



COUNTY OF TULARE

BOARD OF RETIREMENT

Leanne Malison
Retirement Administrator

136 N AKERS STREET
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
www.tcera.org

AGENDA OF THE BOARD OF RETIREMENT
REGULAR RETIREMENT BOARD MEETING
Wednesday, December 8, 2021 at 8:30 a.m.
TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291

NOTICE TO THE PUBLIC

Persons who wish to address the Board of Retirement during public comment or regarding an item that is on the agenda may address the Board of Retirement in person at the meeting. Any person addressing the Board will be limited to a maximum of five (5) minutes. A total of 15 minutes will be allotted for the Public Comment period unless otherwise extended by the Board Chair. If you are part of a large group that would like to comment on an agenda item, please consider commenting in writing or sending one spokesperson to speak on behalf of the group. Members of the public may also submit public comment via U.S. mail or via email to BORPublicComment@tcera.org before the meeting. The comments received via U.S. mail or email before the meeting will be read to the Board of Retirement in open session during the meeting as long as the comments meet the requirements for Public Comments as posted in the agenda. Public comments are limited to any item of interest to the public that is within the subject matter jurisdiction of the Board of Retirement. (Gov't Code Section 54954.3(a).)

Persons wishing to listen to the meeting may call the TCERA Office during regular business hours (Monday through Friday, 8:00 a.m. to 5:00 p.m.) within 48 hours of the meeting at 559-713-2900 for access information. Documents related to the items on this agenda are available for public inspection at the Retirement Office, 136 N Akers Street, Visalia, CA, during normal business hours. Such documents are also available on TCERA's website, www.tcera.org, subject to staff's ability to post the documents before the meeting.

As a courtesy to those in attendance, all individuals are requested to place cell phones and other electronic devices in the non-audible alert mode.

I. CALL TO ORDER

II. ROLL CALL

III. PLEDGE OF ALLEGIANCE

IV. PUBLIC COMMENT

At this time, members of the public may comment on any item not appearing on the agenda. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public is invited to make comments at the time the item comes up for Board consideration. Any person addressing the Board will be limited to a maximum of five (5) minutes. Please state your name for the record.

V. X-AGENDA ITEMS

VI. CONSENT CALENDAR

1. Approve Minutes of the following meetings:
 - a. Retirement Board Minutes of November 17, 2021.
2. Approve payments to:
 - a. Brown Armstrong Accountancy Corporation – invoice for work in process through October 31, 2021 on the June 30, 2021 financial audit.
 - b. Nossaman – invoice for legal services to the Board of Retirement in the amount of \$9,055.80.
 - c. County Counsel – invoice for legal services to the Board of Retirement in the amount of \$3,809.20 for the period ending October 31, 2021.
3. Pension Board Reports and Actions
 - a. Ratify Retirement Administrator actions regarding Retirement Application approvals and Option Selections for the month of November 2021.
 - b. Approve Reports regarding Retirement Applications, Option Selections and Deceased Pensioners and 30-Year Members for the month of November 2021.

VII. ADMINISTRATIVE COMMITTEE REPORT

1. Update by Dave Kehler regarding the Administrative Committee meeting of November 17, 2021. Discussion and possible action regarding the following items:
 - a. TCERA and TCERA Property, Inc. Financial Statements for July 31, 2021 – Final and August 31, 2021 – Final
 - b. Review of Government Codes for Excess Earnings – Tier 4 Interest Crediting Policy

VIII. INVESTMENTS

1. Discussion and possible action regarding consent form for transition from LMCG Investments, LLC to Leeward Investments, LLC.
2. Discussion and possible action regarding TCERA's strategic investment allocation and investment managers, including performance, contracts, and fees.

IX. NEW BUSINESS

1. Presentation from Brown Armstrong Accountancy regarding results of TCERA's June 30, 2021 audit. Discussion and possible action.
2. Discussion and possible action regarding TCERA's June 30, 2021 Annual Comprehensive Financial Report (ACFR).
3. Discussion and possible action regarding adoption of Amendment to Resolution Regarding Pay Codes Included as Pensionable Income.

X. EDUCATION ITEMS

1. Discussion and possible action regarding Summary Education Reports as filed:
 - a. Leanne Malison – SACRS Conference, November 9-12, 2021, 14 hours.
 - b. Mary Warner – BlackRock Webinar: Assessing Global Equities Opportunity, 30 minutes.
2. Discussion and possible action regarding available educational events.

XI. COMMUNICATIONS

1. SACRS Legislative Update – November 2021 – Discussion and possible action.

XII. UPCOMING MEETINGS

1. Investment Committee Meeting, December 8, 2021, 10:30 a.m.
2. Administrative Committee for December – canceled.
3. Board of Retirement Meeting January 12, 2022, 8:30 a.m.
4. TCERA Property, Inc. Shareholders Meeting and Directors Meeting, directly following the Board of Retirement Meeting, January 12, 2022.
5. Investment Committee Meeting January 12, 2022, 10:30 a.m.
6. Board of Retirement Meeting January 26, 2022, 8:30 a.m.
7. Administrative Committee Meeting to be determined pending committee assignments. (Possible January 26, 2022, 10:30 a.m.)

XIII. TRUSTEE/STAFF COMMENTS

Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time.

XIV. ADJOURNMENT

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Secretary of the Board of Retirement at (559) 713-2900. Notification 48 hours prior to the meeting will help enable staff to make reasonable arrangements to ensure meaningful access. Documents related to the items on this Agenda submitted after distribution of the Agenda packet are available for public inspection at TCERA, 136 N. Akers Street, Visalia, CA. during normal business hours.



COUNTY OF TULARE BOARD OF RETIREMENT

Leanne Malison
Retirement Administrator

136 N AKERS STREET
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
www.tccra.org

MINUTES OF THE BOARD OF RETIREMENT REGULAR RETIREMENT BOARD MEETING Wednesday, November 17, 2021 at 8:30 a.m. TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291

I. CALL TO ORDER

The meeting was called to order at 8:30 a.m. by Wayne Ross, Chair.

II. ROLL CALL

Voting Trustees Present:	Cass Cook (departed 11:16 a.m.), Laura Hernandez, Wayne Ross, Gary Reed, Jim Young, Nathan Polk, Dave Kehler, Pete Vander Poel (arrived 8:34 a.m.), Ty Inman
Alternate Trustees Present:	Paul Sampietro, George Finney
Alternate Trustees Absent:	Dave Vasquez
Staff Members Present:	Leanne Malison, Retirement Administrator Mary Warner, Assistant Retirement Administrator
Board Counsel Present:	Jennifer Shiffert, Deputy County Counsel
Consultants Present:	Scott Whalen and Mike Kamell, Verus

III. PLEDGE OF ALLEGIANCE

IV. PUBLIC COMMENT

At this time, members of the public may comment on any item not appearing on the agenda. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public is invited to make comments at the time the item comes up for Board consideration. Any person addressing the Board will be limited to a maximum of five (5) minutes. Please state your name for the record.

None.

V. X-AGENDA ITEMS

None.

VI. CONSENT CALENDAR

1. Approve Minutes of the following meetings:
 - a. Retirement Board Minutes of November 3, 2021.
2. Approve payments to:
 - a. Verus – invoice for investment consulting services in the amount of \$22,500.00 for the month ended October 31, 2021.

- b. Boston Partners – invoice for quarterly fees in the amount of \$73,626.86, ending Sept. 30, 2021.
 - c. Franklin Templeton – invoice for quarterly fees in the amount of \$76,247.67, ending Sept. 30, 2021.
 - d. Cheiron – invoice for actuarial services for the quarter ended September 30, 2021 in the amount of \$47,219.14.
 - e. Waddell & Reed – invoice for quarterly fees in the amount of \$92,632.05, ending Sept. 30, 2021.
 - f. William Blair – invoice for quarterly fees in the amount of \$68,497.81, ending Sept. 30, 2021.
 - g. BlackRock– invoice for quarterly fees in the amount of \$71,392.50, ending Sept. 30, 2021.
 - h. State Street Global Advisors– invoice for quarterly fees, US Extended Mkts (CMJ4) in the amount of \$4,704.95, ending Sept. 30, 2021.
 - i. State Street Global Advisors– invoice for quarterly fees, S&P 500 Flagship (CM11) in the amount of \$7,448.78, ending Sept. 30, 2021.
 - j. State Street Global Advisors– invoice for quarterly fees, MSCI ACWI (ZVGM) in the amount of \$14,242.97, ending Sept. 30, 2021.
3. Pension Board Reports and Actions
- a. Ratify Retirement Administrator actions regarding Retirement Application approvals and Option Selections for the month of October 2021.
 - b. Approve Reports regarding Retirement Applications, Option Selections and Deceased Pensioners and 30-Year Members for the month of October 2021.

Motion to approve Consent Calendar as presented.

Motion: Young

Second: Polk

Absent: Vander Poel

Motion passed unanimously.

VII. INVESTMENT COMMITTEE REPORT

- 1. Update by Gary Reed regarding the Investment Committee meeting of November 3, 2021.
Discussion and possible action regarding the following items:
 - a. Asset Allocation Status

Mr. Reed reported that the asset allocation status report for October was not available due to the Committee meeting falling early in the month. The Committee reviewed the September report.
 - b. 2021-2022 Investment Committee Goals and Objective Timeline and 2021-2022 Education Calendars

Mr. Reed reported that the Committee reviewed the information provided. The manager presentation schedule for 2022 was approved and the February 9, 2022 meeting will be canceled due to a conflict with the World Ag Expo.
 - c. Large Cap Growth Equity Manager Review – Confirmation of presentation finalists

Mr. Reed reported that the Committee affirmed the Board of Retirement's original action regarding this matter, inviting Sands Capital and William Blair to make large cap growth equity presentations to the Board.
 - d. Annual Manager Fee and AB2833 Reports

Mr. Reed reported that the Committee reviewed the manager fee report and the AB2833 report. The Board noted that fees as a percentage of assets are down over last year due to negotiated fee reductions. Mr. Kehler asked about the status of the fee schedule for the SSGA index funds. Ms. Malison reminded the Board that the fees have already been reduced as previously negotiated. The reports were accepted as filed.

e. Investment Managers

1) Verus Flash Report – All managers

The Committee noted the year-to-date flat performance through September. Performance will be discussed in detail during the presentation of the September 30, 2021 Performance Report item later in the agenda.

2) Managers of Interest

- a) Franklin Templeton – Manager Review – no action.
- b) KKR – Organizational Update – no action.

VIII. INVESTMENTS

1. Presentation from Verus Private Markets Team regarding discretionary private markets consulting services. Discussion and possible action.

Mike Kamell, Faraz Shooshani, Christopher Shelby, and John Wasnock reviewed the presentation materials and provided details regarding the discretionary private markets consulting services available from Verus. The entire Verus team, including Mike Kamell exited the meeting for the discussion and action on this item. The Board discussed the impact on staff and the need for an additional accounting position to be included in the budget for the next fiscal year.

Motion to authorize Staff to enter into a contract with Verus for discretionary private markets consulting services subject to TCERA counsel review of the contract.

Motion: Young
Second: Hernandez
Motion passed unanimously.

Mr. Ross departed at 10:34 a.m. Mr. Vander Poel acted as Chair for the remainder of the meeting.

2. Presentation from IFM regarding TCERA's investment allocation to infrastructure. Discussion and possible action.

Joe Tremblay reviewed the presentation materials and provided details regarding infrastructure investment management services available from IFM.

Motion to authorize Staff to enter into a contract with IFM for infrastructure investment services through IFM's Global Infrastructure Fund, subject to TCERA counsel review of the contract.

Motion: Hernandez
Second: Young
Absent: Ross
Motion passed unanimously.

3. Presentation from Verus regarding TCERA's September 30, 2021, Investment Performance Report. Discussion and possible action.

Mr. Whalen reviewed the September 30, 2021 Investment Performance Report, including Verus' market outlook.

4. Discussion and possible action regarding TCERA's strategic investment allocation and investment managers, including performance, contracts, and fees.

No discussion or action.

The acting chair authorized three hours of continuing education for the investment presentations.

IX. EDUCATION ITEMS

1. Discussion and possible action regarding Summary Education Reports as filed:
 - a. Leanne Malison – Verus Fourth Quarter Conference Call – Webinar, October 28, 2021. 1 hour.
 - b. Mary Warner – Verus Fourth Quarter Conference Call – Webinar, October 28, 2021. 1 hour.

Motion to approve the Summary Education Reports as filed.

Motion: Reed
Second: Young
Absent: Ross
Motion passed unanimously.

2. Discussion and possible action regarding available educational events.

No discussion or action.

X. COMMUNICATIONS

1. Tulare County Treasurer's Quarterly Investment Report for the quarter ending September 30, 2021.

XI. UPCOMING MEETINGS

1. Administrative Committee Meeting November 17, 2021, 10:30 a.m.
2. Retirement Board Meeting, December 8, 2021, 8:30 a.m.
3. Investment Committee Meeting December 8, 2021, 10:30 a.m.

XII. TRUSTEE/STAFF COMMENTS

Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time.

None.

XIII. ADJOURNMENT

The meeting was adjourned at 11:40 a.m.

Wayne Ross, Chair

Pete Vander Poel, Acting Chair

Brown Armstrong Accountancy Corporation

4200 Truxtun Avenue
Suite 300
Bakersfield, CA 93309
661-324-4971

RECEIVED
NOV 15 2021
TULARE COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

TULARE COUNTY EMPLOYEES' RETIREMENT ASSN.

136 N. AKERS STREET

VISALIA, CA 93291

Invoice No. 261516

Date October 31, 2021

Client No. 82150.001

Audited financial statements: Year-end work on the June 30, 2021 audit:

(Billed to date/Contract: \$41,871.22/\$44,570.00)

Current Invoice Amount

\$ 15,621.72

Beginning Balance as of 10/01/2021

2,354.00

Balance Due

\$ 17,975.72

within contract
JCL

0 - 30	31 - 60	61 - 90	91 - 120	Over 120	Balance
15,621.72	2,354.00	0.00	0.00	0.00	17,975.72

Please remit by: November 28, 2021

Credit Card and ACH Payments Accepted on BA Payment Portal, Bacpas.com

Click on "Make a Payment"

(3% Convenience Fee will Apply on Credit Cards)

Make checks payable to: **Brown Armstrong**

E-mail billing inquiries to: Candi White

cwhite@bacpas.com



INVOICE

ATTORNEYS AT LAW

777 South Figueroa Street
34th Floor
Los Angeles, CA 90017
T 213.612.7800
F 213.612.7801

Tax Identification No.
95-2219542

November 22, 2021

Leanne Malison
Retirement Administrator
Tulare County Employees' Retirement Association
136 North Akers Street
Visalia, CA 93291

Client: 501693
Matter: 0022
Invoice: 528761
YAO

Re: Sixth Street Partners - Growth Fund

Fees for Professional Services Rendered through
10/31/21:

10,062.00

10% Discount:

-1,006.20

Total Fees:

9,055.80

Disbursements made to your Account through
10/31/21:

0.00

Total Due on Bill:

\$9,055.80

*** Remittance Address: ***
Nossaman LLP ***
777 South Figueroa Street
34th Floor
Los Angeles, CA 90017

Wire/ACH Instructions:
Wells Fargo Bank
420 Montgomery Street
San Francisco, CA 94104
Routing Number (Wire Transfer): 121000248
Routing Number (ACH): 122000247
Account Number: 4123806820
Swift Code (for international wires): WFBUS6S
Beneficiary: Nossaman, LLP
Client Name & File Number: (Invoice Number)

nossaman.com

TULARE COUNTY COUNSEL

*Meeting the legal and risk management challenges facing the County
of Tulare in partnership with you*

Invoice No. RET1021

**INVOICE****Customer**

Name Board of Retirement
Address 136 North Akers Street
City Visalia State CA ZIP 93291
Phone (559) 713-2900

Misc

Date
Exp Cat.

Statement Number	Matter ID	Description	TOTAL
	RETBD-General	10/01/21-10/31/21 Legal Services	\$ 529.20
	RETBD-General2	10/01/21-10/31/21 Legal Services	\$ 275.40
	RETDIS-General	10/01/21-10/31/21 Legal Services	\$ 3,026.60
	RETDIS-General	Credit from RET0921 Invoice	\$ (22.00)
Other Expenses:			
		Mail payment to:	
		County Counsel	
		Attn: Billing Clerk	
		2900 W. Burrel Ave.	
		Visalia, CA 93291	

Payment Other Journal Voucher

Comments *Call or e-mail if questions*

Name Angela Rose
Phone 559-636-4956
E-mail ARose@co.tulare.ca.us
Deposit to: 001-080-2150-5415

Tax Rate(s)

SubTotal	\$ 3,809.20
Shipping	\$ -
0.00%	\$ -

TOTAL \$ 3,809.20

Office Use Only

**TULARE COUNTY EMPLOYEES'
APPLICATIONS AND DEATHS
November 30, 2021
RETIREMENT APPLICATIONS**

Name Department Status - Tier	Option Type Govt. Code	Date of Retirement Age at Retirement	Length of Service Continuance From
BUCKMASTER BONNIE Sher-Op-Orosi Safety - Tier III	Unmodified Option §31760.1	09/13/2021 50	16.7692 years BUCKMASTER AARON
FATEMA KANIZ Prob-Admin-Visalia Safety - Tier III	Unmodified Option Service §31760.1	10/14/2021 51	11.0000 years N/A
FITZGERALD DARLENE HHS-FISCAL-ACCOUNTING General - Tier III	Unmodified Option Service §31760.1	10/29/2021 55	24.5396 years N/A
GUTIERREZ CONSUELO Sher-Op-Detectives-Juvenile Safety - Tier I	Unmodified Option - TAB §31760.1	09/25/2021 70	25.3566 years GUTIERREZ JESSE
KEASLEY BRENDA Prob-Admin-Visalia General - Tier III	Unmodified Option Service §31760.1	10/30/2021 66	23.1249 years N/A
KRANCHER IRENE HHS-HLTH-Environmental Health General - Tier II	Unmodified Option §31760.1	10/11/2021 79	17.5111 years KRANCHER JAN
LONG ROBIN Child Support Services Dept General - Tier III	Unmodified Option Service §31760.1	10/01/2021 58	5.4231 years N/A
LOPEZ KHOUA DA-Visalia Courthouse Safety - Tier III	Unmodified Option Service §31760.1	10/23/2021 44	24.2774 years N/A
PECK GINGER Purchasing General - Tier III	Unmodified Option Service §31760.1	10/23/2021 60	9.5000 years N/A
PORTER CHRISTOPHER DA-Visalia Courthouse Safety - Tier III	Non-Duty-Death Survivor 31781.1	09/07/2021 52	21.8077 years PORTER KATHERINE
RUSSELL JAMES CAPITAL PROJ-Facilities General - Tier II	Unmodified Option Service §31760.1	10/23/2021 62	32.2316 years N/A
SOUZA MAUREEN BARRY Sher-Op-Porterville Safety - Tier I	Unmodified Option §31760.1	10/02/2021 66	31.4388 years SOUZA ROBERT
VILLARREAL ALMA HHS-HS-CWS S Mooney Blvd General - Tier II	Unmodified Option Service §31760.1	10/23/2021 62	32.7875 years N/A

**TULARE COUNTY EMPLOYEES'
APPLICATIONS AND DEATHS
November 30, 2021
DECEASED ACTIVE EMPLOYEES**

Name Department Status - Tier	Type	Date of Death Age at Death	Length of Service Paid Continuance Death Benefit
PORTER KATHERINE DA-Visalia Courthouse Safety - Tier III	Non-Duty - Death	09/06/2021 50	21.8077 years Yes PORTER CHRISTOPHER

**TULARE COUNTY EMPLOYEES'
APPLICATIONS AND DEATHS
November 30, 2021
DECEASED PENSIONERS**

Name Department Status - Tier	Option Type Govt. Code	Date of Retirement Date of Death Age at Death	Length of Service Paid Continuance to Age at Retirement
BUCKMASTER AARON Sher-Op-Orosi Safety - Tier III	Unmodified Option Service §31760.1	09/01/2019 09/12/2021 50	16.7692 years BUCKMASTER BONNIE 48
GUTIERREZ JESSE Sher-Op-Detectives-Juvenile Safety - Tier I	Unmodified Option Service §31760.1	10/03/2006 09/24/2021 71	25.3566 years GUTIERREZ CONSUELO 57
KRANCHER JAN HHS-HLTH-Environmental Health General - Tier II	Unmodified Option Service §31760.1	01/11/2003 10/10/2021 82	17.5111 years KRANCHER IRENE 63
SOUZA ROBERT Sher-Op-Porterville Safety - Tier I	Unmodified Option Service §31760.1	06/28/2003 10/01/2021 75	31.4388 years SOUZA MAUREEN BARRY 56
TUCKER JOYCE HHS-Admin Fiscal A/P General - Tier II	Unmodified Option Service §31760.1	09/03/2005 04/13/2021 74	15.7945 years 58

30 Year Memeber
November 2020

First Name	Last Name	Effective Date	Department	New 30-Year Member?
Craig	Anderson	2/14/2021	RMA-MG#2-Design,Const,Develop	No
Karen	Baldwin	7/5/2020	HHS-FISCAL-ACCT/REC	No
Nora	Barrera	11/27/2005	Assessor-Clerk/Recorder	No
Mike	Betzinger	10/15/2017	Solid Waste Visalia	No
Bruce	Bigham	10/11/2020	Ag Commissioner/Sealer	No
Steffany	Bischel	3/4/2018	HHS-HS-MCal Proc Center	No
Anthony	Boland	12/10/2017	RMA-TR-Operations	No
Michael	Boudreaux	5/28/2017	Sher-Op-Sheriff's Office	No
Steven	Brown	6/20/2021	Ag Commissioner/Sealer	No
Sandra	Burnitzki	1/19/2020	HHS-Admin Human Resources	No
LUCIA	CANABA-GONZALEZ	8/2/2020	Court Reporters	No
Linda	Cantu	3/29/2020	Assessor-Clerk/Recorder	No
David	Case	8/6/2018	Ag Commissioner/Sealer	No
Lori	Catuto	6/24/2018	HHS-Admin-Project Management	No
Rachel	Cazares	10/11/2020	HHS-HS-Dinuba District Off	No
Nancy	Chavira	3/28/2021	County Counsel	No
William	Clark	2/14/2021	Information Technology	No
KATHY	CORREIA	7/17/2011	Court Reporters	No
Rosie	DeLeon	9/27/2020	HHS-HS-PDO	No
Gracie	Delgadillo-Johnson	12/8/2019	TCSO-Youth Services	No
MARTINA	DELGADO	11/10/2019	Ab 1058 Commissioner	No
Robert	Dempsie	7/22/2018	DA-Visalia Courthouse	No
Lisa	Dougherty	5/17/2015	CAO-GS-Printing Services	No
SUSAN	EMBREY	9/3/2017	Collections Division	No
Carlene	Estes	7/18/2021	WID-Administration	No
Cheryl	Fallert	8/16/2020	DA-Visalia Courthouse	No
Samantha	Franks	9/29/2019	RMA-LP-Geographic Info Systems	No
Judith	Garcia	7/18/2021	HHS-HLTH-Visalia Hlth Ctr	No
Rebecca	Garcia	11/8/2020	HHS-HS-Dinuba District Off	No
Helen	Gonzalez	2/4/2018	HHS-HLTH-Fville WIC	No
John	Gonzalez	11/27/2016	Sher-Op-Captains	No
Eric	Grant	4/16/2017	DA-Visalia Courthouse	No
Maria	Gutierrez	12/22/2019	HHS-WC-TPC-C	No
Robert	Haines	10/12/2008	Ag Commissioner/Sealer	No
Lance	Heiden	11/11/2018	Sher-Dt-Main Jail	No
Kimberly	Hernandez	9/27/2020	Child Support Services Dept	No
CINDY	HOLWAY	10/25/2020	Court Reporters	No
ELIZABETH	HOSFELDT	9/26/2021	Self Help	No
Robert	Hurtado	10/25/2020	HHS-PUBLIC HEALTH SVS	No
Ursula	Ihl	9/29/2019	DA-Visalia Courthouse	No
Keith	Jahnke	4/28/2019	HHS-HLTH-Environmental Health	No
Jay	Jones	1/19/2020	Information Technology	No
Cleopatra	Juarez	12/9/2007	Child Support Services Dept	No

30 Year Memeber
November 2020

First Name	Last Name	Effective Date	Department	New 30-Year Member?
Phillip	Kelly	3/1/2020	Prob-Center Street	No
Melodee	Krenk	5/10/2020	Prob-Electronic Monitor Ctr	No
Cheri	Lehner	12/25/2016	Sher-Op-Sheriff's Office	No
Rebecca	Lopez	3/8/2015	HHS-HS-Visalia District Off	No
Sandra	Maldonado	2/2/2020	HHS-HLTH-Visalia Hlth Ctr	No
Joel	Martens	5/14/2017	HHS-HLTH-Environmental Health	No
PATRICIA	MARTENS	10/27/2019	Visalia Division	No
Raul	Martin	7/24/2016	Solid Waste Visalia	No
AMBER	MATTHEWS	2/18/2018	Pre Trial Facility	No
John	Mauro	4/17/2016	HHS-HS-HUMAN SERVICES	No
Patricia	McCurry	10/11/2020	HHS-Admin Human Resources	No
Patricia	Mendoza	10/19/2014	HHS-HS-CWS Creekside	No
LESIA	MERVIN	5/3/2015	Court Reporters	No
SUSAN	MILLER	1/31/2021	Family Court Services	No
Socorro	Munoz	4/26/2020	HHS-HLTH-Visalia Hlth Ctr	No
Sylvia	Munoz	9/15/2019	HHS-HS-Dinuba District Off	No
Martina	Navarro	10/11/2020	HHS-MH-SCIU	No
LOUISE	NELSON	11/12/2017	Family Court Services	No
Steven	Noland	4/1/2018	RMA-TR-Fleet Central Shop	No
Jane	Nystrem	2/16/2020	TCSO-Inmate Programs Unit	No
Scott	O'Neill	6/11/2017	Sher-Op-Porterville	No
Andrew	Pacheco	7/28/2013	RMA-Project Processing	No
Rodney	Parker	4/16/2017	Sher-Op-Pixley	No
Maria	Pasillas	1/31/2021	HHS-MH-Training Svs	No
Eric	Petersen	3/14/2021	Information Technology	No
Andy	Phetsada	7/8/2018	HHS-MH-Visalia Adult Clinic	No
Julie	Poochigian	6/22/2008	Assessor-Clerk/Recorder	No
Vickie	Rabago	1/15/2012	DA-Visalia Courthouse	No
Katherine	Reim	10/13/2019	Prob-Admin-Visalia	No
Angela	Rose	11/22/2020	County Counsel	No
Sharon	Rowton	11/18/2012	RMA-TR-Fleet Central Shop	No
John	Rozum	3/31/2019	County Counsel	No
Tina	Salmon	6/20/2021	HHS-HS-Ben Elg Sup Team	No
Judith	Sanchez-Duran	3/1/2020	HHS-HLTH-Hillman Lab	No
Ermerejildo	Saucedo	12/6/2020	Tulare County Fire Dept	No
Gregory	Scroggins	6/24/2018	Prob-Electronic Monitor Ctr	No
Nelda	Sell	8/19/2007	RMA-TR-Visalia Rd Yd 2	No
Bernice	Soto	8/2/2020	HHS-HS-IMAGING UNIT	No
Angelina	Stanfill	5/28/2017	HHS-HS-Dinuba District Off	No
Patricia	Stanley	9/2/2018	Public Defender	No
Karen	Trevino	5/26/2019	HHS-HS-Hyde Adopt/Special	No
Brenda	Tyler	6/20/2021	HHS-HLTH-Tulare Public CCS	No
Jesusita	Vasquez	1/31/2021	HHS-HLTH-Environmental Health	No

30 Year Memeber
November 2020

First Name	Last Name	Effective Date	Department	New 30-Year Member?
Stella	Velasquez	2/9/2014	Sher-Op-Communications	No
Karen	Whited	2/24/2013	HHS-HS-CWS S Mooney Blvd	No
David	Winters	4/28/2019	Sher-Dt-Bob Wiley Det. Fac.	No
Johnny	Wong	6/10/2018	RMA-TR-Operations	No
DAVID	WOOTEN	10/14/2018	Judicial Officers	No



COUNTY OF TULARE BOARD OF RETIREMENT

Leanne Malison
Retirement Administrator

136 N AKERS STREET
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
www.tcera.org

TCERA, Board of Retirement Administrative Committee

Agenda Item # IV.2.a.

Agenda Date: November 17, 2021

Subject: TCERA and TCERA Property, Inc. Financial Statements – July 31, 2021

Requests:

That the Administrative Committee:

1. Review the TCERA and TCERA Property, Inc. Financial Statements for July 31, 2021.
2. Forward the Financial Reports to the Board of Retirement with a recommendation for approval.

Summary:

The July 31, 2021 TCERA and TCERA Property, Inc. Financial Statements have been prepared by TCERA accounting staff for the Committee's review.

Prepared by: Mary Warner

TCERA and TCERA Property, Inc.
BUDGET VS ACTUAL
July 2021
Accounting Period 1
8.33% of the Current Fiscal Year Budget
Final

	Jul 21	Jul 20	Jul 21	Annual Budget	Remaining Budget	% Annual Budget
5500 · Administrative Expense						
5505 · (6001) Allocated Salaries	37,663.74	40,094.78	37,663.74	1,025,313.00	987,649.26	3.67%
5510 · (6002) Overtime	0.00	0.00	0.00	1,000.00	1,000.00	0.00%
(Note 1) 5515 · (6003) Other Pay	4,840.96	396.80	4,840.96	28,672.00	23,831.04	16.88%
5520 · (6004) Benefits	6,764.09	7,108.95	6,764.09	159,376.00	152,611.91	4.24%
5525 · (6005) Extra-Help	0.00	0.00	0.00	500.00	500.00	0.00%
5530 · (6006) Sick Leave Buy Back	0.00	0.00	0.00	0.00	0.00	0.00%
5535 · (6011) Retirement- Co. Port.	5,909.69	5,015.38	5,909.69	136,235.00	130,325.31	4.34%
5540 · (6012) Social Security	3,279.25	3,113.82	3,279.25	76,404.00	73,124.75	4.29%
5545 · (1024) POB Cost	0.00	0.00	0.00	87,249.00	87,249.00	0.00%
(Note 2) 5550 · (6008) Board Fees-Per Diem Pmts	4,844.25	4,100.00	4,844.25	20,000.00	15,155.75	24.22%
5551 · Communications						
5552 · (7005) Communications	0.00	0.00	0.00	8,700.00	8,700.00	0.00%
5640 · (7005) Co. Telecommunication	0.00	561.00	0.00	12,039.00	12,039.00	0.00%
Total 5551 · Communications	0.00	561.00	0.00	20,739.00	20,739.00	0.00%
5553 · Data Processing						
5650 · (7044) ICT Qtrly - Data Process	0.00	0.00	0.00	104,821.00	104,821.00	0.00%
5697 · (7044) Computer Exp Hdwr/Sftwr	0.00	1,005.64	0.00	32,138.00	32,138.00	0.00%
5698 · (7044) WSI/Q2 Digital	0.00	350.00	0.00	3,500.00	3,500.00	0.00%
Total 5553 · Data Processing	0.00	1,355.64	0.00	140,459.00	140,459.00	0.00%
5555 · (7009) Household Expense	58.85	1,321.21	58.85	17,380.00	17,321.15	0.34%
(Note 3) 5560 · (7010) Insurance	58,624.00	54,402.00	58,624.00	59,400.00	776.00	98.69%
5565 · (7011) Unemployment Insurance	0.00	0.00	0.00	6,000.00	6,000.00	0.00%
5570 · (7021) Maintenance-Equipment	42.37	47.59	42.37	3,000.00	2,957.63	1.41%
(Note 4) 5575 · (7027) Memberships	4,000.00	0.00	4,000.00	7,100.00	3,100.00	56.34%
5580 · (7030) Due Diligence Expense	783.29	0.00	783.29	15,000.00	14,216.71	5.22%
5585 · (7036) Office Expense	146.85	1,113.08	146.85	50,080.00	49,933.15	0.29%
5586 · (7040) Courier	0.00	0.00	0.00	1,460.00	1,460.00	0.00%
5590 · Prof & Specialized Exp						
5591 · (7043) Prof & Special Gen Exp	0.00	0.00	0.00	500.00	500.00	0.00%
5592 · (7043) Prof & Spec - Audit	0.00	6,514.10	0.00	47,600.00	47,600.00	0.00%
5593 · (7043) Prof Sr -Outside Counsel	0.00	0.00	0.00	75,000.00	75,000.00	0.00%
Total 5590 · Prof & Specialized Exp	0.00	6,514.10	0.00	123,100.00	123,100.00	0.00%
5594 · County Counsel Charges						
5661 · (7046) Co Counsel - General Exp	0.00	0.00	0.00	40,000.00	40,000.00	0.00%
5662 · (7046) Co Counsel - Disability	0.00	0.00	0.00	93,000.00	93,000.00	0.00%
Total 5594 · County Counsel Charges	0.00	0.00	0.00	133,000.00	133,000.00	0.00%
5595 · (7049) Prof Exp-Disabilities	628.05	0.00	628.05	164,000.00	163,371.95	0.38%
5600 · (7059) Publications	0.00	0.00	0.00	22,000.00	22,000.00	0.00%
5675 · (7059) Co. Print Services	0.00	0.00	0.00	14,500.00	14,500.00	0.00%
Total 5600 · (7059) Publications	0.00	0.00	0.00	36,500.00	36,500.00	0.00%

TCERA and TCERA Property, Inc.
BUDGET VS ACTUAL
July 2021
Accounting Period 1
8.33% of the Current Fiscal Year Budget
Final

	Jul 21	Jul 20	Jul 21	Annual Budget	Remaining Budget	% Annual Budget
5605 · (7062) Rent & Lease -Building	15,640.00	15,640.00	15,640.00	187,680.00	172,040.00	8.33%
5610 · (7066) Spec Dept Exp - RIS	7,941.00	7,941.00	7,941.00	318,120.00	310,179.00	2.50%
5615 · (7073) Training	0.00	125.00	0.00	15,500.00	15,500.00	0.00%
5620 · (7074) Transportation & Travel	67.70	516.65	67.70	32,000.00	31,932.30	0.21%
(Note 5) 5625 · (7081) Utilities	2,223.67	2,501.25	2,223.67	20,400.00	18,176.33	10.90%
5627 · (7116) Postage - Co. Mail	1.10	0.00	1.10	46,900.00	46,898.90	0.00%
5630 · (7128) Co. Workers Comp Insurance	0.00	0.00	0.00	53,500.00	53,500.00	0.00%
5695 · Co. Admin. Services						
5666 · (7719) HR/Risk Services	0.00	0.00	0.00	11,860.00	11,860.00	0.00%
5699 · (7719) Auditors Services	0.00	0.00	0.00	7,500.00	7,500.00	0.00%
Total 5695 · Co. Admin. Services	0.00	0.00	0.00	19,360.00	19,360.00	0.00%
5720 · (7421) Interest Expense	0.00	0.00	0.00	1.00	1.00	0.00%
5450 · Compensated Benefit Expense	0.00	0.00	0.00	26,353.00	26,353.00	0.00%
5911 · Depreciation - TCERA	0.00	0.00	0.00	20,000.00	20,000.00	0.00%
5913 · Amortization - CPAS	0.00	0.00	0.00	325,000.00	325,000.00	0.00%
Total TCERA Administrative Expense	153,458.86	151,868.25	153,458.86	3,376,781.00	3,223,322.14	4.54%
5750 · TCERA Property Administrative Expense						
5755 · Fees and Taxes	0.00	0.00	0.00	200.00	200.00	0.00%
5760 · Insurance	0.00	0.00	0.00	9,000.00	9,000.00	0.00%
5765 · Professional & Spec Services	0.00	0.00	0.00	2,000.00	2,000.00	0.00%
5780 · Courtyards Property Assn Dues	0.00	0.00	0.00	7,600.00	7,600.00	0.00%
5785 · Landscape Service	0.00	0.00	0.00	7,800.00	7,800.00	0.00%
5790 · Security Monitoring	35.66	0.00	35.66	7,750.00	7,714.34	0.46%
5795 · Maintenance & Improve - Bldg	100.00	560.00	100.00	244,365.00	244,265.00	0.04%
5797 · Utilities	458.09	415.06	458.09	7,000.00	6,541.91	6.54%
5912 · Depreciation - TCERA Property	0.00	0.00	0.00	70,400.00	70,400.00	0.00%
Total TCERA Property, Inc. Administrative Expense	593.75	975.06	593.75	356,115.00	355,521.25	0.17%
Total TCERA & TCERA Property Administrative Expense	154,052.61	152,843.31	154,052.61	3,732,896.00	3,578,843.39	4.13%

Notes:

- Note 1 Unrepresented one-time payment for continuity of operations during COVID-19 pandemic
- Note 2 Quarterly Per Diem paid
- Note 3 Annual insurance premiums paid
- Note 4 Annual memberships paid: SACRS
- Note 5 Increased electricity costs during summer months

Accrued Actuarial Liability	1,957,985,000
June 30, 2021	
.21% of AAL	4,111,768.50
8.33%	342,647.38
Expenses to date	(154,052.61)
(Over)/Under	188,594.77

TCERA and TCERA Property, Inc.
Combined Balance Sheet Comparison
As of July 31, 2021

Final

		<u>Jul 31, 21</u>	<u>Jun 30, 21</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Jul 31, 20</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS								
Current Assets								
Checking/Savings								
(Note 1)	1110 · Cash in County Treasury	42,171,615.13	11,067,944.93	31,103,670.20	281.03%	55,799,811.35	-13,628,196.22	-24.42%
(Note 2)	1120 · Cash in Custodial Account	26,155,498.15	25,908,344.66	247,153.49	0.95%	64,107,491.00	-37,951,992.85	-59.20%
(Note 3)	1130 · Short Term Investments	33,372,212.63	30,730,774.18	2,641,438.45	8.60%	6,975,935.19	26,396,277.44	378.39%
(Note 4)	1140 · Securities Lending Collateral	0.00	56,728,790.52	-56,728,790.52	-100.00%	0.00	0.00	0.00%
	1150 · Impaired Assets	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
	Total Checking/Savings	101,699,325.91	124,435,854.29	-22,736,528.38	-18.27%	126,883,237.54	-25,183,911.63	-19.85%
Other Current Assets								
	1310 · Fixed Income - Market	564,674,851.36	561,575,717.07	3,099,134.29	0.55%	480,576,674.58	84,098,176.78	17.50%
	1340 · Equities - Market	960,089,773.88	950,147,939.37	9,941,834.51	1.05%	758,387,881.86	201,701,892.02	26.60%
	1375 · Real Estate - REITS	195,567,700.51	195,567,700.51	0.00	0.00%	177,778,903.08	17,788,797.43	10.01%
(Note 5)	1385 · Hedge Funds	0.00	0.00	0.00	0.00%	93,982.33	-93,982.33	-100.00%
(Note 6)	1386 · Private Equity	124,163,726.01	123,940,907.37	222,818.64	0.18%	75,803,160.59	48,360,565.42	63.80%
	1388 · Private Credit	107,955,953.00	107,036,138.00	919,815.00	0.86%	75,174,183.00	32,781,770.00	43.61%
	1390 · Futures Overlay	0.00	0.00	0.00	0.00%	5,258,087.99	-5,258,087.99	-100.00%
	Total Other Current Assets	1,952,452,004.76	1,938,268,402.32	14,183,602.44	0.73%	1,573,072,873.43	379,379,131.33	24.12%
	Total Current Assets	2,054,151,330.67	2,062,704,256.61	-8,552,925.94	-0.42%	1,699,956,110.97	354,195,219.70	20.84%
Fixed Assets								
	1501 · Building and Improvements	1,178,366.03	1,178,366.03	0.00	0.00%	1,178,366.03	0.00	0.00%
	1505 · Office Equipment & Computer Sys	178,552.49	178,552.49	0.00	0.00%	153,661.50	24,890.99	16.20%
	1506 · Project in Process CPAS	2,755,095.55	2,755,095.55	0.00	0.00%	2,755,095.55	0.00	0.00%
	1511 · Accumulated Depreciation	-3,109,385.42	-3,109,385.42	0.00	0.00%	-2,786,542.42	-322,843.00	-11.59%
	1512 · Land	370,345.69	370,345.69	0.00	0.00%	370,345.69	0.00	0.00%
	Total Fixed Assets	1,372,974.34	1,372,974.34	0.00	0.00%	1,670,926.35	-297,952.01	-17.83%
Other Assets								
	1710 · Open Trades Sales	13,328,431.32	23,884,042.73	-10,555,611.41	-44.20%	13,151,820.03	176,611.29	1.34%
	1730 · Investment Income Receivable	941,001.64	913,779.72	27,221.92	2.98%	750,763.55	190,238.09	25.34%
(Note 7)	1735 · Real Estate Income Receivable	0.00	1,358,916.37	-1,358,916.37	-100.00%	0.00	0.00	0.00%
(Note 8)	1750 · Members Contribution Receivable	0.00	811,493.53	-811,493.53	-100.00%	0.00	0.00	0.00%
(Note 8)	1770 · Employer Contribution Receivable	0.00	202,396.54	-202,396.54	-100.00%	0.00	0.00	0.00%
	1780 · Advances Rec- Holding Corp	473,230.00	482,230.00	-9,000.00	-1.87%	581,230.00	-108,000.00	-18.58%
(Note 9)	1785 · Pension Deaths Receivables	0.00	-473.48	473.48	100.00%	122.01	-122.01	-100.00%
	1790 · Other Receivables	6,720.05	7,011.06	-291.01	-4.15%	11,537.58	-4,817.53	-41.76%
	Total Other Assets	14,749,383.01	27,659,396.47	-12,910,013.46	-46.68%	14,495,473.17	253,909.84	1.75%
	TOTAL ASSETS	2,070,273,688.02	2,091,736,627.42	-21,462,939.40	-1.03%	1,716,122,510.49	354,151,177.53	20.64%

TCERA and TCERA Property, Inc.
Combined Balance Sheet Comparison
As of July 31, 2021

Final

	Jul 31, 21	Jun 30, 21	\$ Change	% Change	Jul 31, 20	\$ Change	% Change
LIABILITIES & EQUITY							
Liabilities							
Current Liabilities							
(Note 4) 2010 · Sec Lending Collateral Paya	0.00	56,728,790.52	-56,728,790.52	-100.00%	0.00	0.00	0.00%
2020 · Open Trades - Purchases	44,119,776.52	51,172,031.19	-7,052,254.67	-13.78%	19,025,949.23	25,093,827.29	131.89%
2030 · Accounts Payable - Inv	634,592.88	832,998.13	-198,405.25	-23.82%	439,767.43	194,825.45	44.30%
2040 · Refunds Payable	4,098,875.89	4,098,875.89	0.00	0.00%	3,392,107.70	706,768.19	20.84%
(Note 8) 2050 · Other Payables	89,673.30	2,086,862.15	-1,997,188.85	-95.70%	167,803.12	-78,129.82	-46.56%
(Note 8) 2100 · Payroll Liabilities	0.00	34,684.17	-34,684.17	-100.00%	0.00	0.00	0.00%
Total Other Current Liabilities	48,942,918.59	114,954,242.05	-66,011,323.46	-57.42%	23,025,627.48	25,917,291.11	112.56%
Total Current Liabilities	48,942,918.59	114,954,242.05	-66,011,323.46	-57.42%	23,025,627.48	25,917,291.11	112.56%
Long Term Liabilities							
2060 · Accrual-Benefits at Termination	115,302.68	115,302.68	0.00	0.00%	103,551.79	11,750.89	11.35%
2070 · Advances Payable - TCERA	473,230.00	482,230.00	-9,000.00	-1.87%	581,230.00	-108,000.00	-18.58%
Total Long Term Liabilities	588,532.68	597,532.68	-9,000.00	-1.51%	684,781.79	-96,249.11	-14.06%
Total Liabilities	49,531,451.27	115,551,774.73	-66,020,323.46	-57.14%	23,710,409.27	25,821,042.00	108.90%
Equity							
3110 · Member Deposit Reserve	338,548,528.23	339,546,251.96	-997,723.73	-0.29%	318,083,126.07	20,465,402.16	6.43%
(Note 10) 3120 · Other Reserves - Unapportioned	2,652,760.29	2,660,548.76	-7,788.47	0.29%	4,268,735.04	-1,615,974.75	-37.86%
3210 · Employer Advance Reserves	907,033,895.47	908,886,804.19	-1,852,908.72	-0.20%	855,626,191.34	51,407,704.13	6.01%
3310 · Retiree Reserves	449,113,998.47	446,255,577.55	2,858,420.92	0.64%	447,195,439.94	1,918,558.53	0.43%
3320 · Supp. Retiree Benefit Reserve	108,446,851.09	108,446,851.09	0.00	0.00%	108,348,474.77	98,376.32	0.09%
3410 · Contingency Reserve	60,735,602.01	60,735,602.01	0.00	0.00%	49,227,604.66	11,507,997.35	23.38%
3510 · Market Stabilization	108,713,808.00	108,713,808.00	0.00	0.00%	-163,716,787.00	272,430,595.00	166.40%
3810 · Income Summary Account	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
3900 · Retained Earnings	939,409.13	-355,425,733.08	356,365,142.21	100.26%	786,925.66	152,483.47	19.38%
Net Income	44,557,384.06	356,365,142.21	-311,807,758.15	-87.50%	72,592,390.74	-28,035,006.68	-38.62%
Total Equity	2,020,742,236.75	1,976,184,852.69	44,557,384.06	2.26%	1,692,412,101.22	328,330,135.53	19.40%
TOTAL LIABILITIES & EQUITY	2,070,273,688.02	2,091,736,627.42	-21,462,939.40	-1.03%	1,716,122,510.49	354,151,177.53	20.64%

Notes:

- Note 1 County Prepaid Contributions for fiscal year 21/22 \$37,346,269
- Note 2 Decrease in Cash in Custodial from last year liquidation of Hedge Funds
- Note 3 Timing of managers short term positions
- Note 4 Annual Securities Lending Accruals & Adjustments
- Note 5 Hedge Funds - accounts closed
- Note 6 Increase in Private Equity from last mo. and last year
- Note 7 Timing of receipt of Real Estate Distributions vs. lag in Real Estate reporting
- Note 8 Accruals
- Note 9 Timing of payment of Pension Death Receivable
- Note 10 Interim interest payments/adjustments and equity adjustments prior to period close

TCERA and TCERA Property, Inc.
Combined Comparative Profit and Loss
July 31, 2021

		<i>Final</i>							
		<u>Jul 21</u>	<u>Jun 21</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Jul 21</u>	<u>Jul 20</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense									
Income									
	4110 · Interest Income	252,120.49	308,111.94	-55,991.45	-18.17%	252,120.49	253,765.47	-1,644.98	-0.65%
	4120 · Dividend Income	219,559.77	334,695.33	-115,135.56	-34.4%	219,559.77	205,650.11	13,909.66	6.76%
(Note 1)	4130 · Real Estate Income	0.00	299,659.60	-299,659.60	-100.0%	0.00	0.00	0.00	0.0%
(Note 2)	4140 · Other Investment Income	163,169.80	423,987.52	-260,817.72	-61.52%	163,169.80	87,019.03	76,150.77	87.51%
	4200 · Lease Payments from TCERA	15,640.00	15,640.00	0.00	0.0%	15,640.00	15,640.00	0.00	0.0%
	4310 · Commission Rebates	0.00	105.87	-105.87	-100.0%	0.00	22.75	-22.75	-100.0%
(Note 3)	4410 · Securities Lending Income	0.00	58,857.33	-58,857.33	-100.0%	0.00	0.00	0.00	0.0%
(Note 4)	4510 · Realized Gains/Losses	36,445,683.03	8,971,131.80	27,474,551.23	306.26%	36,445,683.03	1,898,916.03	34,546,767.00	1,819.29%
	4530 · Gn/Ls Disposal of Fixed Asset	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
(Note 5)	4610 · Employee Contributions	1,172,737.20	3,447,534.48	-2,274,797.28	-65.98%	1,172,737.20	1,170,068.09	2,669.11	0.23%
(Note 5)	4620 · Employer Contributions	39,319,706.14	-1,526,325.95	40,846,032.09	2,676.1%	39,319,706.14	35,752,778.47	3,566,927.67	9.98%
	Total Income	77,588,616.43	12,333,397.92	65,255,218.51	529.09%	77,588,616.43	39,383,859.95	38,204,756.48	97.01%
Expense									
	5110 · Benefit Payments	7,935,146.48	8,025,735.10	-90,588.62	-1.13%	7,935,146.48	7,585,800.52	349,345.96	4.61%
(Note 6)	5120 · Refunds	297,048.63	875,259.88	-578,211.25	-66.06%	297,048.63	123,801.92	173,246.71	139.94%
	5130 · Death Retiree ROC	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
	5140 · SDA Payments	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
(Note 7)	5210 · Investment Management Fees	120,635.00	2,843,631.10	-2,722,996.10	-95.76%	120,635.00	36,397.00	84,238.00	231.44%
(Note 7)	5250 · Inv. Consultant/Custodial Fees	0.00	223,209.64	-223,209.64	-100.0%	0.00	0.00	0.00	0.0%
(Note 8)	5270 · Securities Lending Expense	0.00	42,833.01	-42,833.01	-100.0%	0.00	0.00	0.00	0.0%
	5275 · Real Estate Investment Expense	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
(Note 7)	5276 · Real Estate Mgr Fees	0.00	440,548.96	-440,548.96	-100.0%	0.00	0.00	0.00	0.0%
(Note 9)	5280 · Other Investment Expense	5,922.45	-3,603.32	9,525.77	264.36%	5,922.45	10,030.78	-4,108.33	-40.96%
(Note 7)	5410 · Actuarial Study Fees	0.00	10,756.25	-10,756.25	-100.0%	0.00	0.00	0.00	0.0%
(Note 10)	5450 · Compensated Benefit Expense	0.00	11,750.89	-11,750.89	-100.0%	0.00	0.00	0.00	0.0%
*	5500 · Administrative Expense	153,458.86	297,253.88	-143,795.02	-48.37%	153,458.86	151,868.25	1,590.61	1.05%
*	5750 · TCERA Property Admin Expense	593.75	9,747.13	-9,153.38	-93.91%	593.75	975.06	-381.31	-39.11%
	5910 · Depreciation of Fixed Assets	0.00	351,695.32	-351,695.32	-100.0%	0.00	0.00	0.00	0.0%
	Total Expense	8,512,805.17	13,128,817.84	-4,616,012.67	-35.16%	8,512,805.17	7,908,873.53	603,931.64	7.64%
	Net Ordinary Income	69,075,811.26	-795,419.92	69,871,231.18	8,784.19%	69,075,811.26	31,474,986.42	37,600,824.84	119.46%

**TCERA and TCERA Property, Inc.
Combined Comparative Profit and Loss
July 31, 2021**

	<i>Final</i>							
	<u>Jul 21</u>	<u>Jun 21</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Jul 21</u>	<u>Jul 20</u>	<u>\$ Change</u>	<u>% Change</u>
Other Income/Expense								
Other Income								
4520 · Unrealized Gains/Losses	-24,518,427.20	44,158,353.20	-68,676,780.40	-155.52%	-24,518,427.20	41,117,404.32	-65,635,831.52	-159.63%
4525 · Unrealized Gns/Ls Building/Land	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
5000 · Other Income	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Total Other Income	-24,518,427.20	44,158,353.20	-68,676,780.40	-155.52%	-24,518,427.20	41,117,404.32	-65,635,831.52	-159.63%
Other Expense	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Net Other Income	-24,518,427.20	44,158,353.20	-68,676,780.40	-155.52%	-24,518,427.20	41,117,404.32	-65,635,831.52	-159.63%
Net Income	<u>44,557,384.06</u>	<u>43,362,933.28</u>	<u>1,194,450.78</u>	<u>2.76%</u>	<u>44,557,384.06</u>	<u>72,592,390.74</u>	<u>-28,035,006.68</u>	<u>-38.62%</u>

Notes:

- Note 1** Real Estate Income reported quarterly and one mo. in arrears
- Note 2** Other Investment Income decrease over last mo. in Private Equity; increase over last year in Total Equity
- Note 3** Decrease Securities Lending Income over last mo.
- Note 4** Increase in Realized Gains over last mo. and over last year in Total Equity
- Note 5** Accruals for EE & ER Contributions; Co. Prepayment ER Contributions
- Note 6** Semi-Annual Refund Accrual; increase in the \$ amount of Refunds overlast year
- Note 7** Quarterly Fees Accrued
- Note 8** Decrease in Securities Lending Expense over last mo.
- Note 9** Increase in Other Investment Expenses over last mo. In Private Equity; decrease over last year in Private Credit
- Note 10** Accrual of Compensated Benefits

* See Budget report for detail of Administrative expenses (5500 and 5750)



COUNTY OF TULARE BOARD OF RETIREMENT

Leanne Malison
Retirement Administrator

136 N AKERS STREET
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
www.tcera.org

TCERA, Board of Retirement Administrative Committee

Agenda Item # IV.2.b.

Agenda Date: November 17, 2021

Subject: TCERA and TCERA Property, Inc. Financial Statements – August 31, 2021

Requests:

That the Administrative Committee:

1. Review the TCERA and TCERA Property, Inc. Financial Statements for August 31, 2021.
2. Forward the Financial Reports to the Board of Retirement with a recommendation for approval.

Summary:

The August 31, 2021 TCERA and TCERA Property, Inc. Financial Statements have been prepared by TCERA accounting staff for the Committee's review.

Prepared by: Mary Warner

TCERA and TCERA Property, Inc.
BUDGET VS ACTUAL
August 2021
Accounting Period 2
16.67% of the Current Fiscal Year Budget

	Aug 21	Jul - Aug 20	Jul - Aug 21	Annual Budget	Remaining Budget	% Annual Budget
5500 · Administrative Expense						
5505 · (6001) Allocated Salaries	63,168.84	102,256.65	100,832.58	1,025,313.00	924,480.42	9.83%
5510 · (6002) Overtime	0.00	0.00	0.00	1,000.00	1,000.00	0.00%
(Note 1) 5515 · (6003) Other Pay	658.06	997.24	5,499.02	28,672.00	23,172.98	19.18%
5520 · (6004) Benefits	11,229.80	18,045.79	17,993.89	159,376.00	141,382.11	11.29%
5525 · (6005) Extra-Help	0.00	0.00	0.00	500.00	500.00	0.00%
5530 · (6006) Sick Leave Buy Back	0.00	0.00	0.00	0.00	0.00	0.00%
5535 · (6011) Retirement- Co. Port.	8,412.03	12,658.26	14,321.72	136,235.00	121,913.28	10.51%
5540 · (6012) Social Security	4,925.72	7,940.09	8,204.97	76,404.00	68,199.03	10.74%
5545 · (1024) POB Cost	5,623.87	0.00	5,623.87	87,249.00	81,625.13	6.45%
(Note 2) 5550 · (6008) Board Fees-Per Diem Pmts	0.00	4,100.00	4,844.25	20,000.00	15,155.75	24.22%
5551 · Communications						
5552 · (7005) Communications	484.16	527.32	484.16	8,700.00	8,215.84	5.57%
5640 · (7005) Co. Telecommunication	1,524.34	1,133.96	1,524.34	12,039.00	10,514.66	12.66%
Total 5551 · Communications	2,008.50	1,661.28	2,008.50	20,739.00	18,730.50	9.68%
5553 · Data Processing						
5650 · (7044) ICT Qtrly - Data Process	0.00	5,248.82	0.00	104,821.00	104,821.00	0.00%
5697 · (7044) Computer Exp Hdw/Sftwr	4,754.93	6,457.09	4,754.93	32,138.00	27,383.07	14.80%
5698 · (7044) WSI/Q2 Digital	0.00	700.00	0.00	3,500.00	3,500.00	0.00%
Total 5553 · Data Processing	4,754.93	12,405.91	4,754.93	140,459.00	135,704.07	3.39%
5555 · (7009) Household Expense	2,642.42	2,696.67	2,701.27	17,380.00	14,678.73	15.54%
(Note 3) 5560 · (7010) Insurance	0.00	54,402.00	58,624.00	59,400.00	776.00	98.69%
5565 · (7011) Unemployment Insurance	0.00	0.00	0.00	6,000.00	6,000.00	0.00%
5570 · (7021) Maintenance-Equipment	149.89	199.15	192.26	3,000.00	2,807.74	6.41%
(Note 4) 5575 · (7027) Memberships	0.00	4,000.00	4,000.00	7,100.00	3,100.00	56.34%
(Note 5) 5580 · (7030) Due Diligence Expense	1,738.63	0.00	2,521.92	15,000.00	12,478.08	16.81%
5585 · (7036) Office Expense	2,287.82	3,164.31	2,434.67	50,080.00	47,645.33	4.86%
5586 · (7040) Courier	117.97	111.56	117.97	1,460.00	1,342.03	8.08%
5590 · Prof & Specialized Exp						
5591 · (7043) Prof & Special Gen Exp	0.00	0.00	0.00	500.00	500.00	0.00%
(Note 6) 5592 · (7043) Prof & Spec - Audit	23,895.50	21,256.82	23,895.50	47,600.00	23,704.50	50.20%
5593 · (7043) Prof Sr -Outside Counsel	0.00	0.00	0.00	75,000.00	75,000.00	0.00%
Total 5590 · Prof & Specialized Exp	23,895.50	21,256.82	23,895.50	123,100.00	99,204.50	19.41%
5594 · County Counsel Charges						
5661 · (7046) Co Counsel - General Exp	1,327.20	968.00	1,327.20	40,000.00	38,672.80	3.32%
5662 · (7046) Co Counsel - Disability	5,738.00	5,302.30	5,738.00	93,000.00	87,262.00	6.17%
Total 5594 · County Counsel Charges	7,065.20	6,270.30	7,065.20	133,000.00	125,934.80	5.31%
5595 · (7049) Prof Exp-Disabilities	333.58	13,365.15	961.63	164,000.00	163,038.37	0.59%
5600 · (7059) Publications	0.00	0.00	0.00	22,000.00	22,000.00	0.00%
5675 · (7059) Co. Print Services	0.00	0.00	0.00	14,500.00	14,500.00	0.00%
Total 5600 · (7059) Publications	0.00	0.00	0.00	36,500.00	36,500.00	0.00%

TCERA and TCERA Property, Inc.
BUDGET VS ACTUAL
August 2021
Accounting Period 2
16.67% of the Current Fiscal Year Budget

	Aug 21	Jul - Aug 20	Jul - Aug 21	Annual Budget	Remaining Budget	% Annual Budget
5605 · (7062) Rent & Lease -Building	15,640.00	31,280.00	31,280.00	187,680.00	156,400.00	16.67%
5610 · (7066) Spec Dept Exp - RIS	7,941.00	7,941.00	15,882.00	318,120.00	302,238.00	4.99%
5615 · (7073) Training	550.00	175.00	550.00	15,500.00	14,950.00	3.55%
5620 · (7074) Transportation & Travel	286.50	516.65	354.20	32,000.00	31,645.80	1.11%
(Note 7) 5625 · (7081) Utilities	2,357.06	4,444.72	4,580.73	20,400.00	15,819.27	22.45%
5627 · (7116) Postage - Co. Mail	3,510.21	0.00	3,511.31	46,900.00	43,388.69	7.49%
5630 · (7128) Co. Workers Comp Insurance	0.00	0.00	0.00	53,500.00	53,500.00	0.00%
5695 · Co. Admin. Services						
5666 · (7719) HR/Risk Services	0.00	0.00	0.00	11,860.00	11,860.00	0.00%
5699 · (7719) Auditors Services	0.00	0.00	0.00	7,500.00	7,500.00	0.00%
Total 5695 · Co. Admin. Services	0.00	0.00	0.00	19,360.00	19,360.00	0.00%
5720 · (7421) Interest Expense	0.00	0.00	0.00	1.00	1.00	0.00%
5450 - Compensated Benefit Expense	0.00	0.00	0.00	26,353.00	26,353.00	0.00%
5911 · Depreciation - TCERA	0.00	0.00	0.00	20,000.00	20,000.00	0.00%
5913 · Amortization - CPAS	0.00	0.00	0.00	325,000.00	325,000.00	0.00%
Total TCERA Administrative Expense	169,297.53	309,888.55	322,756.39	3,376,781.00	3,054,024.61	9.56%
5750 · TCERA Property Administrative Expense						
5755 · Fees and Taxes	0.00	0.00	0.00	200.00	200.00	0.00%
(Note 3) 5760 · Insurance	7,909.00	0.00	7,909.00	9,000.00	1,091.00	87.88%
5765 · Professional & Spec Services	0.00	0.00	0.00	2,000.00	2,000.00	0.00%
5780 · Courtyards Property Assn Dues	0.00	0.00	0.00	7,600.00	7,600.00	0.00%
5785 · Landscape Service	425.00	427.50	425.00	7,800.00	7,375.00	5.45%
5790 · Security Monitoring	249.62	237.72	285.28	7,750.00	7,464.72	3.68%
5795 · Maintenance & Improve - Bldg	5,830.00	1,874.39	5,930.00	244,365.00	238,435.00	2.43%
5797 · Utilities	616.68	831.87	1,074.77	7,000.00	5,925.23	15.35%
5912 · Depreciation - TCERA Property	0.00	0.00	0.00	70,400.00	70,400.00	0.00%
Total TCERA Property, Inc. Administrative Expense	15,030.30	3,371.48	15,624.05	356,115.00	340,490.95	4.39%
Total TCERA & TCERA Property Administrative Expense	184,327.83	313,260.03	338,380.44	3,732,896.00	3,394,515.56	9.06%

Notes:

- Note 1 Unrepresented one-time payment for continuity of operations during COVID-19 pandemic
- Note 2 Quarterly Per Diem paid
- Note 3 Annual insurance premiums paid
- Note 4 Annual memberships paid: SACRS
- Note 5 Due Diligence Investment Consultant
- Note 6 Annual audit expense paid in the first half of fiscal year
- Note 7 Increased electricity costs during summer months

Accrued Actuarial Liability	1,957,985,000
June 30, 2021	
.21% of AAL	4,111,768.50
16.67%	685,294.75
Expenses to date	(338,380.44)
(Over)/Under	346,914.31

TCERA and TCERA Property, Inc.
Combined Balance Sheet Comparison
As of August 31, 2021

	<u>Aug 31, 21</u>	<u>Jul 31, 21</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Aug 31, 20</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS							
Current Assets							
Checking/Savings							
1110 · Cash in County Treasury	37,563,478.62	42,171,615.13	-4,608,136.51	-10.93%	49,804,977.05	-12,241,498.43	-24.58%
1120 · Cash in Custodial Account	34,362,460.92	26,155,498.15	8,206,962.77	31.38%	62,996,648.38	-28,634,187.46	-45.45%
(Note 1) 1130 · Short Term Investments	33,131,024.41	33,372,212.63	-241,188.22	-0.72%	4,422,800.67	28,708,223.74	649.10%
1140 · Securities Lending Collateral	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
1150 · Impaired Assets	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
Total Checking/Savings	105,056,963.95	101,699,325.91	3,357,638.04	3.30%	117,224,426.10	-12,167,462.15	-10.38%
Other Current Assets							
1310 · Fixed Income - Market	566,200,802.82	564,674,851.36	1,525,951.46	0.27%	480,394,836.47	85,805,966.35	17.86%
1340 · Equities - Market	983,697,365.74	960,089,773.88	23,607,591.86	2.46%	794,013,155.43	189,684,210.31	23.89%
1375 · Real Estate - REITS	195,567,700.51	195,567,700.51	0.00	0.00%	177,778,903.08	17,788,797.43	10.01%
(Note 2) 1385 · Hedge Funds	0.00	0.00	0.00	0.00%	93,982.33	-93,982.33	-100.00%
1386 · Private Equity	114,288,553.08	124,163,726.01	-9,875,172.93	-7.95%	76,812,028.11	37,476,524.97	48.79%
1388 · Private Credit	107,955,953.00	107,955,953.00	0.00	0.00%	75,174,183.00	32,781,770.00	43.61%
(Note 3) 1390 · Futures Overlay	0.00	0.00	0.00	0.00%	5,253,596.17	-5,253,596.17	-100.00%
Total Other Current Assets	1,967,710,375.15	1,952,452,004.76	15,258,370.39	0.78%	1,609,520,684.59	358,189,690.56	22.25%
Total Current Assets	2,072,767,339.10	2,054,151,330.67	18,616,008.43	0.91%	1,726,745,110.69	346,022,228.41	20.04%
Fixed Assets							
1501 · Building and Improvements	1,178,366.03	1,178,366.03	0.00	0.00%	1,178,366.03	0.00	0.00%
1505 · Office Equipment & Computer Sys	178,552.49	178,552.49	0.00	0.00%	153,661.50	24,890.99	16.20%
1506 · Project in Process CPAS	2,755,095.55	2,755,095.55	0.00	0.00%	2,755,095.55	0.00	0.00%
1511 · Accumulated Depreciation	-3,109,385.42	-3,109,385.42	0.00	0.00%	-2,786,542.42	-322,843.00	-11.59%
1512 · Land	370,345.69	370,345.69	0.00	0.00%	370,345.69	0.00	0.00%
Total Fixed Assets	1,372,974.34	1,372,974.34	0.00	0.00%	1,670,926.35	-297,952.01	-17.83%
Other Assets							
(Note 4) 1710 · Open Trades Sales	22,321,238.55	13,328,431.32	8,992,807.23	67.47%	9,976,622.39	12,344,616.16	123.74%
1730 · Investment Income Receivable	915,438.75	941,001.64	-25,562.89	-2.72%	939,490.21	-24,051.46	-2.56%
1735 · Real Estate Income Receivable	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
1750 · Members Contribution Receivable	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
1770 · Employer Contribution Receivable	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
1780 · Advances Rec- Holding Corp	464,230.00	473,230.00	-9,000.00	-1.90%	572,230.00	-108,000.00	-18.87%
(Note 5) 1785 · Pension Deaths Receivables	0.00	0.00	0.00	0.00%	349.93	-349.93	-100.00%
1790 · Other Receivables	6,429.04	6,720.05	-291.01	-4.33%	10,952.28	-4,523.24	-41.30%
Total Other Assets	23,707,336.34	14,749,383.01	8,957,953.33	60.73%	11,499,644.81	12,207,691.53	106.16%
TOTAL ASSETS	2,097,847,649.78	2,070,273,688.02	27,573,961.76	1.33%	1,739,915,681.85	357,931,967.93	20.57%

TCERA and TCERA Property, Inc.
Combined Balance Sheet Comparison
As of August 31, 2021

	Aug 31, 21	Jul 31, 21	\$ Change	% Change	Aug 31, 20	\$ Change	% Change	
LIABILITIES & EQUITY								
Liabilities								
Current Liabilities								
	2010 · Sec Lending Collateral Paya	0.00	0.00	0.00%	0.00	0.00	0.00%	
(Note 6)	2020 · Open Trades - Purchases	53,543,672.51	44,119,776.52	9,423,895.99	21.36%	14,550,913.11	38,992,759.40	267.98%
(Note 7)	2030 · Accounts Payable - Inv	167,731.18	634,592.88	-466,861.70	-73.57%	55,772.39	111,958.79	200.74%
	2040 · Refunds Payable	4,098,875.89	4,098,875.89	0.00	0.00%	3,392,107.70	706,768.19	20.84%
(Note 7)	2050 · Other Payables	78,917.05	89,673.30	-10,756.25	-12.00%	165,803.12	-86,886.07	-52.40%
	2100 · Payroll Liabilities	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
	Total Other Current Liabilities	57,889,196.63	48,942,918.59	8,946,278.04	18.28%	18,164,596.32	39,724,600.31	218.69%
	Total Current Liabilities	57,889,196.63	48,942,918.59	8,946,278.04	18.28%	18,164,596.32	39,724,600.31	218.69%
Long Term Liabilities								
	2060 · Accrual-Benefits at Termination	115,302.68	115,302.68	0.00	0.00%	103,551.79	11,750.89	11.35%
	2070 · Advances Payable - TCERA	464,230.00	473,230.00	-9,000.00	-1.90%	572,230.00	-108,000.00	-18.87%
	Total Long Term Liabilities	579,532.68	588,532.68	-9,000.00	-1.53%	675,781.79	-96,249.11	-14.24%
	Total Liabilities	58,468,729.31	49,531,451.27	8,937,278.04	18.04%	18,840,378.11	39,628,351.20	210.34%
Equity								
	3110 · Member Deposit Reserve	335,732,569.05	338,548,528.23	-2,815,959.18	-0.83%	317,106,654.61	18,625,914.44	5.87%
(Note 8)	3120 · Other Reserves - Unapportioned	2,559,529.24	2,652,760.29	-93,231.05	-3.51%	4,230,117.62	-1,670,588.38	-39.49%
	3210 · Employer Advance Reserves	901,651,348.66	907,033,895.47	-5,382,546.81	-0.59%	853,871,710.21	47,779,638.45	5.60%
	3310 · Retiree Reserves	457,405,735.51	449,113,998.47	8,291,737.04	1.85%	449,965,009.95	7,440,725.56	1.65%
	3320 · Supp. Retiree Benefit Reserve	108,446,851.09	108,446,851.09	0.00	0.00%	108,348,474.77	98,376.32	0.09%
	3410 · Contingency Reserve	60,735,602.01	60,735,602.01	0.00	0.00%	49,227,604.66	11,507,997.35	23.38%
	3510 · Market Stabilization	108,713,808.00	108,713,808.00	0.00	0.00%	-163,716,787.00	272,430,595.00	166.40%
	3810 · Income Summary Account	0.00	0.00	0.00	0.00%	0.00	0.00	0.00%
	3900 · Retained Earnings	939,409.13	939,409.13	0.00	0.00%	786,925.66	152,483.47	19.38%
	Net Income	63,194,067.78	44,557,384.06	18,636,683.72	41.83%	101,255,593.26	-38,061,525.48	-37.59%
	Total Equity	2,039,378,920.47	2,020,742,236.75	18,636,683.72	0.92%	1,721,075,303.74	318,303,616.73	18.49%
	TOTAL LIABILITIES & EQUITY	2,097,847,649.78	2,070,273,688.02	27,573,961.76	1.33%	1,739,915,681.85	357,931,967.93	20.57%

Notes:

- Note 1** Timing of managers short term positions
- Note 2** Hedge Funds - accounts closed
- Note 3** Futures Overlay - accounts closed
- Note 4** Increase in Open Trade Sales over last mo. and last year
- Note 5** Timing of payment of Pension Death Receivable
- Note 6** Increase in Open Trade Purchases over last mo. and last year
- Note 7** Accruals
- Note 8** Interim interest payments/adjustments and equity adjustments prior to period close

TCERA and TCERA Property, Inc.
Combined Comparative Profit and Loss
August 31, 2021

	Aug 21	Jul 21	\$ Change	% Change	Jul - Aug 21	Jul - Aug 20	\$ Change	% Change
Ordinary Income/Expense								
Income								
4110 · Interest Income	249,032.90	252,120.49	-3,087.59	-1.23%	501,153.39	509,682.47	-8,529.08	-1.67%
(Note 1) 4120 · Dividend Income	346,081.61	219,559.77	126,521.84	57.63%	565,641.38	621,730.77	-56,089.39	-9.02%
4130 · Real Estate Income	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
(Note 2) 4140 · Other Investment Income	73,274.13	163,169.80	-89,895.67	-55.09%	236,443.93	350,921.72	-114,477.79	-32.62%
4200 · Lease Payments from TCERA	15,640.00	15,640.00	0.00	0.0%	31,280.00	31,280.00	0.00	0.0%
4310 · Commission Rebates	0.00	0.00	0.00	0.0%	0.00	658.46	-658.46	-100.0%
(Note 3) 4410 · Securities Lending Income	5,588.23	0.00	5,588.23	100.0%	5,588.23	6,745.17	-1,156.94	-17.15%
(Note 4) 4510 · Realized Gains/Losses	13,746,088.50	36,445,683.03	-22,699,594.53	-62.28%	50,191,771.53	18,564,500.20	31,627,271.33	170.36%
4530 · Gn/Ls Disposal of Fixed Asset	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
(Note 5) 4610 · Employee Contributions	2,055,574.04	1,172,737.20	882,836.84	75.28%	3,228,311.24	2,964,112.89	264,198.35	8.91%
(Note 5) 4620 · Employer Contributions	339,204.04	39,319,706.14	-38,980,502.10	-99.14%	39,658,910.18	35,986,057.46	3,672,852.72	10.21%
Total Income	16,830,483.45	77,588,616.43	-60,758,132.98	-78.31%	94,419,099.88	59,035,689.14	35,383,410.74	59.94%
Expense								
5110 · Benefit Payments	8,029,248.33	7,935,146.48	94,101.85	1.19%	15,964,394.81	15,173,892.64	790,502.17	5.21%
(Note 6) 5120 · Refunds	370,982.11	297,048.63	73,933.48	24.89%	668,030.74	392,084.26	275,946.48	70.38%
5130 · Death Retiree ROC	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
5140 · SDA Payments	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
(Note 7) 5210 · Investment Management Fees	141,032.54	120,635.00	20,397.54	16.91%	261,667.54	158,578.98	103,088.56	65.01%
(Note 7) 5250 · Inv. Consultant/Custodial Fees	19,729.08	0.00	19,729.08	100.0%	19,729.08	20,000.00	-270.92	-1.36%
(Note 3) 5270 · Securities Lending Expense	1,015.47	0.00	1,015.47	100.0%	1,015.47	754.15	261.32	34.65%
5275 · Real Estate Investment Expense	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
5276 · Real Estate Mgr Fees	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
(Note 8) 5280 · Other Investment Expense	11,256.01	5,922.45	5,333.56	90.06%	17,178.46	10,765.56	6,412.90	59.57%
(Note 7) 5410 · Actuarial Study Fees	970.00	0.00	970.00	100.0%	970.00	0.00	970.00	100.0%
5450 · Compensated Benefit Expense	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
* 5500 · Administrative Expense	169,297.53	153,458.86	15,838.67	10.32%	322,756.39	309,888.55	12,867.84	4.15%
* 5750 · TCERA Property Admin Expense	15,030.30	593.75	14,436.55	2,431.42%	15,624.05	3,371.48	12,252.57	363.42%
5910 · Depreciation of Fixed Assets	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Total Expense	8,758,561.37	8,512,805.17	245,756.20	2.89%	17,271,366.54	16,069,335.62	1,202,030.92	7.48%
Net Ordinary Income	8,071,922.08	69,075,811.26	-61,003,889.18	88.31%	77,147,733.34	42,966,353.52	34,181,379.82	79.55%

**TCERA and TCERA Property, Inc.
Combined Comparative Profit and Loss
August 31, 2021**

	<u>Aug 21</u>	<u>Jul 21</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Jul - Aug 21</u>	<u>Jul - Aug 20</u>	<u>\$ Change</u>	<u>% Change</u>
Other Income/Expense								
Other Income								
4520 · Unrealized Gains/Losses	10,564,761.64	-24,518,427.20	35,083,188.84	143.09%	-13,953,665.56	58,289,239.74	-72,242,905.30	-123.94%
4525 · Unrealized Gns/Ls Building/Land	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
5000 · Other Income	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Total Other Income	10,564,761.64	-24,518,427.20	35,083,188.84	143.09%	-13,953,665.56	58,289,239.74	-72,242,905.30	-123.94%
Other Expense	0.00	0.00	0.00	0.0%	0.00	0.00	0.00	0.0%
Net Other Income	10,564,761.64	-24,518,427.20	35,083,188.84	143.09%	-13,953,665.56	58,289,239.74	-72,242,905.30	-123.94%
Net Income	<u>18,636,683.72</u>	<u>44,557,384.06</u>	<u>-25,920,700.34</u>	<u>-58.17%</u>	<u>63,194,067.78</u>	<u>101,255,593.26</u>	<u>-38,061,525.48</u>	<u>-37.59%</u>

Notes:

- Note 1** Dividend Income increase over last mo.; decrease over last year
- Note 2** Other Investment Income decrease over last mo. in Total Equity; decrease over last year in Private Equity
- Note 3** Annual Securities Lending Accruals & Adjustments
- Note 4** Decrease in Realized Gains over last mo in Total Equity; increase over last year in Total Equity
- Note 5** Accruals for EE & ER Contributions; Co. Prepayment ER Contributions
- Note 6** Increase in the \$ amount of Refunds over last year
- Note 7** Timing of payments
- Note 8** Increase in Other Investment Expenses over last mo. in Private Equity and over last year

* See Budget report for detail of Administrative expenses (5500 and 5750)



COUNTY OF TULARE BOARD OF RETIREMENT

Leanne Malison
Retirement Administrator

136 N AKERS STREET
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
www.tcera.org

TCERA, Board of Retirement

Administrative Committee

Agenda Item # IV.2.d.

Agenda Date: November 27, 2021

Subject: Review Government Codes for Excess Earnings

Requests:

That the Administrative Committee:

1. Review the attached Government Codes
2. Discuss interest crediting and excess earnings options for Tier 4 members.
3. Possibly forward to the Board of Retirement a policy on how to split excess earnings with a recommendation for approval.

Summary:

Article 5.5 of the '37 Act was adopted by TCERA and provides very specific instructions as to how earnings of the plan are to be distributed to the various member accounts for Tier 1-3 and other reserves. One of the requirements of article 5.5 is the establishment of a Supplemental Retiree Benefit Reserve (SRBR) that is to receive 50% of any excess earnings. The remaining earnings are distributed back to the active member accounts and other reserves in the form of higher interest.

Tier 4 members do not participate in the SRBR and since the addition of Tier 4, the plan has not had any excess earnings nor has adopted any policy on excess earnings for Tier 4. Staff have attached Government codes §31591, §31592, 1§ 31592.2, and §31592.3 for the Committees review and discussion to determine the best course of action for the plan and if a policy on excess earnings for Tier 4 is needed.

Prepared by: Mary Warner

thereof within this state, to process and issue payments by check or electronic fund transfer.

(Amended by Stats. 1995, Ch. 584 (AB 1021), Sec. 6)

(Amended by Stats. 1996, Ch. 493 (SB 792), Sec. 5)

§31591. Interest credits; rate; termination of interest on cessation of membership

(a) Regular interest shall be credited semiannually on June 30th and December 31st to all contributions in the retirement fund which have been on deposit for six months immediately prior to that date. Interest at the rate of 2 ½ percent per annum, until otherwise determined by the board, compounded semiannually, shall be used in the calculation of benefits under any mortality table adopted by the board of supervisors.

(b) No interest shall be credited to a member's account after the membership of the member in the retirement association has ceased, except under the following circumstances:

(1) The former member has left his or her accumulated contributions in the retirement fund and has either elected in writing a deferred retirement allowance, or is eligible to so elect under Section 31700 but has failed to do so.

(2) The surviving spouse of a deceased member or the legally appointed guardian of the member's unmarried children under age 18 has elected to leave a death benefit on deposit as provided for in Section 31781.2.

(3) The former member, regardless of service, has left his or her accumulated contributions in the retirement fund and has not terminated employment.

(Amended by Stats. 1995, Ch. 457 (AB 847), Sec. 1)

(Amended by Stats. 1997, Ch. 43 (SB 419), Sec. 1)

§31592. Excess interest as reserve against contingencies

Earnings of the retirement fund during any year in excess of the total interest credited to contributions and reserves during such year shall remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments and other contingencies, except as provided in Sections 31529.5 and 31592.2.

(Amended by Stats. 1977, Ch. 202, Sec. 2)

§31592.2. Excess interest; disposition

(a) In any county, earnings of the retirement fund during any year in excess of the total interest credited to contributions and reserves during such year shall remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies, except that, when such surplus exceeds 1 percent of the total assets of the retirement system, the board may transfer all, or any part, of such surplus in excess of 1 percent of the said total assets into county advance reserves for the sole purpose of payment of the cost of the benefits described in this chapter.

(b) Where the board of supervisors has provided for the payment of all, or a portion, of the premiums, dues, or other charges for health benefits, Medicare, or the payment of accrued sick leave at retirement to or for all, or a portion, of officers, employees, and retired employees and their dependents, from the county general fund or other sources, the board of retirement may authorize the payment of all, or a portion, of payments of the benefits described in this subdivision from the county advance reserves. This payment shall comply with the requirements of Section 401 of Title 26 of the United States Code. Payment may be made directly from the county advance reserves for the benefits described in Section 31691.1.

(Amended by Stats. 1980, Ch. 1116, Sec. 1, Effective September 26, 1980)

(Amended by Stats. 2014, Ch. 740 (AB 2473), Sec. 6)

§31592.3. Excess earnings; reserve; transfer to increase retirement allowance

In any county, earnings of the retirement fund, in excess of the total interest credited to contributions and reserves shall remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies, except that when the total amount in the reserve exceeds 1 percent of the total assets of the retirement system, the board may transfer all or any part of such reserve in excess of 1 percent of the total assets into a special fund which shall be used for the sole purpose of providing an increase in monthly retirement allowance pursuant to Section 31681.7 or Section 31739.4. In the event the amount credited to the special fund is not sufficient to pay the entire amount of the increase provided for by Section 31681.7 or Section 31739.4 then the amount of the increase shall be reduced in proportion to the amount of the balance on hand in the special fund at the close of the fiscal year preceding the fiscal year during which such increase is operative.

This section shall not be operative in any county until such time as the board of supervisors shall, by ordinance, make the provisions of this section applicable in such county. The board of supervisors may in such ordinance provide that the increase in monthly retirement allowance provided for by Section 31681.7 or 31739.4 shall be effective only subject to the provisions of this section.

(Amended by Stats. 1968, Ch. 94, Sec. 1, Effective May 10, 1968)

§31592.4. Excess earnings; treatment as appropriations, transfers and contributions by county and applicable districts; "excess earnings" defined; compliance with federal and state income tax laws; operation of section

(a) The amount of excess earnings available at the end of a fiscal year of the retirement fund, shall, subject to the limitations in this section, be treated in the immediately succeeding fiscal year, for all purposes under this chapter, as appropriations, transfers, and contributions made to the retirement fund by the county and applicable districts. That treatment shall occur only to the extent that, in the immediately succeeding fiscal year, the county and applicable districts pay for an equal amount of health benefits for members heretofore or hereafter retired and their dependents or make contributions in an equal amount to an account established under Section 401(h) of Title 26 of the United States Code solely for the purpose of providing health benefits for retired members, their spouses, and dependents, and for the associated administrative and investment expenses.

(b) For purposes of this section, "excess earnings" means earnings of the retirement fund at the end of any fiscal year that exceed the total interest credited to contributions and reserves plus 1 percent of the total assets of the retirement fund.

(c) The board of supervisors or the board of retirement shall take any actions necessary and appropriate to ensure that the program provided by this section complies with all applicable federal and state income tax laws, including, but not limited to, establishing rules and procedures for establishing and maintaining an account under Section 401(h) of Title 26 of the United States Code.

(d) In accordance with Section 401(h) of Title 26 of the United States Code and Section 1.401-14(c) of the Code of Federal Regulations:

(1) The retirement system shall specify the medical benefits that will be available and shall set out the amount that will be paid.

(2) Medical benefits shall be subordinate to the retirement benefits when added to any life insurance benefits.

(3) A separate account shall be maintained for contributions to fund the medical benefits.



November 1, 2021

Ms. Leanne Malison
Tulare County Employees' Retirement Association
136 N. Akers Street
Visalia CA 93291

Re: Tulare County Employees' Retirement Association
Account Number(s): scv079

Dear Ms. Malison:

We are very pleased to announce that the five-member LMCG US Value Equity team, along with certain other senior members and support staff of LMCG Investments, LLC ("LMCG") in operations, compliance, trading and distribution, will be spinning out of LMCG. We have created and registered with the SEC a new firm called Leeward Investments, LLC ("Leeward").

Until the transaction closes, Leeward will operate as a wholly-owned subsidiary of LMCG while preparing its operations, trading and IT for a smooth transition. Upon the closing of the transaction, Leeward will be a stand-alone investment adviser with approximately \$3.5B in assets under management, led by President R. Todd Vingers, Value Equity Portfolio Manager. Leeward will continue to be based in Boston, will be 100% employee-owned, and will have a singular focus on its Small, Mid and SMID Value strategies.

Leeward is a team of very experienced individuals focused entirely on its Value investment strategies. At Leeward, we believe that concentrating on these strategies will directly benefit our existing clients and result in future growth. We believe that this next stage in our growth enables our management team, investment professionals, and support staff to continue focusing on our highest priority—delivering long-term investment performance and superior client service to you.

LMCG's and Leeward's immediate focus is on executing a seamless transition for our clients, with regular dialogue along the way. We will ensure that there is no interruption in service at any level.

This transaction will not impact the administration of your account or the fees charged. Subject to the receipt of the necessary approvals and consents, we anticipate that the transaction will close in Q1 2022, at which time Leeward will spin out of LMCG and will be wholly owned by Leeward employees.

Under the Investment Advisers Act of 1940, the closing of the transaction results in assignment of your investment advisory/management agreement with LMCG to Leeward. In order for Leeward to continue to provide investment management services to you following the closing of the transaction, your consent to this assignment is required. Therefore, we would appreciate receiving a signed acknowledgment of your consent on the form enclosed with this letter before December 15, 2021. At your earliest convenience, please sign the form enclosed and return it to us.

If you do not wish to transition your advisory relationship to Leeward, and since LMCG will no longer offer or provide your account the Small, Mid or SMID Value strategies after the closing, please contact Jenna Oliver at (617) 823-9883 or in writing at joliver@lmcg.com to make alternative arrangements on or prior to December 15, 2021.

We are excited about this new venture, thank you for your partnership with us over the years, and look forward to continuing to serve your investment management needs.

Please feel free to call us with any questions.

On behalf of all of us at Leeward and LMCG,



R. Todd Vingers
on behalf of
Leeward Investments, LLC



Kenneth L. Swan
on behalf of
LMCG Investments, LLC



Consent to Assignment of Investment Advisory Agreement(s) for:

Tulare County Employees' Retirement Association
Account Number(s): scv079

From LMCG Investments LLC to Leeward Investments, LLC

The undersigned consents to the assignment of the above-referenced investment advisory agreement(s) and any related amendments or addendums thereto with LMCG Investments, LLC ("LMCG"), to Leeward Investments, LLC ("Leeward") as part of the transaction described in the client communication dated November 1, 2021. Leeward is a registered investment adviser under the Investment Advisers Act of 1940. By signing this Consent to Assignment, the undersigned understands that following the assignment, the terms of our agreement will remain the same, except that the investment manager providing the services will be Leeward (and not LMCG), and that any authority related to discretionary investment management services previously granted by the undersigned to LMCG shall instead be granted to and exercised by Leeward.

The undersigned also authorizes LMCG and Leeward to communicate with and direct the qualified custodian on the account noted above with instructions for transferring the account from LMCG to Leeward.

We would like to receive your consent by December 15, 2021 and appreciate your time and consideration in reviewing and returning this letter promptly to us. Please sign on the signature line below and return it electronically to us at joliver@lmcg.com.

If you do not return the below authorization by the above date, the above account will be terminated in accordance with the terms of your investment advisory agreement.

By:

Printed Name of Authorized Signatory

Signature of Authorized Signatory

Date

Memorandum

To: Board of Trustees, Tulare County Employees' Retirement Association
From: Mike Kamell, CFA, CAIA, Senior Consultant
Date: December 2021
RE: LMCG Small Cap Value: Watch Status

Executive Summary

Verus and TCERA staff were recently notified of a significant organizational change at Lee Munder Capital Group (LMCG), the firm that manages approximately \$30 million (1.6% of assets) in a dedicated small cap value equity strategy for TCERA. The small cap value team at LMCG will be spinning out of LMCG and forming a new entity, Leeward Investments LLC. In total, 12 professionals will be leaving to form the new company, including the five-person investment team that currently manage the small cap value strategy that TCERA invests in. LMCG and Leeward are seeking ratification by TCERA of the change in legal structure. ***Verus is recommending the change be ratified, but that the strategy be placed on Watch Status, and in the interim the Board consider an exploratory search to re-evaluate the strategy relative to the competitive landscape.***

Organizational Background at LMCG

LMCG was founded in 2000 as an institutional platform for boutique investment managers to 'plug & play' – essentially pooling shared resources with respect to operations and certain back-office functions but relying on distinct and independent investment teams. Under the LMCG umbrella organization, in addition to the value team there was a growth equity team and a quantitative international equity team, both of which have since been closed. Currently, the value equity team manages approximately \$3.6 billion in AUM (\$2.1B in the small cap value product that TCERA invests in, and an additional \$1.4 billion of mid cap value), approximately half of LMCG's overall AUM of \$7.4 billion. The other products that LMCG manages are not complementary to the value products; LMCG has a high-net-worth advisory business and a hedge fund.

Formation of Leeward Investments

Todd Vingers will serve as president of Leeward investments, as well as head of the investment team and portfolio manager. Mr. Vingers has served as the lead portfolio manager on the small cap value product since its inception in 2002 and has also served as a co-portfolio manager on the mid cap value product since 2014. The other four investment professionals joining Vingers at Leeward have been with LMCG since 2003, 2014, 2006, and 2010. The firm's intention is to focus exclusively on managing value products (both small and mid-cap), relying on the same investment process currently in place. While Mr. Vingers will serve as president and portfolio manager,

operations and many day-to-day functions will be led by Paul Fiore as COO; Mr. Fiore has been with LMCG for 20 years functioning in a similar capacity. Rounding out the back-office team is a Chief Compliance Officer, a Head Trader, a Chief Financial Officer, and two Relationship Managers, all of whom have tenured careers at LMCG. Many back-office functions will be outsourced to other companies, a common practice for boutique investment firms.

Leeward employees are effectively buying the company from LMCG. This will involve an up-front cash payment, as well an earn-out, where LMCG will receive royalty income for several years from Leeward. This is not uncommon when teams spin-out of investment firms; especially when outside financing is not involved (i.e. a private equity buyer). The majority shareholder of LMCG is RBC.

Until Leeward is spun out of LMCG, Leeward will operate as a wholly-owned subsidiary of LMCG. Prior to the spin-out, TCERA will need to acknowledge acceptance of the transaction, and consent to a delegation of the investment management agreement. If TCERA does not accept to the transfer, TCERA would need to make alternate arrangement for the management of this portfolio, and/or liquidate the portfolio, prior to December 15.

Verus Observations

Verus generally views employee-owned firms positively; the Value Equity team members owned less than 10% of the equity in LMCG, and so long-term, we think this transaction creates favorable alignment of interest and the potential for improved retention and incentive structures. There also appears to be a lack of synergies while operating under LMCG, given the dissolution of LMCG's other long-only equity products in the last several years, so this transaction appears very logical for both LMCG and the new Leeward entity.

However, this transaction does create uncertainty in our judgement. Without an outside investor, and with an up-front cash payment to LMCG, the newly formed Leeward may not have the balance-sheet strength to continue as a going concern. In response to this concern, Leeward has asserted that the organization can remain profitable even at a significant AUM decline. Establishing a new business is always challenging, and the increased management responsibilities could become a distraction, which is concerning since the investment team is already somewhat lean; 5 investment professionals are responsible for managing two (albeit complementary) products.

Lastly, we note that historical performance for the strategy could be described as mediocre. Given the fundamental value approach has been out of favor for some time, this mediocre performance is in line with our expectations. Considering all these factors, we think it is prudent for us to prepare an exploratory search book comparing Leeward (formerly LMCG) to other small cap value products we hold in high regard.

In our judgement the stability of the investment team and the investment philosophy/process are more important than stability in ownership structure; for this reason, we are not recommending outright termination at this time. Given there is incremental uncertainty associated with this change, we do think it is prudent to re-evaluate the landscape to re-affirm conviction in the

product versus other institutionally viable options. For this reason, if the Board would like us to prepare a search book of other comparable options, we can be prepared to review that in early 2022.

Lastly, should TCERA ratify the agreement with Leeward, the investment management fee would be reduced from the current 70 basis points to 65 basis points. This follows ~20% reduction in fees that was secured in April of last year.

						Calendar Year				
	2021 YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	2020	2019	2018	2017	2016
Lee Munder Small Value	21.9	58.1	8.6	10.2	12.7	3.0	26.3	-15.5	7.7	27.3
Russell 2000 Value	22.9	63.9	8.6	11	13.2	4.6	22.4	-12.9	7.8	31.7
	-1.0	-5.8	0.0	-0.8	-0.5	-1.6	3.9	-2.6	-0.1	-4.4
EV US Small Cap Value Rank	53	51	50	62	70	56	25	56	71	38

As of 9/30/21. Net of fees.

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Tulare County Employees' Retirement Association
Visalia, 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), a pension trust fund of the County of Tulare, as of June 30, 2021, 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 totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals, as of and for the fiscal year ended June 30, 2021, 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 fiduciary net position of TCERA as of June 30, 2021, 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, 2021; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals, as of and for the fiscal year ended June 30, 2021, 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 (MD&A) 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 MD&A and 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 listed 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, 2020, basic financial statements, and our reported dated November 30, 2020, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presentation herein as of June 30, 2020, 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 November 29, 2021, 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 solely 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 effectiveness of TCERA's 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
November 29, 2021

**TULARE COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

REPORT TO THE BOARD OF RETIREMENT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**TULARE COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

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**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
Visalia, 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 financial statements of Tulare County Employees' Retirement Association (TCERA), a pension trust fund of the County of Tulare, as of and for the fiscal year ended June 30, 2021, 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 of TCERA, and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (other information), as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated November 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements and other information, we considered TCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements and other information, 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 TCERA's basic 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.

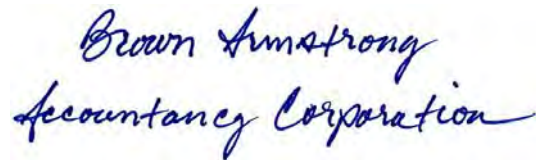
Compliance and Other Matters

As part of obtaining reasonable assurance about whether TCERA's basic financial statements and other information 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 basic financial statements and other information. 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 TCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
November 29, 2021

**REQUIRED COMMUNICATION TO THE MEMBERS OF THE BOARD OF
RETIREMENT IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)**

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

We have audited the basic financial statements, and the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (other information) of Tulare County Employees' Retirement Association (TCERA), a pension trust fund of the County of Tulare, for the fiscal year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 3, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by TCERA are described in Note 1, Summary of Significant Accounting Policies, to the basic financial statements. As described in Note 1 to the basic financial statements, TCERA implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Statement No. 90, *Majority Equity Interests*, and Statement No. 98, *The Annual Comprehensive Financial Report*, during fiscal year 2021. We noted no transactions entered into by TCERA during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting TCERA's basic financial statements were:

Management's estimate of the fair value of investments was derived by various methods as detailed in Note 1, Summary of Significant Accounting Policies, Note 3, Deposit and Investment Risk Disclosures, and Note 4, Fair Value Measurement. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the basic financial statements taken as a whole.

The contribution amounts and net pension liability as detailed in Note 1, Summary of Significant Accounting Policies, and Note 10, Net Pension Liability, which are based on the actuarially presumed interest rate and assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements were:

The disclosures for deposits and investments in Notes 1, 3, and 4 to the basic financial statements, Summary of Significant Accounting Policies, Deposit and Investment Risk Disclosures, and Fair Value Measurement, respectively, were derived from TCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the basic financial statements.

Additionally, the disclosure related to the funding policies, net pension liability, and actuarial methods and assumptions in Notes 2 and 10, Plan Description and Net Pension Liability, respectively, were derived from actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of future events.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the basic financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 29, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to TCERA's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as TCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Investment Returns, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses, Fees, Other Investment Expenses and Payments to Consultants, and Schedule of Net Position Restricted for Pension Benefits, which accompany the basic financial statements but are not RSI. With respect to this supplemental information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves. In our opinion, the other supplementary information is fairly stated, in all material respects to the basic financial statements as a whole.

We were not engaged to report on introductory, investment, actuarial, and statistical sections, which accompany the basic financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This communication is intended solely for the use of the Board of Retirement and management of TCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 29, 2021

TCERA
SUMMARY OF UNADJUSTED AUDIT DIFFERENCE
June 30, 2021

	Increase in Fiduciary Net Position (in 000's)
Known Audit Difference:	
Difference from timing of alternative investments fair value reporting	<u>\$ (2,640)</u>
Total Unadjusted Audit Difference	<u><u>\$ (2,640)</u></u>

**AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE
EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING
(MANAGEMENT LETTER)**

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

In planning and performing our audit of the basic financial statements, and the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (other information) of Tulare County Employees' Retirement Association (TCERA), a pension trust fund of the County of Tulare, as of and for the fiscal year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered TCERA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TCERA's basic financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of the inherent limitations in internal controls, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

The result of our audit disclosed no recommendations that would result in opportunities for strengthening internal controls and operating efficiencies. We are providing the disposition of prior year comments.

Current Year Findings and Recommendations

None.

Status of Prior Year Findings and Recommendations

Finding # 1 – Incorrect Date of Birth for Retiree

During our testing of benefit payments, we noted an incorrect date of birth documented in TCERA's pension administration system (CPAS), for one (1) out of forty (40) samples tested. We were able to confirm the error by viewing the retiree's proof of identification.

Management indicated the staff member transposed the month of birth, 01 rather than 10, when entering the birth date into CPAS. The transposition was missed in the retirement setup review. The error resulted in the incorrect date of birth being provided to the actuary, which resulted in an understatement in the actuarial liability for the beneficiary by nine (9) months.

Recommendation

While the understatement in the actuarial liability for the incorrect date of birth for the retiree is likely insignificant, we recommend TCERA verify all demographic information with official documents prior to entering information in CPAS to mitigate the risk for errors in CPAS.

Management's Response

TCERA already requires the review of the data entry for pension setups. The transposition of this date of birth was missed in that review. This retirement setup dates back to 2012. The staff member and reviewer are no longer employees of TCERA. Current staff members have been reminded of the importance of accurate pension data.

Current Year Status

Implemented.

Finding # 2 – Retirement Applications Not Approved by Board of Retirement (Board)

During our testing of benefit payments, we noted that the November 2019 Retirement Applications report was not approved by the Board. This resulted in one (1) out of forty (40) samples tested not having an approved retirement application.

Management indicated that the November 2019 Retirement Applications report was missed in the December 2019 Board Agenda due a staff member not including the report on the agenda as required. The error resulted in four (4) participants retiring without Board approval. Upon bringing this to Management's attention, the November 2019 Retirement Applications report was approved by the Board of Directors at the July 22, 2020 meeting.

Recommendation

We recommend TCERA implement a monthly process to verify that the Retirement Applications report is included in the Board agenda to ensure retirement applications are approved by the Board in a timely manner.

Management's Response

TCERA already has in place a monthly process for including the Retirement Applications report on the Board agenda. The staff member responsible for the process did not verify the reports as expected. This staff member is no longer an employee of TCERA. Current staff members have been reminded of the importance of confirming that the report is included on the agenda each month.

Current Year Status

Implemented.

Finding # 3 – Pay Codes Included as Pensionable Income Not Approved by Board

During our testing of active participant payroll, we noted three (3) out of the forty (40) samples tested had pay codes included in their compensation earnable that were not brought before the Board for determination regarding eligibility as pensionable compensation. These three samples were employed with the County of Tulare Superior Courts (Courts).

Management indicated that the Courts had not notified TCERA of the additional pay codes. An error in these pay codes could result in an incorrect calculation of retirement benefits paid by TCERA. Upon bringing this to Management's attention, the Amendment to Resolution Regarding Tulare County Superior Courts Pay Codes Included as Pensionable Income was approved by the Board at the August 12, 2020 meeting. The Courts have been reminded that before implementing a new pay code, they must be forwarded to the Board for consideration.

Recommendation

We recommend TCERA discuss with the Courts and consider, if a viable option, to require the Courts to submit a request to add new pay codes that are part of pensionable payroll to the Association prior to adding them. This control would minimize the potential for pay codes included in pensionable income not being approved by the Board. In addition, we recommend TCERA implement an internal review to ensure that payroll data remitted by the plan sponsors are reported accurately and that pay codes included as pensionable income are approved by the Board.

Management's Response

The Courts are aware that they are to submit new pay codes to TCERA for determination regarding pensionable status. In addition to the recent reminder provided to the Courts, TCERA will request a list of pay codes annually and review them to ensure that no codes are missed. It is noted that the pay codes in question were correctly classified and no adjustments to member records were required.

Current Year Status

Implemented.

Finding # 4 – Incorrect Employee Contribution Rates

During our testing of active participants, we noted one (1) out of forty (40) samples tested had an incorrect employee contribution rate. We were able to confirm the error by recalculating the employee contribution using actuarially determined contribution rates which were Board approved.

Management indicated that there was a human error by a County of Tulare (County) staff member when inputting the contribution rates. Upon bringing this to Management's attention, Management determined this error resulted in eighty-three (83) participants underpaying contributions totaling \$17,169 and seventy-one (71) participants overpaying contributions totaling \$5,856. TCERA has sent a letter out to each member and additional contributions will either be collected or returned.

Recommendation

We recommend TCERA implement controls such as a secondary review of contribution rates, periodically, to minimize the potential of manual input errors.

Management's Response

TCERA has confirmed that the rates for the fiscal year provided to County staff were correct. TCERA has reviewed the importance of accuracy of entry of the contribution rates into the County's database with the responsible County staff members. In addition, TCERA has activated validations in its pension administration system that will identify discrepancies in contribution rates as part of the payroll download process. TCERA staff members have been trained on the importance of the review of these validations.

Current Year Status

Implemented.

This communication is intended solely for the use of the Board of Retirement and management of TCERA and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 29, 2021

Tulare County Employees' Retirement Association

A Pension Trust Fund of the County of Tulare, California

Annual Comprehensive Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Prepared by:

***The Accounting Department
Tulare County Employees' Retirement Association***

***Leanne Malison
Retirement Administrator***

***Mary Warner
Assistant Retirement Administrator***

***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, CALIFORNIA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
www.tcera.org

Letter of Transmittal

November 29, 2021

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 Annual Comprehensive Financial Report of the Tulare County Employees' Retirement Association for the fiscal year ended June 30, 2021, TCERA's 76th 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, policies, 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. 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.
- 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 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 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.
- TCERA upgraded its website (www.tcera.org) to a platform that provides increased stability and a new look that enhances the user's experience.
- 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.

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 Active/Passive Investments, Investment Refresher course, Index Fund review, Investments in China, Securities Lending, Risk/Standard Deviation, Strategic Asset allocation, and education from many of TCERA's current investment managers. In response to the pandemic, consultants and investment managers have provided multiple web-based conferences and seminars for trustees, providing another means of obtaining valuable education.
- 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 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 investments, trustee elections, hearing officer qualifications and electronic signatures. Acceptance of electronic signatures will facilitate the timely acceptance of documents from members and vendors thereby improving service and streamlining processes. The Board also updated resolutions regarding compensable pay codes. In addition, the Board adopted the optional provisions of California Assembly Bill 2101, authorizing the Retirement Administrator to approve retirement applications with later ratification by the Board and increasing the retirement application window from 60 days to 90 days prior to the date of retirement.
- The Board ensured continued compliance with Internal Revenue Code requirements for its tax qualification status by adopting required Section 415 limits.

Improve the Level and Delivery of Services Provided to Plan Participants

- TCERA continued to enhance its Pension Administration System and develop improved processes and workflow 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.
- Due to the COVID pandemic in March of 2020, TCERA discontinued 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 offering retirement group sessions streamlined the process while still offering personalized service. Employees meet with a retirement specialist in a group of four to six TCERA members. The session focused on final retirement decisions and the completion of the retirement application packet. These group retirement sessions allowed TCERA to continue to meet the individual needs of our growing retirement population. TCERA intends to reinstate this process as soon as it is safe for members and staff to do so. Until that time, TCERA staff will continue to utilize phone, electronic communications, and one-on-one meetings to assist members through the retirement process.
- TCERA continues its protective measures for trustees, staff, and members in response to the COVID pandemic. Social distancing is enforced with any on site activity.

Achieve and Sustain Top Quartile Investment Performance as Measured by the Public Fund Universe

- 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.
- The Board spent considerable time evaluating the advantages and disadvantages of active investment management. After several educational sessions, the trustees directed Staff to implement a 50/50 active/passive split for TCERA's domestic equity portfolio.
- TCERA initiated a review of separate investment account guidelines to ensure that investment managers were provided the appropriate tools to achieve expected performance. The review resulted in the Board authorizing updated guidelines for BlackRock and Ivy that went into effect after fiscal year end.
- The Investment Committee conducted an active manager expense review. Fee reductions were negotiated with Franklin Templeton and PGIM as a result of the review. The amended contracts were executed after fiscal year end.
- 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.

- TCERA's policy of smoothing asset returns allowed the Board to authorize the posting of positive interest for both December 31, 2020 and June 30, 2021 in spite of the recognition of previous losses causing the smoothed rate to fall short of the interest assumption rate of 7.00% in effect for the fiscal year. 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, 2020	Tiers 1-3 – 2.8536% Tier 4 – 2.7021%
June 30, 2021	Tiers 1-3 – 3.4235% Tier 4 – 2.8932%

Attract, Develop, and Retain Competent and Professional Staff

- The Board authorized the addition of one new staff member. A new Retirement Specialist will be hired next fiscal year. This additional staffing will allow TCERA to continue to meet its goals for customer service in light of increased retirements and regulatory requirements.
- 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 as available. The COVID pandemic has limited access to off-site seminars, but the availability of web-based programs has helped fill in that gap.

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, 2021 and 2020

	2021	2020
Active Plan Participants (vested/non-vested)	4,484	4,605
Inactive Participants (vested/non-vested)	2,295	2,183
Service Retirees	2,619	2,574
Disability Retirees	342	347
Survivors/Beneficiaries	511	487
Total Retirees/Beneficiaries	3,472	3,408
Total Members	10,251	10,196

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

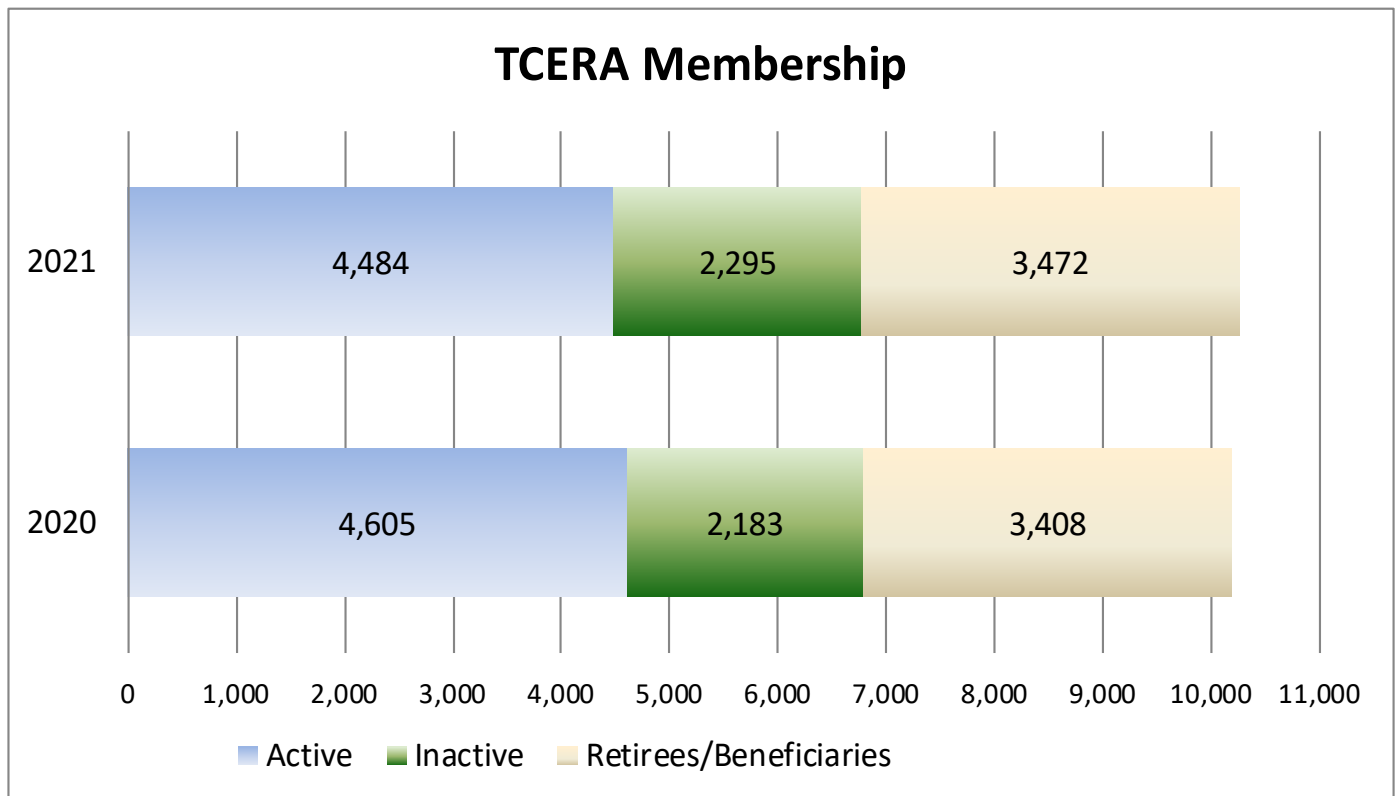
service earned on or after July 1, 2005 are now subject to IRS Section 415 limits due to the implementation of a new benefit formula. Only Tier 1 general members who entered deferred status prior to the implementation of the new benefit formula are exempt from these limits. All Tier 1 members are subject 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, 2021 and 2020 as reported in the most recent actuarial Governmental Accounting Standards Board (GASB) Statement No. 67/68 report dated June 30, 2021 was \$276.13 million and \$283.64 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.

TCERA’s investment return calculations are time-weighted and market value based. For the fiscal years ended June 30, 2021 and June 30, 2020, TCERA’s investments provided a 24.0% and 0.9% time-weighted rate of return, respectively. TCERA’s annualized rate of return over the last three years was 9.9%. For the 5-year and 10-year periods, the fund returned 9.9% and 7.7% annualized, respectively. Details regarding investment performance are included in the Investment Section of this report.

FINANCIAL INFORMATION

Internal Control

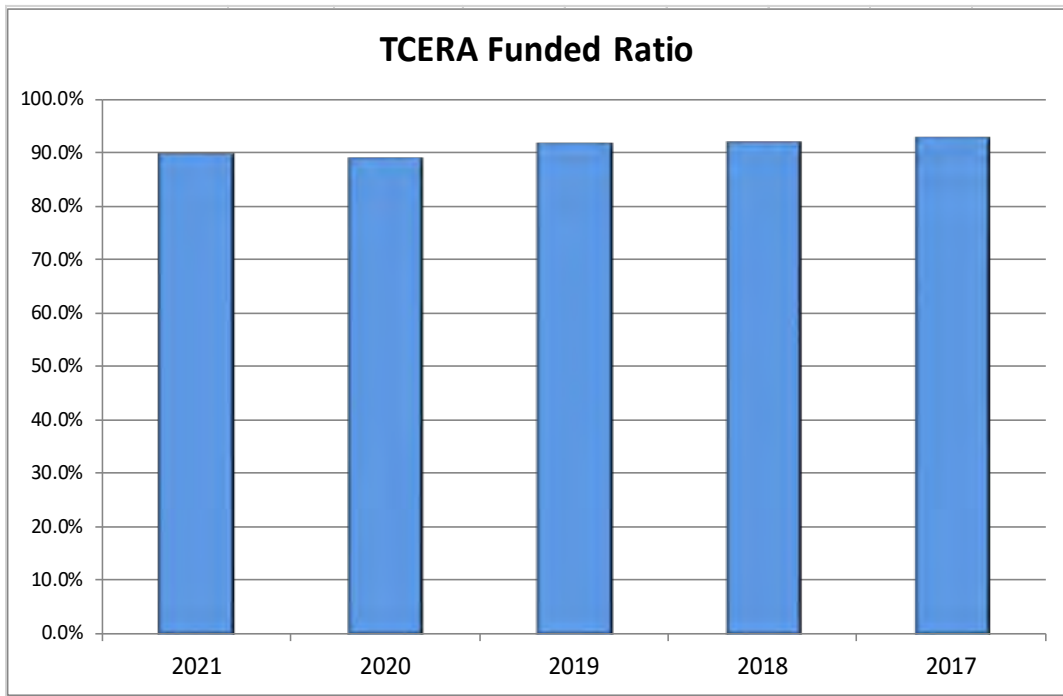
TCERA’s management is responsible for implementing and sustaining internal controls designed to provide prudent assurance regarding the protection of assets and the reliability of financial records.

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, 2021, the date of the last actuarial evaluation, the actuarial value basis funded ratio for TCERA was 89.8%. 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:



A substantial increase occurred in the funded status as of June 30, 2017 as compared to prior periods not displayed in the chart above, 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 pension 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. 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 Annual Comprehensive 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 Annual Comprehensive 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, 2020.

In addition, TCERA applied for and was awarded the Public Pension Standards Award for Funding and Administration for 2021. 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,

A handwritten signature in cursive script, reading "Leanne Malison".

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, 2020

Christopher P. Merrill

Executive Director/CEO

Public Pension Standards Award



Public Pension Coordinating Council
***Public Pension Standards Award
For Funding and Administration
2021***

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

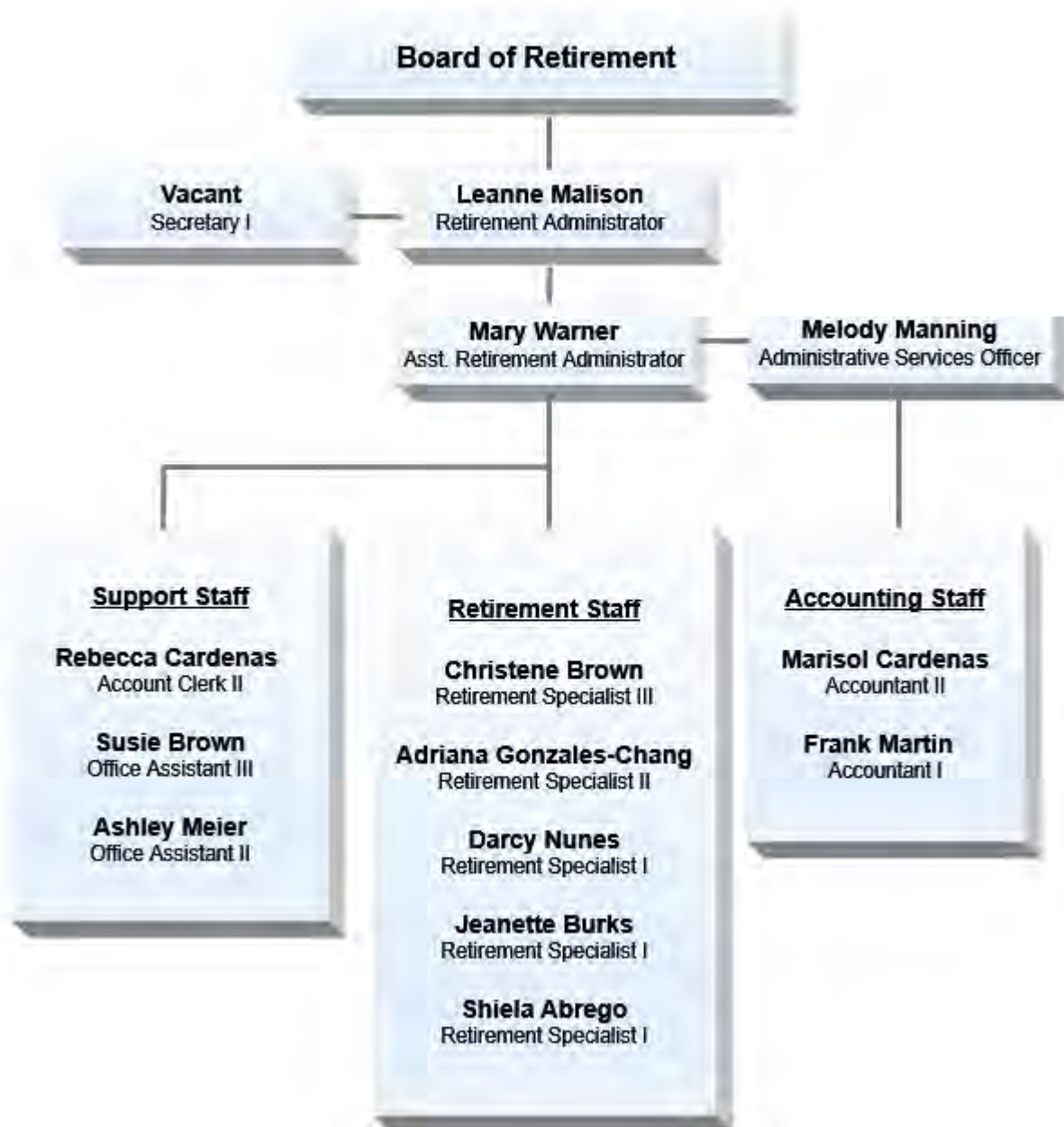
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle
Program Administrator

TCERA Organizational Chart

As of June 30, 2021



Members of the Board of Retirement
At June 30, 2021



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



Pete Vander Poel, Vice Chair
Appointed by the
Board of Supervisors
Present term expires 12/31/2022



Nathan Polk
Safety Membership Representative
Elected by Safety Members
Present term expires 12/31/2021



B. Ty Inman
General Membership Representative
Elected by General Members
Present term expires 12/31/2021



James Young, Member
Appointed by the
Board of Supervisors
Present term expires 12/31/2021



Laura Hernandez
General Membership Representative
Elected by General Members
Present term expires 12/31/2022

Members of the Board of Retirement (Cont.)



Gary Reed, Member
Appointed by the
Board of Supervisors
Present term expires 12/31/2022



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



David Kehler, Member
Retired
Elected by Retired Members
Present term expires 12/31/2022



George Finney, Alternate
Retired
Elected by Retired Members
Present term expires 12/31/2022

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 80-81 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
PGIM

REAL ESTATE

RREEF
Invesco
American Realty Advisors

PRIVATE EQUITY

Pantheon Ventures, Inc.
BlackRock Alternative Advisors
StepStone Group
Ocean Avenue Capital Partners
Pathway Capital Mgmt.

PRIVATE CREDIT

Sixth Street Partners

OPPORTUNISTIC

KKR Capital Markets, LLC
PIMCO Investments, LLC
Sixth Street Partners

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financial section

Independent Auditor's Report



www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Tulare County Employees' Retirement Association
Visalia, 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), a pension trust fund of the County of Tulare, as of June 30, 2021, 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 totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals, as of and for the fiscal year ended June 30, 2021, 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.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 200
Fresno, CA 93720
559-476-3392

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

BAKERSFIELD: 4200 Truxtun Avenue, Suite 300, Bakersfield, CA 93309, 661-324-4971. FRESNO: 10 River Park Place East, Suite 200, Fresno, CA 93720, 559-476-3392. STOCKTON: 2423 West March Lane, Suite 202, Stockton, CA 95219, 209-451-4833.

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 fiduciary net position of TCERA as of June 30, 2021, 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, 2021; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals, as of and for the fiscal year ended June 30, 2021, 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 (MD&A) 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 MD&A and 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 listed 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, 2020, basic financial statements, and our reported dated November 30, 2020, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presentation herein as of June 30, 2020, 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 November 29, 2021, 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 solely 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 effectiveness of TCERA's 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
November 29, 2021

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, 2021. 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 Annual Comprehensive Financial Report.

Financial Highlights

- At the close of the fiscal year 2021, TCERA's Fiduciary Net Position restricted for pension benefits was \$1.98 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 356.4 million, or 22.0%, 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, 2021, the date of the last actuarial valuation, the funded ratio for TCERA was 89.8%. In general, this indicates that for every dollar of benefits due TCERA had approximately \$0.898 of assets available for payment as of that date.
- Revenues (additions to Fiduciary Net Position) for the fiscal year ended June 30, 2021 totaled \$455.4 million, which includes employer contributions of \$36.8 million, Plan member contributions of \$23.5 million, net investment income of \$394.9 million, and lease and other income of \$0.2 million.
- Expenses (deductions from Fiduciary Net Position) for the fiscal year ended June 30, 2021 totaled \$99.0 million, which includes retiree benefits of \$92.7 million, member refunds of \$3.6 million, and administrative expenses of \$2.7 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.

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 27-28 of this report.)

Supporting the disclosures in the financial statements are the notes to the basic financial statements. Also included in this Annual Comprehensive 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 Basic Financial Statements on pages 29-51 of this report.)

Required and Other Supplemental Information is included in addition to the basic financial statements and accompanying notes on pages 52-56. 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 93 of the actuarial section includes a Schedule of Funding Progress.

The Schedule of Administrative Expenses, Fees, Other Investment Expenses and Payments to Consultants, and the Schedule of Net Position Restricted for Pension Benefits are other supplemental information and are presented on pages 57-59 immediately following the required supplemental information on pensions of this report.

Other Information, which includes two schedules pertaining to GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The two schedules include the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, is provided on pages 60-62.

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 exceeded its liabilities at the close of the fiscal year June 30, 2021. As of June 30, 2021, \$1.98 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, 2021, Fiduciary Net Position increased by 22.0% over the prior fiscal year primarily due to an increase in the fair value of investments. An increase in liabilities slightly offset the increase in assets resulting in the overall increase in Fiduciary Net Position. The changes in total assets and total liabilities were the result of decreased cash, increases in receivables and payables for purchases of investments, and increased 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)

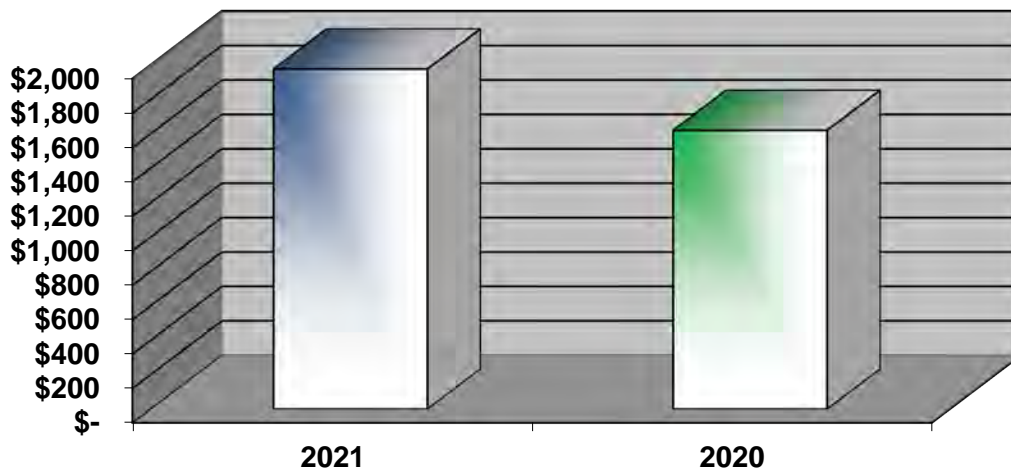
As of June 30

(dollars in thousands)

	2021	2020	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Current and Other Assets	\$ 94,885	\$ 111,165	\$ (16,280)	-14.64%
Investments at Fair Value	1,994,998	1,567,258	427,740	27.29%
Capital Assets, Net	1,372	1,671	(299)	-17.89%
Total Assets	2,091,255	1,680,094	411,161	24.47%
Total Liabilities	115,070	60,274	(54,796)	90.91%
Fiduciary Net Position	\$ 1,976,185	\$ 1,619,820	\$ 356,365	22.00%

TCERA'S FIDUCIARY NET POSITION

(Dollars in Thousands)



Capital Assets

As of June 30, 2021, TCERA's investment in capital assets decreased slightly over the last fiscal year with a total of \$1.4 million (net of accumulated depreciation and amortization) compared to \$1.7 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 17.89% less than fiscal year ended June 30, 2020, reflecting a decrease in both tangible and intangible assets associated with the accumulated depreciation and amortization of those assets.

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, 2020 and June 30, 2021 at a rate less than investment returns and less than the actuarial assumption rate. Tiers 1, 2 and 3 were credited interest of 2.8536% for December 31, 2020 and 3.4235% for June 30, 2021. Tier 4 was credited 2.7021% for December 31, 2020 and 2.8932% for June 30, 2021. This interest crediting, combined with an increase to the Plan's contingency reserve and smoothed market losses in the fiscal year ended June 30, 2021, resulted in a decrease in the Market Stabilization Reserve equal to \$272.4 million as of June 30, 2021.

TCERA'S RESERVES AT FAIR VALUE (Table 2)

As of June 30

(dollars in thousands)

	2021	2020
Employee Reserves	\$ 339,547	\$ 319,562
Employer Reserves	908,887	859,181
Retiree Reserves	446,256	442,157
Supplemental Retirement Benefit Reserves	108,446	108,348
Other Reserves	2,660	4,273
Market Stabilization Reserve	108,714	(163,716)
Contingency Reserve	60,736	49,228
TCERA Property, Inc. Retained Earnings (Holding Corporation)	939	787
Total Reserves at Fair Value	<u>\$ 1,976,185</u>	<u>\$ 1,619,820</u>

Changes in Fiduciary Net Position

The Fiduciary Net Position as of June 30, 2021 was \$1.98 billion compared to \$1.62 billion as of June 30, 2020. This represents an increase in Fiduciary Net Position of \$356.4 million, a 22.0% increase over the previous fiscal year. The increase in the Fiduciary Net Position is due primarily to an increase in investments at fair value (See Table 3 on the following page).

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. An increase in employer contributions, an increase in plan member contributions and a large increase in net investment income for the fiscal year ended June 30, 2021 combined for total additions of \$455.4 million (see Table 3).

Management's Discussion and Analysis

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, 2021 were equal to \$2.74 million, or 14/100^{ths} of 1 percent of the Association's accrued actuarial liability of \$1.96 billion. This represents a decrease in administrative expenses of 3.96% over the fiscal year ended June 30, 2020. Of the total expenses, TCERA has identified \$428.7 thousand in computer and actuarial costs that are excluded from the '37 Act administrative limits. As a result, TCERA's administrative expenses were 12/100^{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 \$99.0 million, an increase of 5.02% 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)

	2021	2020	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Additions				
Employer Contributions	\$ 36,766	\$ 35,310	\$ 1,456	4.12%
Plan Member Contributions	23,536	23,104	432	1.87%
Investment Income	404,089	19,205	384,884	2004.08%
Less Investment Expense	(9,198)	(9,878)	680	-6.88%
Other Income	188	188	-	0.00%
Total Additions	<u>\$ 455,381</u>	<u>\$ 67,929</u>	<u>\$ 387,452</u>	<u>570.38%</u>
Deductions				
Retiree Benefits	\$ 92,690	\$ 87,893	\$ 4,797	5.46%
Member Refunds	3,586	3,534	52	1.47%
Administrative Expenses	2,740	2,853	(113)	-3.96%
Total Deductions	<u>\$ 99,016</u>	<u>\$ 94,280</u>	<u>\$ 4,736</u>	<u>5.02%</u>
Changes in Fiduciary Net Position				
Beginning of Fiscal Year	1,619,820	1,646,171	(26,351)	-1.60%
Changes in Fiduciary Net Position	356,365	(26,351)	382,716	-1452.38%
End of Fiscal Year	<u>\$ 1,976,185</u>	<u>\$ 1,619,820</u>	<u>\$ 356,365</u>	<u>22.00%</u>

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, 2021 actuarial valuation established TCERA's funding status to be 89.8% using the entry age normal method with a ten-year smoothing to determine the actuarial value of assets. The funded ratio of the Plan increased by approximately 0.8% from 89.1% in 2020 to 89.8% in 2021 and the actuarial value of assets (excluding the Supplemental Retiree Benefit Reserve (SRBR)) increased by 5.3% from \$1.67 billion in 2020 to \$1.76 billion in 2021. During the year, the value of actuarial liabilities increased by 4.4% to \$1.96 billion. As of June 30, 2021, the Unfunded Actuarial Liability (UAL) for TCERA decreased by \$6.1 million, from \$205 million to \$199 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 Annual Comprehensive Financial Report available on the County's website (<https://tularecounty.ca.gov/county/>).

Management's Discussion and Analysis

Economic Factors

The real GDP grew at a 6.4% quarterly annualized rate as the U.S. recovery continued at a quicker-than-expected pace. It appears that investors have put the 2020 pandemic-induced recession behind them. Implied volatility, realized market volatility, and the risks reflected in asset prices are very low suggesting that investors perceive a strong economy, a healthy business environment, and very few threats on the horizon. The U.S. unemployment rate has been slow to rebound, despite a full recovery in economic activity possibly suggesting that government spending has had an outsized impact and raises risks around a stimulus "hangover" when spending programs end. Economies around the world continue to recover as life began to move back to normal. This did not apply to all economies, as Brazil, Japan, and much of Africa and Southeast Asia still grapple with the effects of COVID and new variants of the virus. 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

Governmental Accounting Standards Board (GASB) issued the following standards for implementation during the fiscal year ended June 30, 2021. *Statement No. 98, The Annual Comprehensive Financial Report*, was implemented this fiscal year. This Statement replaces an existing term but does not otherwise establish new accounting and financial reporting requirements. *Statement No. 84, Fiduciary Activities* objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This is not applicable to TCERA. The primary objectives of *Statement No. 90, Majority Equity Interests* are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This 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
Retirement Administrator

Statement of Fiduciary Net Position

As of June 30, 2021, with Comparative Totals

(dollars in thousands)

	2021	2020
ASSETS		
Cash, Short-Term Investments		
Cash	\$ 36,976	\$ 90,812
Short-Term Investments	30,731	7,318
Total Cash, Short-Term Investments	67,707	98,130
Receivables		
Sales of Investments	23,884	10,315
Interest and Dividends	2,273	1,847
Employee and Employer Contributions	1,014	860
Other Receivables	7	13
Total Receivables	27,178	13,035
Investments, at Fair Value		
U.S. Government Obligations	88,100	56,714
Municipal Bonds	435	591
Global Bonds	94,274	95,379
Domestic Corporate Bonds	378,767	321,911
Domestic Stocks	548,504	362,983
International Stocks	401,644	360,467
Real Estate	195,568	177,779
Alternative Investments (Private Equity, Private Credit)	230,977	156,097
Collateral on Loaned Securities	56,729	35,337
Total Investments, at Fair Value	1,994,998	1,567,258
Capital Assets		
Land	370	370
Building, Office Equipment & Furniture, net of accumulated depreciation of \$657 and \$638, respectively	699	694
Pension Administration System, net of accumulated amortization of \$2,451 and \$2,148, respectively	303	607
Total Capital Assets, net	1,372	1,671
TOTAL ASSETS	\$ 2,091,255	\$ 1,680,094
LIABILITIES		
Current Liabilities		
Purchase of Investments	\$ 51,172	\$ 19,237
Obligations under Securities Lending Program	56,729	35,337
Refunds Payable	4,099	3,392
Accounts Payable	2,955	2,204
Total Current Liabilities	114,955	60,170
Long-Term Liabilities		
Compensated Absences	115	104
Total Long-Term Liabilities	115	104
TOTAL LIABILITIES	\$ 115,070	\$ 60,274
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 1,976,185	\$ 1,619,820

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, 2021 with Comparative Totals

(dollars in thousands)

	2021	2020
ADDITIONS		
Contributions		
Employer	\$ 36,766	\$ 35,310
Plan Member	23,536	23,104
Total Contributions	60,302	58,414
Investment Activity Income		
Net Appreciation in Fair Value of Investments	381,705	(946)
Interest	3,649	5,219
Dividends	4,153	4,400
Real Estate Operating Income	6,015	5,155
Other Investment Income	8,446	4,561
Total Investment Activity Income	403,968	18,389
Less Expenses from Investing Activities	9,145	9,188
Net Investing Activity Income	394,823	9,201
From Securities Lending Activities		
Securities Lending Income	121	816
Less Expenses from Securities Lending Income		
Management Fee	12	10
Borrower Rebate	41	680
Net Securities Lending Income	68	126
Total Net Investment Activity Income	394,891	9,327
Other Income	188	188
TOTAL ADDITIONS	\$ 455,381	\$ 67,929
DEDUCTIONS		
Benefits	\$ 92,690	\$ 87,893
Refunds of Contributions	3,586	3,534
Administrative Expenses	2,740	2,853
TOTAL DEDUCTIONS	\$ 99,016	\$ 94,280
NET POSITION RESTRICTED FOR PENSION BENEFITS		
Net Changes in Fiduciary Net Position	356,365	(26,351)
Beginning of Fiscal Year	1,619,820	1,646,171
END OF FISCAL YEAR	\$ 1,976,185	\$ 1,619,820

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 Statements No. 39, *The Financial Reporting Entity*, and No. 61, the *Financial Reporting Entity: Omnibus* and No. 80, *Blending Requirements for Certain Component Units* for inclusion as a component unit of the Association. *Statement No. 84 - Fiduciary Activities*. This standard is not applicable to TCERA. *Statement No. 90, Majority Equity Interests*. This standard is also not applicable to TCERA.

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, 2021 the annual money-weighted rate of return on the Plan's investments, net of investment expense, was 23.9%. 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, 2021.

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 \$68 thousand and \$126 thousand for the fiscal years ended June 30, 2021 and June 30, 2020, respectively. The decrease in net securities lending income was due primarily to a decrease 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

Statement No. 98, The Annual Comprehensive Financial Report, was implemented this fiscal year. This Statement replaces an existing term but does not otherwise establish new accounting and financial reporting requirements. The following standards have been issued by GASB for implementation effective this fiscal year: *Statement No. 84 - Fiduciary Activities*. This standard is not applicable to TCERA. *Statement No. 90, Majority Equity Interests*. This standard is also not applicable to TCERA.

FUTURE PRONOUNCEMENTS

TCERA has reviewed GASB Statement No. 87 – *Leases*, GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 91 – *Conduit Debt Obligations*, GASB Statement No. 92 – *Omnibus 2020*, GASB Statement No. 93 – *Replacement of Interbank Offered Rates*, GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96 – *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32* and does not believe these pronouncements will have any material effect.

COMPARATIVE DATA

The accompanying financial statements include summarized information from the prior year's financial statements for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with TCERA's basic financial statements for the fiscal year ended June 30, 2020, from which the summarized information was derived.

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 (Board) 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 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 the fiscal years ended June 30, 2021 and June 30, 2020, as calculated according to GASB Statement No. 67, GASB Statement No. 68, and GASB Statement No. 82 requirements, was \$276.13 million and \$283.64 million, respectively.

Notes to Basic Financial Statements

NOTE 2 - PLAN DESCRIPTION (Cont.)

TCERA's Membership

As of June 30

	2021	2020
Active Plan Participants (vested/non-vested)	4,484	4,605
Inactive Participants (vested/non-vested)	2,295	2,183
Service Retirees	2,619	2,574
Disability Retirees	342	347
Survivors/Beneficiaries	511	487
Total Retirees/Beneficiaries	3,472	3,408
Total Members	10,251	10,196

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 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 94-96 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.

Notes to Basic Financial Statements

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.

Notes to Basic Financial Statements

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:

<u>Years of Service</u>	<u>Percentage of Final Compensation</u>
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.

Notes to Basic Financial Statements

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.

Notes to Basic Financial Statements

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, 2021 are as follows (dollars in thousands):

Quality Ratings	Fair Value
AAA	\$ 6,283
AA	1,856
A	17,437
BAA	23,576
BA	5,623
B	1,610
CAA	21
FHLMC Pools (AAA)	5,277
FNMA Pools (AAA)	5,711
GNMA Pools (AAA)	2,425
U.S. Agencies (AAA)	121
U.S. Governments (AAA)	47,104
Not Rated*	444,532
Total Investments in Fixed Income Securities	\$ 561,576

*Securities not rated include commitments to purchase FHLMC, FNMA, and GNMA reported in the Fixed Income Securities chart beginning on page 38.

Notes to Basic Financial Statements

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, 2021, 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.

Notes to Basic Financial Statements

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

FIXED INCOME SECURITIES

As of June 30, 2021, TCERA had the following investments and maturities (dollars in thousands):

	2021	
Investment Type	Fair Value	Modified Duration
Asset Backed Securities - Airplane Receivables	\$ 736	3.71
Asset Backed Securities - Car Loans	491	0.04
Asset Backed Securities - Equipment	49	4.13
Aerospace and Defense	1,244	9.13
Automobiles & Components	98	8.01
Banking & Finance	12,169	5.93
Banking & Finance - Perpetual	291	3.79
Capital Goods	524	5.03
Chemicals	262	8.45
Cleared Credit Default Swaps	(36)	N/A
CMBS - Agency	121	10.34
CMBS - Conduit	1,466	4.25
Commercial Services & Supplies	829	5.20
Commit to Purchase FNMA Pools	20,142	5.01
Commit to Purchase GNMA Pools	365	3.07
Commit to Purchase GNMA Multi Family Pools	6,631	4.51
Communications	2,129	8.36
Credit Default Swaps	2	N/A
Eurodollars Futures	(2)	3.10
FHLMC Multiclass	408	2.08
FHLMC Pools	4,868	4.21
FNMA Pools	5,588	3.55
FNMA REMIC	123	0.07
Food Beverage & Tobacco	1,603	9.84
GNMA Multi Family Pools	2,040	3.81
GNMA Single Family Pools	385	3.80

Notes to Basic Financial Statements

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

Investment Type	2021	
	Fair Value	Modified Duration
Health Care	\$ 2,645	9.55
Industrial	369	6.22
Insurance	301	8.15
Interest Only US Agencies	211	7.76
Investment Companies	156	4.28
Materials	64	3.46
Mining	25	13.80
Muni - General	86	7.87
Non-U.S. Government Bonds	2,436	6.56
Oil & Gas	1,859	5.91
Paper and Forest Products	46	15.23
Preferred Shares - Perpetual - Financial	161	3.04
Preferred Shares - Perpetual Prvt PLC Bank	264	2.12
Principal only U.S. Agencies	156	8.73
Private Placements - ABS	4,576	1.62
Private Placements - Banking	922	2.38
Private Placements - MBS	3,626	3.92
Private Placements - More than 1 Year	7,542	5.61
Reits	1,068	7.31
Retail	374	9.16
Taxable Municipals	349	12.21
Technology	3,685	9.47
Transportation	1,022	9.15
Treasury Bonds	(31)	609.68
Treasury Notes	(11)	1,452.66

Notes to Basic Financial Statements

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

Investment Type	2021	
	Fair Value	Modified Duration
U.S. Governments	\$ 47,104	9.03
Utility - Electric	2,855	13.10
Utility - Gas	165	9.47
Utility - Telephone	3,969	6.57
Whole Loan - Collateralized Mortgage Obligation	204	1.02
Yankee Bonds	48	7.73
SUBTOTAL	148,772	
Commingled Funds U.S. Debt	327,925	N/A
International Commingled Funds	84,879	N/A
Total TCERA Fixed Income	\$ 561,576	

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 18% of the portfolio with a maximum investment of 30%. The majority of TCERA's international investments are in commingled funds with currency exposure managed according to the investment contract. As of June 30, 2021 there was no direct exposure to Foreign Currency Risk in U.S. Dollars.

Notes to Basic Financial Statements

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, 2021, classified by type. For financial reporting purposes, all TCERA derivatives are classified as investment derivatives.

Investment Derivatives

As of June 30, 2021

(dollars in thousands)

<u>Derivative Type</u>	<u>Notional Value</u>	<u>Fair Value</u>
Currency Forward Contracts	\$ -	\$ -
Counterparty Swap Exposure	1,595	34
Total	\$ 1,595	\$ 34

Foreign currency forward transactions are conducted with highly rated AA financial institutions, typically major worldwide commercial or investment banks. As of June 30, 2021, 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.

Notes to Basic Financial Statements

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, 2021, the fair value of securities on loan was \$60.8 million and the value of collateral received for the securities on loan was \$62.2 million, of which \$5.5 was non-cash collateral and \$56.7 million was cash collateral from equity and fixed income securities. This resulted in an overcollateralization with a ratio of 102.28%. 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, 2021***(dollars in thousands)*

Securities on Loan	Fair Value of Securities on Loan	Collateral Received	Collateral Percent
Domestic Equities	\$ 34,531	\$ 35,344	
Domestic Fixed Income	20,928	21,385	
Total Cash	55,459	56,729	
Total Non-Cash	5,385	5,501	
Total Securities on Loan	\$ 60,844	\$ 62,230	102.28%

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, 2021 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.

Notes to Basic Financial Statements

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.

Private Equity and Real Estate Funds

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

Notes to Basic Financial Statements

NOTE 4 - FAIR VALUE MEASUREMENT (Cont.)

FAIR VALUE MEASUREMENT

June 30, 2021

(dollars in thousands)

		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level ¹	June 30, 2021		
Debt Securities			
U.S. Government Obligations	\$ 88,536	\$ 47,062	\$ 41,474
Global Bonds	9,395	-	9,395
Domestic Corporate Bonds	50,841	-	50,841
Equity Securities			
Domestic Stocks	373,056	373,056	-
Commingled Funds			
Global Bonds	84,879	-	84,879
Domestic Corporate Bonds	327,925	-	327,925
Domestic Stocks	175,448	-	175,448
International Stocks	296,070	-	296,070
Securities Lending Collateral	56,729	-	56,729
Total Investments by Fair Value Level	\$ 1,462,879	\$ 420,118	\$ 1,042,761
Investments Measured at NAV			
International Equity Funds	\$ 105,574		
Real Estate Funds	195,568		
Private Equity Funds	230,977		
Total Investments Measured at NAV	532,119		
Total Investments	\$ 1,994,998		

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, 2021.

Notes to Basic Financial Statements

NOTE 4 - FAIR VALUE MEASUREMENT (Cont.)

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)

June 30, 2021

(dollars in thousands)

Investments Measured at NAV	June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International Equity Funds (1)	\$ 105,574	\$ -	Monthly	30 days
Real Estate Funds (2)	195,568	137,640	Quarterly, Not Eligible	45 days
Private Equity Funds (3)	230,977	131,092	Not Eligible	Not applicable
Total Investments Measured at NAV	<u>\$ 532,119</u>	<u>\$ 268,732</u>		

- (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. 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) **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.

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, 2021 was \$60.7 million.

Notes to Basic Financial Statements**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 21/100^{ths} of 1% of the Association's Actuarial Accrued Liability (AAL). Administrative Expenses as of June 30, 2021, excluding computer and actuarial costs, were approximately 12/100^{ths} of 1% of the Association's AAL. Employer and Employee contributions as of June 30, 2021 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, 2020 through June 30, 2021 was \$187,680.

Annual amounts payable are as follows:

<u>Fiscal Year</u>	<u>Annual Amount</u>
2022	\$ 187,680
2023	\$ 187,680

NOTE 8 – CAPITAL ASSETS AND PROJECT IN PROCESS

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

	<u>2021</u>	<u>Estimated Useful Life in Years</u>
Assets Not Being Depreciated		
Land	\$ 370	N/A
Assets Being Depreciated		
Building and Improvements	1,178	40
Office Equipment and Computers	179	3 - 10
Less: Accumulated Depreciation	<u>(658)</u>	
Total Tangible Assets	699	
Intangible Assets		
Pension Administration System	2,755	10
Less: Accumulated Amortization	<u>(2,452)</u>	
Total Intangible Assets	<u>303</u>	
Capital Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 1,372</u>	

Depreciation and amortization expense for the fiscal year ended June 30, 2021 was \$352 thousand.

Notes to Basic Financial Statements

NOTE 9 – COMMITMENTS AND CONTINGENCIESCAPITAL 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, 2021, outstanding capital commitments consisted of:
(dollars in thousands)

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
American Realty Advisors	Real Estate	\$80,000	\$57,640
BlackRock Alternative Advisors	Private Equity	\$15,000	\$2,477
Invesco	Real Estate Debt	\$80,000	\$80,000
KKR Mezzanine Partners	Private Equity	\$15,000	\$473
Ocean Avenue Fund III	Private Equity	\$20,000	\$2,400
Ocean Avenue Fund IV	Private Equity	\$20,000	\$10,660
Pantheon Ventures, Inc.	Private Equity	\$15,000	\$825
Pathway Fund 8	Private Equity	\$20,000	\$2,667
Pathway Fund 9	Private Equity	\$20,000	\$5,069
Pathway Fund 10	Private Equity	\$10,000	\$8,010
StepStone Group	Private Equity	\$27,000	\$3,974
Sixth Street Partners DCP Fund	Private Credit	\$140,000	\$56,271
Sixth Street Partners TAO Fund	Private Credit	\$50,000	\$38,266
Total Outstanding Commitments			<u>\$268,732</u>

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:

	<u>June 30, 2021</u>
Total Pension Liability	\$2,247,728
Plan Fiduciary Net Position	<u>(1,976,185)</u>
Employers' Net Pension Liability	<u>\$271,543</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87.92%

The NPL decreased by approximately \$167.5 million since the prior measurement date, primarily due to strong asset performance over last year. The discount rate decreased from 6.96% to 6.95% due to the results of the crossover test. The investment gains or 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 deferred outflows of resources.

Notes to Basic Financial Statements

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, 2021, was measured as of a valuation date of June 30, 2021, 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 2.75% per year.
Expected Return on Assets	7.15% net of investment expenses as of June 30, 2021.
Salary Increases	Payroll increases are assumed to increase 3.00% per year. Individual salaries are assumed to increase with a wage inflation component of 3.00% and a longevity/promotion component that varies by years of service and division, ranging from 0.50% to 8.00% for General Members and 1.00% to 9.00% for Safety Members.
Ad hoc Post-Employment Benefit Changes	None.
Post Retirement COLA	Benefits are assumed to increase after retirement at the rate of 2.6% 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-2019 and adjusted to reflect TCERA experience.
Most Recent Actuarial Experience Study	June 30, 2020 (conducted every three years).
Discount Rate	6.95% blended discount rate, net of pension plan investment expense, including inflation.
Municipal Bond Rate	2.16% net of investment expenses as of June 30, 2021 (Bond Buyer 20-year Bond GO Index, June 24, 2021).
Administrative Expenses	Administrative Expenses used in the cashflow projection are assumed to average 0.15% of assets annually.

Notes to Basic Financial Statements

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, 2021 Target Percent
Large Cap Equity	19.00%
Small Mid Cap Equity	6.00%
Non-U.S. Equity (Developed and Emerging)	15.00%
Global Equity	3.00%
US Fixed Income	17.00%
Global Fixed Income	5.00%
Emerging Market Debt	5.00%
Core Real Estate	10.00%
Value-Add Real Estate	5.00%
Real Estate Debt	5.00%
Private Credit	5.00%
Private Equity	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
Large Cap Equity	3.10%
Small Mid Cap Equity	3.20%
Non-U.S. Equity (Developed and Emerging)	3.20%
Global Equity	3.20%
US Fixed Income	0.20%
Global Fixed Income	-0.90%
Emerging Market Debt	2.80%
Core Real Estate	3.80%
Value-Add Real Estate	5.80%
Real Estate Debt	0.20%
Private Credit	7.30%
Private Equity	2.60%
Total Fund	3.20%

Note: Real return forecasts are from Verus' 2021 Capital Market Assumptions which include a 2.0% inflation expectation.

Notes to Basic 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' 2021 Capital Market Assumptions.

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.95%.

The investment rate of return assumption used for actuarial funding was 7.00% for the fiscal year ended June 30, 2021.

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 6.95%.

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 2087, 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 7.15% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.16% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2021 was 6.95%.

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, 2021, calculated using the discount rate of 6.95%, 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 (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

As of June 30, 2021:
(dollars in thousands)

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
TCERA Net Pension Liability	<u>\$598,291</u>	<u>\$271,543</u>	<u>\$6,323</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.8%	87.9%	99.7%

Notes to Basic Financial Statements

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to June 30, 2021 and through November 29, 2021, the date through which management evaluated subsequent events and on which the financial statements were issued, TCERA did not identify any subsequent financial events.

Schedule of Changes in Net Pension Liability and Related Ratios

Fiscal Years June 30:

(dollars in thousands)

	2021	2020	2019	2018
<u>Total Pension Liability</u>				
Service cost	\$ 54,859	\$ 49,424	\$ 49,484	\$ 46,838
Interest	141,880	140,390	133,895	126,586
Differences between expected and actual experience	85,474	(54,091)	(6,667)	10,342
Changes of assumptions	2,930	70,788	(37,996)	41,148
Benefit payments, including refunds of member contributions	<u>(96,276)</u>	<u>(91,427)</u>	<u>(85,097)</u>	<u>(80,716)</u>
Net Change in Total Pension Liability	188,867	115,084	53,619	144,198
Total Pension Liability - Beginning	<u>2,058,861</u>	<u>1,943,777</u>	<u>1,890,158</u>	<u>1,745,960</u>
Total Pension Liability - Ending (a)	<u>\$ 2,247,728</u>	<u>\$ 2,058,861</u>	<u>\$ 1,943,777</u>	<u>\$ 1,890,158</u>
<u>Plan Fiduciary Net Position</u>				
Contributions- employer	\$ 36,766	\$ 35,310	\$ 33,494	\$ 286,263
Contributions- member	23,536	23,104	22,325	18,512
Net investment income	395,079	9,515	90,779	95,857
Benefit Payments, including refunds of member contributions	<u>(96,276)</u>	<u>(91,427)</u>	<u>(85,097)</u>	<u>(80,716)</u>
Administrative expense	<u>(2,740)</u>	<u>(2,853)</u>	<u>(2,806)</u>	<u>(2,666)</u>
Net Change in Plan Fiduciary Net Position	356,365	(26,351)	58,695	317,250
Plan Fiduciary Net Position - Beginning	<u>1,619,820</u>	<u>1,646,171</u>	<u>1,587,476</u>	<u>1,270,226</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,976,185</u>	<u>\$ 1,619,820</u>	<u>\$ 1,646,171</u>	<u>\$ 1,587,476</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 271,543</u>	<u>\$ 439,041</u>	<u>\$ 297,606</u>	<u>\$ 302,682</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.92%	78.68%	84.69%	83.99%
Covered Payroll	\$ 276,127	\$ 283,640	\$ 264,218	\$ 256,049
Net Pension Liability as a Percentage of Covered Payroll	98.34%	154.79%	112.64%	118.21%

Note: Numbers may not add to totals due to rounding

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios (Cont.)

Fiscal Years June 30:

(dollars in thousands)

	2017	2016	2015	2014
<u>Total Pension Liability</u>				
Service cost	\$ 38,203	\$ 38,308	\$ 35,168	\$ 39,672
Interest	118,664	115,716	97,473	94,277
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	11,936	(40,602)	7,590	-
Changes of assumptions	69,608	23,922	180,187	13,588
Benefit payments, including refunds of member contributions	<u>(76,961)</u>	<u>(72,332)</u>	<u>(68,560)</u>	<u>(65,954)</u>
Net Change in Total Pension Liability	161,450	65,012	251,858	81,583
Total Pension Liability - Beginning	<u>1,584,510</u>	<u>1,519,498</u>	<u>1,267,640</u>	<u>1,186,057</u>
Total Pension Liability - Ending (a)	<u>\$ 1,745,960</u>	<u>\$ 1,584,510</u>	<u>\$ 1,519,498</u>	<u>\$ 1,267,640</u>
<u>Plan Fiduciary Net Position</u>				
Contributions- employer	\$ 33,616	\$ 31,297	\$ 30,992	\$ 25,953
Contributions- member	18,190	16,815	18,887	18,969
Net investment income	132,865	(20,309)	122,400	179,878
Benefit Payments, including refunds of member contributions	(76,961)	(72,332)	(68,560)	(65,954)
Administrative expense	<u>(2,612)</u>	<u>(2,616)</u>	<u>(2,408)</u>	<u>(1,639)</u>
Net Change in Plan Fiduciary Net Position	105,098	(47,145)	101,311	157,207
Plan Fiduciary Net Position - Beginning	<u>1,165,127</u>	<u>1,212,272</u>	<u>1,110,961</u>	<u>953,754</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,270,225</u>	<u>\$ 1,165,127</u>	<u>\$ 1,212,272</u>	<u>\$ 1,110,961</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 475,735</u>	<u>\$ 419,383</u>	<u>\$ 307,226</u>	<u>\$ 156,679</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.75%	73.53%	79.78%	87.64%
Covered Payroll	\$ 243,366	\$ 238,559	\$ 229,431	\$ 234,439
Net Pension Liability as a Percentage of Covered Payroll	195.48%	175.80%	133.91%	66.83%

Note: Numbers may not add to totals due to rounding

Schedule of Changes in Net Pension Liability and Related Ratios (Cont.)**Notes to Schedule of Changes in Net Pension Liability and Related Ratios:**

Net Pension Liability – See information in Note 10 regarding the increase in the net pension liability.

Benefit Changes – All members with a 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 2014 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

(dollars 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
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%
2020	35,310	35,310	-	283,640	12.45%
2021	36,766	36,766	-	276,127	13.31%

* For the FYE 2018, the contribution shown in this schedule does not include the additional \$250 million contribution made by the County at the end of the Fiscal Year.

Required Supplementary Information

Schedule of Contributions (Cont.)

Notes to Schedule of Contributions:

Valuation date (1)	Actuarially determined contribution rates are calculated as of June 30, 2019 , 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	3% plus merit component based on employee classification and years of service.
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	<p>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.</p> <p>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% for males to reflect Plan experience.</p>
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.

(1) Actuarial determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Schedule of Investment Returns

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

Fiscal Year:	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	23.85%	0.74%	6.10%	7.60%	11.70%
Fiscal Year:	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	-1.30%	1.10%	17.00%	11.90%	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, 2021*

(dollars in thousands)

Personnel Services	
Salaries	
General	\$ 834
Benefits	
General	443
Board Fees - Per Diem Payments	19
Total Personnel Services	<u>1,296</u>
Professional Services	
Actuarial	129
Data Processing	300
Audit	45
Professional Services - Disability	75
Legal Counsel	
General	32
Disability	67
Total Professional Services	<u>648</u>
Communication	
Printing	28
Communication	15
Postage	40
Total Communication	<u>83</u>
Rentals	
Office Space	188
Total Rentals	<u>188</u>
Other	
Training	4
Transportation and Travel	8
Maintenance	28
Insurance	62
Utilities	20
Depreciation and Amortization	352
Office	49
Other County Department Charges	2
Total Other	<u>525</u>
Total Administrative Expenses	<u>\$ 2,740</u>

Other Supplemental Information

*Fees, Other Investment Expenses and Payments to Consultants**For the Fiscal Year Ended June 30, 2021**(dollars in thousands)*

Investment Activity	
Equity	
Domestic	\$ 1,398
International	1,243
Fixed Income	
Domestic	1,248
Global	379
Alternative Investments	
Private Equity	1,148
Private Credit	1,271
Real Estate	
Real Estate Managers	1,714
Total from Investment Activity	8,401
Securities Lending Activity	
Securities Lending Program Expenses	53
Total from Securities Lending Activity	53
Other Investment Expenses	
Investment Custodian	319
Investment Consultant	245
Other	180
Total from Other Investment Expenses	744
Total Fees and Other Investment Expenses	\$ 9,198
Payments to Consultants	
Nature of Service	
Actuarial	\$ 129
Audit	45
Legal Counsel	
General	32
Disability	67
Total Consulting Fees	\$ 273

*Schedule of Net Position Restricted for Pension Benefits**As of June 30, 2021**(dollars in thousands)*

Employee reserves, July 1	\$ 319,562
Contributions	23,536
Withdrawals	(3,586)
Transfers	(18,867)
Interest crediting	18,902
Employee reserves, June 30	339,547
Employer reserves, July 1	859,182
Contributions	36,766
Benefits Paid	-
Transfers	(41,901)
Interest crediting	54,840
Employer reserves, June 30	908,887
Retiree reserves, July 1	442,157
Benefits Paid	(86,014)
Transfers	60,758
Interest crediting	29,355
Retiree reserves, June 30	446,256
SRBR reserves, July 1	108,348
Benefits Paid	(6,676)
Interest crediting	6,774
SRBR reserves, June 30	108,446
Other reserves, July 1	4,273
Transfers - Intra Member Contribution Account	5,902
Interest crediting	(7,515)
Other reserves, June 30	2,660
Market Stabilization reserve, July 1	(163,717)
Net Change in Market Stabilization	272,431
Market Stabilization reserve, June 30	108,714
Contingency reserve, July 1	49,228
Transfers	11,508
Contingency reserve, June 30	60,736
TCERA Property, Inc. Retained Earnings (Holding Corporation), July 1	787
Net income	152
TCERA Property, Inc. Retained Earnings (Holding Corporation), June 30	939
Net position restricted for pension benefits	\$ 1,976,185

Other Information*Schedule of Cost Sharing Employer Allocations*

For the Fiscal Year Ended June 30, 2021

(dollars in thousands)

Employer	2021 Actual Employer Contributions	2021 Employer Allocation Percentage
County of Tulare	\$ 33,586	91.35%
Tulare County Association of Governments ¹	181	0.49%
Tulare County Superior Court	2,965	8.06%
Strathmore Public Utility District	34	0.09%
Total	\$ 36,766	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, 2021

(dollars in thousands)

Employer	Net Pension Liability	DEFERRED OUTFLOWS OF RESOURCES				
		Differences Between Expected and Actual Experience	Net Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Tulare County	\$ 248,056	\$ 64,354	\$ -	\$ 48,458	\$ 7,394	\$ 120,206
Tulare County Assn of Governments	1,337	347	-	261	303	911
Tulare County Superior Court	21,899	5,681	-	4,278	3,520	13,479
Strathmore Public Utility District Total	251	65	-	49	87	201
Total	\$ 271,543	\$ 70,447	\$ -	\$ 53,046	\$ 11,304	\$ 134,797

Other Information*Employer Pension Amounts Allocated by Cost Sharing Plan (Cont.)*

Employer	DEFERRED INFLOWS OF RESOURCES				
	Differences Between Expected and Actual Economic Experience	Changes of Assumptions	Net Differences Between Projected and Actual Investment Earnings	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Tulare County	\$ 32,085	\$ 13,884	\$ 135,446	\$ 3,853	\$ 185,268
Tulare County Assn of Governments ¹	173	75	730	772	1,750
Tulare County Superior Court	2,832	1,226	11,957	6,608	22,623
Strathmore Public Utility District Total	33	14	137	70	254
Total	\$ 35,123	\$ 15,199	\$ 148,270	\$ 11,303	\$ 209,895

Employer	PENSION EXPENSE		
	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	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
Tulare County	\$ 55,955	\$ 2,463	\$ 58,418
Tulare County Assn of Governments ¹	302	(302)	-
Tulare County Superior Court	4,940	(2,147)	2,792
Strathmore Public Utility District Total	57	(14)	42
Total	\$ 61,253	\$ -	\$ 61,252

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

Note: Numbers may not add to totals due to rounding

*Notes to Other Information*BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Employers that participate in TCERA were required to implement GASB 68 for their first fiscal year that commenced after June 15, 2014. The amounts reported as of their fiscal year end (their reporting date) must be based on a measurement date up to 12 months prior to their reporting date. For employers with a reporting date of June 30, their 2021 disclosures can be based on either the June 30, 2020 or 2021 measurement dates. If an employer elects to base their 2021 disclosures on the June 30, 2020 measurement date, the GASB 68 schedules in this report with a measurement date of June 30, 2021 will be used for their 2022 reporting date.

TCERA is a cost-sharing multiple-employer pension plan, each employer participating in TCERA must reflect a portion of the collective Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows in their financial statements.

USE OF ESTIMATES IN THE PREPARATION OF THE SCHEDULES

The preparation of these schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Proportionate shares for each participating employer are generally determined based on the ratio of each participating employer's actual contributions to TCERA during the measurement year to the sum of the employer contributions. Proportionate shares for each participating employer are generally determined based on the ratio of each participating employer's actual contributions to TCERA during the measurement year to the sum of the employer contributions.

The proportionate share allocated to each individual employer will change on each measurement date. The net effect of the change in proportion on the share of the collective NPL, collective deferred outflows, and collective deferred inflows allocated to each employer becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of TCERA's active and inactive members (five years). Similarly, the difference between each employer's actual contributions and the employer's proportionate share of collective employer contributions becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of TCERA's active and inactive members (five years).

The difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining difference between projected and actual investment earnings on pension plan investments at June 30, 2021, is to be amortized over the remaining periods. The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through TCERA (active and inactive employees) determined as of June 30, 2020 (the beginning of the measurement period ending June 30, 2021) and is four years. Prior period changes of assumptions and differences between expected and actual experience are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

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investment section

Independent Consultant's Report



October 15, 2021

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 attained a total value of \$1.95 billion over the fiscal year and returned 23.6% for the period, net of investment management fees. This return exceeded the Plan's policy benchmark of 22.1%. The primary driver of TCERA's outsized returns was the upward trend in global equity markets, as the world economy continued to recover rapidly from the impact of Covid and global equity markets looked forward to continued economic normalization. For the year ending June 30, 2021, the global stock market returned nearly 40%. Despite TCERA's strong performance, it ranked below the performance of the median peer in a universe of public pension plans with assets greater than \$1 billion. 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.

Despite the challenges posed by the global pandemic over the past year, the Board's work to re-position the portfolio continued, and investments in real estate and private credit were funded in a favorable market environment. In addition, the Board re-assessed its risk tolerance and established an asset allocation with additional private markets investments and less fixed income effective August 11, 2021, which is expected to yield a higher rate of return going forward. The private markets investments will be funded over the next several years to ensure vintage year diversification. In the meantime, the assets will be held in real estate and equity index funds, which will serve as proxies for the new investments until they are ready to be funded.

Moving forward, the Board will continue to monitor the Plan's strategic asset allocation and its implementation for potential improvement opportunities as it strives to ensure the retirement of TCERA's participants is secure.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott J. Whalen".

Scott J. Whalen, CFA, CAIA
Executive Managing Director, Senior Consultant

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

2021 summary

Two steps forward, one step back, two steps forward, one step back. Slow and bumpy improvement probably best describes the trajectory of the global economy over the last year. The faster-than-expected distribution of highly effective vaccines within the developed world paved the way for gradual reopening of developed economies, but emerging economies with less access to quality vaccines were less prepared to deal with the litany of more-virulent mutations and had to respond with more draconian social distancing controls to mitigate increases in case growth.

Risk-on sentiment propelled financial markets forward, backstopped by continued support from global central banks, the light at the end of the tunnel provided by vaccines and the inclination of markets to shrug off big surprises on earnings and economic data. Expectations for a strong rebound in economic growth and inflation over the intermediate-term sparked a rotation from the growth sectors that had performed well through the crisis toward more value-orientated sectors prospectively positioned to outperform in a period of rising interest rates. This reflation trade thrived from around mid-August until mid-May but began to unravel late in the fiscal year as a result of concerns about the delta Covid-19 variant impeding a full and swift global economic recovery, as well as a hawkish pivot from the Federal Reserve, which reduced the likelihood of higher inflation and interest rates over the longer term. Looking ahead, the major questions investors are grappling with center around the staying power of high levels of inflation, the timeframe over which the Federal Reserve may begin to taper asset purchases, the outlook for fiscal stimulus, and the capability of companies to sustain high enough levels of earnings growth to justify elevated valuations.

U.S. equity

Up and to the right has been the story for U.S. equity prices over the past year as investors largely looked through the shorter-term impact of pandemic-related shutdowns and bet that fiscal and monetary support would be able to build a bridge to a post-pandemic world. As of June 30, 2020, the S&P 500 Index remained 8.4% beneath its previous high-water mark of 3386. By August 18th, the overall index had reached a fresh all-time high, and would proceed to close at record high levels in 53 of the 218 remaining trading days in the fiscal year, delivering a 40.8% total return along the way. Realized and implied volatility receded to levels more in line with longer-term historical averages. Since making its full recovery in August of 2020, the largest drawdown from prior peak levels suffered by the S&P 500 Index was -9.6%, and between November 4, 2020 and June 30th 2021, the index never closed further than 5% beneath its previous record high.

Corporate revenues began to recover over the year, and higher operating leverage ratios which resulted from a litany of cost-saving initiatives implemented during the pandemic worked to supercharge earnings growth. Per FactSet, the estimated year-over-year earnings growth for the S&P 500 Index as of Q2 2021 is 64.0%. If that rate were to materialize, it would mark the highest year-over-year rate reported by the index since Q4 2009 (109.1%). Despite the massive increase in corporate earnings, increasing prices prevented a material rerating of U.S. equity valuations, which remain at stretched levels relative to recent history. The forward 12-month price-to-earnings ratio of the S&P 500 Index remains at 21.4x -- well above both the five-year (18.1x) and ten-year (16.2x) averages. It is worth noting, however, that forward earnings estimates 12 months ago proved far too pessimistic, as analysts underestimated the strength of profit growth which resulted in an overestimation of valuations.

In terms of size and style, small-cap equities (Russell 2000 Index +62.0%) made back some lost ground relative to large-cap equities (Russell 1000 Index +43.1%) and the value factor (Russell 1000 Value Index +43.7%) narrowly outperformed the growth factor (Russell 1000 Growth Index +42.5). Much of the outperformance of the value factor was driven by the reflation trade which dominated the market narrative from around August when news broke about the successful mRNA vaccines to around mid-May and June when concerns around the delta variant and a hawkish Fed pivot pushed down the long end of the U.S. yield curve. That reflation trade favored sectors more heavily weighted in the value benchmarks, including financials, industrials, and materials, which returned 57.6%, 47.5%, and 46.0% over the fiscal year, respectively.

International equity

Global equities largely tracked U.S. equities over the trailing twelve months, and the MSCI ACWI Index returned 39.3% in U.S. dollar terms, with weakness in the U.S. dollar providing a slight boost to returns experienced by unhedged U.S. investors. Emerging market equities delivered a total return of 40.9% in U.S. dollar terms, edging out U.S. equities (S&P 500 Index +40.8%) and outpacing international developed equities (MSCI EAFE +32.4%).

The superior performance of emerging market equities was driven by a rebound in its Latin American contingent broadly, and Brazil and Mexico specifically. The MSCI Brazil Index returned +46.6%, boosted by a 10% appreciation of the Brazilian real relative to the U.S. dollar. In Mexico, stocks advanced 55.9%, as the Mexican peso appreciated 15.4% relative to the dollar. The recovery in crude oil prices from around \$41 to \$75 per barrel undoubtedly played a huge role in the resurgence, but that recovery also coincided with a material pickup in inflation which led many central banks within the index to begin tightening the reins with regard to monetary policy. Year-over-year inflation in Brazil rose from 2.1% to 8.4%, which led the Brazilian central bank to hike its main rate from 2.50% to 4.25% over the course of the year. The story was largely the same in Mexico, where inflation rose from 3.3% to 5.9%, and policymakers at the Banco de Mexico hiked their target overnight rate in June for the first time since December 2018. There exists some concern that given the general lack of access to quality vaccines in some of these countries, persistently high inflation rates could force monetary policymakers to tighten financial conditions before their respective economies are ready, which could pressure the outlook.

In Asia, Taiwanese (+70.5%) and Korean (+66.2%) equities delivered impressive returns, but Chinese equities returned just 27.4%, materially lagging the global opportunity set. Chinese equities began to sell off in late February, with the initial catalyst being a decision from the People's Bank of China to shift its focus away from ensuring accommodative financial conditions to enable a swift economic recovery and toward limiting the risks of excessive leverage which has been building up in certain segments of the economy, most notably the domestic housing market. This shift in focus from ensuring economic recovery to managing the risks of financial excesses resulted in a marginal tightening of liquidity across the region, which sparked a sell-off in some of the high-flying tech companies that had driven emerging market outperformance in the early days of the pandemic. Losses in China accelerated in the second quarter of 2021 when regulators in China cracked down on some national champions in the IT industry over concerns around the risks of the data gathered by those companies falling into the wrong hands, which could undermine the position of the Communist Party of China. While it appears that both general liquidity conditions have begun to improve and the tech crackdown has showed signs of easing, these issues remain front and center for the broader emerging market equity universe.

In Europe, stocks returned just 26.6% in local terms, but the strong run of the euro relative to the dollar boosted performance for unhedged U.S. investors in European equities to 35.1%. Inflation in Europe has picked up more slowly than in the U.S. or the emerging markets. This, combined with the Eurozone's relative inflexibility with regard to fiscal policy, likely supports the case that the European Central Bank will have the longest runway for continuing to provide monetary accommodation. In the first half of 2021, concerns around the spread of the delta variant pushed ECB policymakers to accelerate the pace of purchases within the Pandemic Emergency Purchase Program to provide additional support over the short-term, with the goal of preserving conditions for a robust recovery. The most recent commentary from ECB President Lagarde reflected a "guardedly optimistic" outlook for the economy but did not mention any expected changes to policy in the near term. Within the international developed complex in Asia, Japanese equities underperformed in both local (+28.4%) and U.S. dollar (+24.8%) terms. The Japanese yen was one of the few currencies which depreciated relative to the dollar over the last year, due in part to the significant increase in U.S. Treasury yields above Japanese government bond yields, which officials at the Bank of Japan have committed to keeping within a relatively narrow range (within 25 basis points of 0.0%).

Fixed income

The reflation narrative and debate over the persistence of higher inflation rates largely directed the global fixed income markets over the last year. In the U.S., the 10-year Treasury yield rose from 0.66% to a post-pandemic peak of 1.74% by the end of the first quarter of 2021, before moderating to 1.47% by the end of the fiscal year. Breakeven inflation rates tracked Treasury yields in terms of direction – the ten-year breakeven inflation rate rose from 1.34% to an eight-year high of 2.56% in May before moderating slightly during the last few weeks of the fiscal year. Overall, the Fed has remained steadfast in its view that recent increases in inflation rates have been a byproduct of the broad economic reopening, pandemic-related supply chain disruptions, and low base effects (inflation is a year-over-year calculation which means the depressed prices of early 2020 create the appearance of rising inflation). In other words, their view is that increases in inflation are more likely to be transitory than persistent. An analysis of the drivers of inflation growth on balance appear to support this view - most of the acceleration in price growth of the last year can be attributed increases in gas prices as the energy sector has recovered, and a surge in used car and truck sales. Increases in gas and energy have been highly impacted by the fact that energy prices reached extremely low levels in early 2020, as oil prices actually went negative in the futures market. The price recovery of energy has placed significant upward pressure on inflation because inflation measures 12-month price change. Used car and truck prices were likely pushed higher as a result of two effects: first, a massive surge in new car purchases driven by government stimulus checks and compounded by health concerns relative to public transportation. Second, a global semiconductor shortage which crimped supply of new vehicles. Price movements caused by these effects were likely one-time in nature and will dissipate as stimulus spending slows and supply chains are brought back in order. However, owner's equivalent rent (OER) may be pushing up prices in a more structural way. OER is much slower moving due to the impact of 12-month lease arrangements and the longer time it takes for price increases to flow through to consumers more broadly. Proponents of the persistent inflation argument may point to this category, as well as recent increases in wages as evidence that price growth may prove sustainable. In any case, the Fed appears to be focusing more on the risks to the labor market and economic recovery of pulling back on accommodative policy too early, rather than the risk of runaway inflation. This likely stoked a sizeable steepening in the yield curve and a surge in longer-term interest and breakeven

inflation rates. However, at their June meeting, Fed officials signaled that a full labor market recovery was more of a “when” question rather than an “if” question and appeared to be shifting more focus onto inflation over the shorter term, which markets took as hawkish on the margin. Following the release, the market-implied number of fed funds range hikes by the end of 2023 picked up to between two and three, slightly higher than the two hikes implied by the June edition of the Federal Open Market Committee’s dot plot. Rising expectations for rate hikes in the shorter-term helped to drive down interest rates on the long-end of the curve, due to the path-dependent nature of longer-term growth and inflation expectations: more restrictive policy in the near-term is likely to reduce the potential for longer-term growth and reduces the likelihood of longer-term inflation. Currently, conversations at the Fed are focused on the optimal time to begin tapering asset purchases. The Fed is still buying \$80 billion in Treasuries and \$40 billion in mortgage-backed securities per month, and division appears to be forming within the Fed regarding the ideal complexion of the taper. Some members of the committee have pointed to the health of the housing market and argued that mortgage-backed security purchases could perhaps be cut back before Treasuries, while other members are in favor of a proportional unwind over time. We will continue to follow developments.

In terms of performance, global treasuries returned 1.2% in U.S. dollar terms, with U.S. Treasuries underperforming (-3.5%), and longer-duration Treasuries in the U.S. faring the worst (-10.6%). Large increases in breakeven inflation rates helped to buffer Treasury inflation-protected securities from the impact of increasing interest rates, and the Bloomberg Barclays TIPS Index returned 6.5%. Credit spreads compressed to the lowest level since the Global Financial Crisis and default rates fell to below average levels, supporting outperformance of riskier credit. In the U.S., corporates within the Bloomberg Barclays Aggregate Index delivered a return of 3.3%, high-yield credit returned 15.4% as spreads dipped from 6.26% to 2.68%, and bank loans advanced 11.7%. Outside of the U.S., hard-currency denominated emerging markets debt climbed 6.8%, while local-currency emerging market debt returned 6.6%. While emerging market debt spreads have remained at compressed levels, increases in benchmark interest rates pushed forward by central bankers within the complex sent total yields slightly higher, which weighed on performance. The anticipation of further hikes could put pressure on prices.

Commodities

The global economic reopening and the coincident pickup in inflation rates increased the demand for input goods and spot assets. These dynamics fueled strong commodities performance. The Bloomberg Commodity Index generated a 45.6% total return, and all major sectors contributed positively to the total return of the overall index. Three sectors in particular drove the advance. The energy sector surged 54.2%, supported by strong returns of both West Texas Intermediate crude oil (+81.6%) and Brent crude oil (+77.4%). Grains advanced 65.3%, boosted by surges in corn (+85.5%) and soybeans (+69.7%) as Chinese purchases increased dramatically and droughts in the crucial Black Sea region impaired supply. Industrial metals advanced broadly, with copper, aluminum, zinc, and nickel all climbing more than 40% over the fiscal year. Broadly, it appears that corporations around the world were far too pessimistic in their assessments for demand over the year, which led commodity producers to cut production. The subsequent quick recovery in demand forecasts, alongside reduced capacity to supply that demand, resulted in a “bullwhip” effect which helped to push commodity prices up across the board. Roll return continued to exert a significant negative impact on commodities total return, but more recent backwardation in specific commodity futures curves may paint a more optimistic picture for roll return moving ahead.

Currency

Shifts in foreign exchange rates played a large role in relative performance across countries and regions over the last year. The major story proved to be a downward trend in the U.S. dollar relative to both developed and emerging market pairs. Despite showing some signs of stabilization in both the first quarter and the month of June in 2021, the overall trend was lower. The Bloomberg Dollar Spot Index, a gauge of the strength of the U.S. dollar relative to trade-weighted pairs, declined 6.4%. Within the developed market basket, the pound (+11.5%) and the euro (+5.6%) gained ground on the dollar while the yen (-2.9%) weakened slightly. Oil-linked currencies including the Canadian dollar (+9.5%) and Swedish krona (+9.0%) benefitted from the energy rebound. Emerging market currencies (+5.5%) appreciated broadly, with the largest gains coming from currencies in countries whose economies were more value-orientated, and which were poised to benefit more from a pro-cyclical recovery in economic activity and growth. Overall, the embedded currency portfolio of the MSCI ACWI Index increased returns for unhedged U.S. investors by 2.3%, while the boost from embedded currency worked out to 4.3% and 5.8% for unhedged U.S. investors in the MSCI EAFE Index and MSCI Emerging Markets Index, respectively.

Outlook

Risk-on sentiment has driven global financial markets over the last year, with equity benchmarks hitting fresh all-time highs, bond yields rising, credit spreads tightening to their lowest level in over a decade, and the dollar weakening. Investors appear to have priced in an eventual full recovery from the global pandemic, and the expectation for continued support over the intermediate term from developed market central banks appears to have emboldened market participants to continue to take risk. More recently, concerns have built around the spread of the delta variant and its potential to limit the pace of global economic growth moving forward, as well as eventual asset purchase tapering from the Fed which looks less likely to allow inflation to run unchecked. As a result, the reflation trade has slowed down and investors have rotated out of shorter-duration energy stocks toward longer-duration tech stocks, and into bets on a flatter yield curve. Corporate earnings have delivered to some extent on the promise implied by price action last year, but continued price increases this year have kept valuations at historically stretched levels. While it appears possible that risk assets could continue to rally into the next year, the road could well become bumpier from here, given the lack of value apparent across asset classes at present. We retain a cautiously optimistic view, but given the risks prefer a tight position relative to policy, given the uncertainty which continues to shroud the outlook.

Written by Verus Advisory

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, 2021 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, 2021

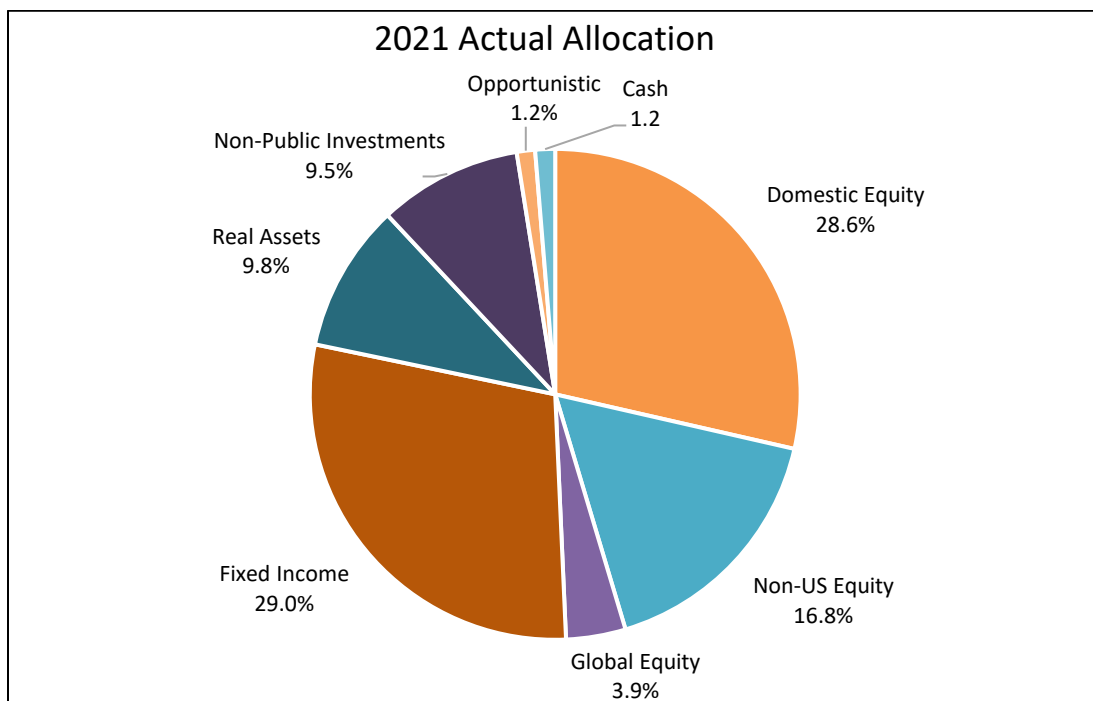
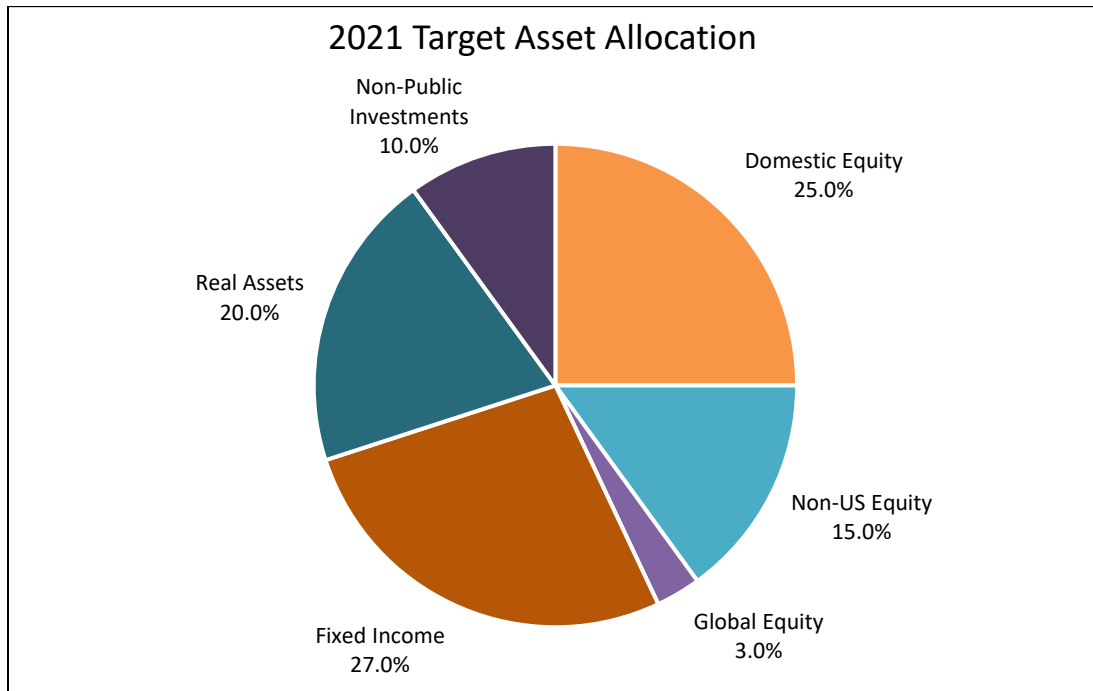
The target asset allocation for the investment portfolio is determined by the Board to facilitate the achievement of the investment program's long-term investment objectives within the established risk parameters. Due to the fact that the allocation of funds between asset classes may be the single most 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	15%	35%	25%
<i>Large Cap</i>	<i>10%</i>	<i>25%</i>	<i>19%</i>
<i>Small Mid Cap</i>	<i>0%</i>	<i>10%</i>	<i>6%</i>
Non-U.S. Equity (Developed and Emerging)	5%	25%	15%
Global Equity	0%	5%	3%
Fixed Income	10%	35%	27%
<i>Core-Plus Fixed Income</i>	<i>10%</i>	<i>30%</i>	<i>17%</i>
<i>Global Fixed Income</i>	<i>0%</i>	<i>10%</i>	<i>5%</i>
<i>Emerging Market Debt</i>	<i>0%</i>	<i>10%</i>	<i>5%</i>
Real Assets	15%	35%	20%
<i>Core Real Estate</i>	<i>5%</i>	<i>15%</i>	<i>10%</i>
<i>Value-Add Real Estate</i>	<i>0%</i>	<i>10%</i>	<i>5%</i>
<i>Real Estate Debt</i>	<i>0%</i>	<i>10%</i>	<i>5%</i>
Alternative Investments	0%	30%	10%
<i>Private Equity/VC</i>	<i>0%</i>	<i>10%</i>	<i>5%</i>
<i>Private Credit</i>	<i>0%</i>	<i>10%</i>	<i>5%</i>

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, 2021



Percentages may not equal 100% due to rounding.

Fair Value of Investments

As of June 30, 2021

Type of Investments	Fair Value	Percentage of Total Fair Value
Domestic Corporate Bonds	\$142,937,418	7.3%
MBS	\$97,034,317	5.0%
ABS	\$18,684,771	1.0%
U.S. Government/Agency Instruments	\$104,298,784	5.3%
Municipal Bonds	\$929,712	0.0%
Global Fixed Income Fund	\$84,878,566	4.4%
Emerging Markets Fixed Income	\$100,277,669	5.1%
Other	11,388,354	0.6%
Total Bonds	\$560,429,591	28.7%
Domestic Equity	553,997,131	28.4%
Non-U.S. Equity	326,123,406	16.7%
Global Equity	75,520,089	3.9%
Total Equity	\$955,640,626	49.0%
Real Estate	\$190,048,362	9.7%
Private Equity	108,272,772	5.6%
Private Credit	86,246,987	4.4%
Non-Public Investments	\$194,519,759	10.0%
Cash	\$25,908,636	1.3%
Other	\$23,108,944	1.2%
Total Investments	\$1,949,655,918	100.0%
Plan Adjustments for Payables, Receivables, Cash and Accruals	26,529,082	
Net Investments	\$1,976,185,000	

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 in the financial statements. Numbers may not add to totals due to rounding.

*Investment Results*For the Periods Ended June 30, 2021¹

		Annualized			
Account	Current	2 Year	3 Year	4 Year	5 Year
<u>Equity</u>					
SSGA S&P 500 Flagship Fund	40.8	23.0	18.7	17.6	17.7
QMA Large Cap Core	39.6	20.5	15.8	15.9	16.4
<i>S&P 500</i>	<i>40.8</i>	<i>23.0</i>	<i>18.7</i>	<i>17.6</i>	<i>17.6</i>
Ivy Large Cap Growth	38.6	29.4	24.7	25.3	24.2
<i>Russell 1000 Growth</i>	<i>42.5</i>	<i>32.5</i>	<i>25.1</i>	<i>24.5</i>	<i>23.7</i>
Boston Partners Large Cap Value	50.2	17.2	13.0	12.4	14.1
<i>Russell 1000 Value</i>	<i>43.7</i>	<i>14.4</i>	<i>12.4</i>	<i>11.0</i>	<i>11.9</i>
William Blair SMID Cap Growth	43.6	24.0	19.5	20.8	21.4
<i>Russell 2500 Growth</i>	<i>49.6</i>	<i>27.8</i>	<i>20.1</i>	<i>20.5</i>	<i>20.7</i>
Lee Munder Small Value	62.2	18.0	10.2	10.1	12.3
<i>Russell 2000 Value</i>	<i>73.3</i>	<i>19.6</i>	<i>10.3</i>	<i>11.0</i>	<i>13.6</i>
Total Domestic Equity	44.9	23.1	17.8	17.7	18.1
SSGA MSCI ACWI Ex US Index Fund	36.0	14.0	9.7	9.1	11.4
<i>MSCI ACWI ex USA Gross</i>	<i>35.7</i>	<i>13.7</i>	<i>9.4</i>	<i>8.9</i>	<i>11.1</i>
PIMCO RAE Fundamental Global Ex US Fund	46.1	11.8	7.3	7.2	10.4
<i>MSCI ACWI ex USA Value Gross</i>	<i>37.6</i>	<i>8.0</i>	<i>5.2</i>	<i>5.1</i>	<i>8.5</i>
SGA Global Growth	34.9	20.1	17.1	--	--
<i>MSCI ACWI ex USA Growth Gross</i>	<i>33.7</i>	<i>18.9</i>	<i>13.2</i>	<i>12.4</i>	<i>13.4</i>
Total International Equity	51.6	21.3	14.8	13.3	14.8
Skellig Water Fund (aka KBI)	51.6	21.3	14.8	13.3	14.8
<i>MSCI ACWI Gross</i>	<i>39.3</i>	<i>19.3</i>	<i>14.6</i>	<i>13.6</i>	<i>14.6</i>
Total Global Equity	51.6	21.3	14.8	13.3	14.8
<u>Fixed Income</u>					
BlackRock Fixed Income	0.7	5.0	6.0	4.4	3.6
Doubleline Core Plus	3.2	3.8	4.9	3.8	3.4
MacKay Shields Core Plus	4.1	6.5	7.0	5.2	4.7
<i>BBgBarc US Aggregate TR</i>	<i>-0.3</i>	<i>4.1</i>	<i>5.3</i>	<i>3.9</i>	<i>3.0</i>
Franklin Templeton Global Bond Plus	-1.8	-4.7	-1.1	-1.1	0.8
<i>JPM GBI Global TR USD</i>	<i>0.0</i>	<i>2.6</i>	<i>3.6</i>	<i>3.1</i>	<i>1.6</i>
PGIM Emerging Markets Debt	10.9	--	--	--	--
50% JPM EMBI Global Div/50% JPM GBI EM Global Div	7.1	2.9	5.5	3.6	4.1
Total Fixed Income	3.2	3.2	4.6	3.5	3.5

Investment Results (Cont.)For the Periods Ended June 30, 2021¹

		Annualized			
Account	Current	2 Year	3 Year	4 Year	5 Year
<u>Real Estate</u>					
RREEF America II	2.1	3.7	4.7	5.3	5.5
NCREIF-ODCE	8.0	5.1	5.5	6.2	6.6
American Realty	3.4	--	--	--	--
NCREIF-ODCE	8.0	5.1	5.5	6.2	6.6
Total Real Estate	2.2	3.7	4.7	5.4	5.4
<u>Private Equity</u>					
BlackRock Alternative Advisors	-13.7	-3.4	0.5	3.4	3.2
Ocean Avenue Fund III	25.2	19.3	24.5	28.9	22.5
Ocean Avenue Fund IV	35.2	--	--	--	--
Pantheon Ventures	4.4	-10.4	-5.3	-2.2	-0.6
Pathway Private Equity Fund Investors 8	67.5	32.6	30.5	29.5	25.1
Pathway Private Equity Fund Investors 9	73.9	31.8	28.5	--	--
Pathway Private Equity Fund Investors 10	46.9	--	--	--	--
Stepstone Secondary Opportunities Fund II	22.4	10.4	7.5	7.8	8.1
Total Private Equity	42.4	22.5	20.9	20.0	17.2
<u>Private Credit</u>					
Sixth Street Partners DCP (formerly TSSP DCP)	28.3	10.7	10.9	10.1	--
Total Private Credit	28.3	10.7	10.9	10.1	--
<u>Opportunistic</u>					
Sixth Street Partners TAO Contingent (formerly TSSP TAO Contingent)	27.6	--	--	--	--
PIMCO Bravo	-13.6	-10.5	-6.7	-0.8	0.8
KKR Mezzanine Partners	-23.8	-57.2	-53.5	-32.7	-27.9
Total Opportunistic	15.0	3.9	0.4	6.8	6.6
Total Fund	24.0	11.8	9.9	9.4	9.9
Policy Index**	22.1	12.3	10.5	9.7	10.0

1-Time-Weighted Return Based on the Market Rate of Return.

2-Policy Index: 25% Russell 3000, 15% MSCI ACWI ex US, 3% MSCI ACWI, 17% BBgBarc Agg., 5% JPM GBI Global, 5% (50% JPM EMBI Global Div/50% JPM GBI EM Global Div), 20% NCREIF ODCE, 5% actual Private Equity returns, 5% actual Private Credit returns

List of Largest Stock and Bond Holdings

As of June 30, 2021

Largest Stock Holdings (by fair value)

	Shares	Stock	Fair Value (000)
1	58,433	MICROSOFT CORP	\$15,829,500
2	91,272	APPLE INC	\$12,500,613
3	3,172	AMAZON.COM INC	\$10,912,188
4	3,851	ALPHABET INC-CL A	\$9,403,333
5	22,433	FACEBOOK INC	\$7,800,178
6	15,616	UNITEDHEALTH GROUP INC	\$6,253,271
7	22,977	VISA INC	\$5,372,482
8	27,835	JOHNSON & JOHNSON	\$4,585,538
9	28,830	JPMORGAN CHASE & CO	\$4,484,218
10	7,344	ADOBE INC	\$4,300,940

Largest Bond Holdings (by fair value)

	Par (000)	Bond	Fair Value (000)
1	6,827,985	COMMIT TO PUR FNMA SF MTG 2.500% 08/01/2051 DD 08/01/21	\$7,053,104
2	5,023,000	U S TREASURY NOTE 1.875% 07/31/2026 DD 07/31/19	\$5,271,990
3	4,900,000	COMMIT TO PUR FNMA SF MTG 2.000% 09/01/2051 DD 09/01/21	\$4,934,251
4	4,105,000	U S TREASURY NOTE 0.250% 6/15/2024 DD 6/15/21	\$4,080,288
5	4,100,000	U S TREASURY NOTE 0.125% 02/15/2024 DD 02/15/21	\$4,073,432
6	3,498,000	U S TREASURY NOTE 0.125% 02/28/2023 DD 02/28/21	\$3,493,628
7	3,080,000	U S TREASURY NOTE 0.500% 02/28/2026 DD 02/28/21	\$3,034,632
8	1,870,000	U S TREASURY BOND 4.375% 02/15/2038 DD 02/15/08	\$2,575,925
9	2,385,153	COMMIT TO PUR FNMA SF MTG 3.000% 07/01/2051 DD 07/01/21	\$2,486,808
10	1,815,000	U S TREASURY BOND 3.000% 11/15/2045 DD 11/15/15	\$2,147,163

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Fiscal Year Ended June 30, 2021

(dollars in thousands)

Domestic Equity	
Robeco Boston Partners	\$ 315
State Street	57
LMCG	268
Ivy Investments	424
William Blair	334
Total Domestic Equity	<u>\$ 1,398</u>
International	
State Street	\$ 76
PIMCO RAE	486
Kleinwort Benson Investors	439
SG Advisers	242
Total International	<u>\$ 1,243</u>
Fixed Income	
BlackRock	\$ 246
PGIM	457
Franklin Templeton	350
Mackay Shields	295
DoubleLine	279
Total Fixed Income	<u>\$ 1,627</u>
Private Equity	
KKR Mezzanine Partners	\$ 14
StepStone	206
BlackRock Alternative Advisors	54
Pathway Capital Mgmt	380
Ocean Avenue Capital	494
Total Private Equity	<u>\$ 1,148</u>
Private Credit	
TPG	\$ 1,271
Total Private Credit	<u>\$ 1,271</u>
Real Estate	
DSW RREEF	\$ 1,589
American Realty Advisers	125
Total Real Estate	<u>1,714</u>
Total Investment Manager Fees	<u><u>\$ 8,401</u></u>

Schedule of Investment Management Fees (Cont.)

For the Fiscal Year Ended June 30, 2021

(dollars in thousands)

Securities Lending Activity	
Management Fee	\$ 12
Borrower Rebate	41
Total Securities Lending Activity	<u>\$ 53</u>
Other Investment Expenses	
Investment Custodian	\$ 319
Investment Consultant	245
Other	180
Total Other Investment Expenses	<u>\$ 744</u>
Total Fees and Other Investment Expenses	<u>\$ 9,198</u>

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, 2021:
(dollars in thousands)

Commissions	
Base Commissions	\$ 173
Base Volume	\$ 359,537
Total Shares	5,993
Commissions/Share	\$ -
Commission Recapture Rebates	\$ 3

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actuarial section

Actuary's Certification Letter



Classic Values, Innovative Advice.

Via Electronic Mail

October 27, 2021

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the Tulare County Employees' Retirement Association (the Plan) as of June 30, 2021. This letter includes references to two documents produced by Cheiron for the Plan: the actuarial valuation report as of June 30, 2021 (transmitted October 27, 2021) and the GASB 67/68 report as of June 30, 2021 (transmitted October 27, 2021).

Actuarial Valuation Report as of June 30, 2021

The purpose of the annual actuarial valuation report as of June 30, 2021 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 2022-2023. The prior review was conducted as of June 30, 2020 and included recommended contribution rates for the Fiscal Year 2021-2022.

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, 2021), 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 Board elected to phase in the impact of the assumption changes included in the June 30, 2020 valuation on the employer contribution rate over a three-year period beginning with the Fiscal Year 2021-2022.

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 ACFR, based on the June 30, 2021 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 Retirants and Beneficiaries Added to and Removed from Payroll
- Schedule of Funded Liabilities by Type
- 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, 2017 through June 30, 2020, and approved by the Board. Based on this study, the discount rate was lowered from 7.25% to 7.00%, the mortality improvement scale was updated to MP-2019, 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, 2021. 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 2023.

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, 2021

The purpose of the GASB 67/68 Report as of June 30, 2021, 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, 2021, is measured as of a valuation date of June 30, 2021. The TPL at the beginning of the measurement year, June 30, 2020, was measured as of a valuation date of June 30, 2020.

Please refer to our GASB 67/68 report as of June 30, 2021, for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the ACFR based on the June 30, 2021, GASB 67/68 report:

- Change in Collective Net Pension Liability
- Sensitivity of Collective Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Collective 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 and our understanding of the Code of Professional Conduct and applicable Actuarial

Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. 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.

Cheiron utilizes ProVal, an actuarial valuation application leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect our reports.

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



Graham A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary
703-893-1456, x1137
gschmidt@cheiron.us



Steven M. Hastings, FSA, EA, FCA, MAAA
Consulting Actuary
703-893-1456, x1157
shastings@cheiron.us

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) as of June 30, 2015 is being amortized over a closed 19-year period as a level percentage of payroll. Subsequent changes in the UAAL due to experience gains and losses, assumption changes, or plan changes will be amortized over new closed 19-year periods.

1. Interest:	7.00% per annum (6.88% compounded semi-annually).
2. Interest Credited to Employee Accounts:	7.00% per annum net of investment and administrative expenses (6.88% compounded semi-annually).
3. Inflation:	2.75% 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 includes a wage inflation component of 3% and a longevity/ promotion component that varies by years of service and division, ranging from 0.5% to 8% for General Members and 1% to 9% for Safety Members.
6. Rates of Termination of Employment:	See "Probability of Occurrence" on page 91.
7. Spouses and Dependents:	80% of General male, 60% of General female and 85% of Safety male, 65% of Safety female active employees assumed married at Retirement, with spouses of male members assumed to be female and 3 years younger and spouses of female members assumed to be male and 2 years older.
8. Years of Life Expectancy After Retirement:	<p>General - RP-2014 Generational Mortality Table for Males/Females with MP-2019 projection.</p> <p>Safety - RP-2014 Generational Mortality Table for Males with blue-collar adjustment and MP-2019 projection.</p> <p>General mortality rates are increased by 2.2% 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.</p>
9. Years of Life Expectancy After Disability Retirement:	RP-2014 Generational Disabled Annuitant Mortality Table for Males/Females, with MP2019 projection.

Summary of Actuarial Assumptions and Methods (Cont.)

10. Reciprocity Assumption: 60% of General and 65% of Safety members who terminate with a vested benefit are assumed to enter a reciprocal system. Salaries are assumed to increase by 3.5% for General and 4.0% for Safety members per year.
11. Deferral Age for Vested Terminations: Age 60 for General members, age 55 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, 2012 through June 30, 2021

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
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
2020	3,312	163	\$ 4,626,973	67	\$ 925,421	3,408	\$ 84,412,237	6.89%	\$ 24,769
2021	3,408	141	\$ 3,908,186	77	\$ 1,434,138	3,472	\$ 88,623,368	4.99%	\$ 25,525

*Active Member Valuation Data**For the Fiscal Years Ended June 30, 2012 through June 30, 2021*

Valuation Date	Plan Type	Number	Annual Payroll	Monthly Average Pay	Percent Increase in Average Pay*
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%
6/30/2020	General	3,736	\$ 218,605,089	\$ 4,876	4.01%
	Safety	869	65,666,913	6,297	7.40%
	Total	4,605	\$ 284,272,002	\$ 5,144	4.66%
6/30/2021	General	3,638	\$ 221,223,225	\$ 5,067	-19.53%
	Safety	846	65,663,142	6,468	25.74%
	Total	4,484	\$ 286,886,367	\$ 5,332	3.65%

*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**For the Fiscal Years Ended June 30, 2012 through June 30, 2021*

(dollars in thousands)

Valuation Date	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)	Actuarial Accrued Liabilities
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
6/30/2020	\$ 319,562	\$ 1,008,432	\$ 547,804	\$ 1,875,797
6/30/2021	\$ 339,547	\$ 1,050,032	\$ 568,406	\$ 1,957,985

**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)
6/30/2012	\$ 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%
6/30/2020	\$ 1,670,786	100%	100%	62.6%
6/30/2021	\$ 1,759,025	100%	100%	65.0%

Numbers may not add to totals due to rounding.

Actuarial Analysis of Financial Experience

(dollars in thousands)

Plan Years	2011-12	2012-13	2013-14	2014-15	2015-16
Prior Valuation Unfunded Actuarial Liability	\$ 102,509	\$ 119,511	\$ 137,898	\$ 169,902	\$ 201,848
Expected Increase (Decrease)	-	-	-	(3,044)	1,212
Liability (Gain) Loss	(30,721)	23,027	(5,070)	(12,668)	(8,948)
Change in Actuary	-	-	-	33,161	-
Actuarial (Gain) Loss From Asset Sources	-	31,625	10,841	10,913	33,948
Non-Economic and Economic Assumption Changes	46,660	-	-	-	-
Change in Actuarial Assumptions	-	-	24,599	3,584	9,170
Change due to Contributions	1,063	(1,844)	5,138	-	1,564
Change Regarding Contingency Reserve	-	(34,421)	(3,504)	-	-
Ending Unfunded Actuarial Accrued Liability	<u>\$ 119,511</u>	<u>\$ 137,898</u>	<u>\$ 169,902</u>	<u>\$ 201,848</u>	<u>\$ 238,794</u>

Plan Years	2016-17	2017-18	2018-19	2019-20	2020-21
Prior Valuation Unfunded Actuarial Liability	\$ 238,794	\$ 111,651	\$ 133,326	\$ 142,851	\$ 205,011
Expected Increase (Decrease)	(494)	(2,106)	(2,726)	(3,378)	(4,668)
Liability (Gain) Loss	(12,983)	286	(161)	5,587	(9,840)
Change in Actuary	-	-	-	-	-
Actuarial (Gain) Loss From Asset Sources	35,034	23,696	10,746	15,577	(2,068)
Non-Economic and Economic Assumption Changes	-	-	-	-	-
Change in Actuarial Assumptions	82,259	-	-	42,435	-
Change due to Contributions	(230,959)	(201)	1,667	1,939	10,524
Change Regarding Contingency Reserve	-	-	-	-	-
Ending Unfunded Actuarial Accrued Liability	<u>\$ 111,651</u>	<u>\$ 133,326</u>	<u>\$ 142,852</u>	<u>\$ 205,011</u>	<u>\$ 198,960</u>

Numbers may not add to totals due to rounding.

Probability of Occurrence

Probabilities of Separation from Active Service

Rates of Termination						
Age	General Members			Safety Members		
	Svc < 3	Svc 3 - 5	Svc > 5	Svc < 3	Svc 3 - 5	Svc > 5
20	15.00%	12.00%	10.00%	11.00%	7.00%	6.00%
25	15.00%	8.00%	8.00%	11.00%	7.00%	6.00%
30	15.00%	8.00%	6.00%	11.00%	7.00%	4.50%
35	15.00%	8.00%	5.00%	11.00%	7.00%	4.00%
40	14.25%	8.00%	5.00%	11.00%	7.00%	4.00%
45	13.50%	8.00%	5.00%	8.00%	6.00%	3.50%
50	12.75%	5.00%	5.00%	8.00%	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						
Age	General Members				Safety Members	
	Males		Females		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%	0.020%	0.050%	0.560%
40	0.030%	0.030%	0.140%	0.030%	0.075%	0.660%
45	0.050%	0.055%	0.200%	0.055%	0.095%	0.750%
50	0.090%	0.100%	0.300%	0.100%	0.300%	1.000%
55	0.180%	0.350%	0.400%	0.350%	0.550%	2.250%
60	0.280%	0.600%	0.540%	0.600%	0.000%	0.000%
>=65	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Rates of Retirement				
Age	General Members		Safety Members	
	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%	10.00%	18.00%
60	15.0%	20.00%	20.00%	40.00%
65	35.0%	35.00%	40.00%	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, 2021.

Schedule of Funding Progress

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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)
6/30/2012	\$ 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	\$ 169,902	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%
6/30/2020	\$ 1,670,786 ⁸	\$ 1,875,797	\$ 205,011	89.1%	\$ 284,272	72.1%
6/30/2021	\$ 1,759,025	\$ 1,957,985	\$ 198,960	89.8%	\$ 286,886	69.4%

¹ Reduction in assumed rate of return from 9.9% to 7.85%, inflation from 4.0% to 3.0%.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 Actuarial Valuation report and is off by one due to rounding.⁸ Reduction in Assumed rate of return from 7.25% to 7.00%, inflation from 3.0% to 2.75%.

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	<p>Early Retirement</p> <p>General Tiers 1-3 Age 50 and 10 years, or 30 years, or age 70</p> <p>General Tier 4 Age 52 and 5 years</p> <p>Safety Tiers 1-3 Age 50 and 10 years, or 20 years, or age 70</p> <p>Safety Tier 4 Age 50 and 5 years</p> <p>Benefit - General Members:</p> <p>For service prior to July 1, 2005 Tiers 1-3:</p> <p style="padding-left: 40px;">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.</p> <p>For service after June 30, 2005 Tiers 1-3:</p> <p style="padding-left: 40px;">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.</p> <p>For service for membership after December 31, 2012 Tier 4:</p> <p style="padding-left: 40px;">Benefits required by AB340 (Tier 4) of 2% of final average salary times years of service times factor on the following page.</p> <p>Benefit - Safety Members:</p> <p>For service for membership prior to January 1, 2013 (Tiers 1-3):</p> <p style="padding-left: 40px;">Benefits under Section 31664 (Tiers 1-3) of 2% of final average salary times years of service times factor on the following page.</p> <p>For service for membership after December 31, 2012 (Tier 4):</p> <p style="padding-left: 40px;">Benefits required by AB340 (Tier 4) of 2% of final average salary times years of service times factor on the following page.</p>

Summary of Major Plan Provisions (Cont.)

Benefit Factors:

<u>Age</u>	<u>General Tier 1 31676.11</u>	<u>General Tiers 2 & 3 31676.1</u>	<u>General Tiers 1-3 31676.12</u>	<u>General Tier 4 AB340</u>	<u>Safety Tiers 1-3 31664</u>	<u>Safety Tier 4 AB340</u>
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	<p>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.</p> <p>If eligible for non-service connected disability or service retirement, the benefit is 60% of member's accrued allowance.</p> <p>If service connected death, the benefit is 50% of salary.</p>
Death After Retirement	<p>For service retirement or non-service connected disability, the benefit is 60% of member's allowance payable to an eligible spouse.</p> <p>For service connected disability, the benefit is 100% of member's allowance payable to an eligible spouse.</p> <p>\$5,000 lump sum benefit payable to member's beneficiary.</p>
Vesting	<p>After five years of service.</p> <p>Must leave contributions on deposit.</p>
Contributions	<p>Member contributions based on entry age. Tiers 1-3 Members with 30 or more years of service do not pay member contributions.</p>
Maximum Benefit	<p>100% of final average salary.</p>
Cost of Living Adjustments (COLA)	<p>Payable April 1. Up to 3% COLA for Tier 1 members, 2% for Tier 2, Tier 3 and Tier 4 members, depending on CPI (Riverside-San Bernardino-Ontario) changes for the prior calendar year.</p>

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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 Annual Comprehensive 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, 2012 through June 30, 2021

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
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
2020	\$ 23,104	\$ 35,310	12.42%	\$ 9,327	\$ 188	\$ 67,929
2021	\$ 23,536	\$ 36,766	12.82%	\$ 394,891	\$ 188	\$ 455,381

Expenses by Type

(dollars in thousands)

Fiscal Year Ended June 30	Administrative Expenses	Refunds	Pension Benefits	Death Benefits	Total Benefits	Total
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
2020	\$ 2,853	\$ 3,534	\$ 87,311	\$ 582	\$ 87,893	\$ 94,280
2021	\$ 2,740	\$ 3,586	\$ 92,179	\$ 511	\$ 92,690	\$ 99,016

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, 2012 through June 30, 2021

(dollars in thousands)

	2012	2013	2014	2015	2016
ADDITIONS					
Contributions					
Employer Contributions	\$ 25,257	\$ 29,847	\$ 25,953	\$ 30,992	\$ 31,297
Plan Member Contributions	16,471	18,430	18,969	18,887	16,815
Total Contributions	41,728	48,277	44,922	49,879	48,112
Investment Income (Loss) (net of expense)	(12,155)	112,289	176,828	10,877	(20,474)
Other Income	55	57	56	166	165
TOTAL ADDITIONS (DECLINES) TO FIDUCIARY NET POSITION	\$ 29,628	\$160,623	\$221,806	\$ 60,922	\$ 27,803
DEDUCTIONS (See Benefit and Refund Deductions from Fiduciary Net Position by Type)					
Benefits	\$ 54,335	\$ 58,530	\$ 62,654	\$ 65,479	\$ 69,134
Refunds of Contributions	4,354	3,394	3,300	3,081	3,198
Administrative Expense	1,720	1,780	2,049	2,408	2,616
TOTAL DEDUCTIONS FROM FIDUCIARY NET POSITION	\$ 60,409	\$ 63,704	\$ 68,003	\$ 70,968	\$ 74,948
CHANGES IN FIDUCIARY NET POSITION	\$ (30,781)	\$ 96,919	\$153,803	\$ (10,046)	\$ (47,145)

	2017	2018	2019	2020	2021
ADDITIONS					
Contributions					
Employer Contributions	\$ 33,616	\$286,263	\$ 33,494	\$ 35,310	\$ 36,766
Plan Member Contributions	18,190	18,512	22,325	23,104	23,536
Total Contributions	51,806	304,775	55,819	58,414	60,302
Investment Income (Loss) (net of expense)	132,699	95,670	90,590	9,327	394,891
Other Income	166	187	189	188	188
TOTAL ADDITIONS (DECLINES) TO FIDUCIARY NET POSITION	\$ 184,671	\$400,632	\$146,598	\$ 67,929	\$455,381
DEDUCTIONS (See Benefit and Refund Deductions from Fiduciary Net Position by Type)					
Benefits	\$ 73,442	\$ 77,083	\$ 82,236	\$ 87,893	\$ 92,690
Refunds of Contributions	3,519	3,633	2,861	3,534	3,586
Administrative Expense	2,612	2,666	2,806	2,853	2,740
TOTAL DEDUCTIONS FROM FIDUCIARY NET POSITION	\$ 79,573	\$ 83,382	\$ 87,903	\$ 94,280	\$ 99,016
CHANGES IN FIDUCIARY NET POSITION	\$ 105,098	\$317,250	\$ 58,695	\$ (26,351)	\$356,365

Retired Members by Type of Retirement

	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Service Retirement					
General	1,630	1,710	1,815	1,899	1,989
Safety	225	241	246	262	276
Total	1,855	1,951	2,061	2,161	2,265
Ordinary Disability					
General	89	96	99	107	103
Safety	9	9	11	12	14
Total	98	105	110	119	117
Duty Disability					
General	74	77	78	81	78
Safety	81	84	87	94	99
Total	155	161	165	175	177
Beneficiaries					
General	265	273	287	294	303
Safety	51	52	68	72	78
Total	316	325	355	366	381
Total Retirement Members					
General	2,058	2,156	2,279	2,381	2,473
Safety	366	386	412	440	467
Total	2,424	2,542	2,691	2,821	2,940
	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Service Retirement					
General	2,039	2,111	2,188	2,226	2,262
Safety	284	311	331	348	357
Total	2,323	2,422	2,519	2,574	2,619
Ordinary Disability					
General	111	107	109	105	103
Safety	15	17	19	18	18
Total	126	124	128	123	121
Duty Disability					
General	94	93	96	102	101
Safety	105	113	111	122	120
Total	199	206	207	224	221
Beneficiaries					
General	335	347	356	382	399
Safety	89	93	102	105	112
Total	424	440	458	487	511
Total Retirement Members					
General	2,579	2,658	2,749	2,815	2,865
Safety	493	534	563	593	607
Total	3,072	3,192	3,312	3,408	3,472

Schedule of Average Benefit Payments

Includes Retirees and Beneficiaries

Valuation Date	Plan Type	Number	Annual Benefits	Annual Average Benefits	Percent Increase in Average Benefits
6/30/2012	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%
6/30/2020	General	2,815	\$62,618,882	\$ 22,245	3.50%
	Safety	593	21,793,355	36,751	4.03%
	Total	3,408	\$84,412,237	\$ 24,769	3.88%
6/30/2021	General	2,865	\$65,750,480	\$ 22,950	3.17%
	Safety	607	22,872,888	37,682	2.53%
	Total	3,472	\$88,623,368	\$ 25,525	3.05%

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
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	0.07%	4,581	100%
2019	4,367	94.54%	250	5.41%	2	0.04%	4,619	100%
2020	4,352	94.51%	251	5.45%	2	0.04%	4,605	100%
2021	4,243	94.63%	238	5.31%	3	0.07%	4,484	100%

Retired Members by Type of Benefit

As of June 30, 2021

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement ¹									
		GENERAL					SAFETY				
		1	2	3	4	5	1	2	3	4	5
Deferred	2,295										
\$1 - \$250	141	126	1	0	1	0	8	0	5	0	0
\$251 - \$500	217	191	5	0	4	2	13	1	1	0	0
\$501 - \$750	283	227	14	1	13	0	24	1	0	1	2
\$751 - \$1,000	300	244	25	0	13	0	12	1	1	2	2
\$1,001 - \$1,250	279	231	15	1	7	0	19	4	1	1	0
\$1,251 - \$1,500	293	233	20	14	4	0	16	2	0	4	0
\$1,501 - \$1,750	243	185	21	17	1	1	14	1	3	0	0
\$1,751 - \$2,000	227	164	14	16	1	1	29	0	1	1	0
Over \$2,000	1489	959	23	68	1	1	283	11	133	8	2
TOTAL	3,472	2,560	138	117	45	5	418	21	145	17	6

Option Selected ²							
		U	1	2	3	4	CS
\$1 - \$250	141	118	1	19	0	2	1
\$251 - \$500	217	180	2	31	2	0	2
\$501 - \$750	283	249	2	24	1	0	7
\$751 - \$1,000	300	263	1	25	1	0	10
\$1,001 - \$1,250	279	244	5	24	0	0	6
\$1,251 - \$1,500	293	255	3	28	1	2	4
\$1,501 - \$1,750	243	229	2	12	0	0	0
\$1,751 - \$2,000	227	204	0	20	0	0	3
Over \$2,000	1,489	1,375	7	97	0	1	9
TOTAL	3,472	3,117	23	280	5	5	42

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

Benefit and Refund Deductions from Fiduciary Net Position

Last Ten Fiscal Years
(dollars in thousands)

Type of Benefit	2012	2013	2014	2015	2016
Age and Service Benefits:					
General	\$32,283	\$35,060	\$37,612	\$39,877	\$42,356
Safety	8,605	9,364	10,134	10,760	11,310
Disability Benefits - Service:					
General	1,740	1,800	1,799	1,924	1,868
Safety	2,267	2,385	2,567	2,733	3,016
Disability Benefits - Non-Service:					
General	1,719	1,800	1,840	1,882	1,865
Safety	179	164	239	375	371
Death Benefits - Ordinary:					
General	266	281	432	398	404
Safety	24	25	250	256	210
Death Benefits - Duty:					
General	15	15	15	16	16
Safety	221	237	355	127	129
SRBR Benefits					
General	5,536	5,758	5,718	5,626	5,409
Safety	1,179	1,223	1,238	1,217	1,212
Death Benefits	301	417	455	288	968
Total Benefits	\$54,335	\$58,529	\$62,654	\$65,479	\$69,134
Type of Refund					
Death	131	180	145	73	179
Separation	4,223	3,214	3,155	3,008	3,019
Total Refunds	\$4,354	\$3,394	\$3,300	\$3,081	\$3,198

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

Last Ten Fiscal Years
(dollars in thousands)

Type of Benefit	2017	2018	2019	2020	2021
Age and Service Benefits:					
General	\$45,711	\$48,774	\$52,010	\$55,515	\$58,776
Safety	12,139	13,121	14,497	15,786	17,038
Disability Benefits - Service:					
General	2,129	2,110	2,181	2,382	2,432
Safety	3,183	3,418	3,536	3,821	3,827
Disability Benefits - Non-Service:					
General	1,872	1,883	1,892	1,863	1,885
Safety	449	512	547	590	583
Death Benefits - Ordinary:					
General	389	395	429	449	469
Safety	245	252	258	265	297
Death Benefits - Duty:					
General	62	51	51	52	54
Safety	130	129	125	159	142
SRBR Benefits					
General	6,130	5,706	5,847	6,044	6,274
Safety	303	293	342	385	402
Death Benefits	700	439	521	582	511
Total Benefits	\$73,442	\$77,083	\$82,236	\$87,893	\$92,690
Type of Refund					
Death	557	403	154	125	232
Separation	2,962	3,230	2,707	3,409	3,354
Total Refunds	\$3,519	\$3,633	\$2,861	\$3,534	\$3,586

Average Benefit Payment

For the Fiscal Years Ended June 30, 2012 through June 30, 2021

Retirement Effective Dates	Years Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
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
Period 7/1/2019 to 6/30/2020							
Average Monthly Benefit	\$ 510	\$ 1,263	\$ 1,838	\$ 2,677	\$ 3,090	\$ 2,945	\$ 6,069
Average Final Salary	\$ 9,153	\$ 6,668	\$ 5,925	\$ 6,010	\$ 6,058	\$ 4,611	\$ 7,204
Number of Retired Members	17	20	26	20	25	19	25
Period 7/1/2020 to 6/30/2021							
Average Monthly Benefit	\$ 234	\$ 1,064	\$ 1,713	\$ 2,458	\$ 3,034	\$ 4,691	\$ 6,435
Average Final Salary	\$ 7,776	\$ 6,944	\$ 5,582	\$ 5,472	\$ 5,683	\$ 6,848	\$ 7,720
Number of Retired Members	15	19	24	24	21	11	19

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



www.ba.cpa
661-324-4971

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
Visalia, 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 financial statements of Tulare County Employees' Retirement Association (TCERA), a pension trust fund of the County of Tulare, as of and for the fiscal year ended June 30, 2021, 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 of TCERA, and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (other information), as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated November 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements and other information, we considered TCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements and other information, 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 TCERA's basic 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.

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BAKERSFIELD
8200 Truston Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 200
Fresno, CA 93720
559-476-2592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95214
209-451-4833

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether TCERA's basic financial statements and other information 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 basic financial statements and other information. 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 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
November 29, 2021



COUNTY OF TULARE

BOARD OF RETIREMENT

Leanne Malison
Retirement Administrator

136 N AKERS STREET
VISALIA, CALIFORNIA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
www.tcera.org

Tulare County Employees' Retirement Association

Amendment to Resolution Regarding Pay Codes Included as Pensionable Income

In accordance with the provisions of the California Public Employees' Pension Reform Act of 2012 (AB340), the Board of Retirement for the Tulare County Employees' Retirement Association (TCERA) determined on November 7, 2012 those Tulare County pay codes that are to be included in or excluded from "compensation earnable" for the calculation of retirement benefits paid by TCERA.

The TCERA Board of Retirement has been notified that a new pay code(s) has been approved by the County of Tulare. The TCERA Board of Retirement takes this action to amend the list of pay codes included in the original resolution and the previous amendments adopted October 14, 2015, July 11, 2018, September 12, 2018, April 10, 2019, June 12, 2019, August 14, 2019, September 25, 2019, October 23, 2019, November 6, 2019, January 8, 2020, March 25, 2020, May 13, 2020, January 27, 2021, February 10, 2021, April 14, 2021, July 14, 2021, September 8, 2021, and October 13, 2021. The eligibility for compensation earnable is identified below for the purpose of calculation of pension benefits for all tiers pursuant to Government Code §31461 and Government Code §7522.34:

Pay Code	Effective Date	Status	Description	Compensation Earnable
18C	01/11/2022	A	Out of Class Scheduled OT	Yes

This action is intended to amend but not replace the original Retirement Board resolution dated November 7, 2012. The above listed determinations by the Board of what is included or not included in compensation earnable, as well as the action taken by the TCERA Board in the resolution dated November 7, 2012 and in the amendments to the resolution dated October 14, 2015, July 11, 2018, September 12, 2018, April 10, 2019, June 12, 2019, August 14, 2019, September 25, 2019, October 23, 2019, November 6, 2019, January 8, 2020, March 25, 2020, May 13, 2020, January 27, 2021, February 10, 2021, April 14, 2021, July 14, 2021, September 8, 2021, October 13, 2021 shall be in effect until such time as action taken by the Board or action by the Legislature or the Courts as a matter of law requires a different determination.

The foregoing action was adopted by the Board of Retirement upon a motion by Board member Vander Poel, seconded by Board member Kehler, at a regular meeting of the Board of Retirement held on December 8, 2021 by the following vote:

Ayes:
Noes:
Abstain:
Absent:



**Auditor-Controller/
Treasurer-Tax Collector**

**Cass Cook, CFIP
County of Tulare**

221 South Mooney Blvd., Room 101-E Visalia, CA 93291

JUSTIN AVILA
Assistant Auditor-Controller
(559) 636-5200
FAX (559) 730-2547

CASS COOK, CFIP
Auditor-Controller/ Treasurer-Tax Collector
(559) 636-5200
FAX (559) 730-2547

PAUL SAMPIETRO, CPA
Chief Deputy Treasurer-Tax Collector
(559) 636-5250
FAX (559) 730-2532

TCERA Pensionable Approval

Earnings Code: 18C

Description (Name): 18C – Out of Class Scheduled OT


Bargaining Unit(s) impacted: 23

Pay Group: LNG

Effective Date of Action: PP 1 / 2022, Pay date 1/11/2022

Request: Determine if earnings code 18C is compensable.

Comments: Per Article 4.5 of the MOU, employees who work out of classification for 1.5 shifts from the commencement of the first tour of duty will be entitled to an additional five percent (5%) of base pay effective with the fourth shift for the duration of such assignment. This code reflects a percentage of scheduled and base (OT) hours.

Authorized Signature: 

TCERA Approval for pay code to be pensionable: Yes ____ No ____

TCERA Authorized Signature: _____

Date approved by TCERA Board: _____

employee.

4.5 COMPENSATION FOR THE POSITION OF ACTING CAPTAIN OR BATTALION CHIEF

Employees who work out of classification for 1.5 shifts from the commencement of the first tour of duty will be entitled to an additional five percent (5%) of base pay effective with the fourth shift and for the duration of such assignment. Eligibility is subject to the Fire Chiefs approval.

Such pay for acting positions shall be included on the employee's paycheck and paid in accordance with those procedures administered by the Auditor Controller. 40-hour personnel shall be eligible for Acting Pay per Personnel Rule 4, or its successor.

An employee is eligible for out of classification assignment when he/she is on a current or previous promotional list for the classification in which the out of classification assignment is to occur. Out of classification assignments will act one rank up only (e.g. FAE to Lieutenant, Lieutenant to Captain, or Captain to Battalion Chief). An out of classification assignment will generally not exceed 12 consecutive months. The Fire Chief reserves the right to extend an out of classification assignment based on operational needs.

4.6 CALL BACK TIME

Call back pay shall be as set forth in Personnel Rule 4.5 or its successor.

4.7 ON-CALL PAY

Qualifications for on-call time and pay shall be in as set forth in Personnel Rule 4 or its successor. The amount shall be ten percent (10%) of the hourly wage and payable only for on-call hours. While On-Call, employees must respond in their County vehicle within sixty (60) minutes of being contacted. As such, employee must refrain from alcohol consumption while On-Call. On-call pay shall be effective upon ratification of this Memorandum of Understanding by the Board of Supervisors

4.8 BILINGUAL PAY

Employees will be paid an additional \$.50 (fifty cents) per actual hours worked as bilingual pay if they take and pass the County's Spanish or Southeast Asian verbal skills test and one of two other Spanish test components to be determined by the County on a case-by-case basis. The County will cease bilingual pay for any employee who refuses to use bilingual skills when requested to do so by the County.

4.9 UNIFORM ALLOWANCE

The County Fire Department will provide the initial uniform to new employees. Effective July 1, 2017 employees may be reimbursed up to \$750. per fiscal year for new uniforms. The Fire Chief, after considering input from the Standards Committee, will determine acceptable uniforms and method of reimbursement. The department will add to the SOG approved brands of structure turnout, wild land and station boots, all types of flashlights, as well as structural, wild land, and auto extrication gloves which may include wildland accessories (i.e. wildland packs, sleeping bag, water bottles, cots) to the list of acceptable items for reimbursement under the Uniform Allowance. The SOG will require that equipment purchased by the employee will meet current specifications (as of 2019, NFPA). It will be the employee's responsibility to maintain safe and functioning work uniforms and safety equipment. Exceptions may be made for replacement of uniforms damaged in the line of duty at the discretion of the Fire Chief. Should an employee covered by this agreement leave the Department or be off work in excess of six (6) months on a Leave of Absence, his/her uniform allowance shall be pro-rated on a pay period basis. If permitted by law, the uniform allowance shall also be similarly pro-rated if the employee is off work in excess of six (6) months on "4850" leave.

TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SUMMARY EDUCATION REPORT

(Attach copy of Agenda)

NAME OF ATTENDEE: Leanne Malison

CONFERENCE/SEMINAR ATTENDED: SACRS

DATES ATTENDED: NOVEMBER 9-12, 2021

NUMBER OF CONTINUING EDUCATION HOURS OBTAINED: 14

TOPICS OF DISCUSSION: The General Session speaker on the economic outlook was excellent. The session on fostering teamwork was also very helpful. The speakers were engaging and offered great information. The Administrator's Breakout Session continues to be very beneficial as is the update regarding pension legislation.

REASON MEETING WAS BENEFICIAL TO RETIREMENT SYSTEM: SACRS continues to be a good education forum and an important venue for networking with colleagues from other systems as well as investment professionals.

RECOMMENDATION REGARDING FUTURE ATTENDANCE: *(I.E., SHOULD WE SEND A REPRESENTATIVE IN THE FUTURE? IF SO, WHO SHOULD ATTEND?)*

Trustees and Staff should attend as schedules permit.


Signature

11/16/21
Date

NOTE: Attachments to this report will be held on file in the Retirement Office for review by interested parties, but will not be photocopied for the Retirement Board.

TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SUMMARY EDUCATION REPORT

NAME OF ATTENDEE: Mary Warner

CONFERENCE/SEMINAR ATTENDED: BlackRock Webinar

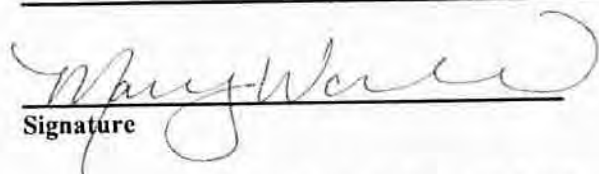
DATES ATTENDED: November 18, 2021

NUMBER OF CONTINUING EDUCATION HOURS OBTAINED: .50 hour

TOPICS OF DISCUSSION: Topics: Assessing the global equities opportunity
Webinar focusing on investors needing to rethink their regional allocations to capitalize on the global restart,
position for the future of globalization and realize the benefits of diversification.

REASON MEETING WAS BENEFICIAL TO RETIREMENT SYSTEM: The webinar provided insight into the
current market environment.

RECOMMENDATION REGARDING FUTURE ATTENDANCE: *(i.e., should we send a representative in the future? If so, who should attend?)* Trustees and staff should participate whenever these Webinars are available.


Signature

11/18/2021

Date

Members of a legislative body shall provide brief reports on meetings attended at the expense of the local agency at the next regular meeting of the legislative body. (Gov. Code, § 53232.3, subd. (d).)

NOTE: Attachments to this report will be held on file in the Retirement Office for review by interested parties, but will not be photocopied for the Retirement Board.

EDUCATIONAL EVENTS - Board of Retirement

2021

None

2022

1. **DWS**, America Real Assets Investor Conference, April 26-28, Balboa Bay Resort, Newport Beach, CA. Topics: Key trends impacting real estate investing through a series of panels from their research, transactions and portfolio mgmt. teams.
2. **CALAPRS**, Advanced Principles of Pension Governance for Trustees, March 30 to April 1, 2022, Los Angeles, 5:30 p.m.- 1:30 p.m.



November 4, 2021

TO: State Association of County Retirement Systems
FROM: Edelstein Gilbert Robson & Smith, LLC
RE: **Legislative Update – November 2021**

General Update

Friday, September 10, marked the last day of the first year of the 2021-22 Legislative Session. The Legislature sent 836 bills to the Governor's desk at the end of session. By the bill signing deadline of October 10, the Governor signed 770 of those bills and vetoed only 66.

The Legislature remains on interim recess through the fall. Session will reconvene in January, where Legislators will return to Sacramento to introduce new legislation and continue work on two-year bills.

2022 SACRS Sponsored Bill

Along with shepherding the 2021 SACRS sponsored bill through the legislative process, the SACRS Legislative Committee has fielded bill ideas from the membership, reviewed those proposals and drafted the accompanying language to develop a proposed 2022 SACRS sponsored bill.

The SACRS Board of Directors approved the draft bill in September, and the proposal will now go before the SACRS membership at this month's business meeting at the Fall Conference. Once approved, the lobbying team will work the relevant committees in the Legislature to get the bill introduced next year.

Two-Year Bills of Interest

Below is an update on the bills SACRS was tracking in 2021 that could return in 2022 when the Legislature reconvenes in January.

AB 826 (Irwin) - Compensation Earnable. Late into session, this bill was amended into a bill that prescribes that the definition of compensation earnable in CERL includes any form of remuneration, whether paid in cash or as in-kind benefits, if certain requirements are met.

The bill is co-sponsored by SEIU and the Ventura County Board of Supervisors. The sponsors argue that some pay items, like their Flexible Benefit Allowance was not clearly addressed in the *Alameda* decision and should not be excluded, because members receive the full cash value, it is a regular, set amount paid every pay period, and it isn't subject to pension spiking or any other manipulation.

In the final days of session, the bill was amended to clarify that the provisions of the bill only apply to Ventura County. The bill was moved to the inactive file before the Legislature adjourned, making it a two-year bill.

SACRS does not have a position on the bill.

AB 498 (Quirk-Silva) – Compensation Earnable. At the end of session, Assemblymember Quirk-Silva amended her AB 498 to attempt to address a difference of opinion regarding compensation earnable, similar to AB 826 (Irwin) discussed above.

Because the bill was amended just before the end of session, it did not move in 2021 and will be considered next year when the Legislature returns in January.