



PAFR

Fiscal Year Ended June 30, 2023

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, 2023. 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

Pete Vander Poel, Chair

James Young, Vice-Chair

Gary Reed

Elected by General Members

Ty B. Inman

Laura Hernandez

Elected by Safety Members

Nathan Polk

David Vasquez (Alternate)

County Treasurer-

Tax Collector

Cass Cook

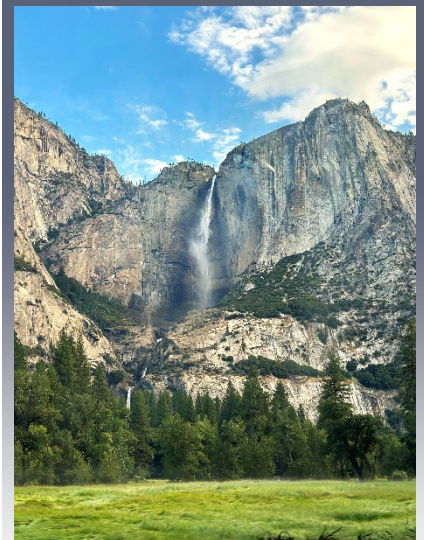
Jorge Garcia-Perez (Alternate)

Elected by the Retired

Members

Roland Hill

George Finney (Alternate)



Plan Changes, Major Initiatives, Service Efforts and Accomplishments

Staff development is one of TCERA's priorities, and it represented a significant effort in the last year. Firstly, the administration implemented training in retirement law for TCERA employees to ensure that staff members interacting with members are knowledgeable about the legal aspects of pension administration in addition to the required knowledge of calculations and processes. Additionally, the Board authorized the review of TCERA's Retirement Specialist positions to ensure that the job descriptions remain relevant and the compensation structure competitive. The result was an increase in the salary ranges for these positions, which is important in attracting and retaining these valuable staff members to serve the plan members. Finally, the position of Retirement Specialist Supervisor, after remaining vacant for a lengthy period, was filled by a long-term employee of TCERA. The ability to promote from within is also critical to retaining qualified staff.

In prior years the Board authorized Verus Advisory, Inc., TCERA's investment consultant, with discretionary authority to build out TCERA's Private Markets portfolio. Over the past year, Verus Advisory added several new investments to the portfolio, which the Board viewed as an important measure in ensuring that the Plan is better able to keep one of its stated goals of maintaining top-quartile returns.

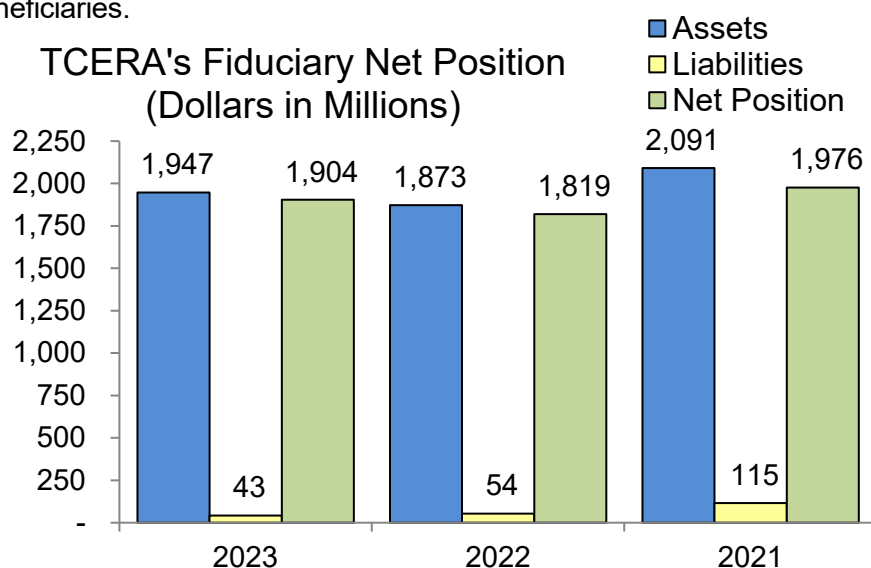
The Board kept TCERA's interest rate assumption at the current compounded rate of 7.00%. This was the result of the Board's continued analysis of projected investment returns, associated risk, and the recommendations of TCERA's actuary regarding the interest rate assumption. The Board acknowledged that the rate in place will keep the Plan in a favorable position for reaching its long-term investment return goals and achieving full funding status.

TCERA continued to enhance its Pension Administration System and develop improved processes and workflow through expanded use of the system's capabilities. Staff worked to gain efficiencies in the use of the CPAS system and to refine procedures to make the best use of the system's features.

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 allows members to use "what if" scenarios and estimates to assist with achieving their retirement goals. TCERA has continued to see increases in the number of estimates run by members with over 450 processed last year.

Financial Highlights

The Fiduciary Net Position serves over time as a useful indication of TCERA's financial position. Assets of \$1.95 billion less liabilities of \$43 million resulted in a fiduciary net position restricted for pensions of \$1.9 billion at June 30, 2023, an increase of \$85 Million. The fair value of investments was the primary driver for the increase. All the Net Position is available to meet TCERA's ongoing obligation to plan participants and beneficiaries.



At fiscal year end, TCERA's Fiduciary Net Position increased by 4.68% which was primarily due to \$124.1 million in Investment Income and Other Income. The payment of Retiree Benefits has continued to rise, which is expected when considering the Actuary's yearly analysis, yet one number that stands out is a 123.5% increase in Member Refunds over last year. 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)
2023	\$ 45,174	\$ 27,965	\$ 124,155
2022	\$ 40,392	\$ 25,880	\$ (117,773)
2021	\$ 36,766	\$ 23,536	\$ 395,079

Deductions from Net Position (dollars in thousands)

Fiscal Year	Retiree Benefits	Member Refunds	Admin and Other Expenses
2023	\$ 103,392	\$ 6,111	\$ 2,746
2022	\$ 97,762	\$ 4,946	\$ 2,967
2021	\$ 92,690	\$ 3,586	\$ 2,740

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 out of seasonal market fluctuations and the increasing ratio of retired to active members.

Financial Reports Issued by:

Leanne Malison,
Administrator

Paul Sampietro,
Assistant
Administrator

Jake Flores,
Administrative Services
Officer



Members of the Staff:

Retirement Specialist Supervisor:

D. Nunes

Retirement Specialists:

S. Abrego,

R. Cardenas,

M. Rojas,

R. Banuelos

Accounting Staff:

Y. Torres,

R. Corona-Ventura

Administrative and Support Staff:

M. Tyler,

B. Franks,

A. Compton,

R. McCurry



Investment Highlights

TCERA's investments returned 6.5% this fiscal year, falling short of the assumption rate of 7% that was in effect during the fiscal year. The primary driver of TCERA's positive return was the recovery of the equity markets during the fiscal year. Interest rates, inflation, and geopolitical turmoil are expected to continue to add volatility and uncertainty in the near term. In the long run, though, TCERA continues to be optimistic in its ability to achieve its long-term investment goals.

Investment Returns Fiscal Year Ended 6/30/23*

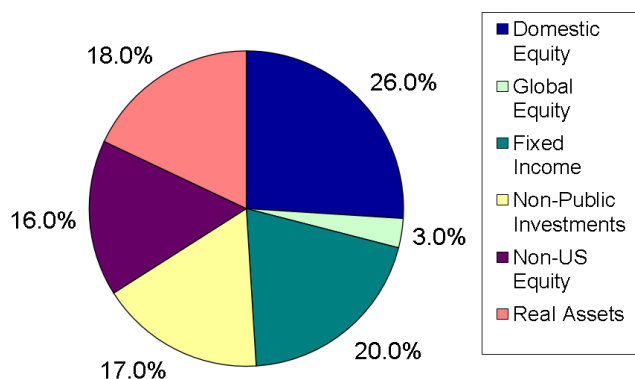
Investment	Current	3-Year	5-Year
Domestic Equity	17.90%	13.60%	10.40%
International Equity	16.10%	9.30%	5.40%
Global Equity	19.20%	16.30%	9.10%
Fixed Income	1.40%	-3.20%	0.90%
Private Equity	-3.40%	21.70%	17.50%
Private Credit	2.70%	12.30%	8.50%
Opportunistic	22.70%	9.80%	9.80%
Real Estate	5.00%	11.90%	4.30%
Total TCERA Fund	6.50%	7.80%	5.90%
TCERA Policy Index**	6.90%	7.10%	6.20%

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

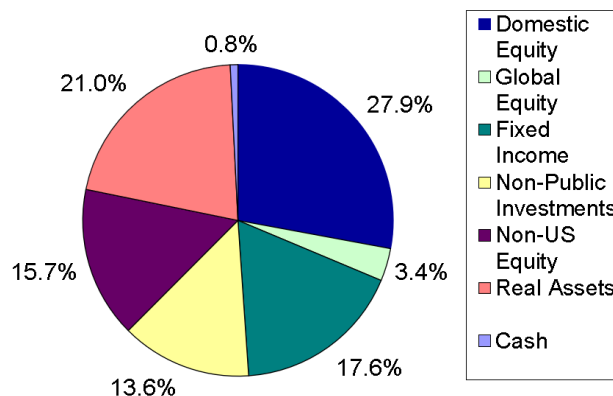
The time-weighted return (TWR) is a true representation of the performance of an investor's portfolio. This is because it only reflects the impact of the market and the investment selections. In other words, the TWR is designed to compensate for however many deposits and withdrawals you make to your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

2023 Target Asset Allocation



2023 Actual Asset Allocation



Funding Highlights

TCERA has adopted a 10-year asset smoothing which allows the Plan to recognize investment gains and losses over time. This process contributes to the stable funded status of the Plan. As of June 30, 2023, the date of the last actuarial valuation, TCERA's funded ratio was 87.0%. This was a decrease of 2.9% from the prior year's ratio of 89.9%. The funded ratio represents the plan's assets as a percentage of its liabilities. During the current fiscal year, the funded ratio dropped 2.9% because the actuarial value of the assets did not increase as much as the liabilities increased. The increase in the liabilities was primarily a result of salaries and post-retirement cost-of-living adjustments (COLAs) being higher than expected. However, while the actuarial value of assets increased during the year, their growth is hampered by the recognition of remaining deferred investment losses.

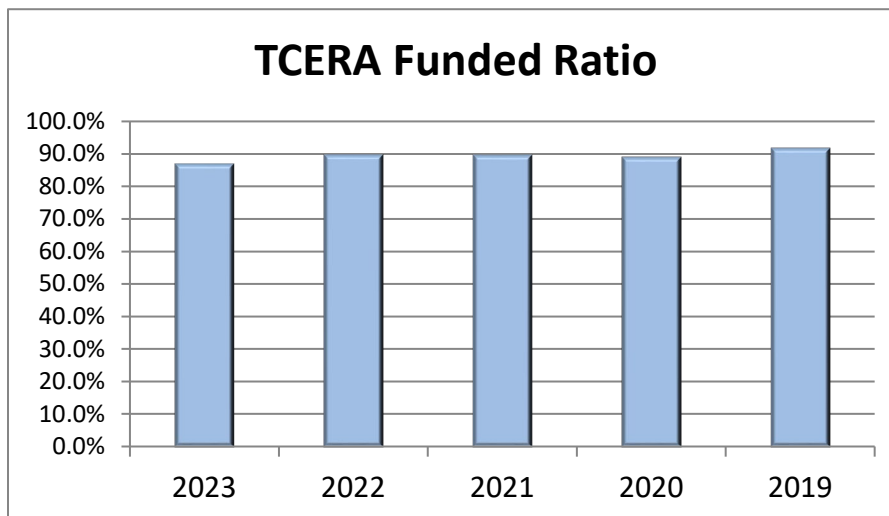
Funding Progress

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

Year Ended June 30	Actuarial Value of Assets	Actuarial Liability	Funded Ratio
2023	\$ 1,915,710	\$ 2,201,923	87.0%
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%

TCERA's Funded Ratio is 87.0%. This means for every dollar of actuarially projected benefits TCERA had \$0.87 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.

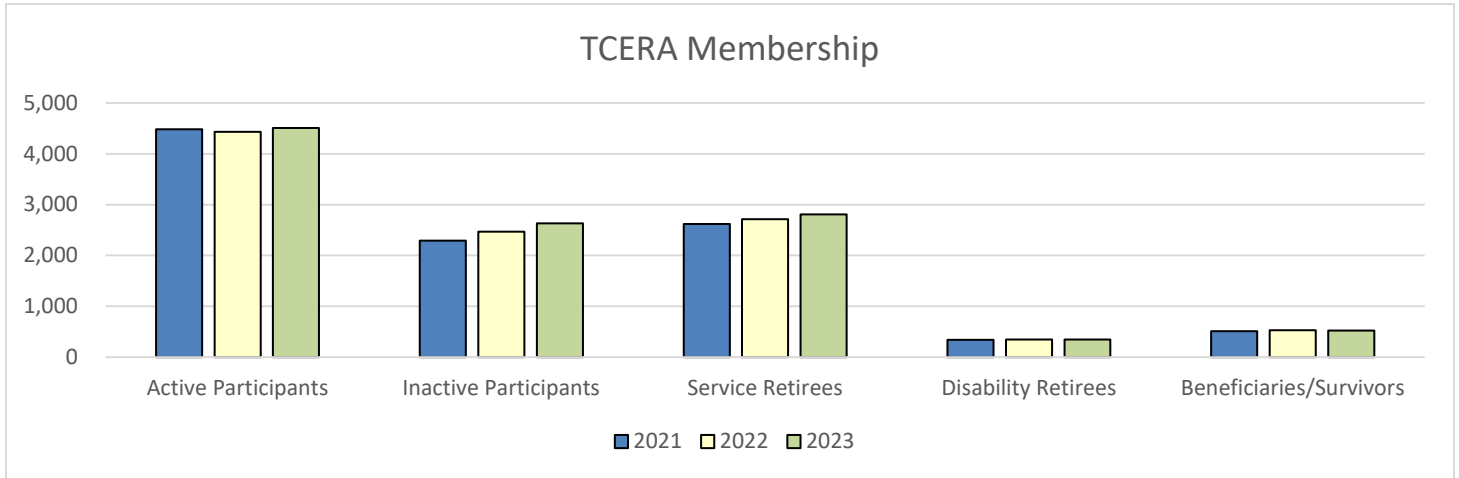


Not displayed in the chart is the substantial increase in the funded status as of June 30, 2017, as compared to prior periods, primarily due to the issuance of \$250 million in Pension Obligation Bonds by the County.

Some significant actuarial assumptions used include an investment earnings rate of 7.0%, wage inflation assumption of 3%, longevity/promotion assumptions (ranging from 0.5% to 9.0% 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, 2023, membership consisted of 4,505 Actives, 2,633 Inactives, 2,808 Service Retirees, 348 Disability Retirees, and 526 Beneficiaries, for a total of 10,820 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

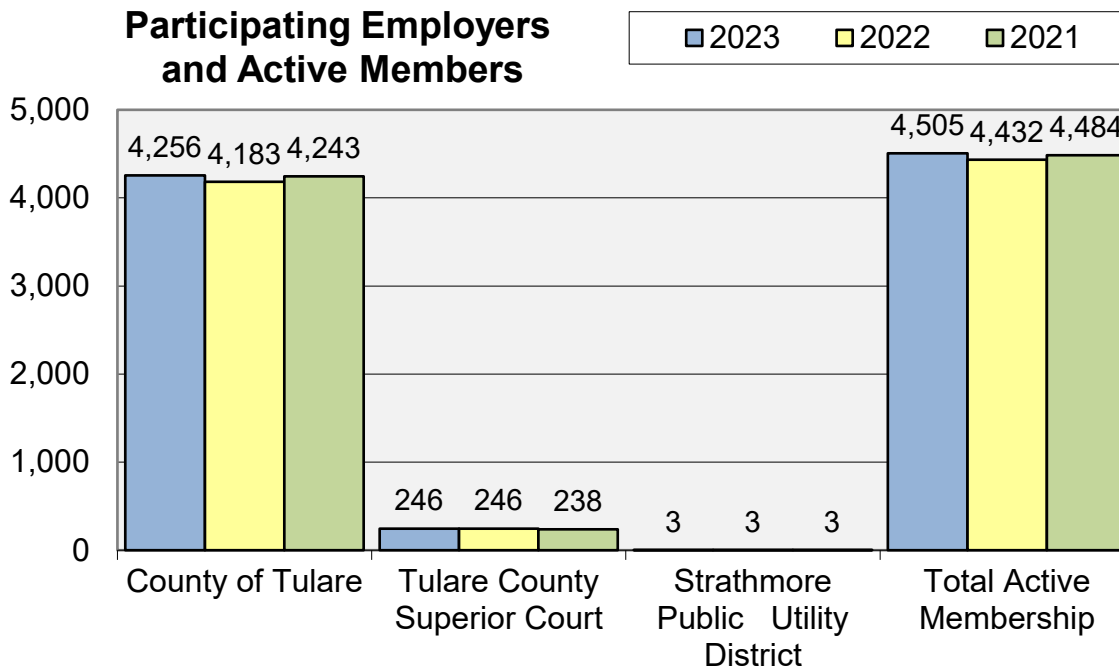
Fiscal years ending June 30

(Dollars in thousands)

Membership Type	2023	2022	2021
General Members	\$24,219	\$23,553	\$22,950
Safety Members	39,589	38,758	37,682

As of June 30, 2023, there was a 5.63% increase in Annual Retiree Payroll.

Participating Employers and Active Members

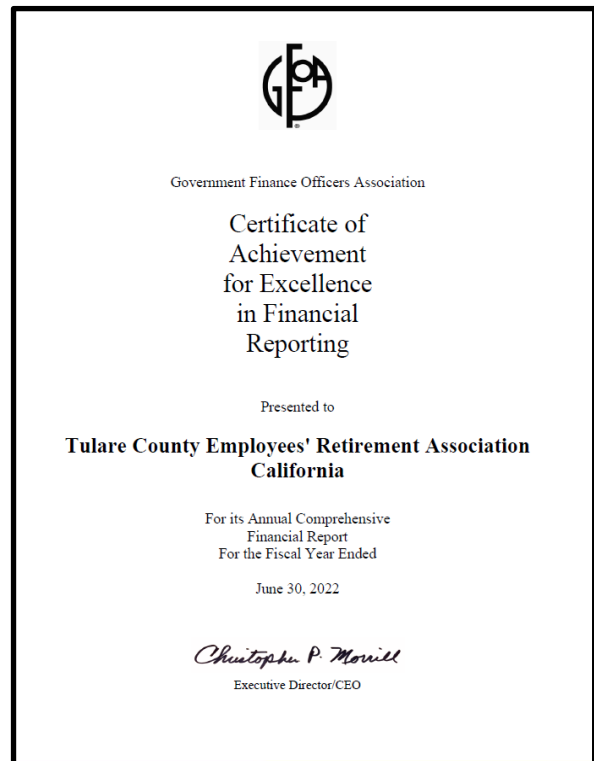
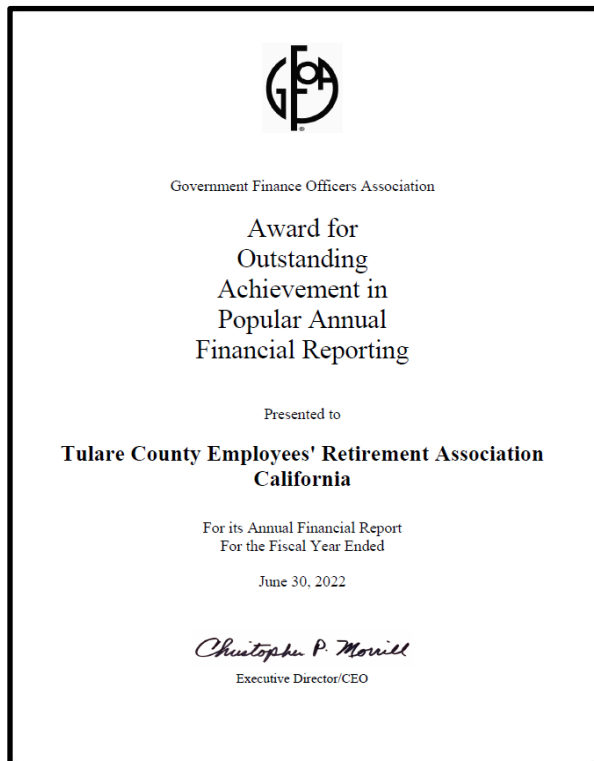


Breakdown of Active Membership by participating employers. The County of Tulare is the largest plan sponsor with 94.47% of Active Members.

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, 2022. 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 18 consecutive years since the 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 24th Certificate of Achievement for Excellence in Financial Reporting Award for its ACFR for every year from 1999 through 2022. This is a prestigious national award recognizing conformance with the highest standards for preparing state and local government reports.



TCERA has also earned the Public Pension Coordinating Council's (PPCC) Public Standards Award for 2004 through 2022. 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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**2023 POPULAR ANNUAL
FINANCIAL REPORT**

For the Year Ended June 30, 2023



**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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