



PAFR

Fiscal Year Ended June 30, 2021

A Message to Members

We are pleased to present the Popular Annual Financial Report (PAFR) which summarizes the TCERA Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021. The financial data presented in the PAFR is derived from the (ACFR) 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 ACFR in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board and in conformity with GAAP. The ACFR is available at TCERA's office for review or accessible on our website, [www.tcera.org](https://tcera.org/news-publications/financial-reports/). <https://tcera.org/news-publications/financial-reports/>

This report is not intended to replace the ACFR, 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

Wayne Ross, Chair

Pete Vander Poel, Vice-Chair

Gary Reed

James Young

Elected by General Members

Ty B. Inman

Laura Hernandez

Elected by Safety Members

Nathan Polk

David Vasquez (Alternate)

County Treasurer-Tax Collector

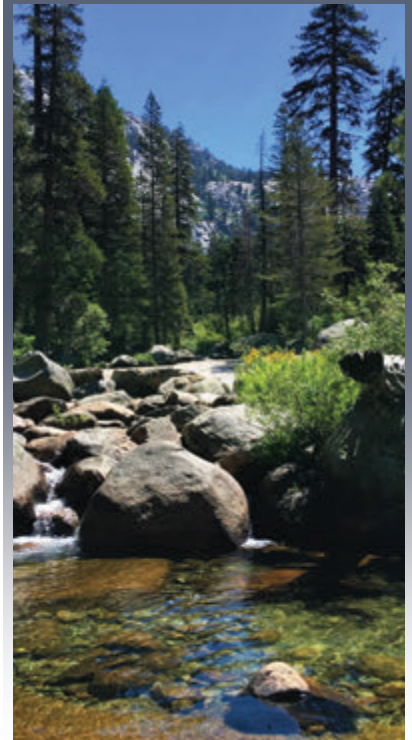
Cass Cook

Paul Sampietro (Alternate)

Elected by the Retired Members

David Kehler

George Finney (Alternate)



Plan Changes, Major Initiatives, Service Efforts and Accomplishments

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. Due to the COVID pandemic, TCERA started offering its many seminars through a web meeting platform. This change has been successful in ensuring the continuation of the numerous retirement seminars TCERA regularly schedules and the ability for each seminar to accommodate a larger group of members.

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

TCERA upgraded its website (www.tcera.org) to a platform that provides increased stability and a new look that enhances the user’s experience. TCERA also updates Facebook and Twitter communications with relevant news and information for its members. The use of social media provides yet another means of reaching TCERA members with important information.

After taking action in the prior year to reduce TCERA’s interest rate assumption, the Board elected to maintain the current compounded rate of 7.00%. This was the result of the Board’s continued analysis of projected investment returns, associated risk, and the recommendations of TCERA’s actuary regarding the interest rate assumption. An asset/liability study presented just prior to the beginning of the fiscal year by Verus, TCERA’s investment consultant, provided additional details regarding the fund that contributed to the discussion and eventual decision regarding the assumed rate. 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.

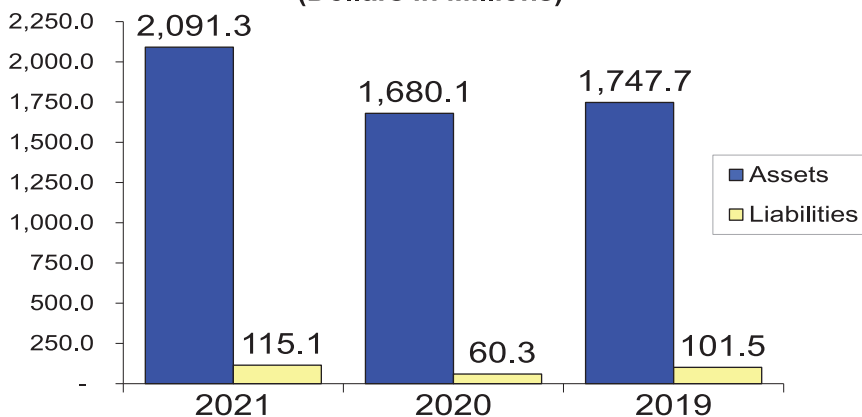
The Board conducted its annual review of its investment policy as a part of its discussions regarding TCERA’s strategic asset allocation. The trustees took action to update the policy reducing the international equity allocation to 15% and increasing the domestic equity allocation to 25% of the total portfolio; all other targets remain unchanged. This change addressed Board concerns regarding the disappointing performance of international equities. Discussion continued after fiscal year end and additional changes are expected in the new fiscal year.

TCERA’s investments returned 24.0% gross of fees for the fiscal year ending June 30, 2021, ranking in the 83rd percentile of its peer group well below the median peer. The return also exceeded the Plan’s policy benchmark of 22.1%. This was well over TCERA’s investment rate assumption of 7% and represents a continued improvement in TCERA’s ranking. TCERA’s fixed income portfolio compared to peers was a major detractor to the peer ranking. The primary driver of TCERA’s outsized returns was the upward trend in global equity markets. 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.

Financial Highlights

The Fiduciary Net Position serves over time as a useful indication of TCERA's financial position. Assets of \$2.1 billion less liabilities of \$115.1 million resulted in a fiduciary net position restricted for pensions of \$1.98 billion at June 30, 2021, a increase of \$356.4 million. The fair value of investments was the primary driver for the increase. 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 increased by 22.0% which was primarily due to a \$384.9 million, an over 2000% increase in Investment Income reflecting robust returns. There were also small increases in employer and plan member contributions for total change in additions of \$387.5 million or 570.4%. The increases in total additions were partially offset by retiree benefits, and member refunds, and administrative expenses resulting in total deductions of \$99.0 million, an increase of 5.02% over the prior fiscal year. Investment results reflect the favorable market conditions which led to an unprecedented year in returns. TCERA will continue to focus 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)
2021	\$ 36,766	\$ 23,536	\$ 395,079
2020	\$ 35,310	\$ 23,104	\$ 9,515
2019	\$ 33,494	\$ 22,325	\$ 90,779

Deductions from Net Position (dollars in thousands)

Fiscal Year	Retiree Benefits	Member Refunds	Admin and Other Expenses
2021	\$ 92,690	\$ 3,586	\$ 2,740
2020	\$ 87,893	\$ 3,534	\$ 2,853
2019	\$ 82,236	\$ 2,861	\$ 2,806

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

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A. Gonzales-Chang

Accounting Staff:

M. Cardenas, F. Martin

Administrative and Support Staff:

R. Cardenas,
S. Brown, A. Meier

Investment Highlights

TCERA's investments returned 24.0% gross of fees for the fiscal year ending June 30, 2021, ranking in the 83rd percentile of its peer group well below the median peer. The return also exceeded the Plan's policy benchmark of 22.1%. This was well over TCERA's investment rate assumption of 7% and represents a continued improvement in TCERA's ranking. Underperformance relative to the median peer resulted primarily from TCERA's more conservative positioning, as reflected by less equity and more fixed income during uncommonly strong equity markets. The primary driver of TCERA's outsized returns was the upward trend in global equity markets. 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 6/30/21

Investment	Current	3-Year	5-Year
Domestic Equity	44.90%	17.80%	18.10%
International Equity	51.60%	14.80%	14.80%
Global Equity	51.60%	14.80%	14.80%
Fixed Income	3.20%	4.60%	3.50%
Private Equity	42.40%	20.90%	17.20%
Private Credit	28.30%	10.90%	N/A
Opportunistic	15.00%	0.40%	6.60%
Real Estate	2.20%	4.70%	5.40%
Total TCERA Fund	24.00%	9.90%	9.90%

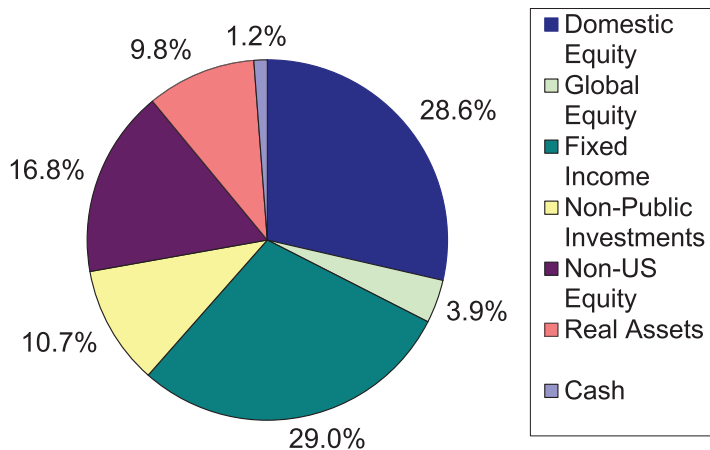
The time-weighted return (TWR) is a true representation of the performance of an investor's portfolio. This is because it only reflects the impact of the market and the investment selections. In other words, the TWR is designed to compensate for however many deposits and withdrawals you make to your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

TCERA Policy Index* 22.10% 10.50% 10.00%

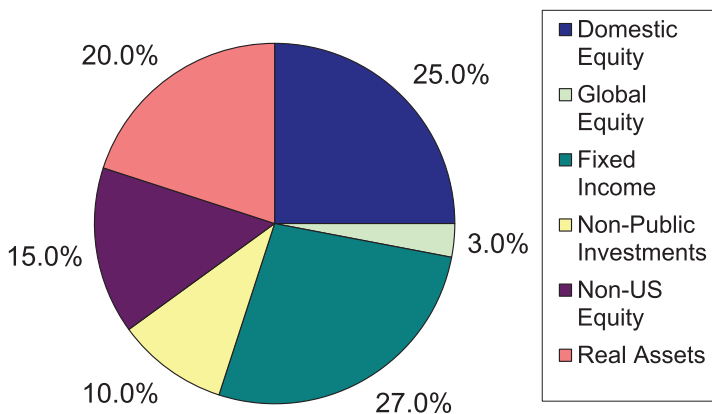
Time Weighted Returns. *Policy Index 25% Russell 3000, 17% BBgBarcAgg, 15% MSCI ACWI ex US, 3% MSCI ACWI, 20% NCREIF ODCE, 5% JPM GBI, 5% (50% JPM EMBI/50% JPM GBI EM), 5% Private Equity, 5% Private Credit

The 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.

2021 Actual Asset Allocation



2021 Target Asset Allocation



Funding Highlights

As of June 30, 2021, the date of the last actuarial valuation, TCERA's funded ratio was 89.8%. This was an increase of 0.7% over the prior year ratio of 89.1%. 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 increase in the ratio (aside from the substantial increase due to the Pension Obligation Bonds funds receivable of \$250 million in 2017) was primarily a result of demographic experience gains and investment gains compared to the assumed rate of return.

Funding Progress

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

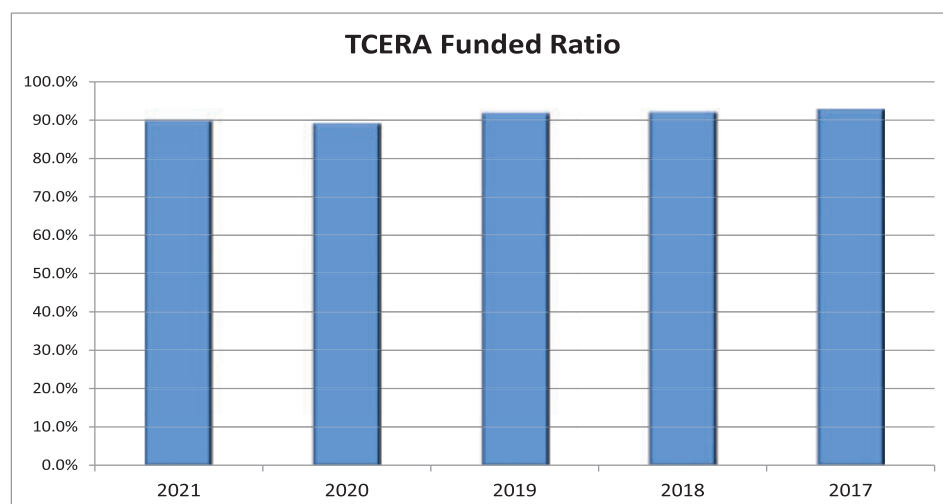
Year Ended June 30	Actuarial Value of Assets	Actuarial Liability	Funded Ratio
2021	\$ 1,759,025	\$1,957,985	89.8%
2020	\$ 1,670,786	\$1,875,797	89.1%
2019	\$ 1,598,431	\$1,741,283	91.8%
2018	\$ 1,523,030	\$1,656,357	92.0%
2017	\$ 1,461,755	\$1,573,406	92.9%

Employer Contributions

As of June 30
(Projected dollars in thousands)

Year Ended June 30	Actuarial Determined Contributions	Percentage Contributed
2021	\$ 36,766	100%
2020	\$ 35,310	100%
2019	\$ 33,494	100%
2018	\$ 36,263	100%
2017	\$ 33,616	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.



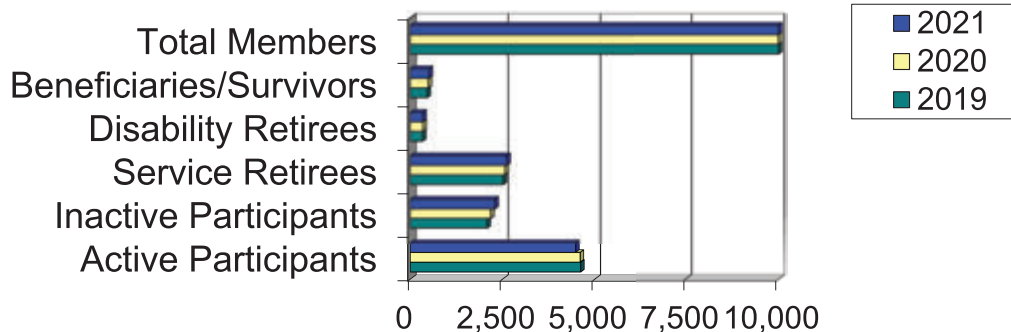
TCERA's Funded Ratio is 89.8%. This means for every dollar of benefits due TCERA had \$0.898 of assets available for payment.

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, 2021, membership consisted of 4,484 Actives, 2,295 Inactives, 2,619 Service Retirees, 342 Disability Retirees, and 511 Beneficiaries, for a total of 10,251 members.

TCERA Membership



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

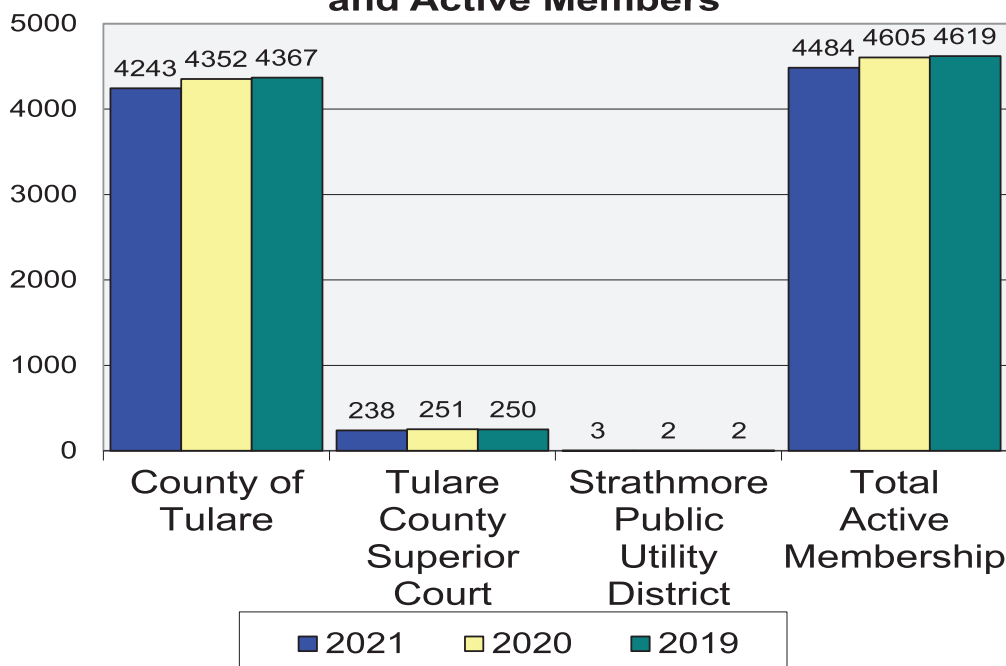
Fiscal years ending June 30

(Dollars in thousands)

Membership Type	2021	2020	2019
General Members	\$ 22,950	\$ 22,245	\$ 21,492
Safety Members	37,682	36,751	35,328

As of June 30, 2021, there was a 4.99% increase in Annual Retiree Payroll.

Participating Employers and Active Members

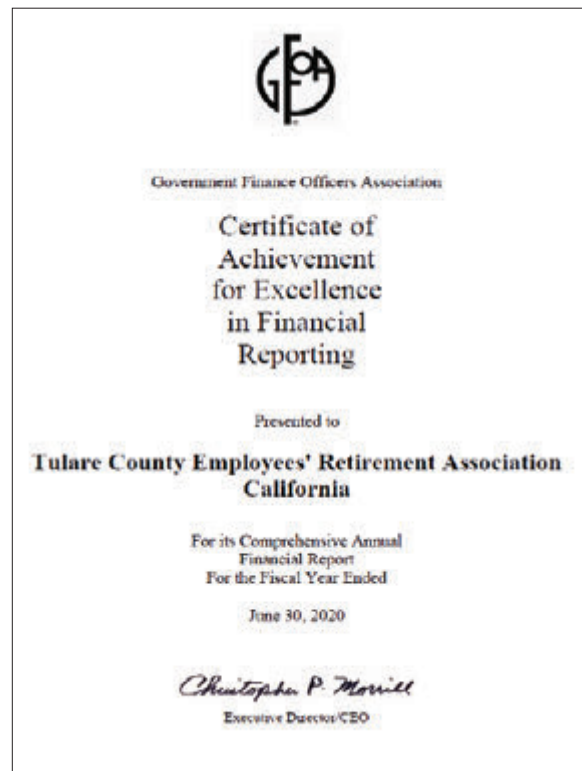
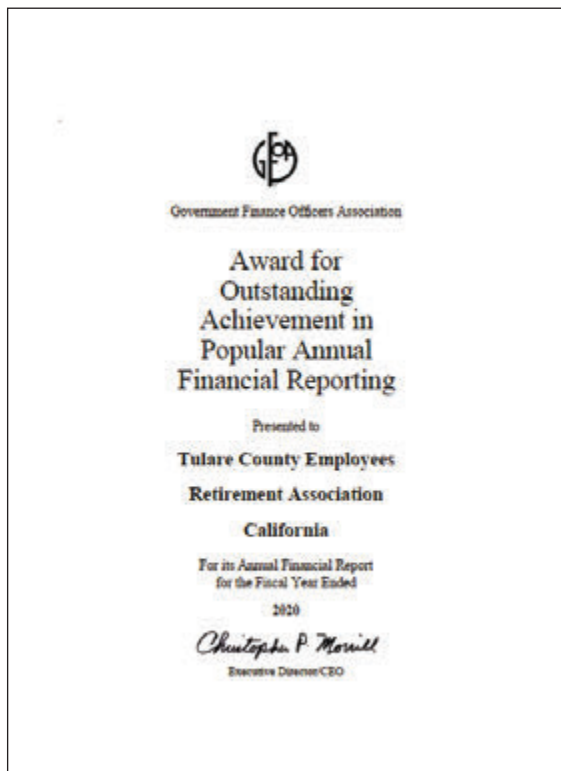


Breakdown of Active Membership by Participating Employers. The County of Tulare is the largest plan sponsor with 94.63% of Active Members.

Awards for Excellence in Financial Reporting

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 June 30, 2020. 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 16 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 ACFR (formerly known as CAFR) for every year from 1999 through 2020. 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 2021. 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

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2021 POPULAR ANNUAL

FINANCIAL REPORT

For the Year Ended June 30, 2021



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 ACFR.

Join us on Facebook or Twitter for the latest News!

