



PAFR

Fiscal Year Ended June 30, 2022

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, 2022. 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 and paying 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), and the California Public Employees' Pension Reform Act of 2013 (PEPRA). 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

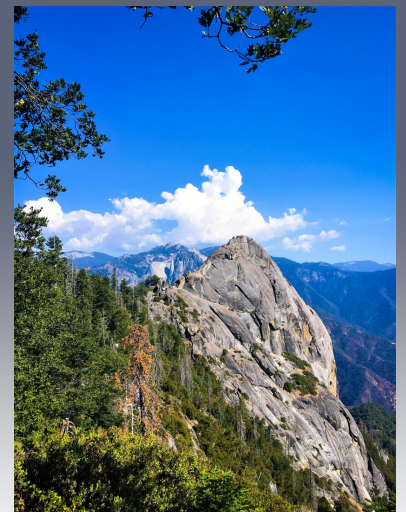
Paul Sampietro (Alternate)

Elected by the Retired

Members

David Kehler

George Finney (Alternate)



Plan Changes, Major Initiatives, Service Efforts and Accomplishments

As each year presents new challenges TCERA continues to adapt and improve. This year TCERA implemented the use of DocuSign so that anyone retiring who is unable to come into the office before their retirement date may sign the required forms remotely. TCERA also implemented the use of electronic payments for processing member refunds of contributions, which enables those wishing to separate from the plan the ability to get their payments faster and more securely.

New audio-visual equipment installed in TCERA's Board room offers improved in-room sound quality and features for remote access. These enhancements were essential in continuing to provide access to public meetings during the COVID pandemic. The implementation of new technology now provides a live stream of Board of Retirement meetings via You Tube to allow the public to see and hear the information presented to the Board and the resulting actions.

The trustees took action to increase the level of risk to match the current Board's level of acceptable tolerance for market fluctuations. The Private Equity target allocation was increased from 5% of the portfolio to 12% of the portfolio, Global Fixed Income was eliminated, Opportunistic Real Estate and Infrastructure were added (4% each), and several other smaller changes were made affecting Emerging Market Debt, Real Estate Debt, Core Real Estate, and Domestic/International Equity. The Board believes these changes will help to ensure that the plan is better able to keep one of its stated goals of maintaining top quartile returns, and ensure that the plan is able to produce earnings that will help to minimize employer contributions in the long run.

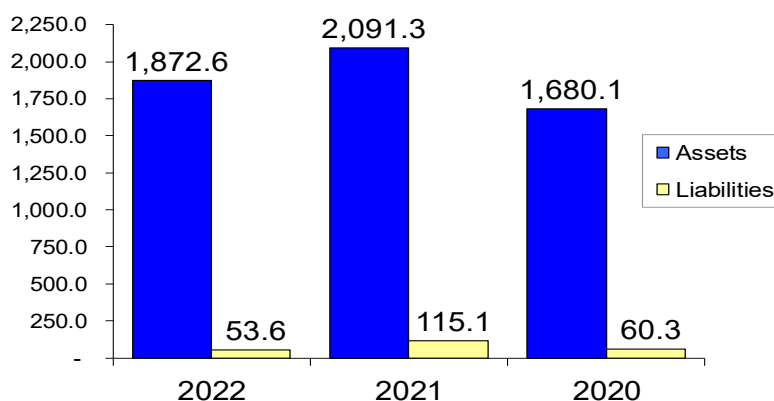
The Board kept TCERA's interest rate assumption at the current compounded rate of 7.00%. This was the result of the Board's continued analysis of projected investment returns, associated risk, and the recommendations of TCERA's actuary regarding the interest rate assumption. While this past year TCERA experienced a negative overall return, it is important to note that the long-term earnings results of the plan are still in keeping with the current interest rate assumption.

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 and estimates to assist with achieving their retirement goals. Since this initiative began a few years ago TCERA has seen an increase in the number of estimates run by members from under 100 per year to over 400 per year. After enrolling in web services, *My TCERA* is accessible to members through a link available on TCERA's website.

Financial Highlights

The Fiduciary Net Position serves over time as a useful indication of TCERA's financial position. Assets of \$1.87 billion less liabilities of \$53.6 million resulted in a fiduciary net position restricted for pensions of \$1.82 billion at June 30, 2022, a decrease of \$157.2 Million. The fair value of investments was the primary driver 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 8.0% which was primarily due to \$117.7 million in Investment Losses and Other Income. The payment of Retiree Benefits has continued to rise, which is expected when considering our Actuary's yearly analysis, yet one number that stands out is a 37.9% increase in Member Refunds over last year. However, despite any challenging short-term variations in the stock market and economy, TCERA remains in a financial position that will enable the Plan to meet its future obligations to participants and beneficiaries. 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)
2022	\$ 40,392	\$ 25,880	\$ (117,773)
2021	\$ 36,766	\$ 23,536	\$ 395,079
2020	\$ 35,310	\$ 23,104	\$ 9,515

Deductions from Net Position (dollars in thousands)

Fiscal Year	Retiree Benefits	Member Refunds	Admin and Other Expenses
2022	\$ 97,762	\$ 4,946	\$ 2,967
2021	\$ 92,690	\$ 3,586	\$ 2,740
2020	\$ 87,893	\$ 3,534	\$ 2,853

Though both employee and employer contributions continue to grow, TCERA's adoption of 10-year asset smoothing helps to stabilize yearly increases and decreases, which arise primarily from cyclical fluctuations in the market.

Financial Reports

Issued by:

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Administrator

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Assistant
Administrator

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Officer



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R. Cardenas,

Accounting Staff:

T. Trevino, F. Martin

Administrative and Support Staff:

R. Corona-Ventura
S. Brown, A. Compton,
R. Avitia



Investment Highlights

TCERA's investments returned –5.9% gross of fees this fiscal year falling short of the assumption rate of 7% that was in effect during the fiscal year. Performance was significantly affected by TCERA's heavy reliance on public equity markets, which performed poorly this year. What is uncharacteristic of falling equity markets is the corresponding downturn in Fixed Income, which is largely due to the Fed raising interest rates to combat inflation. In the long run, TCERA hopes to make progress through the implementation of the changes the Board has made to its strategic investment allocation, especially the increased allocation to private equity (see also *Plan Changes* on page 2 of this report). TCERA continues to be optimistic in its ability to achieve its long-term investment goals.

Investment Returns Fiscal Year Ended 6/30/22*

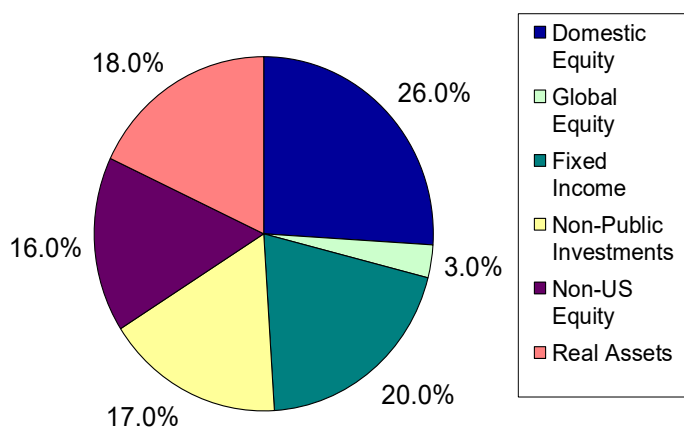
Investment	Current	3-Year	5-Year
Domestic Equity	-13.90%	9.00%	10.20%
International Equity	-18.50%	2.70%	3.50%
Global Equity	-12.20%	8.40%	7.00%
Fixed Income	-12.60%	-2.60%	-0.20%
Private Equity	26.40%	23.80%	21.20%
Private Credit	3.10%	8.10%	8.70%
Opportunistic	22.70%	9.80%	9.80%
Real Estate	20.70%	9.10%	8.30%
Total TCERA Fund	-5.90%	5.40%	5.90%
TCERA Policy Index**	-6.20%	5.60%	6.20%

*Time Weighted Returns. **Policy Index: 26% Russell 3000, 17% Bloomberg US Agg, 16% MSCI ACWI ex US, 3% MSCI ACWI ex US, 13.4% NCREIF ODCE, 3% JPM GBI, 5% Russell 2000, 4.6% MSCI REIT, 7% Private Equity, 5% Private Credit

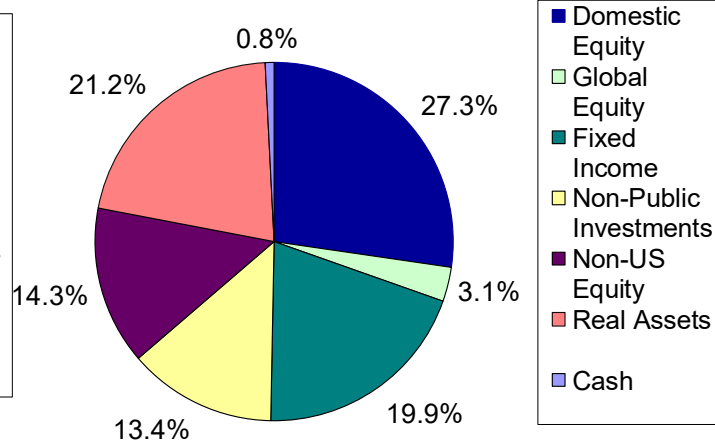
The time-weighted return (TWR) is a true representation of the performance of an investor's portfolio. This is because it only reflects the impact of the market and the investment selections. In other words, the TWR is designed to compensate for however many deposits and withdrawals you make to your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

2022 Target Asset Allocation



2022 Actual Asset Allocation



Funding Highlights

As of June 30, 2022, the date of the last actuarial valuation, TCERA's funded ratio was 89.9%. This was an increase of 0.1% over the prior year ratio of 89.8%. The funded ratio is a plan's assets as a percentage of its liabilities. TCERA has adopted a 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. During the current fiscal year, the funded ratio did not change but 0.1% because both the actuarial value of assets and liabilities increased at about the same rate. These increases were due to a variety of factors, which offset each other to come to a net increase for both. However, many of the changes can be traced to the smoothing of investment gains and losses.

Funding Progress

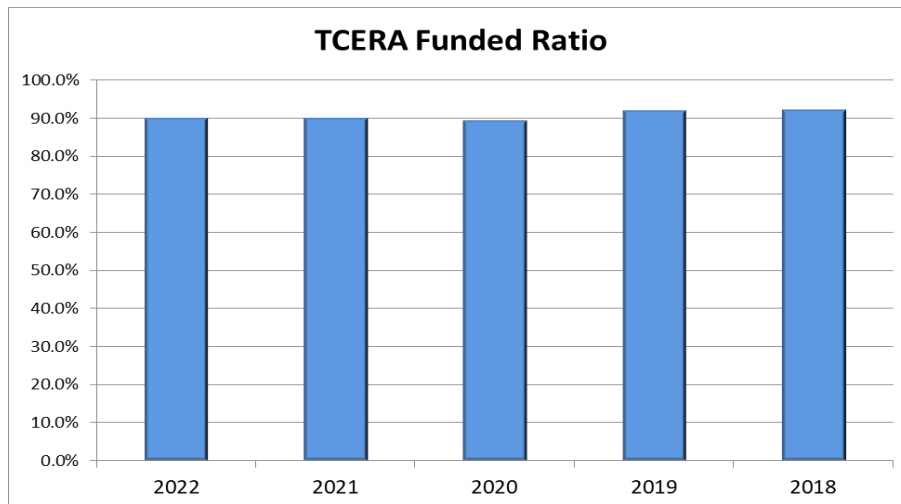
Actuarial Valuation Date as of June 30

(Dollars in thousands)

Year Ended June 30	Actuarial Value of Assets	Actuarial Liability	Funded Ratio
2022	\$ 1,840,190	\$2,047,350	89.9%
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%

TCERA's Funded Ratio is 89.9%. This means for every dollar of benefits due TCERA had \$0.899 of assets available for payment.

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.

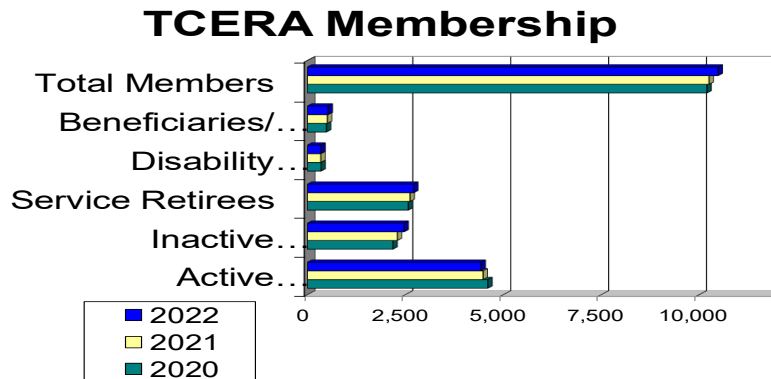


Not displayed in the chart is the substantial increase in the funded status as of June 30, 2017 as compared to prior periods, primarily due to the issuance of \$250 million in Pension Obligation Bonds by the County.

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, 2022, membership consisted of 4,432 Actives, 2,467 Inactives, 2,711 Service Retirees, 345 Disability Retirees, and 529 Beneficiaries, for a total of 10,484 members.



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

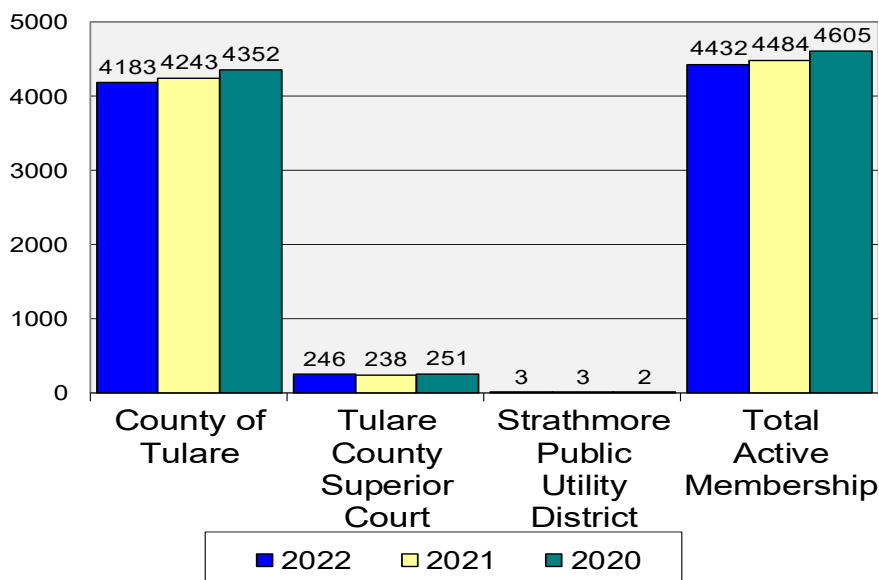
Average Annual Benefit Payments

Fiscal years ending June 30
(Dollars in thousands)

Membership Type	2022	2021	2020
General Members	\$23,553	\$22,950	\$22,245
Safety Members	38,758	37,682	36,751

As of June 30, 2022, there was a 6.22% increase in Annual Retiree Payroll.

Participating Employers and Active Members

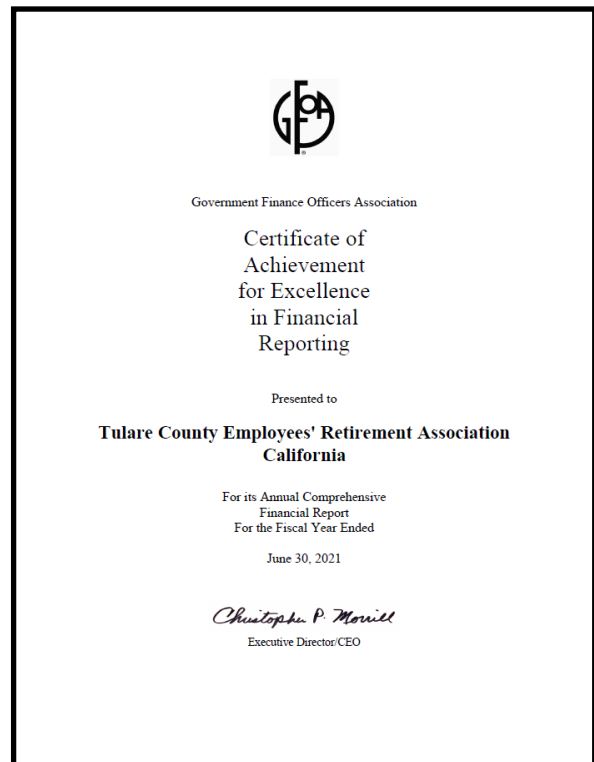
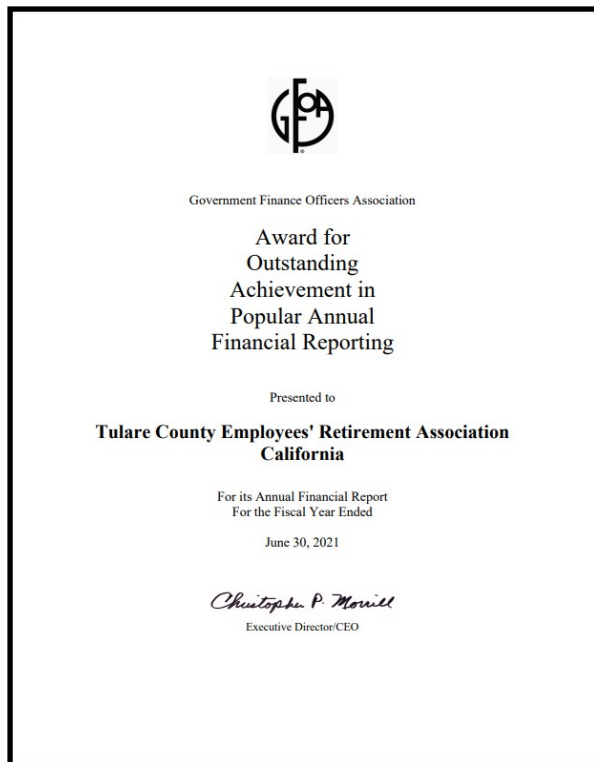


The County of Tulare is the largest plan sponsor with 94.38% of Active Members.

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, 2021. 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 17 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 23rd Certificate of Achievement for Excellence in Financial Reporting Award for its ACFR for every year from 1999 through 2021. 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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2022 POPULAR ANNUAL

FINANCIAL REPORT

For the Year Ended June 30, 2022



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.

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