroll ((b-a)/c)
6/30/2010	$ 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	$ 169,903	86.6%	$ 234,569	72.4%
6/30/2015	$ 1,156,587	[2] $ 1,358,435	$ 201,848	85.1%	$ 239,055	84.4%
6/30/2016	$ 1,192,642	[3] $ 1,431,436	$ 238,794	83.3%	$ 248,514	96.1%
6/30/2017 [4]	$ 1,461,755	[5] $ 1,573,406	$ 111,651	92.9%	$ 254,941	43.8%
6/30/2018 [6]	$ 1,523,030	$ 1,656,357 [7]	$ 133,327	92.0%	$ 262,714	50.7%
6/30/2019	$ 1,598,431	$ 1,741,283 [7]	$ 142,852	91.8%	$ 272,416	52.4%

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

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

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

[7] This value reflects the information in the June 30, 2018 Actuarial Valuation report and is off by one due to rounding.

Summary of Major Plan Provisions

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

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

Benefit - General Members:

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

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

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

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

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

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

Benefit - Safety Members:

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

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

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

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

Summary of Major Plan Provisions (Cont.)

Benefit Factors:

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

Non-Service Connected Disability Retirement

20% if 5 years of service plus 2% for each of the next ten years or service retirement benefit (if eligible).

Service Connected Disability Retirement

Greater of 50% of final average salary or service retirement benefit (if eligible).

Integration with Social Security

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

Summary of Major Plan Provisions (Cont.)

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

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

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

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

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

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

Revenues by Source and Expenses by Type

For the Fiscal Years Ended June 30, 2010 through June 30, 2019

Revenues by Source

(dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	% of Annual Covered Payroll[1]	Investment Income (Loss)	Other Income	Total
2010	$ 18,331	$ 25,339	11.63%	$ 79,550	$ 52	$ 123,272
2011	$ 17,799	$ 23,434	10.66%	$ 183,507	$ 56	$ 224,796
2012	$ 16,471	$ 25,257	11.34%	$ (12,155)	$ 55	$ 29,628
2013	$ 18,430	$ 29,847	12.92%	$ 112,289	$ 57	$ 160,623
2014	$ 18,969	$ 25,953	11.06%	$ 176,828	$ 56	$ 221,806
2015	$ 18,888	$ 30,992	12.96%	$ 10,877	$ 166	$ 60,923
2016	$ 16,814	$ 31,297	12.59%	$ (20,474)	$ 166	$ 27,803
2017	$ 18,190	$ 33,616	13.19%	$ 132,699	$ 166	$ 184,671
2018	$ 18,512	$ 286,263	108.96%	$ 95,670	$ 187	$ 400,632
2019	$ 22,325	$ 33,494	12.30%	$ 90,590	$ 189	$ 146,598

Expenses by Type

(dollars in thousands)

Fiscal Year Ended June 30	Administrative Expenses	Refunds	Pension Benefits	Death Benefits	Total Benefits	Total
2010	$ 1,704	$ 6,272	$ 45,690	$ 383	$ 46,073	$ 54,049
2011	$ 1,695	$ 3,352	$ 50,142	$ 288	$ 50,430	$ 55,477
2012	$ 1,720	$ 4,354	$ 54,034	$ 301	$ 54,335	$ 60,409
2013	$ 1,780	$ 3,394	$ 58,114	$ 416	$ 58,530	$ 63,704
2014	$ 2,049	$ 3,300	$ 62,199	$ 455	$ 62,654	$ 68,003
2015	$ 2,408	$ 3,081	$ 65,192	$ 287	$ 65,479	$ 70,968
2016	$ 2,616	$ 3,198	$ 68,166	$ 968	$ 69,134	$ 74,948
2017	$ 2,612	$ 3,519	$ 72,742	$ 700	$ 73,442	$ 79,573
2018	$ 2,666	$ 3,633	$ 76,644	$ 439	$ 77,083	$ 83,382
2019	$ 2,806	$ 2,861	$ 81,715	$ 521	$ 82,236	$ 87,903

[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, 2010 through June 30, 2019
(dollars in thousands)

	2010	2011	2012	2013	2014
ADDITIONS					
Contributions					
Employer Contributions	$ 25,339	$ 23,434	$ 25,257	$ 29,847	$ 25,953
Plan Member Contributions	18,331	17,799	16,471	18,430	18,969
Total Contributions	**43,670**	**41,233**	**41,728**	**48,277**	**44,922**
Investment Income (Loss) (net of expense)	79,550	183,507	(12,155)	112,289	176,828
Other Income	52	56	55	57	56
TOTAL ADDITIONS (DECLINES) TO FIDUCIARY NET POSITION	**$ 123,272**	**$ 224,796**	**$ 29,628**	**$ 160,623**	**$ 221,806**
DEDUCTIONS (See Benefit and Refund Deductions from Fiduciary Net Postition by Type)					
Benefits	$ 46,073	$ 50,430	$ 54,335	$ 58,530	$ 62,654
Refunds of Contributions	3,272	3,352	4,354	3,394	3,300
Administrative Expense	1,704	1,695	1,720	1,780	2,049
TOTAL DEDUCTIONS FROM FIDUCIARY NET POSITION	**$ 51,049**	**$ 55,477**	**$ 60,409**	**$ 63,704**	**$ 68,003**
CHANGES IN FIDUCIARY NET POSITION	**$ 72,223**	**$ 169,319**	**$ (30,781)**	**$ 96,919**	**$ 153,803**

	2015	2016	2017	2018	2019
ADDITIONS					
Contributions					
Employer Contributions	$ 30,992	$ 31,297	$ 33,616	$ 286,263	$ 33,494
Plan Member Contributions	18,887	16,815	18,190	18,512	22,325
Total Contributions	**49,879**	**48,112**	**51,806**	**304,775**	**55,819**
Investment Income (Loss) (net of expense)	10,877	(20,474)	132,699	95,670	90,590
Other Income	166	165	166	187	189
TOTAL ADDITIONS (DECLINES) TO FIDUCIARY NET POSITION	**$ 60,922**	**$ 27,803**	**$ 184,671**	**$ 400,632**	**$ 146,598**
DEDUCTIONS (See Benefit and Refund Deductions from Fiduciary Net Position by Type)					
Benefits	$ 65,479	$ 69,134	$ 73,442	$ 77,083	$ 82,236
Refunds of Contributions	3,081	3,198	3,519	3,633	2,861
Administrative Expense	2,408	2,616	2,612	2,666	2,806
TOTAL DEDUCTIONS FROM FIDUCIARY NET POSITION	**$ 70,968**	**$ 74,948**	**$ 79,573**	**$ 83,382**	**$ 87,903**
CHANGES IN FIDUCIARY NET POSITION	**$ (10,046)**	**$ (47,145)**	**$ 105,098**	**$ 317,250**	**$ 58,695**

Retired Members by Type of Retirement

	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014
Service Retirement					
General	1,447	1,557	1,630	1,710	1,815
Safety	201	216	225	241	246
Total	1,648	1,773	1,855	1,951	2,061
Ordinary Disability					
General	75	74	89	96	99
Safety	8	6	9	9	11
Total	83	80	98	105	110
Duty Disability					
General	65	78	74	77	78
Safety	78	81	81	84	87
Total	143	159	155	161	165
Beneficiaries					
General	259	252	265	273	287
Safety	48	49	51	52	68
Total	307	301	316	325	355
Total Retirement Members					
General	1,846	1,961	2,058	2,156	2,279
Safety	335	352	366	386	412
Total	2,181	2,313	2,424	2,542	2,691

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Service Retirement					
General	1,899	1,989	2,039	2,111	2,188
Safety	262	276	284	311	331
Total	2,161	2,265	2,323	2,422	2,519
Ordinary Disability					
General	107	103	111	107	109
Safety	12	14	15	17	19
Total	119	117	126	124	128
Duty Disability					
General	81	78	94	93	96
Safety	94	99	105	113	111
Total	175	177	199	206	207
Beneficiaries					
General	294	303	335	347	356
Safety	72	78	89	93	102
Total	366	381	424	440	458
Total Retirement Members					
General	2,381	2,473	2,579	2,658	2,749
Safety	440	467	493	534	563
Total	2,821	2,940	3,072	3,192	3,312

Schedule of Average Benefit Payments

Includes Retirees and Beneficiaries

Valuation Date	Plan Type	Number	Annual Benefits	Annual Average Benefits	Percent Increase in Average Benefits
6/30/2010	General	1,846	$31,098,753	$ 16,848	6.36%
	Safety	335	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%
	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%
	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%
	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%
	Safety	412	13,689,481	33,228	0.36%
	Total	2,691	$56,776,851	$ 21,096	0.74%
6/30/2015	General	2,381	$45,238,105	$ 19,000	0.47%
	Safety	440	14,722,461	33,460	0.70%
	Total	2,821	$59,960,566	$ 21,255	0.75%
6/30/2016	General	2,473	$48,616,638	$ 19,659	3.47%
	Safety	467	15,675,740	33,567	0.32%
	Total	2,940	$64,292,378	$ 21,868	2.88%
6/30/2017	General	2,579	$51,970,685	$ 20,151	2.50%
	Safety	493	16,699,239	33,873	0.91%
	Total	3,072	$68,669,924	$ 22,353	2.22%
6/30/2018	General	2,658	$55,107,749	$ 20,733	2.89%
	Safety	534	18,624,022	34,876	2.96%
	Total	3,192	$73,731,771	$ 23,099	3.34%
6/30/2019	General	2,749	$59,081,180	$ 21,492	3.66%
	Safety	563	19,889,881	35,328	1.30%
	Total	3,312	$78,971,061	$ 23,844	3.23%

Participating Employers and Active Members

As of June 30

Year	County of Tulare		Tulare County Superior Court		Strathmore Public Utility District		Total Active Membership	
	Members	Percent	Members	Percent	Members	Percent	Members	Percent
2010	3,997	94.25%	241	5.68%	3	0.07%	4,241	100%
2011	3,954	94.21%	240	5.72%	3	0.07%	4,197	100%
2012	4,054	94.48%	234	5.45%	3	0.07%	4,291	100%
2013	4,163	94.98%	217	4.95%	3	0.07%	4,383	100%
2014	4,198	95.11%	213	4.82%	3	0.07%	4,414	100%
2015	4,176	94.80%	226	5.13%	3	0.07%	4,405	100%
2016	4,261	94.77%	232	5.16%	3	0.07%	4,496	100%
2017	4,302	94.84%	231	5.09%	3	0.07%	4,536	100%
2018	4,333	94.59%	245	5.35%	3	0.06%	4,581	100%
2019	4,367	94.54%	250	5.41%	2	0.05%	4,619	100%

Retired Members by Type of Benefit

As of June 30, 2019

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [1] GENERAL 1	2	3	4	5	SAFETY 1	2	3	4	5
Deferred	2,082										
$1 - $250	142	126	1	0	2	0	8	0	5	0	0
$251 - $500	215	184	7	0	6	2	14	1	1	0	0
$501 - $750	286	224	24	1	13	0	19	1	0	1	3
$751 - $1000	317	261	20	1	14	0	17	1	1	2	0
$1001 - $1250	289	239	19	3	6	0	16	4	1	1	0
$1251 - $1500	276	218	18	14	2	1	17	2	1	3	0
$1501 - $1750	244	186	24	12	1	0	18	1	2	0	0
$1751 - $2000	213	152	12	21	1	1	19	2	3	2	0
Over $2000	1,330	852	22	57	1	1	259	10	120	6	2
TOTAL	3,312	2,442	147	109	46	5	387	22	134	15	5

Amount of Monthly Benefit	Number of Retired Members	Option Selected [2] U	1	2	3	4	CS
$1 - $250	142	115	2	22	0	2	1
$251 - $500	215	180	3	27	1	0	4
$501 - $750	286	249	2	26	2	0	7
$751 - $1000	317	280	1	26	0	0	10
$1001 - $1250	289	260	3	19	2	0	5
$1251 - $1500	276	241	3	28	0	2	2
$1501 - $1750	244	225	2	17	0	0	0
$1751 - $2000	213	199	2	9	0	0	3
Over $2000	1,330	1,226	6	89	0	1	8
TOTAL	3,312	2,975	24	263	5	5	40

Notes:

[1] Type of Retirement:

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

[2] Option Selected:

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

Benefit and Refund Deductions from Fiduciary Net Position

Last Ten Fiscal Years

(dollars in thousands)

Type of Benefit	2010	2011	2012	2013	2014
Age and Service Benefits:					
General	$26,505	$29,630	$32,283	$35,060	$37,612
Safety	7,445	8,150	8,605	9,364	10,134
Disability Benefits - Service:					
General	1,393	1,537	1,740	1,800	1,799
Safety	2,106	2,257	2,267	2,385	2,567
Disability Benefits - Non-Service:					
General	1,426	1,607	1,719	1,800	1,840
Safety	128	138	179	164	239
Active Death Benefits - Ordinary:					
General	249	261	266	281	432
Safety	25	24	24	25	250
Active Death Benefits - Duty:					
General	14	14	15	15	15
Safety	195	180	221	237	355
SRBR Benefits					
General	5,129	5,306	5,536	5,758	5,718
Safety	1,075	1,038	1,179	1,224	1,238
Death Benefits	383	288	301	417	455
Total Benefits	$46,073	$50,430	$54,335	$58,530	$62,654
Type of Refund					
Death	76	595	131	180	145
Separation	3,196	2,757	4,223	3,214	3,155
Total Refunds	$3,272	$3,352	$4,354	$3,394	$3,300

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

Last Ten Fiscal Years

(dollars in thousands)

Type of Benefit	2015	2016	2017	2018	2019
Age and Service Benefits:					
General	$39,877	$42,356	$45,711	$48,774	$52,010
Safety	10,760	11,310	12,139	13,121	14,497
Disability Benefits - Service:					
General	1,924	1,868	2,129	1,883	1,892
Safety	2,733	3,016	3,183	512	547
Disability Benefits - Non-Service:					
General	1,882	1,865	1,872	2,110	2,181
Safety	375	371	449	3,418	3,536
Active Death Benefits - Ordinary:					
General	398	404	389	395	429
Safety	256	210	245	252	258
Active Death Benefits - Duty:					
General	16	16	62	51	51
Safety	127	129	130	129	125
SRBR Benefits					
General	5,626	5,409	6,130	5,706	5,847
Safety	1,217	1,212	303	293	342
Death Benefits	288	968	700	439	521
Total Benefits	$65,479	$69,134	$73,442	$77,083	$82,236
Type of Refund					
Death	73	179	557	403	154
Separation	3,008	3,019	2,962	3,230	2,707
Total Refunds	$3,081	$3,198	$3,519	$3,633	$2,861

Average Benefit Payment

For the Fiscal Years Ended June 30, 2010 through June 30, 2019

	Years Credited Service						
Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/2009 to 6/30/2010							
Average Monthly Benefit	$ 469	$ 1,011	$ 1,503	$ 2,158	$ 2,816	$ 3,320	$ 6,528
Average Final Salary	$ 7,723	$ 6,113	$ 5,164	$ 4,314	$ 5,566	$ 4,732	$ 7,456
Number of Retired Members	8	16	40	25	16	13	22
Period 7/1/2010 to 6/30/2011							
Average Monthly Benefit	$ 395	$ 1,092	$ 1,435	$ 2,142	$ 2,344	$ 4,249	$ 6,294
Average Final Salary	$ 6,469	$ 5,451	$ 4,570	$ 4,624	$ 4,241	$ 6,680	$ 7,090
Number of Retired Members	19	22	41	31	25	12	10
Period 7/1/2011 to 6/30/2012							
Average Monthly Benefit	$ 478	$ 786	$ 1,342	$ 2,318	$ 2,602	$ 3,839	$ 5,532
Average Final Salary	$ 6,454	$ 5,034	$ 4,400	$ 5,468	$ 5,058	$ 5,528	$ 6,492
Number of Retired Members	15	15	33	20	15	14	17
Period 7/1/2012 to 6/30/2013							
Average Monthly Benefit	$ 353	$ 1,055	$ 1,573	$ 2,325	$ 2,898	$ 4,387	$ 5,682
Average Final Salary	$ 7,620	$ 6,192	$ 4,612	$ 5,216	$ 4,957	$ 6,604	$ 6,299
Number of Retired Members	13	19	37	23	16	15	21
Period 7/1/2013 to 6/30/2014							
Average Monthly Benefit	$ 597	$ 953	$ 1,381	$ 1,718	$ 2,468	$ 4,029	$ 4,375
Average Final Salary	$ 7,690	$ 4,831	$ 4,555	$ 4,194	$ 4,363	$ 6,250	$ 5,168
Number of Retired Members	13	26	50	31	27	11	10
Period 7/1/2014 to 6/30/2015							
Average Monthly Benefit	$ 424	$ 825	$ 1,340	$ 2,063	$ 2,377	$ 3,465	$ 5,470
Average Final Salary	$ 6,752	$ 4,916	$ 4,401	$ 4,583	$ 4,217	$ 5,248	$ 6,514
Number of Retired Members	17	29	60	30	17	14	16
Period 7/1/2015 to 6/30/2016							
Average Monthly Benefit	$ 463	$ 917	$ 1,575	$ 2,053	$ 2,633	$ 3,421	$ 6,764
Average Final Salary	$ 6,520	$ 5,713	$ 4,886	$ 4,662	$ 5,009	$ 5,364	$ 7,578
Number of Retired Members	15	31	40	34	25	17	14
Period 7/1/2016 to 6/30/2017							
Average Monthly Benefit	$ 606	$ 1,113	$ 1,597	$ 2,081	$ 2,537	$ 2,962	$ 5,275
Average Final Salary	$ 6,130	$ 5,337	$ 5,280	$ 4,974	$ 4,318	$ 5,024	$ 6,749
Number of Retired Members	19	24	38	28	27	16	14
Period 7/1/2017 to 6/30/2018							
Average Monthly Benefit	$ 340	$ 745	$ 1,758	$ 2,462	$ 2,772	$ 4,470	$ 6,504
Average Final Salary	$ 7,312	$ 4,976	$ 5,631	$ 5,297	$ 5,610	$ 6,271	$ 7,555
Number of Retired Members	19	27	38	29	26	15	17
Period 7/1/2018 to 6/30/2019							
Average Monthly Benefit	$ 333	$ 1,030	$ 1,935	$ 2,523	$ 3,826	$ 4,298	$ 4,900
Average Final Salary	$ 7,813	$ 6,401	$ 6,175	$ 5,436	$ 6,985	$ 6,438	$ 5,830
Number of Retired Members	18	31	32	23	25	12	23

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

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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 basic financial statements of Tulare County Employees' Retirement Association (TCERA), as of and for the fiscal year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise TCERA's basic financial statements, and the Schedule of Cost Sharing Employer Allocations, 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 (other information), and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 basic 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
Accountancy Corporation

Bakersfield, California
December 2, 2019