Kern County Employees' Retirement Association

Actuarial Valuation

June 30, 2009

By

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March 1, 2010

Retirement Board
Kern County Employees' Retirement Association
1115 Truxtun Avenue, First Floor
Bakersfield, CA 93301

Dear Members of the Board:

As requested, we performed an actuarial valuation of the Kern County Employees' Retirement Association (KCERA) as of June 30, 2009 for determining contributions for the fiscal year beginning July 1, 2010. Our findings are set forth in this actuary's report. This report reflects the benefit provisions in effect as of the valuation date.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the Association's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the Association have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Association and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the Association.

Future actuarial measurements may differ significantly from the current measurements presented in this report 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; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as a change in the amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for KCERA. Actuarial computations presented in this report under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the Association's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in Appendix B of this report, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work product was prepared solely to provide assistance to KCERA for a specific and limited purpose. It may not be appropriate for other purposes. It is a complex, technical analysis that assumes a high level of knowledge concerning KCERA's operations and uses KCERA's data, which Milliman has not audited. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We would like to express our appreciation to members of KCERA's staff, who gave substantial assistance in supplying the data on which this report is based.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

Karen I. Steffen

Karen I. Steffen, FSA, EA, MAAA
Consulting Actuary

Daniel Wade

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Consulting Actuary

KIS/DRW/nlo

Kern County
Employees' Retirement Association

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Section 1: Summary of Findings

The following chart presents a summary of the calculated Employer contribution rates as of last year (the middle two columns) and this year (the far left two columns). The two columns on the far right indicate the net change in contributions. Reasons for the changes are discussed in this report.

Overview

The June 30, 2009 rates are for the 2010-2011 fiscal year. The June 30, 2008 rates after the COLA Contribution Reserve (CCR) are those adopted for the 2009-2010 fiscal year. They reflect the value of the December 31, 2008 CCR as shown in our letter dated May 6, 2009. Note that these rates differ from the after CCR rates calculated at the time of our June 30, 2008 valuation.

There is a new category for District employers. North of the River Sanitation District has adopted the Tier II level of benefits and now has an employee accruing benefits under that Tier. Previously, the employer was included with Category II, but now is in its own category, Category V.

Employer Contribution Rates:

	June 30, 2009 Total Calculated Rates		June 30, 2008 Adopted Rates		Increase (Decrease) Total Calculated Rates	
	Before CCR	After CCR	Before CCR	After CCR	Before CCR	After CCR
General - County Tiers I&II	33.07%	33.07%	31.30%	27.98%	1.77%	5.09%
Safety	46.70%	46.70%	41.36%	35.68%	5.34%	11.02%
General - County - Court Employees	32.02%	32.02%	29.35%	26.03%	2.67%	5.99%
General - Districts Category I	35.07%	35.07%	35.40%	30.98%	-0.33%	4.09%
General - Districts Category II	34.72%	34.72%	34.74%	30.32%	-0.02%	4.40%
General - Districts Category III	32.84%	32.84%	32.65%	28.23%	0.19%	4.61%
General - Districts Category IV	31.80%	31.80%	31.83%	27.41%	-0.03%	4.39%
General - Districts Category V	33.64%	33.64%	N/A	N/A	N/A	N/A
Total Plan	36.42%	36.42%	33.73%	29.79%	2.69%	6.63%

Projected Employer Contribution Dollars:
(all amounts in millions)

	June 30, 2009 Total Calculated Rates		June 30, 2008 Total Calculated Rates		Increase (Decrease) Total Calculated Rates	
	Before CCR	After CCR	Before CCR	After CCR	Before CCR	After CCR
General - County Tiers I&II	$ 126.0	$ 126.0	$ 104.0	$ 92.9	$ 22.0	$ 33.1
Safety	$ 67.3	$ 67.3	$ 49.7	$ 42.8	$ 17.6	$ 24.5
Total County excluding Court Employees	$ 193.3	$ 193.3	$ 153.7	$ 135.7	$ 39.6	$ 57.6
General - County - Court Employees	$ 7.9	$ 7.9	$ 6.7	$ 5.9	$ 1.2	$ 2.0
General - Districts Category I	$ 2.4	$ 2.4	$ 2.1	$ 1.8	$ 0.3	$ 0.6
General - Districts Category II	$ 0.9	$ 0.9	$ 1.1	$ 0.9	$ (0.2)	$ (0.0)
General - Districts Category III	$ 7.1	$ 7.1	$ 5.7	$ 4.9	$ 1.4	$ 2.2
General - Districts Category IV	$ 0.3	$ 0.3	$ 0.2	$ 0.2	$ 0.1	$ 0.1
General - Districts Category V	$ 0.2	$ 0.2	N/A	N/A	N/A	N/A
Total Plan	$ 212.1	$ 212.1	$ 169.4	$ 149.6	$ 42.7	$ 62.5

Summary of Changes

The following discusses significant changes since the last valuation. The financial impact of these changes is shown in detail in Exhibit 17 on pages 52 and 53.

- **Investment Returns:** KCERA's investment returns were negative 25.12% since the prior valuation on a Market Value basis. However, due to the asset smoothing method, only 20% of the losses from July 1, 2008 through December 31, 2008 and 10% of the losses from January 1, 2009 through June 30, 2009 are recognized with this valuation. Meanwhile, deferred gains from 2004 through 2006 are being recognized, as well as the deferred loss from 2007.

  After applying the asset-smoothing method, the rate of return on the Actuarial Value of Assets (AVA) was 0.07%, significantly lower than the assumed rate. Note that as of the valuation date, $879.8 million of net investment return losses are being deferred. These deferred losses will be reflected in future valuations. As they are reflected, it is likely that the employer contribution rates will need to increase further.

  To prevent the AVA from deviating too much from the MVA, it has been KCERA practice to apply an asset corridor limit on the AVA, such that the AVA stays within a certain percentage of the MVA. At its April 22, 2009 meeting, the Board of Retirement voted to increase the corridor from 20% to 50%. This means that, after the smoothed value of assets is calculated, the smoothed value is compared to 50% of MVA and 150% of MVA. If the smoothed value is within that range, the smoothed value is used. If the smoothed value is higher than 150% of MVA, then the AVA is set equal to 150% of MVA. Similarly, if the smoothed value is lower than 50% of MVA, the AVA is set equal to 50% of MVA.

- **Experience since prior valuation (pre-audit results):** Demographic and salary experience since the prior valuation led to changes in the employer contribution rates. Some experience gains and losses are to be expected as part of the normal variation between actual and expected experience. The changes due to actual experience were well within a reasonable level of expected fluctuation.

  Significant experience included the gains due to the transfer of funds from the Contingency Reserve, investment losses and losses from salary increases being greater than expected.

Summary of Changes (continued)

- **COLA Contribution Reserve (CCR):** Any funds in the CCR as of December 31 are used to offset the required 2.0% COLA contributions for the subsequent fiscal year, commencing on July 1. Because there were assets in the CCR as of December 31, 2008, the contribution rates for the fiscal year beginning July 1, 2009 were reduced for the CCR. The June 30, 2009 CCR balance will be used to offset contribution rates for 2009-2010 and the CCR is expected to have a zero balance as of December 31, 2009. Thus the contribution rates for the fiscal year beginning July 1, 2010 will not be reduced for the CCR.

- **Tier II:** Effective October 27, 2007, the County Board of Supervisors adopted new retirement benefits for most KCERA County General members hired on or after that date. North of the River Sanitation District adopted the new retirement benefits effective October 29, 2007. It is our understanding that no other districts have adopted the new retirement benefits as of June 30, 2009, the date of this valuation.

  See Appendix B for a more detailed description of the benefits provided under Tier I and Tier II for General members. Per the current Funding Policy adopted, separate total Normal Cost and total member contribution offset calculations are performed for Tier I and Tier II categories. As new employees enter the lower cost Tier II plan, the General contribution rates will decrease over time.

- **2009 Pre-release Actuarial Audit**

  The Retirement Board hired EFI Actuaries to perform a full replication of Milliman's 2009 valuation work. This audit was performed prior to the release of this final valuation report so that any significant issues could be addressed in the final report. Based on the audit review three adjustments were made to the final 2009 report:

  1. **Supplemental Salary Information Provided by KCERA** During the audit process it was discovered that the data fields being used as reported for Pensionable Earnings by KCERA did not include certain supplemental salary data. Thus, the prior valuations were understating the salary levels expected to be used to determine members' benefits. However, the employer contributions were being paid on the correct salary data so KCERA was receiving higher contribution dollars than otherwise expected. These additional salary amounts are reflected in this final June 30, 2009 valuation.

Summary of Changes (continued)

2. **Disability assumption change**
During the audit review of the 2008 Experience Study, it was discovered that Milliman's processes had inadvertently overstated the exposures (number of members eligible for disability during the study period). This then lead to a recommendation to lower the assumed rate of disability. It was agreed that the pre-2008 disability rates were appropriate and should be used for the final 2009 valuation. Note that this assumption, as well as all other assumptions, will be reviewed again in 2011.

3. **ASOP 4 Disclosure**
The audit pointed out that the 2008 Experience Study discussed the potential loss of future investment income due to the Supplemental Retiree Benefit Reserve (SRBR) provisions of KCERA. However, previous valuation reports have made no mention of this potential loss due to the non-valuation of future excess earnings transfers to both the CCR and SRBR. This report and future reports will make clear that the valuation does not include the valuation of these future excess earnings adjustments, which will reduce the valuation assets available to fund the regular pension benefits. The transfers to the SRBR could lead to additional SRBR benefits. The Actuarial Standard of Practice #4 (ASOP4) requires that this disclosure be made.

   As an Article 5.5 or SRBR plan, when excess earnings occur, the Retirement Board is required to set aside a portion of those excess earnings of KCERA's fund to the SRBR reserve account. Based upon KCERA's interest crediting policy and the adoption of Section 31617 of the '37 Act, excess earnings would first need to fund the CCR to pay the employers' share of the contributions for the regular 2% COLA benefits. After that, a 50% allocation of any remaining excess earnings is made to the SRBR reserve. As of June 30, 2009, the total SRBR is $210.1 million.

   The fund uses excess earnings to reduce contributions from employers (through the CCR) and credit the SRBR when returns exceed expectations. However, there is no corresponding ability to collect additional revenue when investment returns lag expectations. Because of this, the excess earnings provisions result in a reduction in the expected investment return available to fund KCERA's regular pension benefits.

Summary of Changes (continued)

The fund can expect volatile returns in future years, including many years above the assumed 7.75% rate of return and many years below 7.75%. If the fund averages 7.75% and a portion of the excess actuarial returns are used for the CCR and SRBR, the return on valuation assets will be less than 7.75%. As discussed in the 2008 Experience Study report, over time the excess earnings transferred to the SRBR alone could reduce the net earnings to fund the base retirement benefits by 0.50% or more. Due to recent investment losses, KCERA is not expected to have excess earnings prior to the new Experience Study in 2011. The Board should review this issue at that time.

The following table summarizes the significant changes that occurred since the 2008 valuation, for each of the three major cost sharing groups. Further details of these changes are presented in Exhibit 17, on pages 52 and 53.

	General County with Courts	General District	Safety	Total
June 30, 2008 valuation (before CCR credits)	31.17%	33.45%	41.36%	33.73%
Experience 2008 - 2009	0.74%	-0.57%	2.90%	1.17%
Preliminary 2009 Results	31.91%	32.88%	44.26%	34.90%
Disability Assumption Change	0.23%	0.23%	1.14%	0.44%
Additional Salary Information	0.86%	0.34%	1.30%	1.08%
Final 2009 Results	33.00%	33.45%	46.70%	36.42%
2008 Rates after CCR credits	27.86%	29.04%	35.68%	29.79%
Net increase in rates	5.14%	4.41%	11.02%	6.63%
2008 CCR credits	3.31%	4.41%	5.68%	3.94%

Summary of Recommendations

Exhibit 1, found at the end of this Section, summarizes this year's valuation results and compares them to the prior valuation report. The June 30, 2008 rates are those adopted for the 2009-2010 fiscal year and reflect the value of the December 31, 2008 CCR (rates after CCR adjustment) as shown in our letter dated May 6, 2009. The recommended employer contribution rates for the fiscal year commencing July 1, 2010 are shown by contributing employer groups on page 1. Member contributions, also effective July 1, 2010 are shown in Appendix D.

It should be noted that the contribution rates and liability calculations in this report do not reflect the value of any additional benefits that may result from future excess investment earnings that could lead to either:

1. Future reductions in employer contributions due to future fund transfers to the CCR Reserve, or
2. Future SRBR benefits that may become payable due to future fund transfers to the SRBR reserve.

Funding Status

The Funded Ratio for the Regular Benefits decreased from 72% to 66%.

In accordance with the Board's funding policy, the funding status is measured using the Valuation Assets. Excluding non-valuation reserves, as of June 30, 2009, the Market Value of Assets is 73% of the Valuation Assets. Thus, on a market value basis, the Funded Ratio for the Regular Benefits would be about 48%.

The funding status for the SRBR approved benefits decreased from 203% in the 2008 valuation to 201% for this June 30, 2009 valuation. A funded ratio over 100% indicates the SRBR unallocated reserve assets are more than sufficient to meet the expected benefit obligations for approved benefits. The portion of the assets greater than the present value of the approved benefits is referred to as the Funding Excess Amount.

The remainder of this Section and Sections 2-7 discuss KCERA's financial status as of June 30, 2009.

Employer Contribution Rate

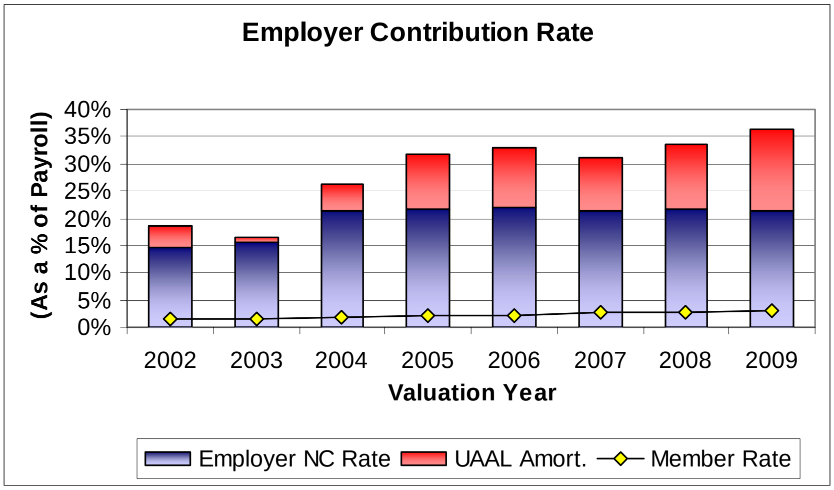
Under the Board's current funding objectives, the total calculated Employer contribution rate is 36.42% of payroll. This is equal to the payment of the normal cost rate plus a 26.5-year amortization of the Unfunded Actuarial Accrued Liability (UAAL). It should be noted that the 36.42% is a weighted average for all KCERA employers and for both General and Safety members. The actual percent of payroll to be contributed by each employer for each member varies by their benefits and member contributions.

The new rates are effective for the fiscal year beginning July 1, 2010. The 36.42% total contribution rate is adequate to maintain the funding of the retirement system based on the current actuarial methods and assumptions and satisfies the funding policy objectives that call for the UAAL to be paid off by December 31, 2035.

See Exhibits 14-16 for the employer contribution rates by group and class.

Employer Contribution Rate (continued)

A historical perspective of the total Employer contribution rate is shown in the following graph.



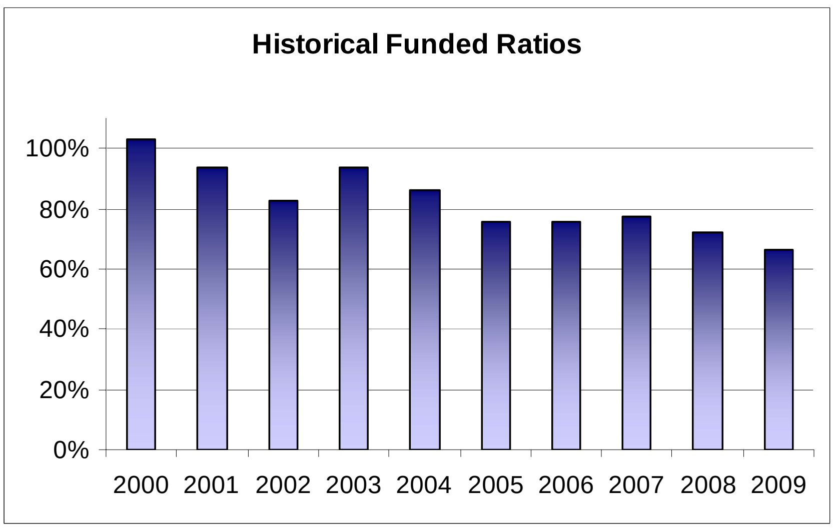
Member Rates

The member contribution rates are projected to average about 2.97% of pay for contributory cost groups. This rate should increase over time as new members contribute at a higher rate and for a longer period of time. See the description of changes in member contribution rates in Section 5. Member contribution rates changed effective July 1, 2009 based on the results of the 2008 Experience Study and changes in the actuarial assumptions.

Funding Progress

One measure of the funding adequacy of the plan is the Funded Ratio which compares the value of the Valuation Assets (Actuarial Value of Assets net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL), for all KCERA employers combined. KCERA's Funded Ratio increased rapidly in the last half of the 1990s, reaching 103.3% in 2000. However, due primarily to asset losses and benefit improvements, the Funded Ratio has decreased significantly since then. Currently, the Funded Ratio is 66.1%; that is, the Valuation Assets of $2.8 billion are about 34% less than the Actuarial Accrued Liabilities of $4.2 billion.

Year	Market Value	Valuation Assets	Accrued Liability	Funded Ratio	Inactive PVB	Active AAL	Market Value
2000	$ 1,619	$ 1,435	$ 1,389	103.3%			$ 1,619
2001	$ 1,511	$ 1,508	$ 1,612	93.6%			$ 1,511
2002	$ 1,385	$ 1,570	$ 1,899	82.7%	$ 925	$ 974	$ 1,385
2003	$ 2,016	$ 1,928	$ 2,059	93.6%	$ 1,067	$ 992	$ 2,016
2004	$ 2,225	$ 2,013	$ 2,336	86.1%	$ 1,147	$ 1,189	$ 2,225
2005	$ 2,396	$ 2,164	$ 2,862	75.6%	$ 1,437	$ 1,425	$ 2,396
2006	$ 2,782	$ 2,352	$ 3,109	75.7%	$ 1,629	$ 1,480	$ 2,782
2007	$ 2,955	$ 2,590	$ 3,356	77.2%	$ 1,774	$ 1,582	$ 2,955
2008	$ 2,711	$ 2,654	$ 3,672	72.3%	$ 1,914	$ 1,758	$ 2,711
2009	$ 2,025	$ 2,780	$ 4,205	66.1%	$ 2,159	$ 2,046	$ 2,025



Assets

For the 12-month period ending June 30, 2009, we estimate that KCERA earned -25.12%, net of all expenses, on its market value of assets.

KCERA uses an asset-smoothing method in the determination of valuation assets used in the calculation of UAAL contribution. Under this method, the market value returns are smoothed over a five-year period. Due to the recognition of prior gains and the deferral of recent losses, the return on the Valuation Assets was -0.14%, still significantly lower than the assumed rate of return.

Allocation of Assets and Cost Sharing

Currently, both the normal cost and UAAL portions of the employer contribution rate are calculated separately for each cost group. Cost sharing in setting the normal cost rate occurs across all General members within each benefit level, Tier I or Tier II, regardless of employer, and is based on the expected future benefit accruals.

Member contribution rates vary widely between different employer groups. Beginning with the 2005 valuation, the Court employees, formerly reported as part of the larger County General membership, are reported as a separate employer cost group, since they are now paying a higher member rate than the other County General members. Other cost groups use a weighted average of expected member contributions to set the Employer's net Normal Cost rate.

The Board's funding policy creates certain cost groups for determining the UAAL contribution rates. The UAAL contribution rate varies by General, District and Safety cost groups. To determine the UAAL amount by cost group, the valuation assets are allocated by these different employer cost groups. Currently, the reserve funds are separated between the County General members, the District General members in aggregate and the County Safety members.

However, the Retired Member Reserves are not separated between the County General and the District General members. Starting with the 2004 valuation, those assets are allocated based on the value of the total actuarial value of benefits for those two groups. Thus, the final allocation of the actuarial value of assets cannot be determined until the valuation of liabilities has been determined.

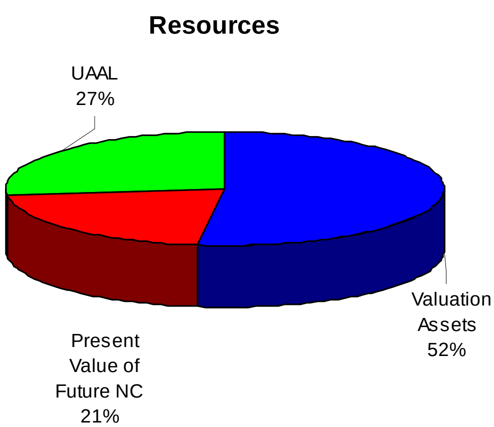
In addition, the portion of the SRBR fund allocated to the 0.5% COLA benefits under the Ventura settlement is not allocated among cost groups. Those funds have also been allocated based on the value of the 2.0% COLA reserves for the three major cost groups: County General, District General and Safety members.

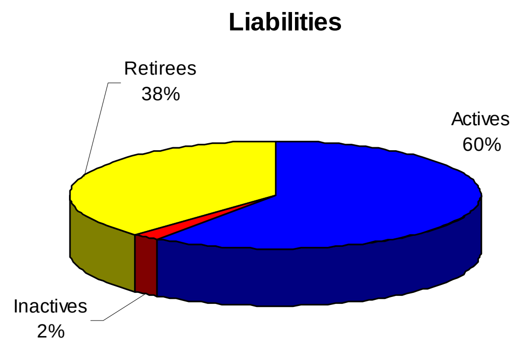
Note that the 0.5% COLA benefits have a current AAL of $265.7 million compared to the allocated SRBR fund for those benefits of $81.6 million. The difference is included in each cost group's UAAL contribution rate.

Actuarial Balance Sheet

The first step in the valuation process is to compare the total Valuation Assets of KCERA with its total liabilities for all cost groups. In this analysis, KCERA's resources equal the assets currently on hand, at the actuarial value, and also expected future contributions by both the employers and members. Liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members. This relationship is shown in the following chart. The AAL is the total of the benefit liabilities less expected future normal cost contributions.

Comparing the current and future resources to the current and future liabilities, we then determine the annual contribution amount for the coming fiscal year.





SRBR

The Supplemental Retirement Benefit Reserve (SRBR) is a separate reserve allocation of the KCERA actuarial value of assets. Additions are made to the SRBR if "Excess Earnings" occurs and the SRBR receives regular annual interest credits. The benefits payable from the SRBR is limited to the funds available in the SRBR.

As part of the Ventura legal settlement in 2001, a portion of the SRBR funds, $64.7 million, was set aside to be used to pay for the additional 0.5% COLA benefits to retired members. The actuarial value of this special allocation of the SRBR fund on June 30, 2009 is $81.6 million. The remaining SRBR funds are equal to $128.5 million.

The Board measures the future SRBR benefits under three scenarios:

a. Approved benefits: Represents the value of the SRBR benefits approved by the Board as of the valuation date and does not include any future additional SRBR benefits to either retired or active members.

b. Target benefits: The Board has established a measurement under a policy commonly referred to as the "20/20" policy where the value of certain approved benefits (i.e., death benefits, SRBR1 and SRBR2) are valued along with a 20% additional reserve for future experience. The SRBR3 benefits are projected for both active and retired members for the next 20 years.

c. Future benefits: This represents the actuarial value as of the valuation of all levels of SRBR benefits to all current retired and active members.

The following chart indicates the funded ratio of the SRBR benefits under these three measurements as of June 30, 2009:

	Funded Ratio
Approved benefits	201.3%
Target benefits, including 20% reserve amounts	153.6%
Future benefits	144.1%

The SRBR Funded Ratio decreased since the 2008 valuation primarily due to the poor investment returns since the prior valuation.

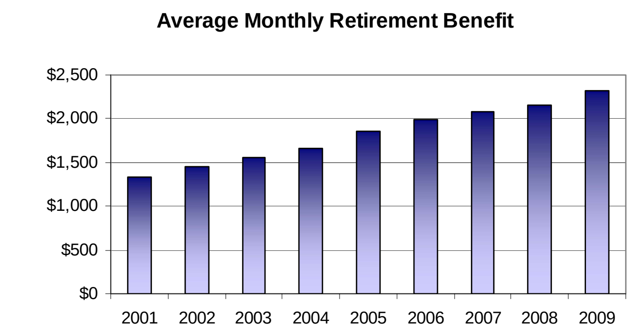
Detailed information on the SRBR benefits is described in Section 8 of this report.

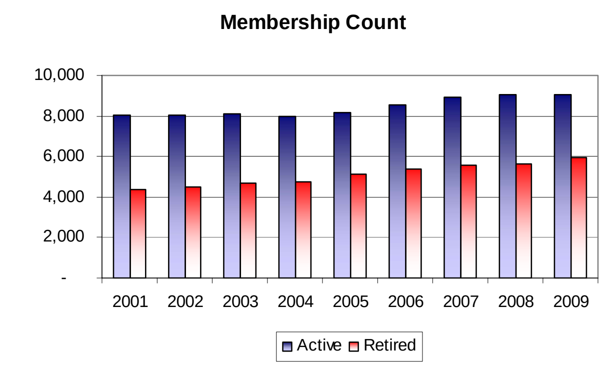
Member Information

The number of active members included in the valuation decreased by 0.4% from 9,057 in 2008 to 9,020 in 2009.

Retired member counts and average retirement benefit amounts continue to increase steadily. For 2009, there were 5,927 retired members and beneficiaries with an average benefit of $2,314 per month. This represents a 4.9% increase in count and a 7.6% increase in the average monthly benefit.

The average actuarial present value of all future benefits per person for General Actives and Retirees (including beneficiaries) were $299,384 and $258,796, respectively, while the average present value of future benefits per person for Safety Actives and Retirees were $564,915 and $598,984.





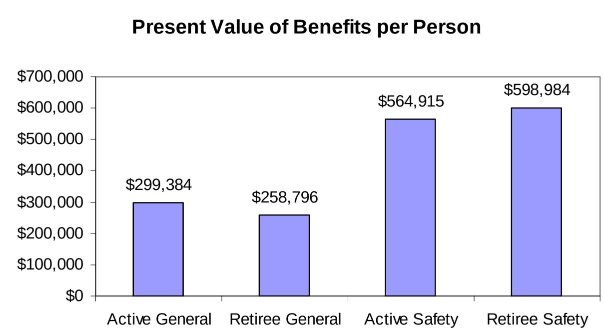


Exhibit 1: Summary of Recommendations

(All dollar amounts in millions except where noted)

	June 30, 2008		June 30, 2009		Change
I. Total Membership					
A. Active Members	9,057		9,020		-0.41%
B. Retired Members & Beneficiaries	5,651		5,927		4.88%
C. Vested Terminated Members	1,286		1,316		2.33%
D. Terminated Members Pending Refund	461		459		-0.43%
E. Total	16,455		16,722		1.62%
II. Pay Rate as of Valuation Date					
A. Annual Total Covered Payroll	$487.0		$564.9		15.99% *
B. Annual Average ($ not in millions)	$53,775		$62,622		16.45%
III. Average Monthly Benefits Paid to Current Retirees and Beneficiaries ($ not in millions)					
A. Service Retirement	$2,368		$2,569		8.49%
B. Disability Retirement	$2,214		$2,303		4.02%
C. Surviving Spouse and Dependents	$1,158		$1,220		5.35%
D. Total	$2,150		$2,314		7.63%
IV. Funded Status- Regular Benefits					
A. Actuarial Accrued Liability	$3,671		$4,205		14.55%
B. Valuation Assets	$2,654		$2,780		4.76%
C. Unfunded Actuarial Accrued Liability	$1,017		$1,425		40.12%
D. Funded Ratio based on Valuation Assets	72.3%		66.1%		-8.56%
E. Market Value of Assets	$2,711		$2,025		-25.30%
F. Funded Ratio on Market Value of Assets	73.8%		48.2%		-34.79%
V. Funded Status- SRBR					
A. Present Value of Approved Benefits	$64.3		$63.8		-0.78%
B. SRBR Assets not allocated to 0.5% COLA	$130.3		$128.5		-1.38%
C. Unfunded Approved SRBR	($66.0)		($64.7)		-1.97%
D. Funded Ratio	203%		201%		-0.61%
VI. Required Employer Contribution	**Before CCR**	**After CCR**	**Before CCR**	**After CCR**	
Total Plan	33.73%	29.79%	36.42%	36.42%	
VII. Key Assumptions					
Interest Rate	7.75%		7.75%		
Wage Inflation	4.00%		4.00%		
Price Inflation	3.25%		3.25%		

* Approximately 8.2% of the increase in payroll is due to the reflection of the supplemental salary data provided for the 2009 valuation. The remaining increase was from normal salary experience during the year.

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Section 2: Scope of Report

In reading our cover letter, please pay particular attention to the guidelines employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings depend. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of KCERA. The assets and investment income are presented in Exhibits 2-4. Exhibits 5-7 develop the Actuarial Value of Assets as of June 30, 2009.

Section 4 describes the benefit obligations of KCERA. Exhibit 10 presents the actuarial value of projected benefits. We also discuss the normal cost, actuarial accrued liability, and funded ratios.

Section 5 discusses the Member contribution rates.

Section 6 discusses the Employer contributions needed to fund the benefits under the actuarial cost method in use.

Section 7 discloses the information required under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

Section 8 provides the valuation of the SRBR funds and benefit obligations.

Section 9 illustrates the expected level of benefit payments to be paid to current members.

This report includes the following appendices:

Appendix A A summary of the actuarial procedures, and assumptions used to estimate liabilities and contributions.

Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on June 30, 2009.

Appendix C Schedules of valuation data classified by various categories of plan members.

Appendix D Member contribution rates by plan.

Appendix E A glossary of actuarial terms used in this report.

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Section 3: Assets

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is June 30, 2009. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and employers are needed to pay all expected future benefits.

This section of the report deals with the determination of assets used for funding purposes. In the next section, the actuarial liabilities will be discussed. Sections 5 and 6 deal with the process for determining required contributions based on the relationship between the actuarial assets and the actuarial liabilities. A historical summary of the KCERA's assets is presented below:

All dollar amounts in millions

	Market Value of Total Assets	Actuarial Value: Non-Valuation Reserves*	Actuarial Value: Valuation Assets	Actuarial Value: Total	Market Value as Percentage of Actuarial Value
December 31					
2000	$ 1,618.7		$ 1,434.9		
2001	1,511.3	$163.6	1,508.3	$1,671.9	90%
2002	1,384.9	91.6	1,570.3	1,661.9	83%
2003	2,016.2	114.0	1,927.6	2,041.6	99%
2004	2,224.9	119.5	2,012.5	2,132.0	104%
2005	2,395.6	113.5	2,164.3	2,277.8	105%
2006	2,781.8	158.2	2,352.0	2,510.2	111%
2007	2,954.9	240.8	2,589.8	2,830.6	104%
June 30					
2008	2,711.1	254.3	2,654.3	2,908.6	93%
2009	2,025.2	124.8	2,780.2	2,905.0	70%

* *Non-valuation reserves are the SRBR funds not allocated to the 0.5% COLA, the Contingency Reserve and the COLA Contribution Reserve.*

Assets

On June 30, 2009, the total market value of the fund was $2.025 billion. The actuarial value of the fund was determined to be $2.905 billion, including the non-valuation reserves. The actuarial value is 143% of the market value of assets as of June 30, 2009. There are $879.8 million of deferred investment losses yet to be recognized. The Market Value of Assets (MVA) includes all plan assets. The Valuation Assets of $2.780 billion includes only those assets that are taken into account in determining employer contribution rates for the Regular Benefits. These exclude the unallocated portion of the Supplemental Retiree Benefit Reserve, the Contingency Reserve and the COLA Contribution Reserve (CCR).

Financial Exhibits

Exhibit 2 presents a Statement of Plan Net Assets and Exhibit 3 presents a Statement of Changes in Plan Net Assets. Exhibit 4 shows the determination of the asset gains and losses over each six-month period for the past five years. Exhibit 5 displays the Market Stabilization Reserve from the smoothed gains and losses over the past five years. Exhibit 6 presents the allocation of KCERA's assets by the various reserve values determined for accounting purposes as reported to us by KCERA.

Exhibit 7 has the reconciliation of asset values between the prior actuarial valuation and the current valuation. It has the reconciliation for market value, actuarial value of assets, and the valuation asset loss. Exhibits 8 and 9 are discussed below.

Exhibits 2-6 are taken directly from data furnished to us by KCERA in their annual financial report. We have accepted these tables for use in this report without audit, but we have reviewed them for reasonableness and consistency with previous reports.

Actuarial Asset Method

The AVA is calculated every six months. The expected MVA is based on the prior period's market value of assets, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return. The assumed rate of return used is one-half of the annual rate. For periods through June 30, 2009, this was 4.00% (one-half of 8.00%), net of all expenses. Beginning with the period ending December 31, 2009, this assumed rate will be 3.875% (one-half of the current assumption for investment earnings, 7.75%). The difference between the actual market value and the computed expected market value is smoothed, or recognized over 10 six-month periods.

Actuarial Value of Assets

The development of the June 30, 2009 AVA is shown in Exhibit 5. The result is an AVA that is higher than the market value, indicating past investment losses exceed the past investment gains yet to be recognized.

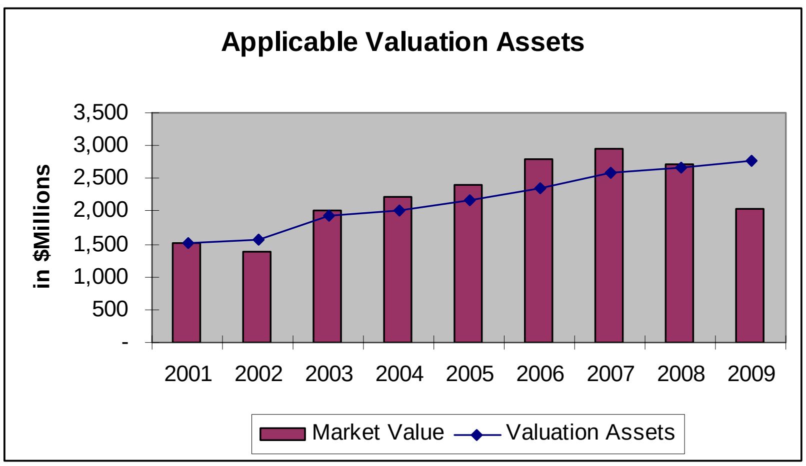
The Market Stabilization Reserve is the portion of prior year's asset gains or losses not recognized in the AVA.

Note that an asset corridor of 50% is applied to the AVA. This means that after the smoothed value of assets is calculated, it is compared to 50% of MVA and 150% of MVA. If the smoothed value is within that range, as it the case here, the AVA is set equal to the smoothed value. If the smoothed value were higher than 150% of MVA, then the AVA is set equal to 150% of MVA. Similarly, if the smoothed value is lower than 50% of MVA, the AVA is set equal to 50% of MVA.

At its April 22, 2009 Board meeting, the Board widened the corridor from 20% to 50%, effective December 31, 2008.

Valuation Reserves

Valuation Assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits that are to be funded outside of the actuarially determined contribution rates. These are the Contingency Reserve, the SRBR Reserve not allocated to the 0.50% COLA and the COLA Contribution Reserve. Exhibit 6 shows the allocation of the Actuarial Value of Assets by accounting reserve accounts and then determines the total value of the Valuation Reserves.



Note that for years prior to 2008, the valuation date was December 31.

Allocation of Assets

The allocation of valuation assets by cost group (County General, District General and Safety) is shown in Exhibit 8. This is done because UAAL contribution rates are determined separately by cost group.

The Member Deposit Reserves, Employer Advance Reserves, and Cost-of-Living -2% Reserves are allocated by Cost Group by KCERA. The SRBR 0.5% COLA reserves are allocated in proportion to the Cost-of-Living reserves. The Retired Member reserves for General and District members are allocated based on the present value of benefits for each group.

COLA Contribution Reserve

In Exhibit 9 we show the CCR from June 30, 2008 through June 30, 2009 allocated by Cost Group. We also show the estimated value as of December 31, 2009, which would be used to offset the 2010-2011 contribution. Note that it is estimated that the December 31, 2009 value will be zero and therefore there is expected to be no CCR offset for 2010-2011.

Interest Crediting Policy

The Retirement Board has established a policy to determine the crediting of interest to reserves under KCERA. Interest credits are based on the smoothed actuarial value of assets and are determined for each six-month calendar year period ending June 30 and December 31.

Interest Credit Allocation When Earnings are in Excess of the Assumed Rate of Earnings

The following is a brief summary of the order of precedence if interest credits remain to be allocated when earnings are in excess of the assumed rate. This has not been the case in the prior year. The numbers in brackets refer to the applicable section of the County Employees Retirement Law of 1937 (CERL).

1. Credit the Contingency Reserve until it is equal to 1% of the MVA. [31616]
2. Credit the Valuation Reserves (Member Deposit, Employer Advance, COLA and Retired Member reserves) and the SRBR Reserves and the CCR at a rate up to one-half of the assumed valuation interest rate. [31615]
3. Credit the Contingency Reserve until it is equal to 3% of the MVA. [31616]
4. Credit the CCR with a dollar amount equal to the 2% COLA contributions payable by all employers for the six-month period ending on the date of the interest determination. This allocation is made even if CCR funds were used rather than actual contributions made for the six-month period. [31617]
5. Fifty percent of any remaining interest credits are applied to the SRBR (the unallocated portion of the SRBR reserve, not the portion set aside for the 0.5% COLA benefits). [31618]

Interest Crediting Policy (continued)

6. The other 50% of the remaining interest credits are applied to all the Valuation Reserves and the CCR in proportion to the amounts in each of those reserves, on the balance in the fund for at least six full months. The allocated SRBR fund amount does not participate in this allocation of remaining earnings. [31619]

Per Section 31617 of the CERL, the "cost- of-living" *contribution* shall come from excess earnings on the fund. Thus, the CCR results are used as an offset to the employer contributions otherwise payable as a contribution rather than as an offset to the liability for the 2% cost-of living benefits. For purposes of crediting interest, the CCR is treated the same as the Valuation Reserves. For purposes of determining contribution rates, the CCR is excluded from Valuation Assets, since it is used later as contribution credits.

Any funds in the CCR as of the December 31 before the fiscal year will be used to offset the required 2.0% COLA contributions for the subsequent fiscal year, commencing on July 1. Such amounts will be transferred from the CCR to the 2.0% COLA Reserves on July 1. Any interest earned on the CCR after December 31 will remain in the CCR account and used towards the subsequent year's determination of the credits.

There was a CCR balance as of December 31, 2008 and that balance was used to reduce contributions for the 2009-2010 fiscal year. There is not expected to be any balance in the CCR account as of December 31, 2009. Please see Exhibit 9 for more detail.

Interest Credit Allocation When Earnings are Positive, But Not in Excess of the Assumed Rate of Earnings

If earnings on the Actuarial Value of Assets are positive, but not greater than the amount needed to credit the Valuation Reserves, the CCR and the SRBR at a rate equal to one-half of the assumed interest rate, the earnings are allocated as follows.

1. The Contingency Reserve is set equal to 1% of the MVA.
2. The Valuation Reserves, CCR, and the SRBR are credited with earnings up to a rate of one-half of the assumed interest rate.
3. If earnings are insufficient to credit the Valuation Reserves, CCR, and the SRBR at a rate of one-half the assumed interest rate, the Contingency Reserve will be reduced as needed (but not lower than zero) to allow the Valuation Reserves, the CCR and the SRBR to be credited at a rate of up to one-half of the assumed interest rate.

Interest Crediting Policy (continued)

This was the case as of December 31, 2008. The earnings based on the Actuarial Value of Assets were $16.2 million. Per Step 3 above, the Contingency Reserve was reduced from $81.3 million to zero. This meant that a total of $97.5 million was available to credit the Valuation Reserves, the CCR and the SRBR at a rate of 3.4696%.

Interest Credit Allocation When Earnings are Less Than Zero

When the earnings on the Actuarial Value of Assets are negative, the following approach is used in order to limit crediting and contribution rate volatility during declines in the market.

1. The Valuation Reserves, CCR, and the SRBR are credited with 0% interest
2. The Contingency Reserve is reduced as needed to cover the loss during the period.

This was the case as of June 30, 2009. The earnings based upon the Actuarial Value of Assets were negative $14.3 million. The member reserves were credited $8.4 million. The CCR, SRBR, and the other valuation reserves were credited with no interest. The Contingency Reserve was reduced from $0 to negative $22.7 million ($14.3 million loss and $8.4 million credited to member reserves).

The KCERA Board will recognize the full amount of the investment loss if either of the following events occurs:

1. The Contingency Reserve is less than zero for six consecutive periods.
2. The Contingency Reserve has a negative balance that is greater than 5% of the MVA.

If either of these events occurs, the Contingency Reserve will be reset to zero and the total accumulated losses will be allocated between the Valuation Reserves, the CCR and the SRBR in proportion to the amounts in those reserves. Note that as of June 30, 2009, the Contingency Reserve does not meet the above criteria.

Exhibit 2: Statement of Plan Net Assets
As of June 30, 2009 and 2008

	June 30, 2009	June 30, 2008
Assets		
Cash in County Pool	$ 9,131,805	$ 6,261,261
Short-Term Investment Funds	70,858,603	113,780,597
Total Cash and Short-Term Investment Funds	79,990,408	120,041,859
Receivables:		
Investments Sold	68,919,657	66,051,213
Interest and Dividends	8,421,352	9,789,330
Contributions and Other Receivables	1,684,232	1,416,621
Mark to Market Receivables	0	129,695
Total Receivables	79,025,241	77,386,859
Investments at Fair Value:		
U.S. Debt Securities and Bonds	600,791,284	798,263,973
International Bonds	82,333,667	65,662,747
Domestic Equities	515,880,069	864,318,110
International Equities	485,443,135	687,198,369
Real Estate Investments	101,680,633	53,474,172
Alternative Investments	213,757,148	235,395,053
Collateral Held for Securities Lending	150,203,682	260,650,054
Total Investments	2,150,089,618	2,964,962,477
Computer Software	1,232,012	0
Equipment/Computers	434,995	200,782
Accumulated Depreciation	(180,696)	(117,977)
Total Capital Assets	1,486,311	82,805
Total Assets	2,310,591,577	3,162,473,999
Liabilities		
Securities Purchased	129,977,328	188,266,824
Collateral Held for Securities Lent	150,203,682	260,650,054
Other Liabilities	5,193,259	2,448,581
Total Liabiltiies	285,374,269	451,365,459
Net Assets Held in Trust for Pension Benefits	**$ 2,025,217,308**	**$ 2,711,108,539**

Exhibit 3: Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2009 and 2008

	June 30, 2009	June 30, 2008
Additions		
Contributions		
Employer	$138,814,789	$137,263,673
Member	18,191,402	15,031,420
Total Contributions	157,006,191	152,295,092
Investment Income		
Net Appreciation in Fair Value of Investments	(738,918,986)	(281,625,951)
Interest	50,633,025	64,315,286
Dividends	14,809,826	19,962,893
Real Estate Investments	(557,179)	3,282,781
Other Investment Income	37,581	335
Total Investment Income	(673,995,734)	(194,064,655)
Less: Investment Expenses	5,147,021	8,995,490
Net Investment Income	(679,142,754)	(203,060,145)
Securities Lending Income		
Earnings	3,564,590	12,255,345
Less: Rebates & Bank Fees	1,757,530	10,757,676
Net Securities Lending Income	1,807,059	1,497,669
Total Additions	(520,329,504)	(49,267,384)
Deductions		
Retirement & Survivor Benefits	149,365,037	136,189,351
Supplemental Retirement Benefits	10,494,730	9,997,296
Refunds of Member Contributions	2,629,343	2,374,071
Administrative Expenses	3,072,618	3,341,021
Miscellaneous Expenses	-	105
Total Deductions	165,561,727	151,901,845
Net Increase (Decrease)	**($685,891,232)**	**($201,169,229)**
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	**2,711,108,539**	**2,912,277,768**
End of Year	**$ 2,025,217,308**	**$ 2,711,108,539**

Exhibit 4: 5-Year Smoothing of Gains and Losses on Market Value – History

Six-Month Period Ended	Market Value of Assets (Beginning)	Market Value of Assets (End)	Contributions	Benefit Payments	Actual Investment Return (Net of Expenses)	Assumed Rate of Return	Expected Return (Net of Expenses)	Unexpected Gain (Loss)
06/30/2009	$ 2,022,996,978	$ 2,025,217,308	$ 37,310,887	$ 83,663,497	$ 48,572,939	8.00%	$ 79,992,827	$ (31,419,887)
12/31/2008	$ 2,711,108,540	$ 2,022,996,978	$ 119,695,304	$ 78,825,613	$ (728,981,253)	8.00%	$ 109,261,735	$ (838,242,988)
06/30/2008	$ 2,954,936,919	$ 2,711,108,540	$ 29,447,062	$ 75,611,714	$ (197,663,727)	8.00%	$ 117,274,184	$ (314,937,911)
12/31/2007	$ 2,912,277,768	$ 2,954,936,919	$ 122,848,031	$ 72,949,005	$ (7,239,875)	8.00%	$ 117,489,091	$ (124,728,966)
06/30/2007	$ 2,781,826,664	$ 2,912,277,768	$ 18,197,296	$ 70,540,035	$ 182,793,843	8.00%	$ 110,226,212	$ 72,567,632
12/31/2006	$ 2,458,256,056	$ 2,781,826,664	$ 122,571,166	$ 66,538,268	$ 267,537,710	8.00%	$ 99,450,900	$ 168,086,809
06/30/2006	$ 2,395,625,069	$ 2,458,256,056	$ 14,198,025	$ 63,859,332	$ 112,292,294	8.00%	$ 94,831,777	$ 17,460,517
12/31/2005	$ 2,212,271,078	$ 2,395,625,069	$ 98,310,989	$ 59,906,157	$ 144,949,159	8.00%	$ 89,258,940	$ 55,690,220
06/30/2005	$ 2,224,898,721	$ 2,212,271,078	$ 10,983,739	$ 56,586,530	$ 32,975,149	8.00%	$ 88,083,893	$ (55,108,744)
12/31/2004	$ 2,030,719,406	$ 2,224,898,721	$ 59,635,395	$ 54,419,552	$ 188,963,472	8.00%	$ 81,333,093	$ 107,630,379

Exhibit 5: **5-Year Smoothing – Development of Actuarial Valuation Assets**
(All dollar amounts in thousands)

Calculation of Market Stabilization Reserve

Six-Month Period Ended	Unexpected Gain (Loss)	Percent Not Yet Phased In	Gain (Loss) Excluded
06/30/2009	$ (31,419,887)	90%	$ (28,277,899)
12/31/2008	(838,242,988)	80%	(670,594,390)
06/30/2008	(314,937,911)	70%	(220,456,538)
12/31/2007	(124,728,966)	60%	(74,837,380)
06/30/2007	72,567,632	50%	36,283,816
12/31/2006	168,086,809	40%	67,234,724
06/30/2006	17,460,517	30%	5,238,155
12/31/2005	55,690,220	20%	11,138,044
06/30/2005	(55,108,744)	10%	(5,510,874)
Total			$ (879,782,342)

Calculation of Actuarial Value of Assets and Valuation Assets

1. Market Value of Assets	$ 2,025,217,308
2. Unrecognized Gain/Loss (Market Stabilization Reserve)	$ (879,782,342)
3. Preliminary Actuarial Value (1) - (2)	$ 2,904,999,650
4. Corridor Around Market Value	
(a) Minimum - 50% of Market Value	$ 1,012,608,654
(b) Maximum - 150% of Market Value	$ 3,037,825,962
5. Computed Actuarial Value of Assets	$ 2,904,999,650
6. Non-Valuation Reserves and Designations	
(a) SRBR unallocated to 0.5% COLA benefits	$ 128,493,517
(b) Contingency Reserve	(22,739,210)
(c) COLA Contribution Reserve	19,030,483
(d) Total	$ 124,784,789
7. Total Valuation Reserves (5) - (6)	$ 2,780,214,861

Exhibit 6: Allocation of Assets by Accounting Reserve Amounts For June 30, 2009 and June 30, 2008

RESERVES	June 30, 2009	June 30, 2008
A. Market Stabilization Reserve	$ (879,782,342)	$ (197,469,135)
Members Deposit Reserve-General & Courts	$ 156,041,743	$ 147,060,917
Members Deposit Reserve-Safety	61,703,332	61,906,822
Members Deposit Reserve-Special Districts	14,681,001	13,450,224
Employers Advance Reserve-General & Courts	393,087,757	389,677,114
Employers Advance Reserve-Safety	296,024,368	316,679,942
Employers Advance Reserve-Special Districts	21,461,789	18,289,614
Cost-of-Living Reserve-General & Courts	378,315,542	355,864,851
Cost-of-Living Reserve-Safety	284,667,772	271,963,887
Cost-of-Living Reserve-Special Districts	20,075,928	17,834,264
Retired Members-General, Courts & Special Districts	657,565,159	605,439,615
Retired Members-Safety	415,010,192	373,694,673
SRBR	128,493,517	130,328,390
SRBR 0.5% COLA	81,580,277	82,453,842
COLA Contribution Reserve	19,030,483	42,600,264
Contingency Reserve	(22,739,210)	81,333,256
Current Earnings	-	-
B. Total Reserves for Actuarial Value of Assets	$ 2,904,999,650	$ 2,908,577,675
C. Total Fund Balance = A + B	$ 2,025,217,308	$ 2,711,108,540
D. Non-Valuation Reserves and Designations		
(a) SRBR unallocated to 0.5% COLA benefits	128,493,517	130,328,390
(b) Contingency Reserve	(22,739,210)	81,333,256
(c) COLA Contribution Reserve	19,030,483	42,600,264
(d) Total	124,784,789	254,261,910
E. Valuation Reserves = B - D	$ 2,780,214,861	$ 2,654,315,765

Exhibit 7: Reconciliation of Assets
For the Year Ended June 30, 2009

	Valuation Assets*	Actuarial Assets	Market Value of Assets
1. Total June 30, 2008 valuation	$ 2,654,315,765	$ 2,908,577,675	$ 2,711,108,540
2. Changes Between Valuations			
a. Contributions	157,006,191	157,006,191	157,006,191
b. Transfer from CCR	24,238,240	-	-
c. Benefit Payments	(155,728,768)	(162,489,109)	(162,489,109)
d. Transfer from Contingency Reserves	104,072,467	-	-
e. Investment Return, net of expenses	(3,689,033)	1,904,894	(680,408,313)
f. Total Changes	$ 125,899,096	$ (3,578,024)	$ (685,891,232)
3. Total June 30, 2009 valuation	$ 2,780,214,861	$ 2,904,999,650	$ 2,025,217,308
4. Expected Return	$ 213,365,888	$ 232,466,897	$ 216,669,366
5. Gain/(Loss) = 2e. - 4	(217,054,921)	(230,562,003)	(897,077,680)
6. Annual Return (net of all expenses)	-0.14%	0.07%	-25.12%

**Excludes SRBR unallocated for 0.5% COLA, Contingency Reserve, and COLA Contribution Reserve, if any. It does include the SRBR for 0.5% COLA.*

Exhibit 8: Allocation of Valuation Assets

Allocation of Valuation Assets	General Members	District Members	Safety Members	Total
Member Deposit Reserves	$ 156,041,743	$ 14,681,001	$ 61,703,332	$ 232,426,076
Employer Advance Reserves	393,087,757	21,461,789	296,024,368	710,573,915
Cost-of-Living Reserves - 2%	378,315,542	20,075,928	284,667,772	683,059,242
Cost-of-Living Reserves - 0.5%	45,183,616	2,397,742	33,998,919	81,580,277
Retired Member Reserves	624,094,903	33,470,255	415,010,192	1,072,575,351
Total Valuation Assets	$ 1,596,723,563	$ 92,086,715	$ 1,091,404,583	$ 2,780,214,861

The SRBR Cost-of-Living Reserves - 0.5% are allocated in proportion to the 2.0% COL Reserves.
The Retired Member Reserves for General and District Members are allocated based on the present value of benefit obligations for each group.

Exhibit 9: COLA Contribution Reserve – Allocation and Estimate for December 31, 2009

		General Members	District Members	Safety Members	Total
1.	June 30, 2008 Values(1) after accounting adjustments	$ 25,652,903	$ 2,477,871	$ 13,687,037	$ 41,817,811
2.	COLA Contribution Credit for FY 2008-09(2)	(15,224,808)	(1,411,039)	(7,602,395)	(24,238,242)
3.	Interest on December 31, 2008	890,055	85,972	474,887	1,450,914
4.	Value as of December 31, 2008 (1.+ 2.+ 3.)	$ 11,318,150	$ 1,152,804	$ 6,559,529	$ 19,030,483
5.	Interest on June 30, 2009	0	0	0	0
6	Value as of June 30, 2009 (4. + 5.)	$ 11,318,150	$ 1,152,804	$ 6,559,529	$ 19,030,483
7.	COLA Contribution Credit for FY 2009-10	(11,318,150)	(1,152,804)	(6,559,529)	(19,030,483)
8.	Estimated Interest on December 31, 2009	0	0	0	0
9.	Estimated Value as of December 31, 2009 (6.+ 7.+ 8.)	$0	$0	$0	$0

(1) Based upon spreadsheet provided by KCERA on March 20, 2009.
(2) Transfer to Employer Advance Reserves on July 1, 2008 based upon December 31, 2007 Actuarial Valuation Report

Section 4: Actuarial Liabilities

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of KCERA's assets as of the valuation date, June 30, 2009. In this section, the discussion will focus on the commitments of KCERA for retirement benefits, which are referred to as its actuarial liabilities. The SRBR benefits are determined separately and are discussed in Section 8.

In an active system, the actuarial liabilities will almost always exceed the actuarial assets. This is common in all but a fully closed down fund, where no further contributions of any sort are anticipated. This deficiency has to be provided by future contributions and investment returns. An actuarial valuation method sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion. The determination of the level of future contributions needed is discussed in the next section.

Actuarial Balance Sheet – Liabilities

First, we need to determine the amount of the deficiency. We compare the Valuation Assets to the Actuarial Liabilities. The difference is the amount that needs to be funded by the Member and Employer contributions in the future. Both the current and future assets (contributions) are compared to the actuarial liabilities in the Actuarial Balance Sheet.

Exhibit 10 contains an analysis of the actuarial present value of all future benefits for inactive members, (both retired and terminated vested members), and active members.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All liabilities reflect the benefits effective through June 30, 2009.

Actuarial Resources

KCERA's resources to fund benefits are equal to the sum of:

a. assets currently available to pay benefits and considered for funding purposes, the Valuation Reserves, and

b. the present value of future contributions expected to be made by current active Members and the employers.

Exhibit 10: **Actuarial Value of Benefits – June 30, 2009**
(Dollars in millions)

Resources

	General - County	General - Districts	Safety	Total
Valuation Assets (Actuarial)	$ 1,596.7	$ 92.1	$ 1,091.4	$ 2,780.2
Present Value of Future Member Contributions	106.8	9.7	33.5	150.0
Present Value of Future Employer Contributions to the Fund:				
a) Normal Cost	568.3	49.4	379.2	996.9
b) Unfunded Actuarial Accrued Liability	908.7	73.1	443.2	1,425.0
Total Resources	$ 3,180.5	$ 224.4	$ 1,947.2	$ 5,352.1

Liabilities

	General - County	General - Districts	Safety	Total
Present Value of Future Benefits				
1. Present Retired Members	$ 1,094.5	$ 58.7	$ 881.1	$ 2,034.3
2. Current Inactive Members	94.4	11.8	18.8	125.1
3. Current Active Members	1,991.5	153.8	1,047.4	3,192.7
Total Actuarial Liabilities	$ 3,180.5	$ 224.4	$ 1,947.2	$ 5,352.1

Actuarial Cost Method

The method used to determine the incidence of when future contributions are yet to be made in future years is called the "actuarial cost method". For this valuation, the entry age actuarial cost method has been used. Under this method – or essentially any actuarial cost method – the contributions required to meet the difference between current assets and current actuarial liabilities are allocated each year between two elements:

- A normal cost amount; and
- Whatever amount is left over, which is used to amortize what is called the UAAL, or the Unfunded Actuarial Accrued Liability.

Due to the adoption of Section 31617 of the CERL, and the Ventura settlement, the normal costs and the UAAL contribution rates need to be valued in total and also into three major cost group subtotals: the Basic benefits, the 2.0% COLA, and the 0.5% COLA benefits. The latter group also uses the portion of the SRBR funds allocated to those benefits.

Normal Cost

The normal cost is the theoretical contribution rate that will meet the ongoing costs of a group of average new employees. Suppose that a group of new employees was covered under a separate fund from which all benefits and to which all contributions and associated investment returns were paid.

Under the entry age actuarial cost method, the normal cost contribution rate maintains the funding of benefits as a level percentage of pay. If experience follows the actuarial assumptions precisely, the fund would be completely liquidated when the last payment to the last survivor of the group was made.

By applying the normal cost contribution rate to the present value of salaries expected to be paid in the future, we determine the present value of future normal cost contributions. Future contributions are expected to be made by both the Members and the Employers.

Under the KCERA funding policy adopted by the Board, separate normal cost rates are determined for different cost sharing groups based on the level of future benefits.

Normal Cost (continued)

The following table indicates the level of normal cost contributions required in the future to fund the current benefits.

Entry Age Total Normal Cost								
(In Millions of Dollars)		**Basic**		**COLA - 2%**		**COLA - 0.5%**		**Total**
1. General - Tier I	$	69.9	$	14.3	$	4.4	$	88.6
2. General - Tier II		4.0		0.8		0.2		5.0
3. Safety		32.6		7.9		2.5		43.0
4. All Members	$	106.6	$	23.0	$	7.1	$	136.6
As a Percent of Pay		**Basic**		**COLA - 2%**		**COLA - 0.5%**		**Total**
1. General - Tier I		18.35%		3.76%		1.14%		23.25%
2. General - Tier II		10.03%		1.90%		0.57%		12.51%
3. Safety		23.53%		5.70%		1.79%		31.02%
4. All Members		19.04%		4.11%		1.26%		24.41%

Actuarial Accrued Liability

The difference between the present value of all future obligations and the present value of the future normal cost contributions is referred to as the Actuarial Accrued Liability (AAL). The AAL is then compared to the value of assets available to fund benefits, and the difference is referred to as the UAAL.

Unfunded Actuarial Accrued Liability/ Surplus Funding

If a UAAL amount exists, it usually results from prior years' benefit or assumption changes and the net effect of accumulated gains and losses. If the County had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

Exhibit 11 shows how the UAAL was derived for each cost group.

Exhibit 12 shows the development of the UAAL for each district. The District Reserves have been allocated to each district based on the proportion of its AAL to the total District AAL.

Funding Adequacy

A key consideration in determining the adequacy of the funding of KCERA is how the UAAL is being funded. If the UAAL amount is positive, that is, the AAL to be funded is greater than the Valuation Assets, then the UAAL is amortized. Under the current funding method, the UAAL is amortized over a fixed period ending December 31, 2035. Thus, the UAAL contribution rate is funding the UAAL over 26.5 years from the valuation date.

Analysis of Change in UAAL

The UAAL, at any date after establishment of a system, is affected by any actuarial gains or losses arising when the actual experience of the system varies from the experience anticipated by the actuarial assumptions used in the valuations. To the extent actual experience, as it develops, differs from that expected according to the assumptions used, so also will the emerging costs differ from the estimated costs.

The 2009 actuarial valuation reflects an increase in the UAAL of $407.9 million for the plan year just ended.

The following table reconciles the change in the UAAL since the last valuation.

Sources of UAAL (in millions)

Source of Change	County	District	Safety	Total Plan
June 30, 2008 Actuarial Valuation	$670.3	$61.5	$285.3	$1,017.1
Expected Assumption Changes	0.0	0.0	0.0	0.0
Expected Year-to-Year Change	7.4	0.8	2.5	10.7
Expected June 30, 2009 Actuarial Valuation	$677.7	$62.3	$287.8	$1,027.8
Asset Gain/Loss	127.6	5.7	83.8	217.1
Transfer from Contingency Reserve	(59.9)	(3.4)	(40.8)	(104.1)
Salary Changes	35.6	0.9	14.4	50.9
Demographic Changes	19.4	(2.2)	21.6	38.8
Disability Rate Change*	(0.3)	0.1	0.9	0.7
Additional Salary Information Provided**	108.6	9.7	75.5	193.8
Total Experience Change	$231.0	$10.8	$155.4	$397.2
Actual June 30, 2009 Actuarial Valuation	$908.7	$73.1	$443.2	$1,425.0
Net change since June 30, 2008	$238.4	$11.6	$157.9	$407.9

**Disability rates were reverted to pre-2008 experience study rates, based on pre-release actuarial audit.*

***KCERA has provided additional information on Special Pays to be included with Pensionable Earnings. These salary items were included for the first time in the June 30, 2009 Valuation.*

Exhibit 11: Unfunded Actuarial Accrued Liability and Funded Ratio

(Dollars in millions)

Basic Benefits

	General – County	General – Districts	Safety	Total
1. Actuarial Accrued Liability	$ 1,840.1	$ 123.4	$ 1,068.9	$ 3,032.4
2. Valuation Assets	1,173.2	69.6	772.7	2,015.5
3. Unfunded Actuarial Accrued Liability	$ 666.9	$ 53.8	$ 296.2	$ 1,016.9
4. Funded Ratio	63.8%	56.4%	72.3%	66.5%

COLA Benefits - 2%

	General – County	General – Districts	Safety	Total
1. Actuarial Accrued Liability	$ 514.9	$ 32.1	$ 360.1	$ 907.1
2. Valuation Assets	378.3	20.1	284.7	683.1
3. Unfunded Actuarial Accrued Liability	$ 136.6	$ 12.0	$ 75.4	$ 224.0
4. Funded Ratio	73.5%	62.6%	79.1%	75.3%

COLA Benefits - 0.5%

	General – County	General – Districts	Safety	Total
1. Actuarial Accrued Liability	$ 150.4	$ 9.7	$ 105.6	$ 265.7
2. Valuation Assets	45.2	2.4	34.0	81.6
3. Unfunded Actuarial Accrued Liability	$ 105.2	$ 7.3	$ 71.6	$ 184.1
4. Funded Ratio	30.1%	24.7%	32.2%	30.7%

Total Regular Benefits

	General – County	General – Districts	Safety	Totals
1. Actuarial Accrued Liability	$ 2,505.4	$ 165.2	$ 1,534.6	$ 4,205.2
2. Valuation Assets	1,596.7	92.1	1,091.4	2,780.2
3. Unfunded Actuarial Accrued Liability	$ 908.7	$ 73.1	$ 443.2	$ 1,425.0
4. Funded Ratio	63.7%	55.8%	71.1%	66.1%

Exhibit 12: Liability by District

Category	District Name	Member Count*	A Present Value of Projected Benefits	B Present Value of Future Normal Cost **	C Actuarial Accrued Liability (AAL) (A-B)	D Valuation Assets (Pro-rated by AAL)	E Unfunded Actuarial Accrued Liability (UAAL) (C-D)
IV	Berrenda Mesa Water	18	$ 5,530,796	$ 1,182,020	$ 4,348,776	$ 2,423,697	$ 1,925,079
III	Buttonwillow Recreation & Park	4	461,188	247,940	213,248	118,849	94,399
II	East Kern Cemetery	2	510,686	136,340	374,346	208,634	165,712
IV	Inyokern Community Services	3	465,731	134,768	330,963	184,455	146,508
I	Kern County Water Agency	147	63,438,107	11,605,946	51,832,161	28,887,543	22,944,618
II	Kern Mosquito & Vector Control	32	12,148,144	1,449,569	10,698,575	5,962,621	4,735,954
V	North of the River Sanitation	18	7,395,875	1,060,186	6,335,689	3,531,060	2,804,629
III	San Joaquin Valley Unified Air Pollution Control	469	119,580,697	40,985,543	78,595,154	43,803,323	34,791,831
II	Shafter Recreation & Park	4	437,230	-	437,230	243,681	193,549
II	West Side Cemetery	15	4,073,174	668,977	3,404,197	1,897,256	1,506,941
II	West Side Mosquito Abatement	19	6,488,263	667,870	5,820,393	3,243,871	2,576,522
II	West Side Recreation & Park	34	3,846,923	1,008,878	2,838,045	1,581,724	1,256,322
	Total District	765	$ 224,376,815	$ 59,148,037	$ 165,228,778	$ 92,086,715	$ 73,142,063

District Category Descriptions:
I. Kern County Water Agency: Employer picks up 100% member contributions for those hired prior to August 22, 2004.
II. Kern Mosquito & Vector Control, West Side Mosquito Abatement, Shafter Recreation & Park, West Side Cemetery, West Side Recreation & Park, and East Kern Cemetery: Adopted 1997 MOU. Members hired prior to August 7, 2004 (January 8, 2005 for Kern Mosquito & Vector Control) only contribute for first five years of service.
III. San Joaquin Valley Unified Air Pollution Control and Buttonwillow Recreation & Park: Did not adopt 1997 MOU. Members contribute 50% of rates shown on page D-2 for 30 years of service, regardless of hire date.
IV. Berrenda Mesa Water and Inyokern Community Services: Adopted 3% at 60 formula on a prospective basis only.
V. North of the River Sanitation: Adopted Tier 2 benefits.

** Includes both active and inactive members.*
*** Includes both employer and employee contributions.*

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Section 5: Member Contributions

For KCERA, member contributions vary by employer, age at hire, and by date of hire. For Safety members, they can also vary by bargaining unit.

Basic contributions for each employer group as reported to us are summarized in the chart at the end of this section. Member contributions are defined in the noted sections of the 1937 County Employees' Retirement Law, but modified by MOU agreements as noted in the footnotes to the table.

Basic Contributions

Basic member contributions are determined using the Entry Age Normal Funding Method and the following actuarial assumptions:

1. Expected rate of return on assets
2. Individual salary increase rate (wage growth + merit)
3. Mortality for members on service retirement
4. No COLAs are assumed

For valuation purposes, current member contribution levels are assumed to be in place for the subsequent fiscal year. Any future changes in member contribution rates would be reflected in future valuations in determining the portion of the total costs payable between the employers and the members.

Members do not contribute towards the cost-of-living benefits.

Note that for some employers, benefits are integrated with Social Security. In those cases, members pay two-thirds of the full rate on the first $350 of pay each month.

Full disclosure of the member contribution rates by entry age into the System, can be found in Appendix D.

General Members

The Basic contribution rates for Tier I members are designed to provide an average annuity, payable at age 55, equal to 1/100 of the final average salary for General members, in compliance with CERL 31621.8.

Aside from the exceptions noted below, General members hired prior to August 7, 2004 (January 8, 2005 for Kern Mosquito and Vector Control District) pay the full member contribution rates for the first five years of service. Those hired after that date pay the full member contribution rates for 30 years.

Court employees pay an additional 2.5% of base salary toward the employer's cost of the benefits for their entire career.

General Members (continued)	Two districts, Buttonwillow Recreation and Park District and San Joaquin Valley Unified Air Pollution Control District, did not adopt the 1997 MOU. Members in those districts pay 50% of the full rates for the first 30 years of service, regardless of hire date.

For Kern County Water Agency employees hired prior to August 22, 2004, the employer picks up 100% of all member contributions.

For Tier II members (County members hired on or after October 27, 2007, and North of the River Sanitation employees hired on or after October 29, 2007), the contribution rates are designed to provide an average annuity, payable at age 60, equal to 1/120 of the final average salary, in compliance with CERL 31621.

Safety Members

The Basic contribution rates are designed to provide an average annuity, payable at age 50, equal to 1/100 of the final average salary for Safety members, in compliance with CERL 31639.25.

Effective July 10, 2004, all Safety employees began paying a supplemental contribution rate:

a. If hired after July 10, 2004, an additional rate equal to the total employee rate sufficient to provide an average annuity payable at age 50, equal to 3/200 of final compensation. This amount is equal to 150% of the rate specified in Section 31639.25 of the CERL.

b. If hired before July 10, 2004, the supplemental rate will increase 1% each fiscal year until the full rate as described in a. is reached.

Those contributing under b. above have now been fully phased into the contribution rates described in a.

Safety members hired prior to 2007 pay contributions for the first five years of service. Those hired after 2007 will contribute for 30 years of service. For those hired in 2007, the length of contribution depends upon hire date and bargaining unit.

For members in certain bargaining units hired after collectively bargained dates in 2007, the rates described above have been replaced by one uniform rate for all entry ages. That rate is designed to result in average contribution rates comparable to the rates based upon the 3/200 described above. The new rates effective July 1, 2009 were 12.30% for salary above $350/month and 8.20% for the first $350.

Exhibit 13: Member Contribution Rates

Plan	Valuation Report Label	Member Contribution Code Section	Member Contribution Provides Average Annuity of	Adopted 1997 MOU	Soc Sec Integration	Pre-Tax
General - County Tier I	General - County Tier I	31621.8	1/100 of FAS at age 55	Yes	Yes	Yes
General - County Tier II	General - County Tier II	31621	1/120 of FAS at age 60	NA	Yes	Yes
General - County - Court Employees	General - County - Court Employees	31621.8	1/100 of FAS at age 55 plus supplemental 2.5%[5]	Yes	Yes	Yes
District - Berrenda Mesa Water	District Category IV [4]	31621.8	1/100 of FAS at age 55	Yes	No	Yes
District - Buttonwillow Recreation & Park	District Category III	31621.8	1/100 of FAS at age 55 (Member pays 50%)[3]	No	No	No
District - East Kern Cemetery	District Category II	31621.8	1/100 of FAS at age 55[2]	Yes	Yes	Yes
District - Inyokern Community Services	District Category IV [4]	31621.8	1/100 of FAS at age 55	Yes	No	No
District - Kern County Water Agency	District Category I	31621.8	1/100 of FAS at age 55 (100% employer pickup if hired prior to 8/22/2004)[1]	Yes	Yes	Yes
District - Kern Mosquito & Vector Control	District Category II	31621.8	1/100 of FAS at age 55	Yes	Yes	Yes
District - North of River Sanitation Tier I	District Category V	31621.8	1/100 of FAS at age 55	Yes	Yes	Yes
District - North of River Sanitation Tier II	District Category V	31621	1/120 of FAS at age 60	Yes	Yes	Yes
District - San Joaquin Valley Unified Air Pollution Control	District Category III	31621.8	1/100 of FAS at age 55 (Member pays 50%)[3]	No	No	Yes
District - Shafter Recreation & Park	District Category II	31621.8	1/100 of FAS at age 55	Yes	No	Yes
District - West Side Cemetery	District Category II	31621.8	1/100 of FAS at age 55	Yes	Yes	No
District - West Side Mosquito Abatement	District Category II	31621.8	1/100 of FAS at age 55	Yes	Yes	No
District - West Side Recreation & Park	District Category II	31621.8	1/100 of FAS at age 55	Yes	Yes	No
Safety - County	Safety	31639.25	3/200 of FAS at age 50 [6]	Yes	Yes	Yes

FAS = Final Average Salary
Aside from the exceptions noted below, General members hired prior to August 7, 2004 (January 8, 2005 for Kern Mosquito and Vector) pay the full member contribution rates for the first five years of service as a result of the 1997 MOU. Those hired after that date pay the full member contribution rates for 30 years of service.

Notes:
1. Kern County Water Agency (District Category I) employees hired prior to August 22, 2004, the employer picks up 100% of all member contributions.
2. District Category II adopted the 1997 MOU. Member contribution rules the same as General Tier I.
3. Buttonwillow and San Joaquin Valley Unified Air Pollution Control District (District Category III) did not adopt the 1997 MOU. Members in those districts pay 50% of the full rates for 30 years of service, regardless of hire date.
4. District Category IV adopted the 3% at 60 Formula on a prospective basis only. Member contribution rules the same as General Tier I.
5. Court employees pay contributions based upon 31621.8 for only the first five years of service, regardless of hire date. Court employees pay an additional 2.5% of the base salary for their entire career.
6. For Safety members hired prior to May 15, 2004, the contribution rates were based upon a target of 1/100 of FAS at age 50 plus a special supplement up to a maximum of 3/200 of FAS at age 50. For Safety members hired prior to 2007, members contribute only for the first five years of service. For Safety members hired after 2007, members contribute for 30 years of service. For Safety members hired in 2007, the contribution rate depends upon hire date and bargaining unit. For members hired in certain bargaining units, the rates by entry age have been replaced by a uniform rate for all entry ages. The uniform rate continues to be integrated with social security.

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Section 6: Employer Contributions

Contributions to KCERA are determined using the Entry Age Normal Cost Funding Method. The portion of the actuarial present value of retirement benefits allocated to a valuation year by the Actuarial Cost Method is called the Normal Cost. These amounts are usually expressed as a percentage of payroll and called the Normal Cost Contribution Rate. Section 4 illustrated the Normal Cost Rates for each cost group based on this valuation.

Calculated Contribution Rate

It should be noted that when we use the term "Gross Normal Cost Rate," we are referring to the value of benefits earned by active members allocated to the valuation year. The employer Normal Cost is the portion of the annual cost for which the employer is responsible. This is simply the Gross Normal Cost rate less the expected contributions made by the members for the subsequent fiscal year.

The total calculated employer contribution rates for each cost sharing group can be found in Exhibits 14-16. These results are expressed as a percentage of payroll and annual contribution dollars.

Due to the adoption of Section 31617 of the CERL, and the Ventura settlement, the contribution rates need to be valued in total and also into three major subtotals:

a. The Basic benefits are the retirement benefits excluding all COLA.

b. The COLA benefits adopted prior to the Ventura settlement are referred to as the "2.0% COLA benefits".

c. The COLA benefits provided under the Ventura settlement are referred to as the "0.5% COLA benefits".

This break out of the rates into the three subgroups and in total is needed for allocation of the employer contributions and in case a COLA Contribution Reserve should exist to be credited against the 2% COLA contributions.

Exhibit 14 shows the contribution rates for the County, District, and Safety groups. Exhibit 15 further breaks down the County rates between Tier I, Tier II, and the Courts. Exhibit 16 further breaks down the District rates between the five District categories.

Calculated Contribution Rate (continued)

Note that KCERA's UAAL is determined separately for each cost sharing group depending on both assets (prior Pension Obligation Bond funds from the County) and benefit provisions (adoption of either prospective only or prospective and retrospective application of the new 3% at 60 benefit formula on January 1, 2006). Thus, KCERA funds the UAAL as a percentage of pay over salaries for all members within a cost sharing group.

The UAAL contributions are split between those attributable to the 3% at 60 benefits and all other UAAL amounts starting with the 2005 valuation. The fixed portion of the UAAL rates attributable to the 3% at 60 benefit enhancements are:

	County General members	District General members
Basic Benefits	2.43%	2.31%
2% COLA	0.51%	0.47%
0.5% COLA	0.13%	0.13%
Total	3.07%	2.91%

Any UAAL attributable to Golden Handshake programs will be paid by the employer by one of two methods, as elected by the employer:

a. Payment in full for the UAAL attributable to the Golden Handshake(s) in the first month of the fiscal year following the fiscal year in which the Golden Handshake(s) was granted.

b. According to a five-year amortization which will be invoiced (payable in 30 days) to the employer in the first month of the fiscal year following the fiscal year in which the Golden Handshake(s) was granted. The amortization schedule will be based upon the valuation interest rate used in the most recently completed valuation at the time that the amortization schedule is created. The employer may complete payment of the Golden Handshake(s) at any time during the five-year amortization period.

If the amortization method is used, the outstanding balance will be recorded as a receivable asset to be included with the Actuarial Value of Assets. All Golden Handshakes provided by an employer during any fiscal year will be bundled together and will be invoiced in one transaction in the first month following the fiscal year in which the Golden Handshakes were granted.

Exhibit 14: Total Plan Contributions by UAAL Cost Sharing Group

	General County with Courts	General District	Safety	Total
A. Basic Benefits				
1. Total Normal Cost	17.49%	18.33%	23.53%	19.04%
2. Projected Employee Contributions	2.83%	3.41%	3.26%	2.97%
3. Employer Normal Cost (1-2)	14.66%	14.92%	20.27%	16.06%
4. Amortization of Unfunded Actuarial Accrued Liability	10.04%	10.02%	12.66%	10.70%
5. Employer Contribution (3+4)	24.71%	24.94%	32.93%	26.76%
B. COLA Benefits 2%				
1. Employer Normal Cost	3.57%	3.76%	5.70%	4.11%
2. Amortization of Unfunded Actuarial Accrued Liability	2.06%	2.25%	3.22%	2.36%
3. Employer Contribution (1+2)	5.63%	6.00%	8.92%	6.46%
C. COLA Benefits 0.5%				
1. Employer Normal Cost	1.08%	1.14%	1.79%	1.26%
2. Amortization of Unfunded Actuarial Accrued Liability	1.58%	1.36%	3.06%	1.94%
3. Employer Contribution (1+2)	2.67%	2.51%	4.85%	3.20%
D. Total Benefits				
1. Total Normal Cost	22.15%	23.23%	31.02%	24.41%
2. Projected Employee Contributions	2.83%	3.41%	3.26%	2.97%
3. Employer Normal Cost (1-2)	19.31%	19.82%	27.75%	21.43%
4. Amortization of Unfunded Actuarial Accrued Liability	13.69%	13.63%	18.94%	14.99%
5. Total Employer Contribution (3+4)	33.00%	33.45%	46.70%	36.42%
6. COLA Contribution Reserve Adjustments				
a.) CCR Credits*	0.00%	0.00%	0.00%	0.00%
b.) Max CCR Credits (B.3)	5.63%	6.00%	8.92%	6.46%
c.) CCR Adjustments (Minimum of a. and b.)	0.00%	0.00%	0.00%	0.00%
7. Adjusted Employer Contribution (5-6c.)	33.00%	33.45%	46.70%	36.42%
Estimated Payroll for Fiscal Year beginning July 1, 2010	$ 405,547,037	$ 32,540,936	$ 144,178,948	$ 582,266,922

Estimated Dollar Amounts	General County with Courts	District	Safety	Total
A. Basic Benefits				
Projected Employee Contributions	$ 11,507,558	$ 1,111,289	$ 4,700,234	$ 17,319,081
Employer Contribution	100,206,133	8,116,442	47,478,128	155,800,703
B. COLA Benefits 2%				
Employer Contribution	22,830,434	1,954,189	12,860,762	37,645,385
C. COLA Benefits 0.5%				
Employer Contribution	10,834,730	815,449	6,992,679	18,642,858
D. Total Benefits				
Projected Employee Contributions	11,507,558	1,111,289	4,700,234	17,319,081
Total Employer Contribution	133,871,297	10,886,081	67,331,569	212,088,946
COLA Contribution Reserve Adjustments				
a.) CCR Credits*	$ -	$ -	$ -	$ -
b.) Max CCR Credits (B.)	22,830,434	1,954,189	12,860,762	37,645,385
c.) CCR Adjustments (Minimum of a. and b.)	$ -	$ -	$ -	$ -
Adjusted Employer Contribution	$ 133,871,297	$ 10,886,081	$ 67,331,569	$ 212,088,946

* *Based upon the estimated COLA Contribution Reserve as of December 31, 2009.*

Exhibit 15a: County General Contributions

	Tier I w/o Courts	Tier II w/o Courts	Total General County w/o Courts	Courts	Total General County with Courts
A. Basic Benefits					
1. Total Normal Cost	18.35%	10.03%	17.44%	18.35%	17.49%
2. Projected Employee Contributions	2.33%	5.75%	2.70%	4.92%	2.83%
3. Employer Normal Cost (1-2)	16.02%	4.28%	14.74%	13.43%	14.66%
4. Amortization of Unfunded Actuarial Accrued Liability	10.04%	10.04%	10.04%	10.04%	10.04%
5. Employer Contribution (3+4)	26.07%	14.32%	24.79%	23.47%	24.71%
B. COLA Benefits 2%					
1. Employer Normal Cost	3.76%	1.90%	3.56%	3.76%	3.57%
2. Amortization of Unfunded Actuarial Accrued Liability	2.06%	2.06%	2.06%	2.06%	2.06%
3. Employer Contribution (1+2)	5.82%	3.96%	5.61%	5.82%	5.63%
C. COLA Benefits 0.5%					
1. Employer Normal Cost	1.14%	0.57%	1.08%	1.14%	1.08%
2. Amortization of Unfunded Actuarial Accrued Liability	1.58%	1.58%	1.58%	1.58%	1.58%
3. Employer Contribution (1+2)	2.73%	2.16%	2.67%	2.73%	2.67%
D. Total Benefits					
1. Total Normal Cost	23.25%	12.51%	22.08%	23.25%	22.15%
2. Projected Employee Contributions	2.33%	5.75%	2.70%	4.92%	2.83%
3. Employer Normal Cost (1-2)	20.92%	6.76%	19.38%	18.33%	19.31%
4. Amortization of Unfunded Actuarial Accrued Liability	13.69%	13.69%	13.69%	13.69%	13.69%
5. Total Employer Contribution (3+4)	34.61%	20.44%	33.07%	32.02%	33.00%
6. COLA Contribution Reserve Adjustments					
a.) CCR Credits*	0.00%	0.00%	0.00%	0.00%	0.00%
b.) Max CCR Credits (B.3)	5.82%	3.96%	5.61%	5.82%	5.63%
c.) CCR Adjustments (Minimum of a. and b.)	0.00%	0.00%	0.00%	0.00%	0.00%
7. Adjusted Employer Contribution (5-6c.)	34.61%	20.44%	33.07%	32.02%	33.00%
Estimated Payroll for Fiscal Year beginning July 1, 2010	$ 339,383,410	$ 41,527,054	$ 380,910,464	$ 24,636,572	$ 405,547,037

Estimated Dollar Amounts	Tier I w/o Courts	Tier II w/o Courts	Total General County w/o Courts	Courts	Total General County with Courts
A. Basic Benefits					
Projected Employee Contributions	$ 7,907,633	$ 2,387,806	$ 10,295,439	$ 1,212,119	$ 11,507,558
Employer Contribution	88,477,255	5,946,674	94,423,929	5,782,203	100,206,133
B. COLA Benefits 2%					
Employer Contribution	19,752,114	1,644,471	21,396,586	1,433,848	22,830,434
C. COLA Benefits 0.5%					
Employer Contribution	9,265,167	896,984	10,162,151	672,578	10,834,730
D. Total Benefits					
Projected Employee Contributions	7,907,633	2,387,806	10,295,439	1,212,119	11,507,558
Total Employer Contribution	117,494,537	8,488,130	125,982,666	7,888,630	133,871,297
COLA Contribution Reserve Adjustments					
a.) CCR Credits*	$ -	$ -	$ -	$ -	$ -
b.) Max CCR Credits (B.)	19,752,114	1,644,471	21,396,586	1,433,848	22,830,434
c.) CCR Adjustments (Minimum of a. and b.)	$ -	$ -	$ -	$ -	$ -
Adjusted Employer Contribution	$ 117,494,537	$ 8,488,130	$ 125,982,666	$ 7,888,630	$ 133,871,297

* *Based upon the estimated COLA Contribution Reserve as of December 31, 2009.*

Exhibit 15b: County Total Contributions

	General County w/o Courts	Safety	Total County w/o Courts
A. Basic Benefits			
1. Total Normal Cost	17.44%	23.53%	19.11%
2. Projected Employee Contributions	2.70%	3.26%	2.85%
3. Employer Normal Cost (1-2)	14.74%	20.27%	16.26%
4. Amortization of Unfunded Actuarial Accrued Liability	10.04%	12.66%	10.76%
5. Employer Contribution (3+4)	24.79%	32.93%	27.02%
B. COLA Benefits 2%			
1. Employer Normal Cost	3.56%	5.70%	4.14%
2. Amortization of Unfunded Actuarial Accrued Liability	2.06%	3.22%	2.38%
3. Employer Contribution (1+2)	5.61%	8.92%	6.52%
C. COLA Benefits 0.5%			
1. Employer Normal Cost	1.08%	1.79%	1.27%
2. Amortization of Unfunded Actuarial Accrued Liability	1.58%	3.06%	1.99%
3. Employer Contribution (1+2)	2.67%	4.85%	3.26%
D. Total Benefits			
1. Total Normal Cost	22.08%	31.02%	24.53%
2. Projected Employee Contributions	2.70%	3.26%	2.85%
3. Employer Normal Cost (1-2)	19.38%	27.75%	21.68%
4. Amortization of Unfunded Actuarial Accrued Liability	13.69%	18.94%	15.13%
5. Total Employer Contribution (3+4)	33.07%	46.70%	36.81%
6. COLA Contribution Reserve Adjustments			
a.) CCR Credits*	0.00%	0.00%	0.00%
b.) Max CCR Credits (B.3)	5.61%	8.92%	6.52%
c.) CCR Adjustments (Minimum of a. and b.)	0.00%	0.00%	0.00%
7. Adjusted Employer Contribution (5-6c.)	33.07%	46.70%	36.81%
Estimated Payroll for Fiscal Year beginning July 1, 2010	$ 380,910,464	$ 144,178,948	$ 525,089,413

Estimated Dollar Amounts	General County w/o Courts	Safety	Total w/o Courts
A. Basic Benefits			
Projected Employee Contributions	$ 10,295,439	$ 4,700,234	$ 14,995,673
Employer Contribution	94,423,929	47,478,128	141,902,057
B. COLA Benefits 2%			
Employer Contribution	21,396,586	12,860,762	34,257,348
C. COLA Benefits 0.5%			
Employer Contribution	10,162,151	6,992,679	17,154,830
D. Total Benefits			
Projected Employee Contributions	10,295,439	4,700,234	14,995,673
Total Employer Contribution	125,982,666	67,331,569	193,314,235
COLA Contribution Reserve Adjustments			
a.) CCR Credits*	$ -	$ -	$ -
b.) Max CCR Credits (B.)	21,396,586	12,860,762	34,257,348
c.) CCR Adjustments (Minimum of a. and b.)	$ -	$ -	$ -
Adjusted Employer Contribution	$ 125,982,666	$ 67,331,569	$ 193,314,235

* *Based upon the estimated COLA Contribution Reserve as of December 31, 2009.*

Exhibit 16a: District Total Contributions

	Category I	Category II	Category III	Category IV**	Category V***	Total
A. Basic Benefits						
1. Total Normal Cost	18.35%	18.35%	18.35%	18.35%	17.72%	18.33%
2. Projected Employee Contributions	1.88%	2.23%	4.11%	2.23%	2.50%	3.41%
3. Employer Normal Cost (1-2)	16.47%	16.11%	14.24%	16.11%	15.22%	14.92%
4. Amortization of Unfunded Actuarial Accrued Liability	10.08%	10.08%	10.08%	7.77%	10.08%	10.02%
5. Employer Contribution (3+4)	26.54%	26.19%	24.32%	23.89%	25.30%	24.94%
B. COLA Benefits 2%						
1. Employer Normal Cost	3.76%	3.76%	3.76%	3.76%	3.62%	3.76%
2. Amortization of Unfunded Actuarial Accrued Liability	2.26%	2.26%	2.26%	1.78%	2.26%	2.25%
3. Employer Contribution (1+2)	6.02%	6.02%	6.02%	5.54%	5.88%	6.00%
C. COLA Benefits 0.5%						
1. Employer Normal Cost	1.14%	1.14%	1.14%	1.14%	1.10%	1.14%
2. Amortization of Unfunded Actuarial Accrued Liability	1.37%	1.37%	1.37%	1.23%	1.37%	1.36%
3. Employer Contribution (1+2)	2.51%	2.51%	2.51%	2.38%	2.47%	2.51%
D. Total Benefits						
1. Total Normal Cost	23.25%	23.25%	23.25%	23.25%	22.44%	23.23%
2. Projected Employee Contributions	1.88%	2.23%	4.11%	2.23%	2.50%	3.41%
3. Employer Normal Cost (1-2)	21.37%	21.01%	19.14%	21.01%	19.94%	19.82%
4. Amortization of Unfunded Actuarial Accrued Liability	13.70%	13.70%	13.70%	10.79%	13.70%	13.63%
5. Total Employer Contribution (3+4)	35.07%	34.72%	32.84%	31.80%	33.64%	33.45%
6. COLA Contribution Reserve Adjustments						
a.) CCR Credits*	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
b.) Max CCR Credits (B.3)	6.02%	6.02%	6.02%	5.54%	5.88%	6.00%
c.) CCR Adjustments (Minimum of a. and b.)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7. Adjusted Employer Contribution (5-6c.)	35.07%	34.72%	32.84%	31.80%	33.64%	33.45%
Estimated Payroll for Fiscal Year beginning July 1, 2010	$ 6,794,277	$ 2,579,062	$ 21,678,478	$ 791,189	$ 697,930	$ 32,540,936

Estimated Dollar Amounts	Category I	Category II	Category III	Category IV**	Category V***	Total
A. Basic Benefits						
Projected Employee Contributions	$ 127,732	$ 57,513	$ 890,985	$ 17,644	$ 17,414	$ 1,111,289
Employer Contribution	1,803,201	675,456	5,272,206	189,015	176,564	8,116,442
B. COLA Benefits 2%						
Employer Contribution	409,015	155,260	1,305,044	43,832	41,038	1,954,189
C. COLA Benefits 0.5%						
Employer Contribution	170,536	64,734	544,130	18,830	17,218	815,449
D. Total Benefits						
Projected Employee Contributions	127,732	57,513	890,985	17,644	17,414	1,111,289
Total Employer Contribution	2,382,753	895,450	7,121,380	251,677	234,820	10,886,081
COLA Contribution Reserve Adjustments						
a.) CCR Credits*	$ -	$ -	$ -	$ -	$ -	$ -
b.) Max CCR Credits (B.)	409,015	155,260	1,305,044	43,832	41,038	1,954,189
c.) CCR Adjustments (Minimum of a. and b.)	$ -	$ -	$ -	$ -	$ -	$ -
Adjusted Employer Contribution	$ 2,382,753	$ 895,450	$ 7,121,380	$ 251,677	$ 234,820	$ 10,886,081

* *Based upon the estimated COLA Contribution Reserve as of December 31, 2009.*
** *District Category IV adopted the 3% at 60 benefit formula prospectively only, reducing their share of the UAAL.*
*** *District Category V represents districts who have adopted Tier II. Currently only North of the River Sanitation is included in this Category.*

Exhibit 16b: District Category V: Tier I and II Contributions

	Category V*** Tier I	Category V*** Tier II	Category V*** Total
A. Basic Benefits			
1. Total Normal Cost	18.35%	10.03%	17.72%
2. Projected Employee Contributions	2.23%	5.75%	2.50%
3. Employer Normal Cost (1-2)	16.11%	4.28%	15.22%
4. Amortization of Unfunded Actuarial Accrued Liability	10.08%	10.08%	10.08%
5. Employer Contribution (3+4)	26.19%	14.35%	25.30%
B. COLA Benefits 2%			
1. Employer Normal Cost	3.76%	1.90%	3.62%
2. Amortization of Unfunded Actuarial Accrued Liability	2.26%	2.26%	2.26%
3. Employer Contribution (1+2)	6.02%	4.16%	5.88%
C. COLA Benefits 0.5%			
1. Employer Normal Cost	1.14%	0.57%	1.10%
2. Amortization of Unfunded Actuarial Accrued Liability	1.37%	1.37%	1.37%
3. Employer Contribution (1+2)	2.51%	1.94%	2.47%
D. Total Benefits			
1. Total Normal Cost	23.25%	12.51%	22.44%
2. Projected Employee Contributions	2.23%	5.75%	2.50%
3. Employer Normal Cost (1-2)	21.01%	6.76%	19.94%
4. Amortization of Unfunded Actuarial Accrued Liability	13.70%	13.70%	13.70%
5. Total Employer Contribution (3+4)	34.72%	20.46%	33.64%
6. COLA Contribution Reserve Adjustments			
a.) CCR Credits*	0.00%	0.00%	0.00%
b.) Max CCR Credits (B.3)	6.02%	4.16%	5.88%
c.) CCR Adjustments (Minimum of a. and b.)	0.00%	0.00%	0.00%
7. Adjusted Employer Contribution (5-6c.)	34.72%	20.46%	33.64%
Estimated Payroll for Fiscal Year beginning July 1, 2010	$ 645,363	$ 52,568	$ 697,930

Estimated Dollar Amounts	Category V*** Tier I	Category V*** Tier II	Category V*** Total
A. Basic Benefits			
Projected Employee Contributions	$ 14,392	$ 3,023	$ 17,414
Employer Contribution	169,021	7,544	176,564
B. COLA Benefits 2%			
Employer Contribution	38,851	2,187	41,038
C. COLA Benefits 0.5%			
Employer Contribution	16,199	1,020	17,218
D. Total Benefits			
Projected Employee Contributions	14,392	3,023	17,414
Total Employer Contribution	224,070	10,750	234,820
COLA Contribution Reserve Adjustments			
a.) CCR Credits*	$ -	$ -	$ -
b.) Max CCR Credits (B.)	38,851	2,187	41,038
c.) CCR Adjustments (Minimum of a. and b.)	$ -	$ -	$ -
Adjusted Employer Contribution	$ 224,070	$ 10,750	$ 234,820

* *Based upon the estimated COLA Contribution Reserve as of December 31, 2009.*

**** District Category V represents districts who have adopted Tier II. Currently only North of the River Sanitation is included in this Category.*

Changes in the Contribution Rates

The following Exhibit 17 illustrates the various sources of changes that impacted both the employer contribution rates and the funded ratio. It shows the analysis of change both in aggregate for all of KCERA, as well as for the County General, District General and Safety cost sharing groups.

Experience during the 2009 year resulted in an overall 5.11% increase in the employer contribution rate. Note that the change in the calculated rate prior to application of the CCR was only 2.69% (36.42% from 33.73%). The remaining increase of 3.94% was due to the fact that there was a CCR balance as of December 31, 2008 and there is not expected to be a balance as of December 31, 2009.

Some experience gains and losses are to be expected as part of the normal variation between actual and expected experience. The changes due to actual experience were well within a reasonable level of fluctuation. The primary reasons for the changes are summarized as follows:

- **Asset Gain/Loss:** Under the actuarial asset valuation method, gains and losses are recognized over a five year period. For this valuation, there is a significant increase in employer contribution rates based upon the negative investment experience.
- **Transfer from Contingency Reserve:** Partially offsetting the asset losses was the transfer of $104.1 million from the Contingency reserve into Valuation Assets over the past year.
- **Change in Member Contribution Rates:** The County has completed a phasing in of higher contribution rates for Safety members. In addition, more Safety and General members are now required to make contributions after five years of service. As a result, the total expected member contributions are increasing. This resulted in a decrease to the employer contribution rate.
- **Effect of Tier II:** The County and North of the River Sanitation District have adopted a less costly benefit level under Tier II. As more employees are covered under Tier II rather than Tier I, the required aggregate County General employer contribution rate will decline.
- **Salary and Demographic Changes:** When the salary, termination, retirement, death, and disability experience does not match expectations, gains and losses occur. Salaries increased by more than expected for continuing actives over the past year. There were also demographic losses for General County and Safety members, while there were demographic gains for District members.

Changes in the Contribution Rates (continued)

- **Adjustment for contribution change timing:** The actuarial valuation date is 12 months before the employer contribution rates determined by the valuation are implemented. Therefore either an experience gain or loss will occur as the actual contributions already budgeted to be paid in the current fiscal year are higher or lower than those computed in the new valuation.
- **Changes emerging from replication audit as of June 30, 2009:** Two changes were made to the June 30, 2009 actuarial valuation as the result of a concurrent replication audit.
  - The disability rates were reverted to the pre-2008 experience study rates.
  - Pensionable earnings were adjusted to reflect additional information provided by KCERA regarding supplemental pay.

Exhibit 17: Gain and Loss Analysis by Employer Contribution Rates and Funded Ratio

Total Plan

Sources of Change	Employer Contribution Rate	Funded Ratio
June 30, 2008 Actuarial Valuation (before application of the CCR)	33.73%	72.30%
Expected Assumption Changes	0.00%	0.00%
Expected Year-to-Year Change	0.00%	1.49%
Expected June 30, 2009 Actuarial Valuation	33.73%	73.79%
Investment Gain/Loss	2.52%	-5.53%
Transfer from the Contingency Reserve	-1.21%	2.65%
Change in Member Contribution Rates	-0.21%	0.00%
Effect of Tier II	-0.40%	0.00%
Salary and Demographic Changes	0.54%	-1.59%
Disability Rate Change	0.44%	-0.01%
Additional Salary Information Provided	1.08%	-3.19%
Adjustment for contribution change timing	-0.07%	0.00%
Total Experience Change	2.69%	-7.67%
Actual June 30, 2009 Actuarial Valuation	36.42%	66.11%
Net change since June 30, 2008	2.69%	-6.19%

General - County

Sources of Change	Employer Contribution Rate	Funded Ratio
June 30, 2008 Actuarial Valuation (before application of the CCR)	31.17%	69.30%
Expected Assumption Changes	0.00%	0.00%
Expected Year-to-Year Change	0.00%	1.76%
Expected June 30, 2009 Actuarial Valuation	31.17%	71.06%
Investment Gain/Loss	2.09%	-5.45%
Transfer from the Contingency Reserve	-0.98%	2.56%
Change in Member Contribution Rates	-0.17%	0.00%
Effect of Tier II	-0.54%	0.00%
Salary and Demographic Changes	0.42%	-1.56%
Disability Rate Change	0.23%	0.01%
Additional Salary Information Provided	0.86%	-2.89%
Adjustment for contribution change timing	-0.08%	0.00%
Total Experience Change	1.83%	-7.33%
Actual June 30, 2009 Actuarial Valuation	33.00%	63.73%
Net change since June 30, 2008	1.83%	-5.57%

Exhibit 17: Gain and Loss Analysis by Employer Contribution Rates and Funded Ratio (continued)

General - District

Sources of Change	Employer Contribution Rate	Funded Ratio
June 30, 2008 Actuarial Valuation (before application of the CCR)	33.45%	57.12%
Expected Assumption Changes	0.00%	0.00%
Expected Year-to-Year Change	0.00%	3.08%
Expected June 30, 2009 Actuarial Valuation	33.45%	60.20%
Investment Gain/Loss	1.21%	-3.62%
Transfer from the Contingency Reserve	-0.73%	2.17%
Change in Member Contribution Rates	-0.16%	0.00%
Effect of Tier II	-0.01%	0.00%
Salary and Demographic Changes	-0.75%	0.50%
Disability Rate Change	0.23%	-0.01%
Additional Salary Information Provided	0.34%	-3.51%
Adjustment for contribution change timing	-0.13%	0.00%
Total Experience Change	0.00%	-4.47%
Actual June 30, 2009 Actuarial Valuation	33.45%	55.72%
Net change since June 30, 2008	0.00%	-1.40%

Safety

Sources of Change	Employer Contribution Rate	Funded Ratio
June 30, 2008 Actuarial Valuation (before application of the CCR)	41.36%	78.78%
Expected Assumption Changes	0.00%	0.00%
Expected Year-to-Year Change	0.00%	0.98%
Expected June 30, 2009 Actuarial Valuation	41.36%	79.76%
Investment Gain/Loss	4.07%	-5.68%
Transfer from the Contingency Reserve	-1.98%	2.65%
Change in Member Contribution Rates	-0.35%	0.00%
Effect of Tier II	0.00%	0.00%
Salary and Demographic Changes	1.19%	-1.89%
Disability Rate Change	1.14%	-0.05%
Additional Salary Information Provided	1.30%	-3.68%
Adjustment for contribution change timing	-0.03%	0.00%
Total Experience Change	5.34%	-8.64%
Actual June 30, 2009 Actuarial Valuation	46.70%	71.11%
Net change since June 30, 2008	5.34%	-7.67%

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Section 7: Accounting Information

The Governmental Accounting Standards Board (GASB) sets standards for defined benefit pension plan reporting and disclosures (Statement No. 25). The reporting requirements for Statement No. 25 include certain supplementary information that must be added to the financial statements. These include:

1. A Schedule of Funding Progress
2. A Schedule of Employer Contributions

The Schedule of Funding Progress, Exhibit 18, compares actuarial assets and liabilities of KCERA, based on the actuarial funding method used. The required Schedule of Employer Contributions, Exhibit 19, compares the employer contributions required based on the actuarial valuation (the Actuarial Required Contribution, or ARC) with the employer contributions actually made. The ARC must be calculated based on certain parameters required for disclosure purposes.

We believe the actuarial methods and assumptions used in this valuation to determine the employer's contribution for funding purposes satisfy the GASB reporting requirements.

GASB Statement No. 27 specifies required reporting for pension accounting by state and local governmental employers.

The comparability of the data from year-to-year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, etc.

There are no benefit changes or assumption changes that occurred since our prior valuation.

Exhibit 20 compares the Valuation Assets to the types of Actuarial Accrued Liabilities, applying them first to Active Member contributions, then to retirees and beneficiaries, and then the remaining amount to the Active Members benefits. This is referred to as the Solvency Test. Although not required under GASB, this test is part of the CAFR guidelines specified by the Government Finance Officers Association (GFOA).

Exhibit 18: Schedule of Funding Progress
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Valuation Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as a % of Annual Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
12/31/1996	$ 1,003,076	$ 1,029,574	$ 26,498	97.4%	$ 273,351	9.7%
12/31/1997	1,113,914	1,140,019	26,105	97.7%	266,640	9.8%
12/31/1998	1,203,670	1,179,753	(23,917)	102.0%	282,251	-8.5%
12/31/1999	1,325,928	1,324,662	(1,266)	100.1%	297,738	-0.4%
12/31/2000	1,434,873	1,388,984	(45,889)	103.3%	283,283	-16.2%
12/31/2001 *	1,508,291	1,611,960	103,669	93.6%	333,791	31.1%
12/31/2002	1,570,278	1,899,031	328,753	82.7%	344,871	95.3%
12/31/2003	1,927,585	2,059,286	131,701	93.6%	353,444	37.3%
12/31/2004	2,012,521	2,336,406	323,885	86.1%	374,951	86.4%
12/31/2005 **	2,164,304	2,861,872	697,568	75.6%	391,381	178.2%
12/31/2006	2,352,028	3,109,038	757,010	75.7%	417,351	181.4%
12/31/2007	2,589,817	3,355,755	765,938	77.2%	453,412	168.9%
6/30/2008	2,654,305	3,671,460	1,017,155	72.3%	482,879	210.6%
6/30/2009	2,780,215	4,205,200	1,424,985	66.1%	559,872	254.5%

** Reflects Safety member benefit increases.*
*** Reflects General member benefit increases.*

Exhibit 19: Schedule of Contributions from the Employer

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
6/30/1998	$35,421,000	100%
6/30/1999	40,159,000	100%
6/30/2000	37,576,000	100%
6/30/2001	41,067,000	100%
6/30/2002	41,882,000	100%
6/30/2003	58,247,000	682% *
6/30/2004	48,760,000	100%
6/30/2005	60,286,000	100%
6/30/2006	100,734,000	100%
6/30/2007	128,135,000	100%
6/30/2008	137,264,000	100%
6/30/2009	138,815,000	100%

** Reflects pension obligation bond proceeds.*

Exhibit 20: Solvency Test
(dollars in thousands)

	Actuarial Accrued Liabilities for				Portion of AAL Covered by Valuation Assets			
Valuation Date	Active Member Contributions	Retired/Vested Members	Active Members (Employer-Financed Portion)	Total	Actuarial Value of Valuation Assets	Active Member	Retired/Vested Members	Active Members (Employer-Financed Portion)
December 31, 2003	$ 182,161	$ 1,067,016	$ 810,109	$ 2,059,286	$ 1,927,585	100%	100%	84%
December 31, 2004	191,485	1,147,206	997,715	2,336,406	2,012,521	100%	100%	68%
December 31, 2005	188,811	1,437,047	1,236,014	2,861,872	2,164,304	100%	100%	44%
December 31, 2006	197,507	1,629,003	1,282,527	3,109,037	2,352,028	100%	100%	41%
December 31, 2007	215,281	1,773,557	1,366,917	3,355,755	2,589,817	100%	100%	44%
June 30, 2008	222,418	1,913,946	1,535,096	3,671,460	2,654,316	100%	100%	34%
June 30, 2009	232,426	2,159,371	1,813,403	4,205,200	2,780,215	100%	100%	21%

Section 8: SRBR – Supplemental Retirement Benefit Reserve

Additional benefits may be provided to KCERA active and retired members under the plan provisions adopted by the County as provided under Article 5.5 of the County Employees Retirement Law of 1937 (CERL). These are the Supplemental Retiree Benefit Reserve (SRBR) benefits, and the Board of Retirement has defined these as:

- **Approved Benefits** – These are the SRBR benefits that have already been approved by the Retirement Board. They include all SRBR Tier I, SRBR Tier II and SRBR Death Benefits, as well as the SRBR Tier III benefits approved through June 30, 2009.
- **Future Benefits** – These are the SRBR Tier III benefits expected to be approved in future years in order to maintain the 80% purchasing power goal.

Article 5.5 governs the crediting of interest to reserves and the allocation of Undistributed Earnings. Undistributed Earnings are the amounts that remain after earnings have been used to credit interest to the Plan's reserves. They are generally thought of as earnings in excess of those assumed to be earned under the actuarial valuation assumptions.

Under the provisions of Article 5.5, and in accordance with the Board's interest crediting policy, if Undistributed Earnings remain then 50% of those Earnings are credited to the SRBR fund and the remaining 50% are allocated as additional interest credits to all other reserve funds except the Contingency Reserve and the SRBR. See Section 3 Assets for a description of the Board's interest crediting policy.

Deflation in 2009

The Annual Average Consumer Price Index for All Urban Consumers (CPI-U) for the Los Angeles-Riverside-Orange County area, the basis for determining the SRBR Tier III benefits, actually decreased by 0.80% from 2008 to 2009. This means that the benefits required to maintain the 80% purchasing power goal will also decrease. For our valuation, we assume 3.25% increases to the CPI for every year, based upon our long-term assumption for inflation. Any savings due to the deflation of 2009 are not reflected in this valuation, but will be reflected in our June 30, 2010 valuation.

Determination of SRBR Benefits

The SRBR currently provides four categories of supplemental retiree benefits:

Tier 1 – $35.50 per month payable to retirees who were hired on or before July 1, 1994.

Tier 2 – Three additional monthly stipends payable to retirees:

- $1.372 per year of service for Members who retired prior to 1985. This was granted July 1, 1994.
- $5.470 per year of service for Members who retired prior to 1985. This was granted July 1, 1996.
- $10.276 per year of service for Members who retired prior to 1981. This was granted July 1, 1997.

Tier 3 – Additional benefits to maintain 80% purchasing power protection.

Death Benefit – A one-time payment of $3,000 to a Member's beneficiary is made upon the death of the Member.

In addition, the KCERA Board has set aside a portion of the SRBR Reserve to help pay for an additional 0.5% COLA adopted under the Ventura Settlement.

By their very nature, Undistributed Earnings are produced on an inconsistent basis and cannot be counted on to appear in any single period. Because of this, the funding for SRBR Benefits is set up differently than funding for Regular Benefits. Undistributed Earnings are the only source of funding for these benefits. For this reason, KCERA compares the SRBR Reserve against three liability measures to understand its short-term, medium-term and long-term funding position. All of these funding targets are based on the Present Value of Benefits for SRBR Benefits.

The **Present Value of Benefits (PVB)** represents the amount of money, at the valuation date, which would be sufficient to pay for all SRBR Benefits for all current Plan Members if all plan assumptions are met in future years. In other words,

- If Plan Assets are equal to the Present Value of Benefits, and
- If current plan benefits remain in place, and
- If there are no new Plan Members, and
- If plan experience in all future years matches the assumptions,

------ then -----

There will be enough money to pay for all approved and future SRBR benefits for all Plan Members and their beneficiaries for the rest of their lives without another dollar being added to the SRBR Reserve from Undistributed Earnings.

Approved Benefits

Approved Benefits are the SRBR benefits that have already been approved by the Retirement Board. They include all Tier I, Tier II and Death Benefits, as well as the Tier III benefits approved through June 30, 2009. The Present Value of Approved Benefits is the short-term funding target for the SRBR.

The Plan's funded ratio for Approved SRBR Benefits is 201.3%. It is calculated by dividing the Actuarial Value of Assets ($128.5 million) by the Present Value of Approved SRBR Benefits ($63.8 million).

The funded ratio is developed in the following table:

1. Present Value of Approved Benefits		
a. Death Benefits	$	7,461,140
b. SRBR1		29,321,916
c. SRBR2		10,510,163
d. SRBR3		16,551,246
e. Total	$	63,844,465
2. Available SRBR Reserves		
a. Total SRBR	$	210,073,794
b. 0.5% COLA Account		81,580,277
c. Available SRBR Reserve	$	128,493,517
3. Funded Ratio		201.3%

Targeted Funding

In 2001, KCERA did an extensive review of the benefits provided through the SRBR and the financial strength of the SRBR. The Board decided to use a target based on a combination of Approved and Projected SRBR Benefits. The target liability is the Present Value of Benefits for SRBR Tier I, SRBR Tier II and SRBR Death Benefits. For SRBR Tier III Benefits, the target liability is the Present Value of projected payments for the 20-year period beginning with the valuation date.

On this basis, the Plan's funded ratio for Target SRBR Liabilities is 173.2%. It is calculated by dividing the Actuarial Value of Assets ($128.5 million) by the Present Value of SRBR Target Liabilities ($74.2 million).

Targeted Funding (continued)

The funding target is to have a 20% reserve for the death benefits, SRBR1 and SRBR2 benefits and 20 years of expected SRBR3 payments as shown at the end of this section.

		Liabilities		With Reserves
1. Present Value of Targeted Funding				
a. Death Benefits	$	7,461,140	$	8,953,368
b. SRBR1		29,321,916		35,186,299
c. SRBR2		10,510,163		12,612,196
d. SRBR3 (20 years)		26,906,550		26,906,550
e. Total	$	74,199,769	$	83,658,413
2. Available SRBR Reserves				
a. Total SRBR	$	210,073,794	$	210,073,794
b. 0.5% COLA Account		81,580,277		81,580,277
c. Available SRBR Reserve	$	128,493,517	$	128,493,517
3. Funded Ratio		173.2%		153.6%

Under the Board's 20/20 policy, if the liabilities of the targeted benefits with a 20% reserve on all but the SRBR3 20-year projection of benefits are more than 100% funded, the Board may consider increasing the SRBR approved benefits. As of June 30, 2009, the funded ratio is over the 100% benchmark, at 153.8%.

Total SRBR Benefits

KCERA's long-term funding target for the SRBR is based on the Present Value of all SRBR Benefits. The Plan's funded ratio for all SRBR Benefits is 144.1%. It is calculated by dividing the Actuarial Value of Assets ($128.5 million) by the Present Value of all SRBR Benefits ($89.2 million).

The funded ratio is developed in the following table:

Total Benefits

1. Present Value of SRBR		
a. Approved Benefits	$	63,844,465
b. Future Benefits		25,315,513
c. Total	$	89,159,978
2. Available SRBR Reserves		
a. Total SRBR	$	210,073,794
b. 0.5% COLA Account		81,580,277
c. Available SRBR Reserve	$	128,493,517
3. Funded Ratio		144.1%

Total SRBR Benefits (continued)

The funded ratio decreased to 144.1% from 151.9% in our last valuation. The following table quantifies the impact of various changes.

	Funded Status	Change
Prior Year	151.9%	
Passage of Time		4.3%
Asset Loss		-5.7%
Inflation higher than expected in 2008		-1.6%
Change due to inclusion of supplemental pay and disability decrement assumptions		-1.2%
Liability Loss		-3.6%
Total Change:		-7.8%
Current Year	144.1%	

Exhibits 22 and 23 on the following pages show further detail on the SRBR present value of benefits by member status, and the present value of the year-by-year projected SRBR3 benefit payments for both active and retired members for the next 20 years.

Exhibit 21: Supplemental Retiree Benefit Reserve

Present Value of Projected Benefits

Approved Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members	$ 2,105,871	$ 7,451,065	$	$	$ 9,556,936
Deferred Vested Members	341,410	1,550,614			1,892,024
Retirees and Beneficiaries	5,013,859	20,320,237	10,510,163	16,551,246	52,395,505
Total	**$** 7,461,140	$ 29,321,916	$ 10,510,163	$ 16,551,246	$ 63,844,465

Future Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members				$ 4,445,706	$ 4,445,706
Deferred Vested Members				125,739	125,739
Retirees and Beneficiaries				20,744,067	20,744,067
Total	0	0	0	$ 25,315,513	$ 25,315,513

Total Approved and Future Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members	$ 2,105,871	$ 7,451,065	$ 0	$ 4,445,706	$ 14,002,642
Deferred Vested Members	341,410	1,550,614	0	125,739	2,017,763
Retirees and Beneficiaries	5,013,859	20,320,237	10,510,163	37,295,313	73,139,572
Total	**$** 7,461,140	$ 29,321,916	$ 10,510,163	$ 41,866,759	$ 89,159,978

Available Reserves

Total SRBR	$ 210,073,794
Additional 0.5% COLA Account	81,580,277
Available SRBR	$ 128,493,517

Funded Ratios

Approved Benefits	201.3%
Total Approved and Future Benefits	144.1%

Members Eligible for Approved Benefits

	Death Ben	SRBR1	SRBR2	SRBR3
Active Members	9,020	2,467		
Deferred Vested Members	1,252	577		
Retirees and Beneficiaries	4,982	5,499	810	666
Total	15,254	8,543	810	666

Exhibit 22: Projected Cash Flow for SRBR Tier 3 Payments

Calendar Year	Projected SRBR 3 Payments
2009	$ 2,491,087
2010	2,549,954
2011	2,599,032
2012	2,641,227
2013	2,672,265
2014	2,695,925
2015	2,710,013
2016	2,762,289
2017	2,755,823
2018	2,741,701
2019	2,716,372
2020	2,679,464
2021	2,633,905
2022	2,583,623
2023	2,525,611
2024	2,460,460
2025	2,388,895
2026	2,317,010
2027	2,246,485
2028	2,178,149

Value of Non-Discounted 20-Year Cash Flow: $51,349,291

Present Value of Projected 20-Year Cash Flow: $26,906,550

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Section 9: Benefit Payment Projections

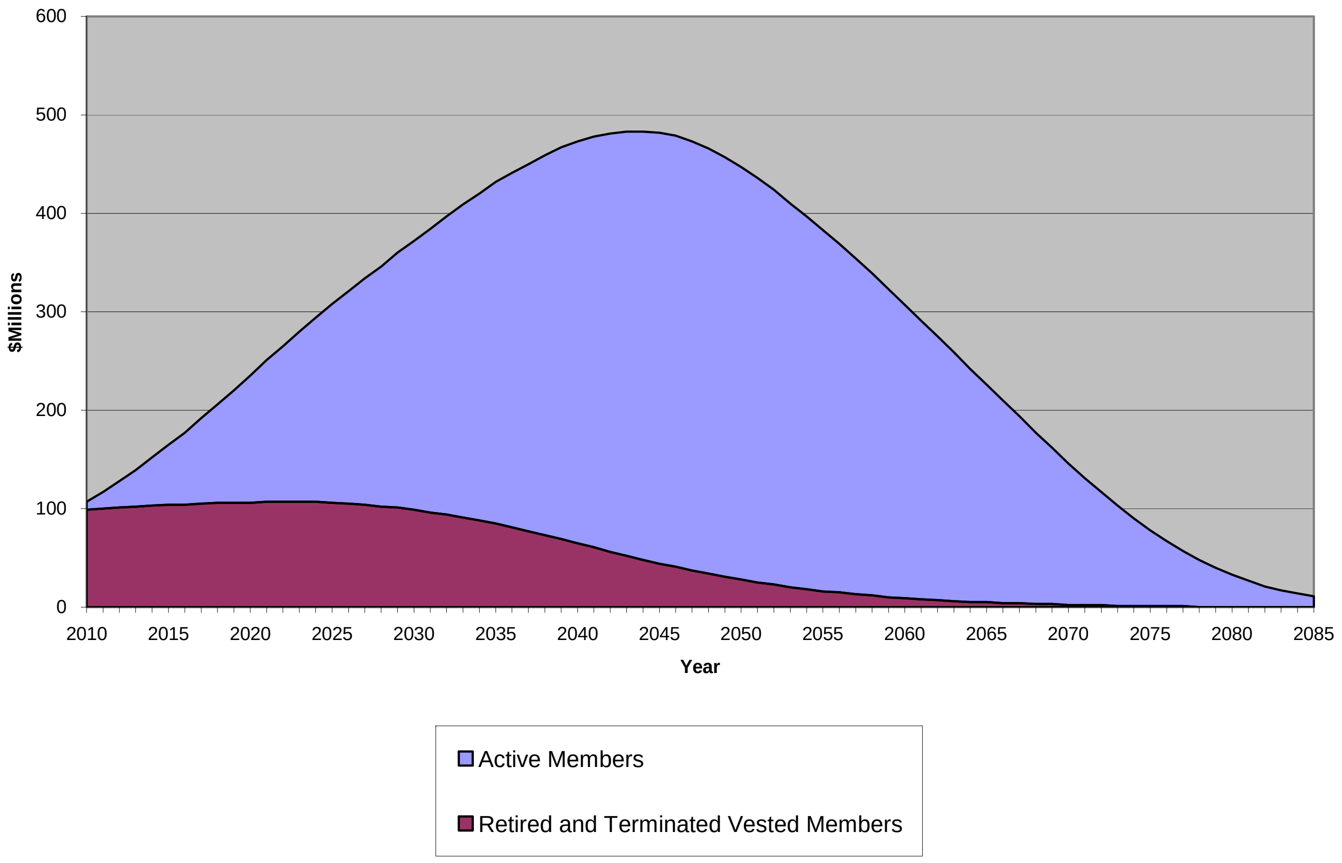
Cash Flow Projection

The graphs on the next two pages illustrate the expected dollar amount of future annual benefit payments. These projected payments are based on:

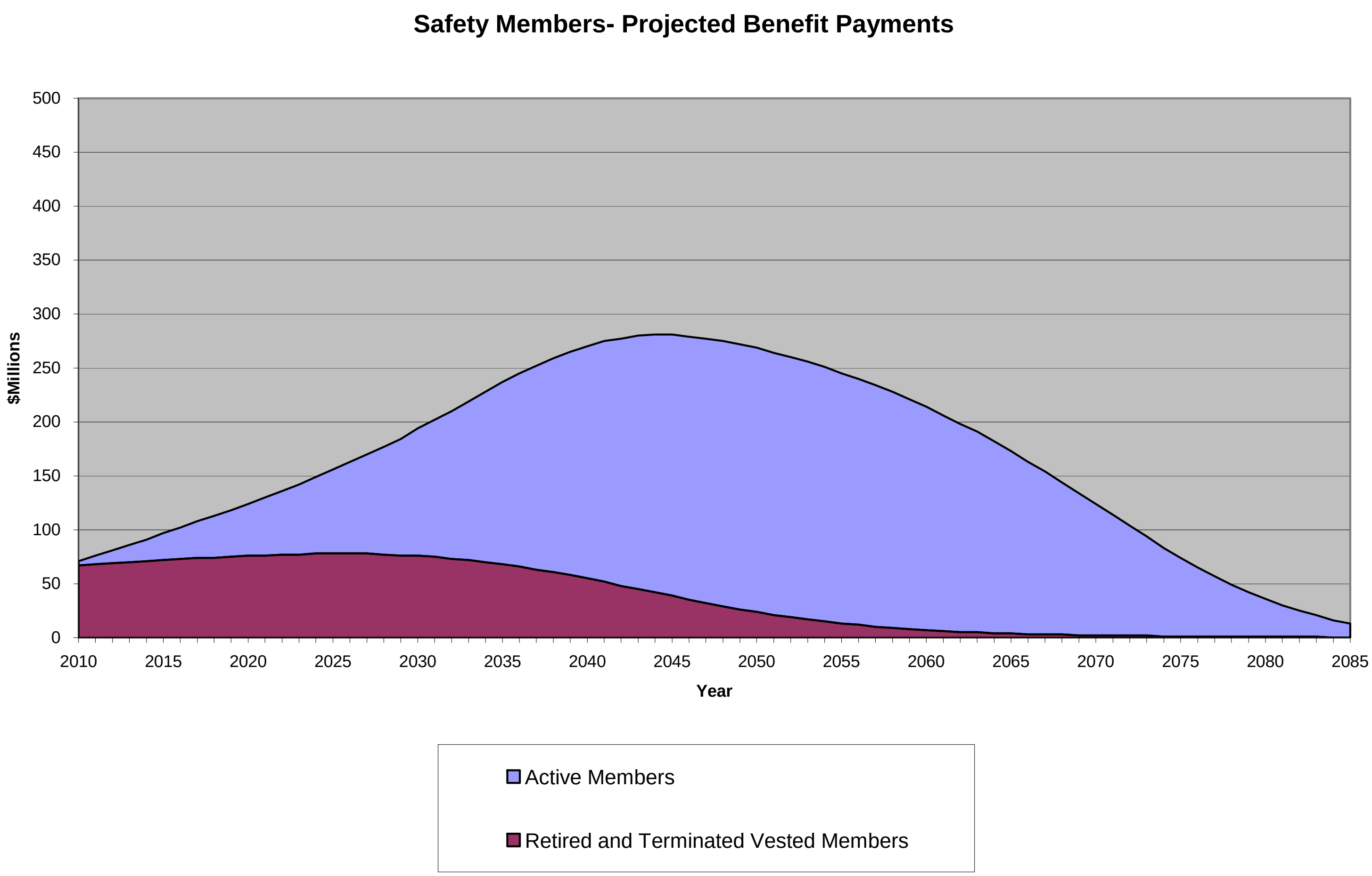
1. Current members, both active and inactive; no new members are included in these projections.
2. Current actuarial assumptions regarding the demographic changes in the membership; future salary increases and future COLA benefit increases based on price inflation.
3. The assumption that no additional benefit changes occur during the 75-year projection period.

Kern County
Employees' Retirement Association

General Members- Projected Benefit Payments



Kern County
Employees' Retirement Association



Appendix A

Actuarial Assumptions

The actuarial procedures and assumptions recommended to be used in the June 30, 2009 valuation are described in this section. The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of KCERA in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of KCERA's benefits. All assumptions were reviewed during the 2008 Investigation of Experience study. The next study is expected as of June 30, 2011.

As discussed in Section 1, Summary of Findings, the 2009 pre-release actuarial audit uncovered an understatement in the number of expected disablements in the 2008 Experience Study. Therefore the disability assumptions were changed back to those used prior to 2008. All other assumptions remain the same as those used for the 2008 valuation.

Table A-1 summarizes the assumptions. The mortality rates are taken from the sources listed.

Schedule 1 presents the expected annual percentage increase in salaries.

Schedules 2 and 3 show how members are expected to leave retired status due to death.

Schedules 4, 5 and 6 present the probabilities a member will leave the system for various reasons.

Schedule 7 presents the probability of refund of contributions upon termination of employment while vested.

The major assumptions and methods used in this valuation are as follows:

ECONOMIC ASSUMPTIONS

Investment Earnings and Expenses: The future investment earnings of the assets of KCERA are assumed to accrue at an annual rate of 7.75%, compounded annually, net of both investment and administrative expenses.

NOTE: This assumption does not reflect the probability of any excess earnings and potential allocation of future interest credits to the CCR or SRBR Reserves.

Postretirement Benefit Increases: Postretirement increases are assumed for the valuation in accordance with the benefits provided as described in Appendix B of the valuation report. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.25% per year.

Salary Increase – Total Payroll:	4.0% per year.
Salary Increase – Individual:	Rates varying by service, as shown in Schedule 1.
Inflation (CPI):	3.25% per year.
Interest on Member Contributions:	The annual credited interest rate on member contributions is assumed to be 7.75% compounded semi-annually.

DEMOGRAPHIC ASSUMPTIONS

Mortality:

• Service Retirement – General:	RP-2000 Combined Healthy Mortality. Rates are set back two years for females and one year for males. Mortality rates for the adjusted table are shown in Schedule 2.
• Service Retirement – Safety:	Rates are the same as General.
• Disability Retirement – General:	RP-2000 Combined Healthy Mortality. Rates set forward four years for females and two years for males. Rates are not less than 1.00% for both males and females. Mortality rates for the adjusted table are shown in Schedule 3.
• Disability Retirement – Safety:	RP-2000 Combined Healthy Mortality. Rates are not less than 0.50% for both males and females. Mortality rates for the adjusted table are shown in Schedule 3.
• Beneficiary:	Rates are the same as a General service retiree of the same gender.
Unisex Mortality	For optional benefit forms and member contribution rate calculations, a unisex mortality assumption must be used to calculate annuity factors. For General members, the annuity factors are based on a one-third/two-thirds blend of the male and female mortality tables using current valuation assumptions. For Safety members, the annuity factors are based upon a five-sixths/one-sixth blend of the male and female mortality tables using current valuation assumptions.

Other Termination:	Rates varying by years of service, as shown in Schedule 4 (for General males), 5 (for General females) and 6 (for Safety). Note that these decrements are not applied after eligibility for retirement.
Probability of Refund:	Rates varying by years of service, as shown in Schedule 7.
Reciprocal Agency:	For current active members, the probability of joining a reciprocal agency immediately after termination is 50% for Safety members and 50% for General members. For members who have already terminated vested with a deferred commencement, we use the code provided by the KCERA to determine if the person has joined a reciprocal agency. All terminating members are assumed to not be rehired.
Deferred Retirement Age for Vested Termination:	Age 50 for Safety members. Age 60 for General members.
Salary Projection for Vested Termination with Reciprocity:	Salaries are assumed to increase with wage inflation from termination with KCERA to benefit commencement. The assumed annual increase after termination of employment is 4.52% for General members and 4.78% for Safety members.
Service Disability:	Rates varying by age, as shown in Schedule 4 (for General males), 5 (for General females) and 6 (for Safety).
Ordinary Disability:	Rates varying by age, as shown in Schedule 4 (for General males), 5 (for General females) and 6 (for Safety).
Service Retirement:	Rates varying by age, as shown in Schedule 4 (for General males), 5 (for General females) and 6 (for Safety). All General members who attain or who have attained age 70 in active service and all Safety members who have attained age 60 in active service are assumed to retire immediately. The assumptions regarding termination of employment and service retirement are treated as a single set of decrements in regards to a particular member.

Service Retirement: (continued)	For example, a General member hired at age 30 has a probability to withdraw from KCERA due to death, disability or other termination of employment until age 50. After age 50, the member could still withdraw due to death, disability or retirement. Thus, in no year during the member's projected employment would they be eligible for both a probability of other termination of employment and a probability of retirement.
Form of Payment:	Life annuity for single members. 60% contingent annuity for married members (100% contingent annuity if receiving service-related disability). SRBR benefits for married members are all assumed to be paid as a 60% contingent annuity.
Percentage Married at Retirement:	80% of male active members and 55% of female active members are assumed to have a spouse or qualified domestic partner eligible for the 60% continuance at retirement. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this marriage assumption are sufficient to cover children's benefits as they occur.
Spouse Ages:	For active members reaching retirement, wives are assumed to be three years younger than husbands. Where spousal information was included for retirees, that information was used. If the age of the spouse was not provided, we have assumed that all spouses are still alive, and that female spouses are four years younger than their husbands.

ACTUARIAL METHODS

Actuarial Cost Method:	The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL).

Amortization Period:	The UAAL due to the change to the benefit formula for General members is amortized as a level percentage of payroll over a 30-year period beginning with the December 31, 2005 valuation, or 26.5 years as of June 30, 2009.

The UAAL due to all other sources is amortized as a level percentage of payroll over a 27.5-year period beginning with the June 30, 2008 valuation, or 26.5 years as of June 30, 2009.

Any UAAL attributable to Golden Handshake programs will be paid by the employer by one of two methods, as elected by the employer:

a. Payment in full for the UAAL attributable to the Golden Handshake(s) in the first month of the fiscal year following the fiscal year in which the Golden Handshake(s) was granted.
b. According to a five-year amortization which will be invoiced (payable in 30 days) to the employer in the first month of the fiscal year following the fiscal year in which the Golden Handshake(s) was granted. The amortization schedule will be based upon the valuation interest rate used in the most recently completed valuation at the time that the amortization schedule is created. The employer may complete payment of the Golden Handshake(s) at any time during the five-year amortization period.

If the amortization method is used, the outstanding balance will be recorded as a receivable asset to be included with the Actuarial Value of Assets. All Golden Handshakes provided by an employer during any fiscal year will be bundled together and will be invoiced in one transaction in the first month following the fiscal year in which the Golden Handshakes were granted.

Actuarial Value of Assets:	The market value of assets (MVA) is adjusted to recognize, over a five-year period, investment earnings greater than (or less than) the assumed investment return. The actuarial value of assets (AVA) is limited by a 50% corridor; the AVA cannot be less than 50% of MVA, nor greater than 150% of MVA. Details are shown in Section 3, Assets, of this report.

Replacement of Terminated Members:	The ages and relative salaries at entry of future members are assumed to follow a new entrant distribution based on the pattern of current members. Under this assumption, the normal cost rates for active members will remain fairly stable in future years unless there are changes in the governing law, the actuarial assumptions or the pattern of the new entrants.
Growth in Membership:	For benefit determination purposes, no growth in the membership of KCERA is assumed. For funding purposes, if amortization is required, the total payroll of covered members is assumed to grow due to the combined effects of future wage increases of current active members and the replacement of the current active members by new employees. No growth in the total number of active members is assumed.
Internal Revenue Code Section 415 Limit:	The Internal Revenue Code Section 415 maximum benefit limitations are not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement.
Employer Contributions:	The employer contribution rate is set by the Retirement Board based on actuarial valuations. The rates will be effective for the fiscal year commencing one year after the actuarial valuation date. The rates are adjusted to reflect the expected changes in the UAAL between the valuation date and implementation date.
Member Contributions:	The member contribution rates vary by entry age and are described in the law. Code references are shown in Appendix D of this report. The methods and assumptions used are detailed below. The individual member rates by entry age, plan and class are illustrated in Appendix D.

Member Contribution Rate Assumptions:

The following assumptions summarize the procedures used to compute member contribution rates based on entry age:

In general, the member rate is determined by the present value of the future benefit (PVFB) payable at retirement age, divided by the present value of all future salaries payable between age at entry and retirement age.

For these purposes, per the CERL, the:

a. Annuity factor used for General members is based on a one-third / two-thirds blend of the male and female mortality tables using current valuation assumptions. For Safety members it is based on a five-sixths / one-sixth blend.

b. The annuity factor used in determining the PVFB at entry age is equal to the life only annuity factor at 8%.

c. The Final Compensation is based on the salary paid in the year prior to attaining the retirement age.

   Example: For a General member who enters at age 59 or earlier, the Final Compensation at retirement (age 60) will be the monthly average of the annual salaries during age 59.

d. Member Rates are assumed to increase with entry age. There are a few exceptions at the higher entry ages where the calculated rate is less than the previous entry age. In these cases the member contribution rate is adjusted so that it is no less than the value for the previous entry age. Also, the new Safety 3 rates do not vary by entry age.

DATA SOURCES

Asset Data:	The asset information is taken directly from statements furnished by the Retirement Office and used without audit.
Member Data:	The member data is supplied by the Retirement Office. It is reviewed for reasonableness and consistency, but no audit was performed. Milliman is not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.
	As discussed in Section 1, Summary of Findings, the pre-release actuarial audit let to the discovery that the salary data fields reported by KCERA for pensionable earnings did not include certain supplemental data adjustments. The corrected salary data was used for the final 2009 valuation.

Table A-1
Summary of Valuation Assumptions as of June 30, 2009

I.	Economic assumptions	
	A. General wage increases	4.00%
	B. Investment earnings	7.75%
	C. Growth in active membership	0.00%
	D. CPI inflation assumption	3.25%
II.	Demographic assumptions	
	A. Salary increases due to service	Schedule 1
	B. Retirement	Schedules 4-6
	C. Disablement	Schedules 4-6
	D. Mortality for active members after termination and service retired members	Schedule 2

Basis – RP-2000 Combined Healthy Mortality:

Class of Members	Age Adjustment
General – Males	-1 years
General – Females	-2 years
Safety – Males	-1 years
Safety – Females	-2 years

E. Mortality among disabled members — Schedule 3

Basis – RP-2000 Combined Healthy Mortality:

Class of Members	Age Adjustment	Minimum Rate
General – Males	+2 years	1.00%
General – Females	+4 years	1.00%
Safety – Males	none	0.50%
Safety – Females	none	0.50%

F. Mortality for beneficiaries — Schedule 3

Basis – Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members.

G. Other terminations of employment	Schedules 4-6
H. Refund of contributions on vested termination	Schedule 7

Schedule 1
Assumed Rate of Salary Increase

Annual Increase in Salary (before wage inflation)

Years of Service	General Members	Safety Members
0	6.00%	6.00%
1	5.00%	5.00%
2	4.00%	4.00%
3	3.00%	3.00%
4	2.50%	2.50%
5	2.25%	2.25%
6	2.00%	2.00%
7	1.75%	1.75%
8	1.50%	1.50%
9	1.30%	1.30%
10	1.10%	1.10%
11	0.90%	0.90%
12	0.80%	0.80%
13	0.70%	0.75%
14	0.60%	0.75%
15 or More	0.50%	0.75%

Annual Increase in Salary (with wage inflation)

Years of Service	General Members	Safety Members
0	10.24%	10.24%
1	9.20%	9.20%
2	8.16%	8.16%
3	7.12%	7.12%
4	6.60%	6.60%
5	6.34%	6.34%
6	6.08%	6.08%
7	5.82%	5.82%
8	5.56%	5.56%
9	5.35%	5.35%
10	5.14%	5.14%
11	4.94%	4.94%
12	4.83%	4.83%
13	4.73%	4.78%
14	4.62%	4.78%
15 or More	4.52%	4.78%

Schedule 2
Mortality for Members Retired for Service

Age	General/Safety Male	General/Safety Female
20	0.033%	0.019%
25	0.038%	0.020%
30	0.041%	0.024%
35	0.070%	0.039%
40	0.102%	0.060%
45	0.140%	0.094%
50	0.200%	0.143%
55	0.320%	0.221%
60	0.595%	0.392%
65	1.128%	0.765%
70	1.980%	1.345%
75	3.390%	2.297%
80	5.793%	3.760%
85	9.978%	6.251%
90	16.642%	10.730%

Schedule 3
Mortality for Members Retired for Disability

Age	General Male	General Female	Safety Male	Safety Female
20	1.000%	1.000%	0.500%	0.500%
25	1.000%	1.000%	0.500%	0.500%
30	1.000%	1.000%	0.500%	0.500%
35	1.000%	1.000%	0.500%	0.500%
40	1.000%	1.000%	0.500%	0.500%
45	1.000%	1.000%	0.500%	0.500%
50	1.000%	1.000%	0.500%	0.500%
55	1.000%	1.000%	0.500%	0.500%
60	1.000%	1.000%	0.675%	0.506%
65	1.608%	1.486%	1.274%	0.971%
70	2.728%	2.546%	2.221%	1.674%
75	4.691%	4.151%	3.783%	2.811%
80	8.049%	6.952%	6.437%	4.588%
85	13.604%	11.915%	11.076%	7.745%
90	21.660%	18.280%	18.341%	13.168%

Schedule 4
Probability of Separation from Active Service
General Members – Male

(Number separating at each age per 10,000 working at that age)

Age	Ordinary Death	Service Death	Ordinary Disability	Service Disability	Tier I	Tier II	Years of Service	Other Terminations
20	3	0	2	3	0	0	0	2,000
21	3	0	2	3	0	0	1	1,400
22	4	0	2	3	0	0	2	1,000
23	4	0	2	3	0	0	3	700
24	4	0	2	3	0	0	4	620
25	4	0	2	3	0	0	5	553
26	4	0	2	3	0	0	6	487
27	4	0	2	3	0	0	7	420
28	4	0	2	3	0	0	8	386
29	4	0	2	4	0	0	9	352
30	4	0	3	4	0	0	10	318
31	4	0	3	4	0	0	11	284
32	5	0	3	5	0	0	12	250
33	6	0	3	5	0	0	13	240
34	6	0	4	6	0	0	14	230
35	7	0	4	6	0	0	15	220
36	8	0	5	7	0	0	16	210
37	8	0	5	8	0	0	17	200
38	9	0	6	8	0	0	18	180
39	10	0	6	9	0	0	19	160
40	10	0	7	10	0	0	20	140
41	11	0	7	11	0	0	21	120
42	11	0	8	12	0	0	22	100
43	12	0	9	13	0	0	23	100
44	13	0	10	14	0	0	24	100
45	14	0	10	16	0	0	25	100
46	15	0	11	17	0	0	26	100
47	16	0	12	18	0	0	27	100
48	17	0	14	22	0	0	28	100
49	19	0	17	25	0	0	29	100
50	20	0	19	29	600	300	30 & Above	100
51	21	0	22	32	300	300		
52	23	0	24	36	400	300		
53	24	0	24	36	500	300		
54	26	0	24	36	500	300		
55	28	0	24	36	1000	800		
56	30	0	24	36	1100	600		
57	33	0	24	36	1400	800		
58	36	0	23	35	1700	1200		
59	40	0	22	34	1800	1300		
60	44	0	22	32	2000	1500		
61	49	0	21	31	2600	2000		
62	54	0	20	30	3200	3200		
63	59	0	19	29	3000	3000		
64	65	0	18	28	3000	3000		
65	70	0	18	26	3000	3000		
66	76	0	17	25	3000	3000		
67	81	0	16	24	3000	3000		
68	86	0	15	23	3000	3000		
69	91	0	14	22	3000	3000		
70	95	0	0	0	10000	10000		

Schedule 5
Probability of Separation from Active Service
General Members – Female

(Number separating at each age per 10,000 working at that age)

Age	Ordinary Death	Service Death	Ordinary Disability	Service Disability	Tier I	Tier II
20	2	0	2	3	0	0
21	2	0	2	3	0	0
22	2	0	2	3	0	0
23	2	0	2	3	0	0
24	2	0	2	3	0	0
25	2	0	2	3	0	0
26	2	0	2	3	0	0
27	2	0	2	3	0	0
28	2	0	2	3	0	0
29	2	0	2	4	0	0
30	2	0	3	4	0	0
31	2	0	3	4	0	0
32	3	0	3	5	0	0
33	3	0	3	5	0	0
34	4	0	4	6	0	0
35	4	0	4	6	0	0
36	4	0	5	7	0	0
37	5	0	5	8	0	0
38	5	0	6	8	0	0
39	6	0	6	9	0	0
40	6	0	7	10	0	0
41	6	0	7	11	0	0
42	7	0	8	12	0	0
43	8	0	9	13	0	0
44	9	0	10	14	0	0
45	9	0	10	16	0	0
46	10	0	11	17	0	0
47	11	0	12	18	0	0
48	12	0	14	22	0	0
49	13	0	17	25	0	0
50	14	0	19	29	600	300
51	16	0	22	32	600	300
52	17	0	24	36	600	300
53	18	0	24	36	600	300
54	20	0	24	36	600	300
55	21	0	24	36	800	400
56	23	0	24	36	1000	600
57	25	0	24	36	1200	700
58	28	0	23	35	1500	900
59	30	0	22	34	1800	1000
60	33	0	22	32	2200	1200
61	36	0	21	31	2000	1400
62	39	0	20	30	3000	3000
63	43	0	19	29	3000	3000
64	47	0	18	28	3000	3000
65	50	0	18	26	3000	3000
66	54	0	17	25	3000	3000
67	58	0	16	24	3000	3000
68	62	0	15	23	3000	3000
69	66	0	14	22	3000	3000
70	69	0	0	0	10000	10000

Years of Service	Other Terminations
0	2,000
1	1,400
2	1,000
3	700
4	620
5	553
6	487
7	420
8	386
9	352
10	318
11	284
12	250
13	240
14	230
15	220
16	210
17	200
18	180
19	160
20	140
21	120
22	100
23	100
24	100
25	100
26	100
27	100
28	100
29	100
30 & Above	100

Schedule 6
Probability of Separation from Active Service
Safety Members

(Number separating at each age per 10,000 working at that age)

Age	Ordinary Death*	Service Death	Ordinary Disability	Service Disability	Service Retirement	Years of Service	Other Terminations
20	3	2	0	3	0	0	700
21	3	2	0	5	0	1	500
22	4	2	0	7	0	2	400
23	4	2	0	9	0	3	300
24	4	2	0	11	0	4	300
25	4	2	0	13	0	5	283
26	4	2	0	16	0	6	267
27	4	2	0	19	0	7	250
28	4	2	0	22	0	8	240
29	4	2	0	25	0	9	230
30	4	2	0	28	0	10	220
31	4	2	0	32	0	11	210
32	5	2	0	36	0	12	200
33	6	2	0	40	0	13	170
34	6	2	0	44	0	14	140
35	7	2	0	48	0	15	110
36	8	2	0	54	0	16	80
37	8	2	0	60	0	17	50
38	9	2	0	66	0	18	50
39	10	2	0	72	0	19	50
40	10	2	0	78	0	20 & Above	0
41	11	2	0	90	0		
42	11	2	0	102	0		
43	12	2	0	114	0		
44	13	2	0	126	0		
45	14	2	0	138	100		
46	15	2	0	150	50		
47	16	2	0	162	50		
48	17	2	0	174	100		
49	19	2	0	186	200		
50	20	2	0	198	1200		
51	21	2	0	216	1200		
52	23	2	0	234	1200		
53	24	2	0	252	1200		
54	26	2	0	270	1500		
55	28	2	0	288	1700		
56	30	2	0	306	2000		
57	33	2	0	324	2300		
58	36	2	0	342	2500		
59	40	2	0	360	2500		
60	44	2	0	0	10000		

** Ordinary death rates for female Safety members are assumed to be the same as for female General members.*

Schedule 7
Immediate Refund of Contributions upon Termination of Employment

Years of Service	General	Safety
0	100%	100%
1	100%	100%
2	100%	100%
3	100%	100%
4	100%	100%
5	45%	40%
6	45%	40%
7	45%	40%
8	42%	36%
9	39%	32%
10	36%	28%
11	33%	24%
12	30%	20%
13	28%	17%
14	26%	14%
15	24%	11%
16	22%	8%
17	20%	5%
18	18%	4%
19	16%	3%
20	14%	0%
21	12%	0%
22	10%	0%
23	8%	0%
24	6%	0%
25	4%	0%
26	2%	0%
27	0%	0%
28	0%	0%
29	0%	0%
30 & Up	0%	0%

Appendix B

Benefit Summaries

GENERAL AND SAFETY MEMBERS	
Membership:	Employment (at least 50% of full-time) with County or participating District. Enter on first day of the first pay period after entrance into service.
Final Average Salary (FAS):	Highest one-year average.

SERVICE RETIREMENT SPECIFIC TO GENERAL TIER I MEMBERS	
Code Section:	31676.17 (3% at 60).* 31676.14 (1.667% at 52).**
Eligibility:	Tier I generally applies to KCERA General members hired by the County prior to October 27, 2007, or hired by North of the River Sanitation District prior to October 29, 2007, and all other district employees regardless of hire date.
Retirement Eligibility:	10 years of service and age 50, or 30 years of service regardless of age, or age 70 regardless of service.
Benefit:	2.0%, or one-fiftieth (1/50) of FAS per year of service times Retirement Adjustment Factor (RAF).
Retirement Age Factor (RAF):	Sample factors:

Age	Factor
50	1.0000
55	1.2500
60 and older	1.5000

Integration with Social Security:	Benefits based on first $350 of monthly FAS are reduced by 1/3. Benefits for some District members are not integrated with Social Security.
Maximum Benefit:	100% of FAS.
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.

* *Note: CERL 31676.17 (3% at 60) was adopted by the Board of Supervisors, effective January 1, 2005.*

** *Two General Districts, Berrenda Mesa and Inyokern, have adopted 31676.17 on a prospective basis only as of January 1, 2005, but have Section 31676.14 for service prior to January 1, 2005.*

SERVICE RETIREMENT SPECIFIC TO GENERAL TIER II MEMBERS

Code Section:	31676.01 (1.62% at 65).*
Eligibility:	Tier II generally applies to most KCERA General members hired by the County on or after October 27, 2007, or hired by North of the River Sanitation District on or after October 29, 2007. This tier does not apply for any district employees outside of North of the River Sanitation.
Retirement Eligibility:	Retirement eligibility with 10 years of service and age 50, or 30 years of service regardless of age, or age 70 regardless of service.
Benefit:	1.11%, or one-ninetieth (1/90) of FAS per year of service times Retirement Adjustment Factor (RAF).
Retirement Age Factor (RAF):	Sample factors:

Age	Factor
55	0.8954
60	1.1500
65 and older	1.4593

Integration with Social Security:	Benefits based on first $350 of monthly FAS are reduced by 1/3. Benefits for some District members are not integrated with Social Security.
Maximum Benefit:	100% of FAS.
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.

* *Note: CERL 31676.01 (1.62% at 65) was adopted by the Board of Supervisors, effective October 27, 2007 for County members, and was adopted by the North of the River Sanitation District, effective October 29, 2007.*

SERVICE RETIREMENT SPECIFIC TO SAFETY MEMBERS

Code Section:	31664.1 effective January 1, 2001.
Retirement Eligibility:	10 years of service and age 50, or 20 years of service regardless of age.
Benefit:	3.000% of FAS per year of service times Retirement Adjustment Factor (RAF).
Retirement Age Factor (RAF):	Sample factors:

Age	Factor
41	0.6258
45	0.7805
50 and above	1.0000

Integration with Social Security:	Benefits based on first $350 of monthly FAS are reduced by 1/3.
Maximum Benefit:	100% of FAS.
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.

GENERAL TIER I, GENERAL TIER II, AND SAFETY MEMBERS

Retirement Benefit as a percentage of FAS per year of service:

	Age 45	Age 50	Age 55	Age 60	Age 65 & Up	
General Tier I		2.000%	2.500%	3.000%	3.000%	(31676.17)
General Tier II		0.788%	0.995%	1.278%	1.621%	(31676.01)
Safety	2.342%	3.000%	3.000%	3.000%	3.000%	(31664.1)

NONSERVICE-CONNECTED DISABILITY

Eligibility:	Five years of service.
Disabled Definition:	Unable to perform his/her own job.
Benefit:	20% of FAS, plus 2% of FAS for each full year of service in excess of five, but not more than 40% of FAS.
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.

SERVICE-CONNECTED DISABILITY	
Eligibility:	First day of work.
Disabled Definition:	Disability is substantially caused by employment and unable to perform his/her own job.
Benefit:	50% of salary, but not less than Service Retirement benefit (if eligible at time of commencement).
Normal Form of Benefit:	Life annuity; 100% continuance to spouse after death of member. If there is no surviving spouse, the benefit is paid to eligible children.

NONSERVICE-CONNECTED DEATH	
Before eligible for Nonservice-Connected Disability or Service Retirement:	Refund of employee contributions with interest, plus one month's salary for each year of service (maximum six months' salary).
After eligible for Nonservice-Connected Disability or Service Retirement:	60% of Nonservice-Connected Disability Benefit or Service Retirement Benefit the member would have received for retirement on day of death payable to surviving eligible spouse for the life of the spouse. If there is no surviving spouse, the benefit is paid to eligible children.

SERVICE-CONNECTED DEATH	
Eligibility:	First day of work.
Benefit:	50% of salary, but not less than Service Retirement benefit (if eligible at time of commencement).
Normal Form of Benefit:	Life annuity to spouse after death of member. If there is no surviving spouse, the benefit is paid to eligible children.

DEFERRED SERVICE RETIREMENT	
Eligibility:	Five years of service.
Additional requirement:	Must leave contributions on deposit.
Benefit:	Same as service retirement benefit.
FAS:	If reciprocity provisions apply, includes compensation earned at reciprocal agency.
Normal Form of Benefit:	Same as service retirement benefit.

WITHDRAWAL	
Eligibility:	First day of work.
Other Requirement:	Forfeits right to receive other benefit from retirement system.
Benefit:	Accumulated contributions with interest.
Form of Benefit:	Lump sum.

COST-OF-LIVING BENEFITS	
Timing:	Annually, effective April 1 based on change in Consumer Price Index for the preceding calendar year.
Maximum:	2.5% per year.

SUPPLEMENTAL RETIREE BENEFIT RESERVE	
It should be noted that this valuation makes no explicit or implicit recognition of any potential future excess earnings that could result in additional SRBR.	See Section 8 of this report for a description of the SRBR benefits.

Kern County
Employees' Retirement Association

Appendix C

Membership Data

	June 30, 2008	June 30, 2009 **	Total Change	Experience Change ***	Data Change ****
General Members					
County Tier I					
Number	6,358	5,929	-6.75%		
Average Age	45.1	45.9	1.80%		
Average Service	10.4	11.2	7.78%		
Percent Male	28.69%	28.42%	-0.94%		
Average Annual Pay	$ 51,160	$ 59,336	15.98%	9.32%	6.09%
Total Covered Payroll	$ 325,276,730	$ 351,805,570	8.16%	1.95%	6.09%
Valuation Payroll	$ 323,622,799	$ 350,019,214	8.16%	1.96%	6.08%
County Tier II					
Number	$ 435	$ 798	83.45%		
Average Age	36.3	$ 36.3	-0.06%		
Average Service	0.4	1.0	145.18%		
Percent Male	31.26%	27.44%	-12.22%		
Average Annual Pay	$ 40,727	$ 50,164	23.17%	12.62%	9.37%
Total Covered Payroll	$ 17,716,112	$ 40,030,949	125.96%	106.61%	9.37%
Valuation Payroll	$ 17,716,100	$ 39,980,406	125.67%	106.34%	9.37%
Districts Electing 1997 MOU					
Number	140	144	2.86%		
Average Age	45.1	44.8	-0.54%		
Average Service	11.9	11.1	-6.74%		
Percent Male	75.71%	72.22%	-4.61%		
Average Annual Pay	$ 66,249	$ 72,181	8.95%	5.43%	3.34%
Total Covered Payroll	$ 9,274,885	$ 10,394,126	12.07%	8.44%	3.34%
Valuation Payroll	$ 9,274,885	$ 10,394,126	12.07%	8.44%	3.34%
Districts Not Electing 1997 MOU					
Number	283	295	4.24%		
Average Age	42.0	42.2	0.36%		
Average Service	7.3	7.2	-1.56%		
Percent Male	61.13%	58.98%	-3.51%		
Average Annual Pay	$ 59,456	$ 70,660	18.84%	2.20%	16.28%
Total Covered Payroll	$ 16,825,926	$ 20,844,690	23.88%	6.54%	16.28%
Valuation Payroll	$ 16,825,920	$ 20,844,690	23.88%	6.54%	16.28%
Total General					
Number	7,216	7,166	-0.69%		
Average Age	44.4	44.6	0.49%		
Average Service	9.7	9.9	2.08%		
Percent Male	31.03%	30.45%	-1.87%		
Average Annual Pay	$ 51,149	$ 59,039	15.43%	8.09%	6.78%
Total Covered Payroll	$ 369,093,653	$ 423,075,334	14.63%	7.34%	6.78%
Valuation Payroll	$ 367,439,707	$ 421,238,436	14.64%	7.38%	6.77%
Safety Members*					
Number	1,841	1,854	0.71%		
Average Age	38.7	38.3	-1.02%		
Average Service	11.3	10.9	-3.30%		
Percent Male	81.53%	81.01%	-0.64%		
Average Annual Pay	$ 64,067	$ 76,499	19.41%	5.91%	12.74%
Total Covered Payroll	$ 117,947,008	$ 141,829,138	20.25%	6.66%	12.74%
Valuation Payroll	$ 115,439,050	$ 138,633,604	20.09%	6.48%	12.79%
Total Active Members					
Number	9,057	9,020	-0.41%		
Average Age	43.3	43.3	0.18%		
Average Service	10.0	10.1	0.87%		
Percent Male	41.29%	40.84%	-1.09%		
Average Annual Pay	$ 53,775	$ 62,628	16.46%	7.62%	8.22%
Total Covered Payroll	$ 487,040,661	$ 564,904,472	15.99%	7.18%	8.22%
Valuation Payroll	$ 482,878,757	$ 559,872,040	15.94%	7.16%	8.20%

** Includes 4 Suspended members.*
*** Corrected pensionable salary used for the 2009 valuation.*
**** Experience Change reflects change in base pay between the 2008 and 2009 valuations.*
*****Data change reflects the inclusion of supplemental pay items with pensionable salary.*

Terminated Vested Members*

	June 30, 2008	June 30, 2009	Change
General Members - Tier I			
Number	1,136	1,155	1.67%
Average Age	46.8	46.8	-0.18%
Average Service	15.3	15.5	1.28%
Percent Male	39.61%	39.48%	-0.33%
General Members - Tier II			
Number	1	9	N/A
Average Age	23	44.0	N/A
Average Service	0.1	1.0	N/A
Percent Male	0.00%	44.44%	N/A
Safety Members			
Number	149	152	2.01%
Average Age	40.7	41.1	0.79%
Average Service	14.4	14.7	2.20%
Percent Male	79.87%	80.92%	1.32%
All Members			
Number	1,286	1,316	2.33%
Average Age	46.1	46.1	-0.07%
Average Service	15.2	15.3	0.81%
Percent Male	44.25%	44.30%	0.12%

** This includes some active members who were formerly employed in a different classification.*

Terminated Members with Pending Refunds

	June 30, 2008	June 30, 2009	Change
General Members - Tier I			
Number	386	335	-13.21%
Average Age	34.8	35.3	1.43%
Percent Male	27.98%	31.04%	10.96%
General Members - Tier II			
Number	39	96	N/A
Average Age	35.4	35.5	N/A
Percent Male	41.03%	41.67%	N/A
Safety Members			
Number	36	28	-22.22%
Average Age	29.1	29.3	0.64%
Percent Male	86.11%	78.57%	-8.76%
All Members			
Number	461	459	-0.43%
Average Age	34.4	35.0	1.68%
Percent Male	33.62%	36.17%	7.56%

Kern County
Employees' Retirement Association

Retired Members

		June 30, 2008		June 30, 2009	Change
General Members					
Service Retirements					
Number		3,069		3,248	5.83%
Average Age		69.5		69.3	-0.30%
Percent Male		37.47%		37.38%	-0.25%
Average Monthly Benefit*	$	1,923	$	2,066	7.44%
Beneficiaries					
Number		642		660	2.80%
Average Age		73.9		73.5	-0.56%
Percent Male		21.81%		23.18%	6.31%
Average Monthly Benefit*	$	924	$	981	6.18%
Disabled					
Number		547		548	0.18%
Average Age		60.5		61.0	0.87%
Percent Male		36.38%		35.58%	-2.19%
Average Monthly Benefit*	$	1,468	$	1,506	2.57%
Total General					
Number		4,258		4,456	4.65%
Average Age		69.0		68.9	-0.16%
Percent Male		34.97%		35.05%	0.24%
Average Monthly Benefit*	$	1,714	$	1,836	7.15%
Safety Members					
Service Retirements					
Number		713		768	7.71%
Average Age		64.9		64.7	-0.20%
Percent Male		90.32%		90.49%	0.19%
Average Monthly Benefit*	$	4,285	$	4,696	9.58%
Beneficiaries					
Number		253		264	4.35%
Average Age		67.8		67.7	-0.16%
Percent Male		5.14%		6.06%	17.95%
Average Monthly Benefit*	$	1,753	$	1,818	3.73%
Disabled					
Number		427		439	2.81%
Average Age		59.3		60.0	1.22%
Percent Male		81.97%		82.46%	0.60%
Average Monthly Benefit*	$	3,169	$	3,297	4.04%
Total Safety					
Number		1,393		1,471	5.60%
Average Age		63.7		63.9	0.26%
Percent Male		72.29%		72.94%	0.90%
Average Monthly Benefit*	$	3,483	$	3,762	8.00%

**Excludes SRBR amounts.*

Retired Members (continued)

Total Members		June 30, 2008		June 30, 2009	Change
Service Retirements					
Number		3,782		4,016	6.19%
Average Age		68.6		68.4	-0.30%
Percent Male		47.44%		47.53%	0.21%
Average Monthly Benefit*	$	2,368	$	2,569	8.47%
Beneficiaries					
Number		895		924	3.24%
Average Age		72.2		71.9	-0.48%
Percent Male		17.09%		18.29%	6.99%
Average Monthly Benefit*	$	1,158	$	1,220	5.35%
Disabled					
Number		974		987	1.33%
Average Age		59.9		60.5	1.01%
Percent Male		56.37%		56.43%	0.12%
Average Monthly Benefit*	$	2,214	$	2,303	4.01%
Total Retirees					
Number		5,651		5,927	4.88%
Average Age		67.7		67.7	-0.08%
Percent Male		44.17%		44.46%	0.65%
Average Monthly Benefit*	$	2,150	$	2,314	7.64%

**Excludes SRBR amounts.*

SRBR Approved Benefits

Total Members		June 30, 2008		June 30, 2009	Change
SRBR Death Benefits					
Retirees Eligible		4,756		4,982	4.75%
Total Benefits	$	14,268,000	$	14,946,000	4.75%
Average Benefit	$	3,000	$	3,000	0.00%
SRBR 1					
Retirees and Beneficiaries Eligible		5,316		5,499	3.44%
Total Monthly Benefits	$	174,937	$	180,843	3.38%
Average Monthly Benefit	$	32.91	$	32.89	-0.06%
SRBR 2					
Retirees and Beneficiaries Eligible		871		810	-7.00%
Total Monthly Benefits	$	159,420	$	145,838	-8.52%
Average Monthly Benefit	$	183.03	$	180.05	-1.63%
SRBR 3					
Retirees and Beneficiaries Eligible		644		666	3.42%
Total Monthly Benefits	$	208,458	$	213,597	2.46%
Average Monthly Benefit	$	323.69	$	320.72	-0.92%

Kern County
Employees' Retirement Association

General Members

	Actives	Terminated Vested	Terminated Pending Refund	Service Retirees	Disability Retirees	Beneficiaries
As of June 30, 2008	7,216	1,137	425	3,069	547	642
New Hires/Rehires	553	(6)	24	-	-	-
Net Transfers (to)/from Safety	(4)	1	-	-	-	-
Terminated - Contributions Refunded	(188)	(33)	(75)	-	-	-
Terminated - Pending Refund	(100)	-	100	-	-	-
Vested Terminations	(82)	128	(45)	(1)	-	-
Suspended	(1)	-	-	-	-	-
Service Retirements	(203)	(61)	-	264	-	-
Disability Retirements	(12)	(2)	-	(2)	16	-
Active Deaths	(13)	-	-	-	-	-
Deaths Or Ceased Payments	-	-	-	(88)	(17)	(45)
Beneficiaries of Retirees Who Died	-	-	-	-	2	61
Data Corrections	-	-	2	6	-	2
As of June 30, 2009	7,166	1,164	431	3,248	548	660

Safety Members

	Actives		Terminated Vested	Terminated Pending Refund	Service Retirees	Disability Retirees	Beneficiaries
As of June 30, 2008	1,838	*	149	36	713	427	253
New Hires/Rehires	124		-	(1)	-	-	-
Net Transfers (to)/from General	4		(1)	-	-	-	-
Terminated - Contributions Refunded	(20)		(2)	(8)	-	-	-
Terminated - Pending Refund	(7)		-	7	-	-	-
Vested Terminations	(7)		13	(6)	-	-	-
Suspended	(1)		-	-	-	-	-
Service Retirements	(69)		(6)	-	75	-	-
Disability Retirements	(12)		(1)	-	(3)	16	-
Active Deaths	-		-	-	-	-	-
Deaths Or Ceased Payments	-		-	-	(17)	(5)	(11)
Beneficiaries of Retirees Who Died	-		-	-	-	-	21
Data Corrections	-		-	-	-	1	1
As of June 30, 2009	1,850	*	152	28	768	439	264

** Liabilities for four suspended members were also valued in 2009 (increased from three in 2008).*
Total June 30, 2009 actives =1854 including suspended members.

Kern County
Employees' Retirement Association

Summary of Active General Members by Age and Service

Number of Members by Age and Service Groups

	Years of Service										
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	49	101	-	-	-	-	-	-	-	-	150
25-29	151	497	56	2	-	-	-	-	-	-	706
30-34	87	477	210	31	-	-	-	-	-	-	806
35-39	81	360	283	121	15	-	-	-	-	-	860
40-44	48	240	219	164	119	29	-	-	-	-	819
45-49	49	241	207	175	183	160	54	2	-	-	1,071
50-54	30	180	173	191	207	164	136	34	-	-	1,115
55-59	27	140	162	162	168	144	116	63	9	1	992
60-64	8	71	103	89	92	77	37	14	5	-	496
65-69	1	12	33	28	17	19	9	2	3	3	127
70&Up	-	3	6	4	3	5	1	1	1	-	24
Total	531	2,322	1,452	967	804	598	353	116	18	4	7,166

Average Annual Compensation for General Members by Age and Service at June 30, 2009

Average Compensation by Age and Service Groups

	Years of Service										
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	32,575	35,762	-	-	-	-	-	-	-	-	34,721
25-29	41,978	46,051	45,911	57,618	-	-	-	-	-	-	45,201
30-34	46,480	48,441	55,359	51,845	-	-	-	-	-	-	50,102
35-39	44,033	49,903	60,456	61,697	46,086	-	-	-	-	-	54,415
40-44	47,071	49,439	56,773	61,459	58,773	50,021	-	-	-	-	55,045
45-49	46,471	49,309	57,407	59,487	62,829	60,056	53,366	60,320	-	-	56,548
50-54	49,795	51,229	53,695	60,216	62,959	63,982	65,504	67,941	-	-	59,417
55-59	40,993	53,803	61,717	57,653	59,285	69,665	68,404	75,029	55,905	40,097	61,667
60-64	48,610	61,096	59,848	56,671	59,691	60,161	66,053	88,294	42,972	-	60,390
65-69	26,659	46,467	57,413	56,690	51,898	63,462	62,213	35,047	58,359	87,657	56,869
70&Up	-	93,584	77,154	49,472	53,743	72,843	32,474	81,632	71,868	-	68,874
Total	43,499	48,772	57,460	59,304	60,585	63,189	64,480	73,667	53,609	75,767	55,289

Summary of Active Safety Members by Age and Service

Number of Members by Age and Service Groups

	Years of Service									
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	40	69	-	-	-	-	-	-	-	-	109
25-29	47	206	73	1	-	-	-	-	-	-	327
30-34	17	114	163	47	-	-	-	-	-	-	341
35-39	8	54	116	125	17	-	-	-	-	-	320
40-44	-	26	41	69	55	13	1	-	-	-	205
45-49	1	8	12	35	52	92	27	-	-	-	227
50-54	-	4	9	17	25	45	63	24	-	-	187
55-59	1	2	4	9	11	20	20	30	1	-	98
60-64	-	1	2	11	1	9	6	2	1	-	33
65-69	-	-	2	2	2	1	-	-	-	-	7
Total	114	484	422	316	163	180	117	56	2	-	1,854

Average Annual Compensation for Safety Members by Age and Service at June 30, 2009

Average Compensation by Age and Service Groups

	Years of Service									
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	44,613	53,000	-	-	-	-	-	-	-	-	49,922
25-29	44,522	54,483	68,045	91,132	-	-	-	-	-	-	56,191
30-34	45,008	56,291	65,858	68,775	-	-	-	-	-	-	62,022
35-39	45,704	54,835	69,893	70,073	68,681	-	-	-	-	-	66,753
40-44	-	56,851	73,879	70,168	76,913	92,452	84,093	-	-	-	72,512
45-49	47,790	53,370	67,350	67,604	74,572	87,010	89,938	-	-	-	79,120
50-54	-	79,460	66,127	72,307	76,237	84,009	85,350	98,305	-	-	83,234
55-59	45,686	63,975	56,260	67,448	70,860	83,148	91,437	98,534	94,515	-	84,973
60-64	-	46,216	51,131	60,089	63,919	66,788	83,281	97,812	135,129	-	69,846
65-69	-	-	77,407	60,634	54,975	69,327	-	-	-	-	65,051
Total	44,748	55,074	68,067	69,332	74,447	85,114	87,332	98,410	114,822	-	67,855

Appendix D

Member Contribution Rates

Member contribution rates are calculated as a percentage of the member's pay, on the basis of the member's age at entry into System, the classification of the member, the Plan's economic assumptions and the member's life expectancy at the retirement age specified for this purpose in the County Employees Retirement Law of 1937 (1937 Act).

The recommended contribution rates for General and Safety members are presented on the following pages.

General Tier I Member Contribution Rates

Member Rates as a Percentage of Salary
Contribution Rates (Fiscal Year 2010-2011)
1/100th @ 55

	Integrated		Non-Integrated
Entry Age	First $350 of Monthly Comp.	Excess of $350 Monthly Comp.	All Compensation
18	4.23%	6.34%	6.34%
19	4.31%	6.46%	6.46%
20	4.39%	6.58%	6.58%
21	4.47%	6.70%	6.70%
22	4.55%	6.83%	6.83%
23	4.63%	6.95%	6.95%
24	4.72%	7.08%	7.08%
25	4.81%	7.21%	7.21%
26	4.90%	7.35%	7.35%
27	4.99%	7.48%	7.48%
28	5.08%	7.62%	7.62%
29	5.17%	7.76%	7.76%
30	5.27%	7.91%	7.91%
31	5.37%	8.06%	8.06%
32	5.47%	8.21%	8.21%
33	5.57%	8.36%	8.36%
34	5.68%	8.52%	8.52%
35	5.79%	8.68%	8.68%
36	5.90%	8.85%	8.85%
37	6.01%	9.02%	9.02%
38	6.13%	9.19%	9.19%
39	6.25%	9.38%	9.38%
40	6.37%	9.56%	9.56%
41	6.50%	9.75%	9.75%
42	6.62%	9.93%	9.93%
43	6.74%	10.11%	10.11%
44	6.85%	10.28%	10.28%
45	6.97%	10.45%	10.45%
46	7.07%	10.61%	10.61%
47	7.17%	10.75%	10.75%
48	7.26%	10.89%	10.89%
49	7.34%	11.01%	11.01%
50	7.41%	11.12%	11.12%
51	7.47%	11.21%	11.21%
52	7.50%	11.25%	11.25%
53	7.50%	11.25%	11.25%
54	7.50%	11.25%	11.25%

General Tier II Member Contribution Rates

Member Rates as a Percentage of Salary
Contribution Rates (Fiscal Year 2010-2011)
1/120th @ 60

	Integrated		Non-Integrated
Entry Age	First $350 of Monthly Comp.	Excess of $350 Monthly Comp.	All Compensation
18	3.01%	4.51%	4.51%
19	3.06%	4.59%	4.59%
20	3.12%	4.68%	4.68%
21	3.18%	4.77%	4.77%
22	3.24%	4.86%	4.86%
23	3.30%	4.95%	4.95%
24	3.36%	5.04%	5.04%
25	3.43%	5.14%	5.14%
26	3.49%	5.23%	5.23%
27	3.55%	5.33%	5.33%
28	3.62%	5.43%	5.43%
29	3.69%	5.53%	5.53%
30	3.75%	5.63%	5.63%
31	3.83%	5.74%	5.74%
32	3.90%	5.85%	5.85%
33	3.97%	5.95%	5.95%
34	4.04%	6.06%	6.06%
35	4.12%	6.18%	6.18%
36	4.19%	6.29%	6.29%
37	4.27%	6.41%	6.41%
38	4.35%	6.53%	6.53%
39	4.43%	6.65%	6.65%
40	4.52%	6.78%	6.78%
41	4.61%	6.91%	6.91%
42	4.69%	7.04%	7.04%
43	4.79%	7.18%	7.18%
44	4.88%	7.32%	7.32%
45	4.98%	7.47%	7.47%
46	5.07%	7.61%	7.61%
47	5.17%	7.75%	7.75%
48	5.27%	7.90%	7.90%
49	5.35%	8.03%	8.03%
50	5.44%	8.16%	8.16%
51	5.53%	8.29%	8.29%
52	5.60%	8.40%	8.40%
53	5.67%	8.50%	8.50%
54	5.73%	8.60%	8.60%

Member Contribution Rates – Excluding "Safety 3" Members

Member Rates as a Percentage of Pensionable Earnings
Contribution Rates (Fiscal Year 2010-2011)

	Integrated	
Entry Age	First $350 of Monthly Comp.	Excess of $350 Monthly Comp.
18	7.42%	11.14%
19	7.55%	11.32%
20	7.68%	11.51%
21	7.80%	11.71%
22	7.93%	11.90%
23	8.07%	12.10%
24	8.20%	12.30%
25	8.34%	12.51%
26	8.48%	12.72%
27	8.62%	12.93%
28	8.77%	13.15%
29	8.91%	13.37%
30	9.07%	13.60%
31	9.22%	13.83%
32	9.38%	14.07%
33	9.54%	14.31%
34	9.71%	14.57%
35	9.88%	14.83%
36	10.06%	15.10%
37	10.25%	15.38%
38	10.44%	15.66%
39	10.62%	15.93%
40	10.79%	16.19%
41	10.95%	16.43%
42	11.10%	16.66%
43	11.24%	16.86%
44	11.36%	17.04%
45	11.48%	17.22%
46	11.57%	17.36%
47	11.62%	17.42%
48	11.62%	17.42%
49 and Older	11.62%	17.42%

Note: Beginning at various dates throughout 2007, certain Safety bargaining units converted to a new schedule of contribution rates, referred to as "Safety 3" contribution rates. For employees falling under this category and hired after the appropriate date (which varies by bargaining unit), the contribution rate will be a flat percentage of pay regardless of entry age.

Member Contribution Rates – "Safety 3" Members

Member Rates as a Percentage of Pensionable Earnings
Contribution Rates (Fiscal Year 2010-2011)

	Integrated	
Entry Age	**First $350 of Monthly Comp.**	**Excess of $350 Monthly Comp.**
Every Entry Age	8.20%	12.30%

Note: Beginning at various dates throughout 2007, certain Safety bargaining units converted to a new schedule of contribution rates, referred to as "Safety 3" contribution rates. For employees falling under this category and hired after the appropriate date (which varies by bargaining unit), the contribution rate will be a flat percentage of pay regardless of entry age.

Appendix E

Glossary

The following definitions include excerpts from a list adopted by the major actuarial organizations in the United States. In some cases, the definitions have been modified for specific applicability to KCERA and include terms used exclusively by KCERA. Defined terms are capitalized throughout this Appendix.

Accrued Benefit	The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.
Actuarial Accrued Liability	That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.
Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disability, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.
Actuarial Gain (Loss)	A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.
Actuarial Present Value	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.
Actuarial Value of Assets	Market Value of Assets, adjusted to defer unexpected assets gains and losses over 10 six-month periods.
Actuarially Equivalent	Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.
Amortization Payment	That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
Approved SRBR Benefits	These are the SRBR benefits that have already been approved by the Retirement Board. They include all Tier I, Tier II and Death Benefits, as well as the Tier III benefits approved through the valuation date.

Basic Benefits All formula benefits provided under the Regular portion of KCERA. These include service retirement benefits, survivor continuance, disability benefits, and refunds of member contributions. Basic Benefits do not include cost-of-living adjustments.

COLA Benefits These are the cost-of-living adjustments provided under the Regular portion of KCERA. They include cost-of-living increases paid on service retirement benefits, disability benefits and survivor benefits. The funding of the permanent additional 0.5% COLA benefit that was granted as part of the Ventura court settlement is included in the regular benefits, for a total COLA benefit of 2.5%. For funding purposes and to determine the COLA Contributions Reserve, the COLA benefits are split between the "2.0%" COLA benefits and the "0.50%" COLA benefits.

Contingency Reserve The Contingency Reserve is used to satisfy the California Government Code requirement for Section 31616 requirement for KCERA to reserve at least 1% of assets, up to a maximum of 3% of assets. KCERA has adopted a goal to reserve 3.0% of the assets against earning deficiencies, investment losses, and other contingencies, if available.

Cost-of-Living Reserve The accumulation of employer contributions for future annual cost-of-living increases for retirees and continuance beneficiaries. Additions include contributions from employers and related earnings and deductions include monthly cost-of-living benefit payments.

COLA Contribution Reserve This CCR refers to the amount of excess investment earnings that have been set aside to reduce future employer COLA contributions as provided under Section 31617 of Article 5.5 under the CERL. If no earnings are allocated under 31617 or they have already been allocated as a credit for future employer COLA contributions, the CCR value is zero.

Employers' Advance Reserve The accumulation of employer contributions for future retirement benefit payments. Additions include contributions from employers and related earnings and deductions include transfers to the Retired Members' Reserve.

Entry Age Actuarial Cost Method A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Funded Ratio A measurement of the funded status of the system. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. For example, a Funded Ratio of 90% indicates assets are 10% less than liabilities.

Funding Excess	The excess, if any, of the Actuarial Value of Assets over the Actuarial Accrued Liability.
Future SRBR Benefits	These are the SRBR benefits expected to be approved in future years in order to maintain the 80% purchasing power goal.
Market Value of Assets	The value of cash, investments and other property belonging to a pension plan.
Members' Deposit Reserve	The accumulation of member contributions. Additions include member contributions and related earnings and deductions include transfers to the Retired Members' Reserve and refunds to members.
Non-Valuation Reserves	Those funds not available to fund the Regular Benefits. These are the Contingency Reserve, the Unallocated SRBR Reserve and the COLA Contribution Reserve.
Normal Cost	That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
Projected Benefits	Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.
Regular Benefits	The benefits provided under the non-SRBR section of KCERA. These will include both Basic Benefits and COLA Benefits, including the supplemental 0.5% COLA provisions.
Supplemental Retiree Benefit Reserve (SRBR)	Supplemental benefit payments that are additional payments to retired members and to restore purchasing power at a specified percentage level, as described in California Government Code Section 31618, under Article 5.5 of CERL. These are non-vested benefits to both current and future retired members and their beneficiaries.
Unfunded Actuarial Accrued Liability	The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
Valuation Date	The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year.
Valuation Assets	The actuarial value of the Valuation Reserves. This is calculated by subtracting the Non-Valuation reserves from the Actuarial Value of Assets.
Valuation Reserves	All reserves excluding the Non-Valuation Reserves.