



PAFR

Fiscal Year Ended June 30, 2020

A Message to Members

We are pleased to present the Popular Annual Financial Report (PAFR) which summarizes the TCERA Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020. The financial data presented in the PAFR is derived from the (CAFR) and is consistent with generally accepted accounting principles (GAAP). The goal is to provide a summary of TCERA's annual financial report that allows members and other interested parties to review the fund's fiscal information and demographics.

TCERA staff prepared the CAFR in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board and in conformity with GAAP. The CAFR is available at TCERA's office for review or accessible on our website, www.tcera.org.

This report is not intended to replace the CAFR, which provides a more complete overview of TCERA's financial position and operating results. It is published to provide an understanding of TCERA's overall financial condition and enhanced services for the fiscal year.

The services TCERA provides include collecting member and employer contributions, investing of trust fund dollars, developing the funding policy to pay for the promised benefits, calculating service purchases, and developing informational and educational publications for members and participating employers.

For over seventy-five years TCERA has managed retirement, disability and death benefits for public employees in Tulare County. Our staff and Board of Retirement are committed to providing superior customer service to our members and employing sound investment and business strategies to fulfill our long term objectives.

Our Plan

TCERA is a cost sharing multiple-employer governmental pension plan established by the County of Tulare on July 1, 1945, under the County Employees Retirement Law of 1937 (California State Government Code Section 31450 et. Seq., also referred to as the 1937 Act). TCERA is also governed by the California Constitution and the regulations, procedures and policies adopted by the Board of Retirement. The governing bodies of TCERA's employers may also adopt resolutions, as permitted by the 1937 which Act, which may affect the benefits of TCERA members.

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

Board of Retirement

Appointed by
the Board of Supervisors

Gary Reed

Wayne Ross

James Young

Pete Vander Poel, Co. Supervisor

Elected by General Members

Roland Hill

Laura Hernandez

Elected by Safety Members

Nathan Polk

David Vasquez (Alternate)

County Treasurer-Tax Collector

Cass Cook

Paul Sampietro (Alternate)

Elected by the Retired Members

David Kehler,

George Finney (Alternate)

Sequoia National Park



Plan Changes, Major Initiatives, Service Efforts and Accomplishments

In response to the COVID pandemic, TCERA instituted protective measures and social distancing is enforced with any on site activity. Staff is divided into teams, rotating on and off site, to ensure that TCERA will have a fully functioning staff in the event of COVID exposure to a team. In spite of scheduling and workload challenges, TCERA has met every deadline for pension payments and other processes during the crisis and has ensured that members have access to all services necessary for administration of their pension accounts.

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

The Board authorized a reduction in the assumed rate of return from 7.25% to 7.00%, effective for the June 30, 2020 actuarial valuation. 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 the rate reduction will place the plan in a favorable position for reaching its long-term investment return goals and achieving full funding status.

The Board conducted its annual review of its investment policy as a part of its discussions regarding TCERA’s strategic asset allocation. In response to the prior year action to update the policy to allow for investments in value added real estate, real estate debt, and emerging market debt, the trustees selected managers for all of the mandates and implementation is underway. The new investments, when fully funded, are expected to add diversification while enhancing future returns.

TCERA continued to enhance its Pension Administration System and develop improved processes and work flow through expanded use of the system’s capabilities. Efficiencies have already been realized in the use of the CPAS system and procedures continue to be refined to make the best use of the system’s features. The system was moved from a server based platform to a cloud environment this fiscal year to ensure that the system remains up to date with current technology.

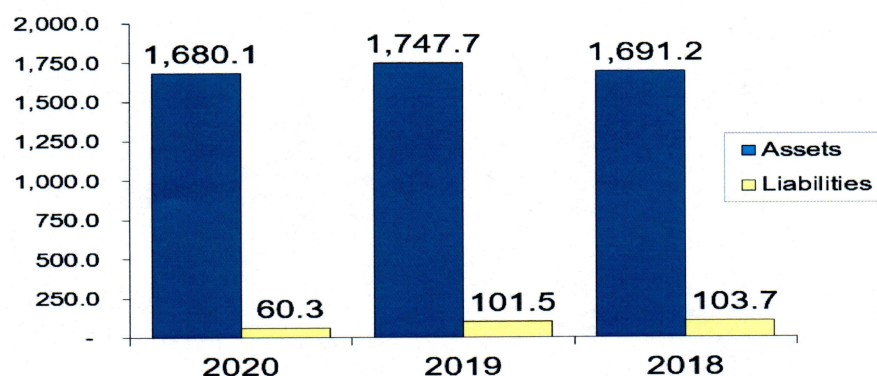
The Board acknowledged its fiduciary responsibility in administrative matters through the periodic review of Board policies and resolutions. The trustees reviewed key policies and took action to update its policies regarding disabilities and community property. Hearing officer compensation levels were reviewed and increased to ensure that TCERA attracts and retains qualified hearing officers for disability processes. The Board also updated resolutions regarding compensable pay codes.

The appointment of Leanne Malison, TCERA’s previous Assistant Retirement Administrator, as Retirement Administrator, created a vacancy in that position. The Board selected TCERA’s Administrative Services Officer, Mary Warner, to fill that vacancy 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.

Financial Highlights

The Fiduciary Net Position serves over time as a useful indication of TCERA's financial position. Assets of \$1.68 billion less liabilities of \$60.3 million resulted in a fiduciary net position restricted for pensions of \$1.62 billion at June 30, 2020, a decrease of \$26 million. Investment performance was the primary reason for the decrease. All of the Net Position is available to meet TCERA's ongoing obligation to plan participants and beneficiaries.

TCERA's Fiduciary Net Position Components
(Dollars in Millions)



At fiscal year end, TCERA's Fiduciary Net Position decreased by 1.6% which was primarily due to a 80.9% decrease in Investment Income. Adding to the decline, TCERA saw increases in both Member Refunds and in Retiree Benefits. A decrease in liabilities had slightly offset the decrease in assets. The overall increase in deductions was 7.25%. 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 is focused on long-term results in evaluating the plan's success.

Additions to Net Position (dollars in thousands)

Fiscal Year	Employer Contributions	Employee Contributions	Net Investment and Other Income/(Loss)
2020	\$ 35,310	\$ 23,104	\$ 9,515
2019	33,494	22,325	90,779
2018	286,263	18,512	95,857

Deductions from Net Position (dollars in thousands)

Fiscal Year	Retiree Benefits	Member Refunds	Admin and Other Expenses
2020	\$ 87,893	\$ 3,534	\$ 2,853
2019	82,236	2,861	2,806
2018	77,083	3,633	2,666

Starting in 2019, Employer Contributions decreased due to the Pension Obligation Bonds (POB) proceeds received (the proceeds paid down the unfunded liability thus reducing the contributions owed).

Financial Reports Issued by:

Leanne Malison,
Administrator

Mary Warner, Assistant
Administrator

Melody Manning,
Administrative Services

Members of the Staff:

Retirement Specialists:

C. Brown, D. Nunes,
J. Burks, S. Abrego,
A. Gonzales-Chang

Accounting Staff:

M. Cardenas

Administrative and Support Staff:

R. Cardenas, F. Martin,
S. Brown, A. Meier

Investment Highlights

TCERA's investments returned 0.9% gross of fees this fiscal year, falling short of the assumption rate of 7.25% that was in effect during the fiscal year. In comparison to its peers, the Plan ranked in the bottom quartile. Absolute performance was hampered by TCERA's overweight to global and international investments and its cash overlay program. TCERA hopes to make progress with the disappointing ranking through the implementation of the changes the Board has made to its strategic investment allocation. 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.

Investment Returns Fiscal Year Ended 6/30/20

Investment	Current	3-Year	5-Year
Domestic Equity	4.50%	9.80%	9.70%
International Equity	-3.60%	2.10%	3.20%
Global Equity	-2.90%	2.80%	5.60%
Fixed Income	3.30%	3.60%	3.60%
Private Equity	6.50%	13.70%	10.60%
Private Credit	-4.50%	4.60%	N/A
Opportunistic	-6.20%	4.30%	4.40%
Real Estate	5.30%	6.50%	7.50%
Total TCERA Fund	0.90%	4.90%	5.10%

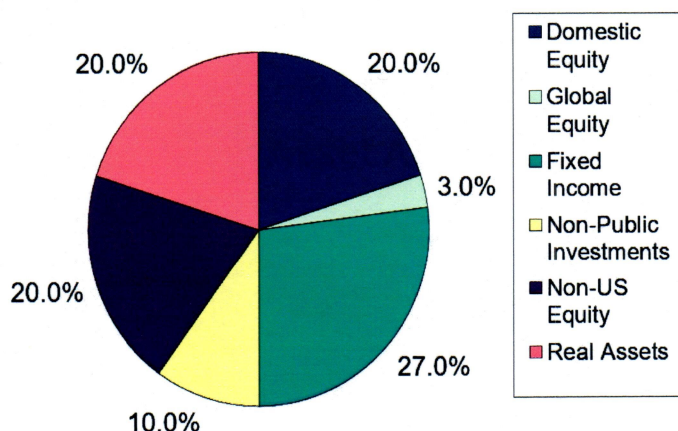
TCERA Policy Index* 3.30% 5.90% 5.70%

Time Weighted Returns. *Policy Index 20% Russell 3000, 17% BBgBarcAgg, 20% MSCI ACWI ex US, 3% MSCI ACWI, 20% NCREIF ODCE, 5% JPM GBI, 5% (50% JPM EMBI/50% JPM GBI EM), 5% Private Equity, 5% Private Credit

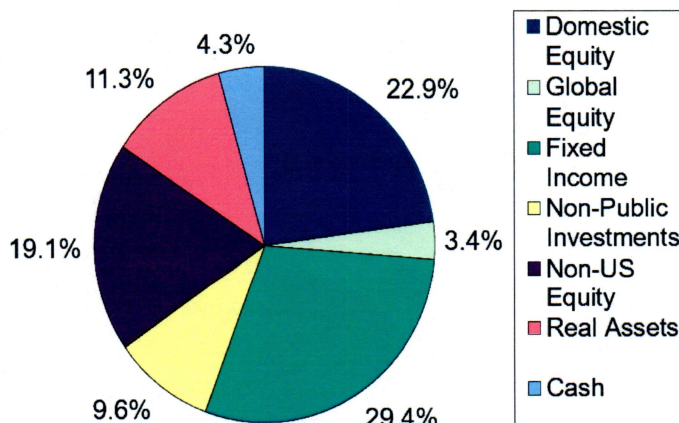
The time-weighted return (TWR) is a true representation of the performance of an investor's portfolio. This is because it only reflects the impact of the market and the investment selections. In other words, the TWR is designed to compensate for however many deposits and withdrawals you make to your account.

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.

2020 Target Asset Allocation



2020 Actual Asset Allocation



Funding Highlights

As of June 30, 2020, the date of the last actuarial valuation, TCERA's funded ratio was 89.1%. This was a decrease of 2.7% over the prior year ratio of 91.8%. The funded ratio is a plan's assets as a percentage of liabilities. TCERA has adopted 10-year smoothing with a 30% corridor constraint which allows the plan to recognize investment gains and losses over time. This process contributes to the stable funded status of the plan. The slight downward trend in the ratio (aside from the substantial increase due to the Pension Obligation Bonds funds receivable of \$250 million in 2017) reflects increases in liabilities due to reductions in the assumed investment earnings rate and the recognition of deferred gains and losses from prior years.

Funding Progress

Actuarial Valuation Date as of June 30
(Dollars in thousands)

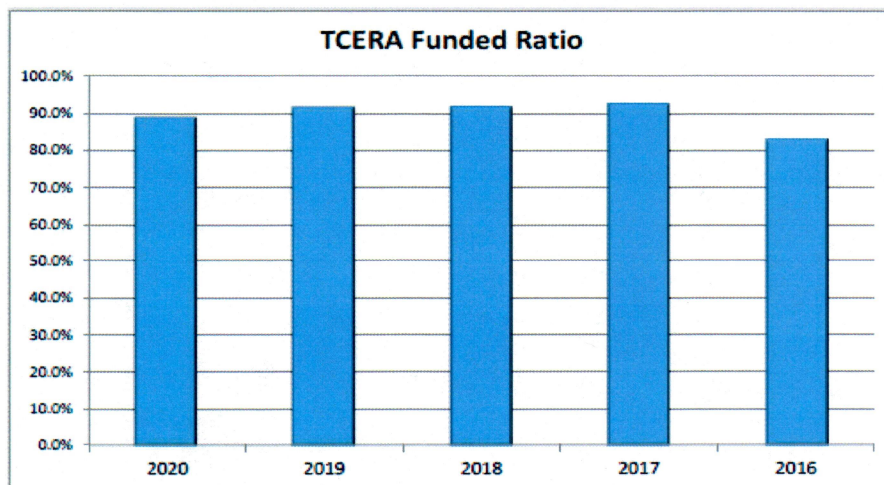
Year Ended June 30	Actuarial Value of Assets	Actuarial Liability	Funded Ratio
2020	\$1,670,786	\$1,875,797	89.1%
2019	1,598,431	1,741,283	91.8%
2018	1,523,030	1,656,357	92.0%
2017	1,461,755	1,573,406	92.9%
2016	1,192,642	1,431,436	83.3%

Employer Contributions

(Projected dollars in thousands)

Year Ended June 30	Actuarially Determined Contribution	Percentage Contributed
2020	\$ 35,310	100%
2019	33,494	100%
2018	36,263	100%
2017	33,616	100%
2016	31,297	100%

TCERA's funding objective is to maintain a status that allows for the payment of its long-term benefit obligations through contributions and investment income. The Board is committed to strategies intended to maintain the safety and security of the Plan's assets.

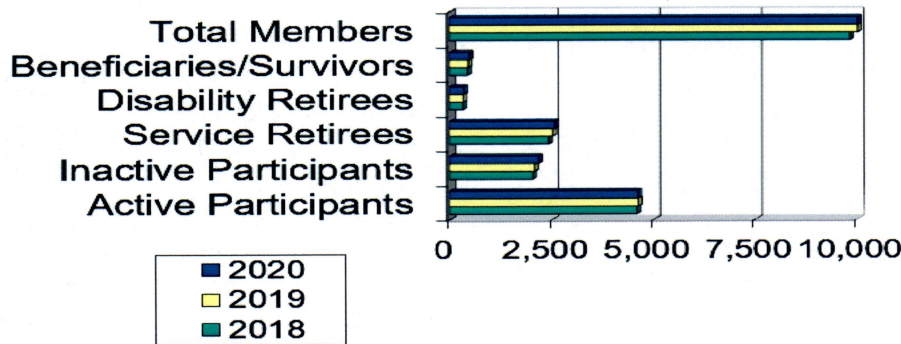


TCERA's Funded Ratio is 89.1%. This means for every dollar of benefits due TCERA had \$0.891 of assets available for payment.

Some significant actuarial assumptions used include an investment earnings rate of 7.0%, graded merit and longevity salary assumptions (ranging from 3.5% to 8.0% per year), and an inflation rate of 2.75%. The history of employer contributions reflects annual changes in payroll as well as contribution rates calculated based on actuarial assumptions.

Membership Highlights

Tulare County, Strathmore Public Utility District, and Tulare County Superior Court employees working 50% or more in regular positions are members of TCERA. At June 30, 2020, membership consisted of 4,605 Actives, 2,183 Inactives, 2,574 Service Retirees, 347 Disability Retirees, and 487 Beneficiaries, for a total of 10,196 members.



The chart below is the average benefit received for service retirements, disability retirements and survivor benefits broken down by General & Service Membership .

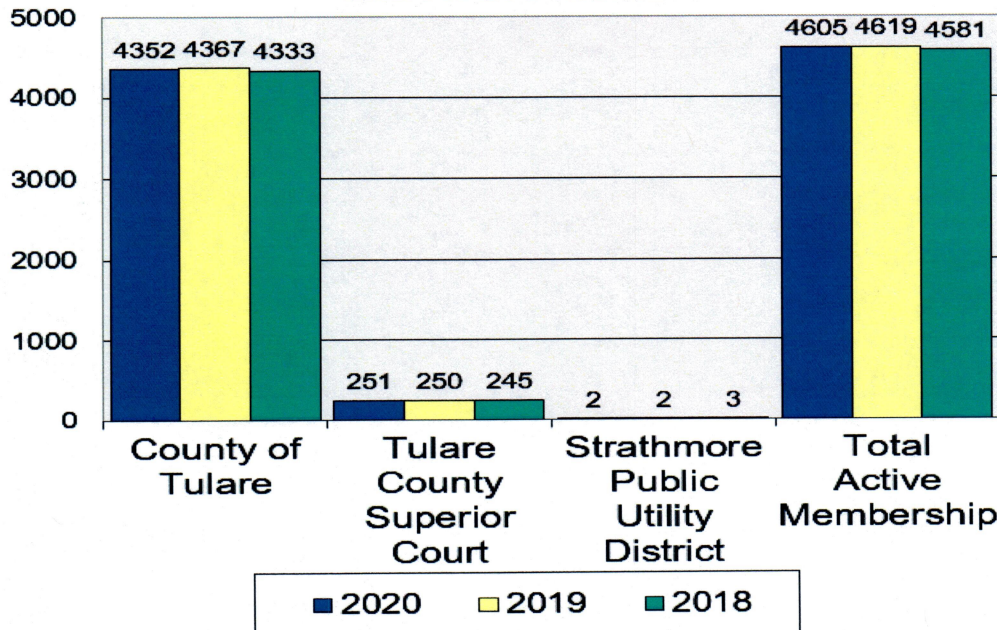
Average Annual Benefit Payments

Fiscal years ending June 30
(Dollars in thousands)

Membership Type	2020	2019	2018
General Members	\$22,245	\$21,492	\$20,733
Safety Members	36,751	35,328	34,876

As of June 30, 2020, there was a 6.89% increase in Annual Retiree Payroll.

Participating Employers and Active Members

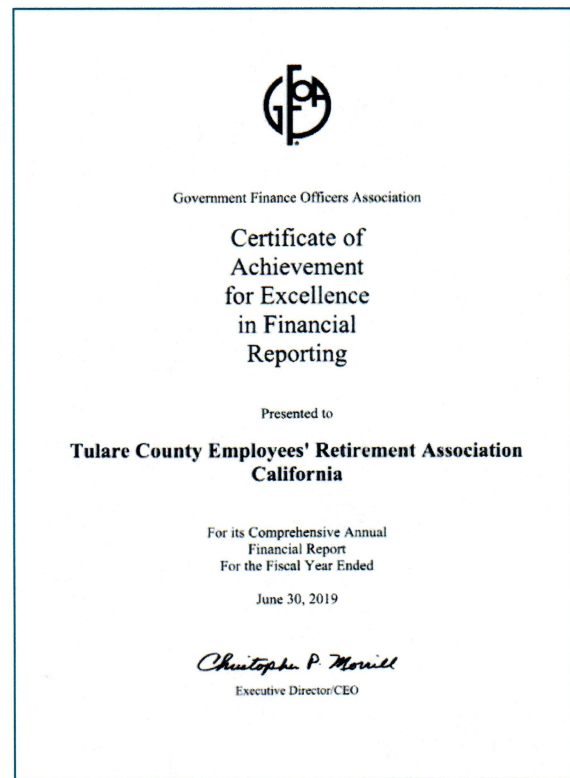
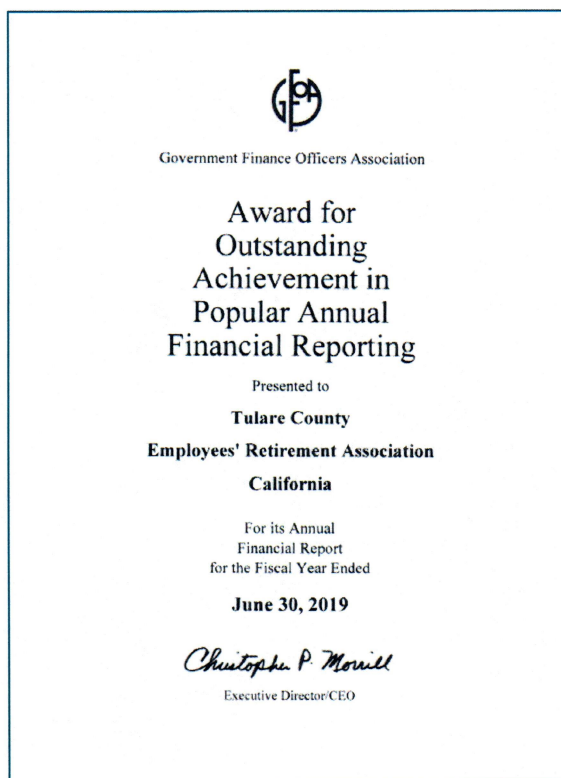


Breakdown of Active Membership by Participating Employers. The County of Tulare is the largest plan sponsor with 94.51% of Active Members.

Awards for Excellence in Financial

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TCERA for its PAFR for the fiscal year ended December 31, 2019. The Award for Outstanding Achievement in Popular Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports. In order to receive this award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. The award is valid for a period of one year only. TCERA has received this award for the last 14 consecutive years since fiscal year ended 2005. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and will submit it to the GFOA.

The GFOA has also awarded TCERA its 22nd Certificate of Achievement for Excellence in Financial Reporting Award for its CAFR for every year from 1999 through 2019. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports.



TCERA has also earned the Public Pension Coordinating Council's (PPCC) Public Standards Award for 2004 through 2020. The award is intended to reflect minimum expectations for public retirement system management and administration, and to serve as a benchmark by which all defined benefit public plans should be measured.

**Tulare County Employees'
Retirement Association**

136 N. Akers Street, Visalia, CA 93291

Phone: 559-713-2900 Fax: 559-730-2631

Email: info@tcera.org

Presorted Std

US Postage

PAID

Visalia, CA

PERMIT NO. 50

2020 POPULAR ANNUAL
FINANCIAL REPORT

For the Year Ended June 30, 2020



We're on the Web!
WWW.TCERA.ORG

Additional information regarding membership and retirement can be found in the Member Handbook, which can be viewed on TCERA's website at:

www.tcera.org or obtained from the TCERA Administrative Office.

More in depth information regarding Investments and TCERA's financial status can be found in the CAFR.

Join us on Facebook or Twitter for the latest News!

