Kern County Employees' Retirement Association

Actuarial Valuation and Review as of June 30, 2012

SEGAL

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November 30, 2012

Board of Retirement
Kern County Employees' Retirement Association
11125 River Run Blvd.
Bakersfield, CA 93311

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2012. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2013-2014 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Plan. The census information on which our calculations were based was prepared by KCERA and the financial information was provided by the Retirement Association. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

The measurements shown in this actuarial valuation may not be applicable for other purposes. 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 the end of an amortization period); and changes in plan provisions or applicable law.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: ______________________	*By:* ______________________
Paul Angelo, FSA, EA, MAAA, FCA *Senior Vice President and Actuary*	*John Monroe, ASA, EA, MAAA* *Vice President and Associate Actuary*

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SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the Kern County Employees' Retirement Association as of June 30, 2012. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, vested terminated members, retired members and beneficiaries as of June 30, 2012, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2012, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the Association's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Association's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the Association's staff. This information has not been audited by us, but it has been reviewed and found to be reasonably consistent, both internally and with prior year's information.

Please note that the Actuarial Standards Board has recently adopted a revised Actuarial Standard of Practice (ASOP) No. 4 that provides guidelines for actuaries to follow when measuring pension obligations. For a plan such as that offered by the Retirement Association that may use undesignated excess earnings to provide supplemental benefits, the valuation report must indicate that the impact of any such future use of undesignated excess earnings on the future financial condition of the plan has not been explicitly measured or otherwise reflected in the valuation.

Also, the 7.75% investment return assumption used in this valuation has been developed without taking into consideration any impact of the 50/50 excess earnings allocation between the retirement and Supplemental Retiree Benefits (SRBR) Reserve asset pools.

The contribution requirements are determined as a percentage of payroll. The Association's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Effective with the June 30, 2012 valuation, the Board of Retirement's funding policy is to amortize the Association's unfunded actuarial accrued liability as of June 30, 2011 over a declining 24.5-year period (23.5 years as of June 30, 2012). Any change in unfunded actuarial accrued liability that arises due to actuarial gains or losses or due to changes in actuarial assumptions or methods at each valuation after June 30, 2011 is amortized over its own declining 18-year period. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with the exception of a change due to retirement incentives, which is amortized over its own declining period of up to 5 years).

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2013 through June 30, 2014.

Significant Issues in This Valuation

The following key findings were the result of this actuarial valuation:

Reference: Pg. 65
Reference: Pg. 48

- The results of this valuation reflect changes in the actuarial methods as recommended by Segal and adopted by the Association for the June 30, 2012 valuation. These changes were documented in our Review of Funding Policy and our Ad Hoc Asset Smoothing Adjustment letter. The most significant of the funding policy changes was a change to the amortization periods used for various future changes in liability. In particular, actuarial experience gains and losses (including gains and losses in 2011/2012) identified in the annual valuation will be amortized over a period of 18 years.

Reference: Pg. 11

- The market value of assets earned a return of 0.6% for the July 1, 2011 to June 30, 2012 plan year. The valuation value of assets earned a return of 4.5% for the same period due to the deferral of most of the current year investment losses and the recognition of prior investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 7.75%. This actuarial investment loss increased the average employer contribution rate by 1.30% of payroll.

Reference: Pg. 55
Reference: Pg. 47

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 60.8% to 60.5%. The Association's Unfunded Actuarial Accrued Liability (UAAL) increased from $1.83 billion as of June 30, 2011 to $1.93 billion as of June 30, 2012. The increase in the UAAL is mainly due to lower than expected actuarial investment return, actual contributions less than expected and other experience losses, offset to some degree by lower than expected salary increases. A reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit H.

Reference: Pg. 21
Reference: Pg. 26

- The recommended average employer contribution rate decreased from 42.76% of payroll as of June 30, 2011 to 42.67% of payroll in the June 30, 2012 valuation. This decrease was mainly the result of lower than expected salary increases, scheduled member contribution rate increases and changes in demographics amongst the tiers, all mostly offset by lower than expected actuarial investment return, an increase in UAAL rate due to lower than expected increase in total payroll and actual contributions less than expected. A reconciliation of the recommended average member contribution rate is provided in Section 2, Subsection D (see Chart 16).

Reference: Pg. 27

- The average recommended member contribution rate increased from 3.19% of payroll in the June 30, 2011 valuation to 4.27% of payroll in the June 30, 2012 valuation. This increase was mainly the result of scheduled member contribution rate increases and changes in the demographics amongst the tiers. A reconciliation of the average recommended member contribution rate is provided in Section 2, Subsection D (see Chart 17).

Reference: Pg. 6

- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment loss as of June 30, 2012 is $277 million (as compared to an unrecognized loss of $162 million in the June 30, 2011 valuation). This deferred investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years. This means that if the plan earns the assumed rate of investment return of 7.75% per year (net of expenses) on a **market value** basis then the deferred losses will be recognized over the next few years as shown in the footnote on Chart 7.

- For the June 30, 2012 valuation, the Board adopted an adjustment to the asset smoothing method that combines the net deferred losses of $162 million from the June 30, 2011 valuation into a single smoothing "layer". Those net deferred losses are then recognized over the next four and a half years from that date in nine level amounts of approximately $18 million each six-month period. This reduces the volatility associated with the pattern of deferred loss recognition and results in both more stable funded ratios (on a valuation value basis) and more level employer contribution rates.

- The unrecognized investment losses represent about 10% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $277 million market losses is expected to have an impact on the Association's future funded ratio and the aggregate employer contribution rate. This potential impact may be illustrated as follows:

  - If the deferred losses were recognized immediately in the valuation value of assets, the funded ratio would decrease from 60.5% to 54.8%.

  - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer contribution rate would increase from 42.67% to 46.88%.

Reference: Pg. 46

- During 2011/2012 there were no "excess earnings" credited to the valuation reserves or the SRBR. Also, at June 30, 2012, the COLA Contribution Reserve was zero and therefore not available to offset the 2% COLA contribution rate. Since the Contingency Reserve is still negative as of June 30, 2012, it is not excluded from the valuation value of assets per the Board's Interest Crediting Policy. A complete presentation of the Association's reserves is in Section 3, Exhibit G.

Reference: Pg. 73

- This valuation reflects the adoption of Safety Tier II for new members hired by the County and General Tier II for new members hired by the San Joaquin Valley Unified Air Pollution Control. In addition, the "5-year contribution stop" was eliminated for County employees. The contribution start dates and portions of the member contribution rates to be paid are on page 19 of this report.

- The actuarial valuation report as of June 30, 2012 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the plan, while increases will decrease the actuarial cost of the plan.

Reference: Pg. 29

- The California Actuarial Advisory Panel (CAAP) has recently adopted a set of model disclosure elements recommended for actuarial valuation reports for public retirement systems in California. Information has been added to this valuation report consistent with the recommendations regarding basic disclosure elements. In particular, we are now including new information regarding measures of plan volatility.

- The Governmental Accounting Standards Board (GASB) recently approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redefine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. Because these new Statements are not effective until the fiscal year ending June 30, 2014 for plan reporting and the fiscal year ending June 30, 2015 for employer reporting, the financial reporting information in this report continues to be in accordance with Statements 25 and 27.

- The California Public Employees' Pension Reform Act of 2013 (AB340) was passed on September 12, 2012. AB340 will become effective on January 1, 2013. In general, it affects new members who enter the Plan on or after January 1, 2013. There will be new plan provisions which may include new benefit formulas, a cap on pensionable income, a three-year final average salary and changes to elements of pay used in determining benefits, and new cost sharing by members. There are also changes that may affect current members including the change to the industrial disability benefit for Safety members, changes to elements of pay used in determining benefits and normal cost sharing by members. We have not reflected any of the AB340 provisions in this report. The impact of AB340 will be addressed in a separate report.

<u>Impact of Future Experience on Contribution Rates</u>

Future contribution requirements may differ from those determined in the valuation because of:

- Difference between actual experience and anticipated experience;
- Changes in actuarial assumptions or methods;
- Changes in statutory provisions; and
- Difference between the contribution rates determined by the valuation and those adopted by the Board.

Summary of Key Valuation Results (Dollar amounts in thousands)

	June 30, 2012		June 30, 2011	
Employer Contribution Rates:	Total Rate	Estimated Annual Amount[1]	Total Rate	Estimated Annual Amount[1]
County General without Courts[2]	37.38%	$130,836	38.03%	$132,715
Courts[2]	38.54	9,032	37.47	8,760
County Safety[2]	57.89	79,603	57.22	77,308
District Category I[2]	38.98	2,505	38.32	2,519
District Category II	39.51	818	39.08	949
District Category III	38.29	8,598	36.92	8,159
District Category IV	36.45	203	35.11	186
District Category V[2]	30.68	224	32.31	241
District Category VI[3]	42.17	147	N/A	N/A
All employers combined	42.67	231,966	42.76[5]	230,837[5]
Average Member Contribution Rates:	Total Rate	Estimated Annual Amount[1]	Total Rate	Estimated Annual Amount[1]
County General Tier I without Courts	3.67%	$9,906	2.49%	$7,197
County General Tier II without Courts	6.11	4,893	6.08	3,645
Courts Tier I	4.76	1,040	4.98	1,145
Courts Tier II	5.89	94	5.66	22
County Safety Tier I	4.32	5,846	2.99	4,040
County Safety Tier II	8.77	193	N/A	N/A
District Category I Tier I	2.25	132	2.06	129
District Category I Tier II	5.65	31	5.86	18
District Category II	2.95	61	2.02	49
District Category III	4.17	936	4.18	924
District Category IV	3.05	17	3.03	16
District Category V Tier I	5.64	19	3.84	18
District Category V Tier II	5.85	23	5.78	16
District Category VI[3]	0.29	1	N/A	N/A
All employers combined	4.27	23,192	3.19	17,219
Funded Status:				
Actuarial accrued liability (AAL)	$4,894,990		$4,672,348	
Valuation value of assets (VVA)	$2,960,507		$2,839,747	
Market value of assets (MVA)[4]	$2,800,024		$2,795,926	
Funded ratio on VVA basis (VVA/AAL)	60.48%		60.78%	
Funded ratio on MVA basis (MVA/AAL)	57.20%		59.84%	
Unfunded Actuarial Accrued Liability (UAAL) on VVA basis	$1,934,483		$1,832,601	
Unfunded Actuarial Accrued Liability (UAAL) on MVA basis	$2,094,966		$1,876,422	

(1) *Based on projected annual compensation for each valuation date.*

(2) *In practice, blended employer contribution rates for combined Tier I and Tier II are used for categories that have both Tier I and Tier II. Charts 14 and 15 show the employer contribution rates for Tier I and Tier II separately for these categories.*

(3) *West Side Cemetery was moved from District Category II in the June 30, 2011 actuarial valuation to District Category VI in the June 30, 2012 actuarial valuation.*

(4) *Includes non-valuation reserves.*

(5) *Reflects recalculated June 30, 2011 Courts Tier I employer contribution rate subsequent to the June 30, 2011 actuarial valuation. The average June 30, 2011 employer contribution rate before the recalculation was 42.78%.*

Summary of Key Valuation Demographic and Financial Data

	June 30, 2012	June 30, 2011	Percentage Change
Active Members:			
Number of members	8,253	8,187	0.8%
Average age	43.5	43.7	N/A
Average service	10.6	10.8	N/A
Projected total compensation	$543,557,475	$539,834,655	0.7%
Average projected compensation	$65,862	$65,938	-0.1%
Retired Members and Beneficiaries:			
Number of members:			
Service retired	4,902	4,610	6.3%
Disability retired	984	989	-0.5%
Beneficiaries	1,004	971	3.4%
Total	6,890	6,570	4.9%
Average age	67.6	67.5	N/A
Average monthly benefit[(1)]	$2,721	$2,584	5.3%
Vested Terminated Members:			
Number of vested terminated members[(2)]	1,748	1,700	2.8%
Average age	43.8	44.1	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets[(3)]	$2,800,024	$2,795,926	0.1%
Return on market value of assets	0.63%	21.74%	N/A
Actuarial value of assets[(3)]	$3,077,321	$2,957,544	4.0%
Return on actuarial value of assets	4.52%	2.17%	N/A
Valuation value of assets	$2,960,507	$2,839,747	4.3%
Return on valuation value of assets	4.52%	1.57%	N/A

(1) *Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.*

(2) *Includes nonvested terminated members due a refund of member contributions.*

(3) *Includes non-valuation reserves.*

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past eight valuations can be seen in this chart.

CHART 1

Member Population: 2005– 2012

Year Ended June 30[2]	Active Members	Vested Terminated Members[1]	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2005	8,195	1,279	5,132	0.78
2006	8,547	1,548	5,355	0.81
2007	8,928	1,694	5,552	0.81
2008	9,057	1,747	5,651	0.82
2009	9,020	1,775	5,927	0.85
2010	8,567	1,839	6,170	0.93
2011	8,187	1,700	6,570	1.01
2012	8,253	1,748	6,890	1.05

(1) *Includes nonvested terminated members due a refund of member contributions.*

(2) *Data for 2005-2007 is as of December 31.*

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 8,253 active members with an average age of 43.5, average years of service of 10.6 years and average projected compensation of $65,862. The 8,187 active members in the prior valuation had an average age of 43.7, average service of 10.8 years and average projected compensation of $65,938.

Among the active members, there were none with unknown age information.

Vested Terminated Members

In this year's valuation, there were 1,748 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 1,700 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2012

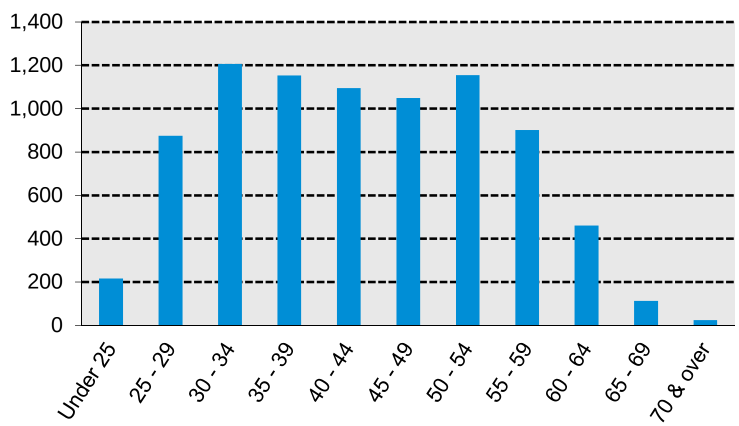
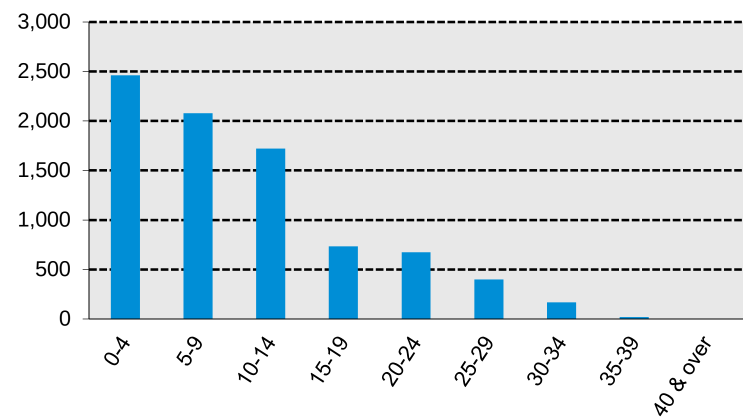


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2012



Retired Members and Beneficiaries

As of June 30, 2012, 5,886 retired members and 1,004 beneficiaries were receiving total monthly benefits of $18,744,656. For comparison, in the previous valuation, there were 5,599 retired members and 971 beneficiaries receiving monthly benefits of $16,974,722. These monthly benefits exclude benefits paid from the Supplemental Retiree Benefit Reserve.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2012

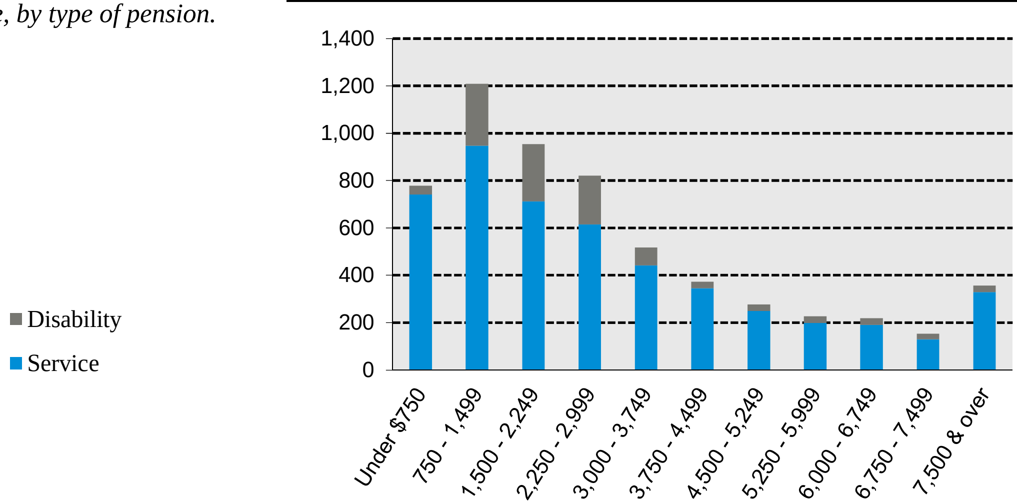
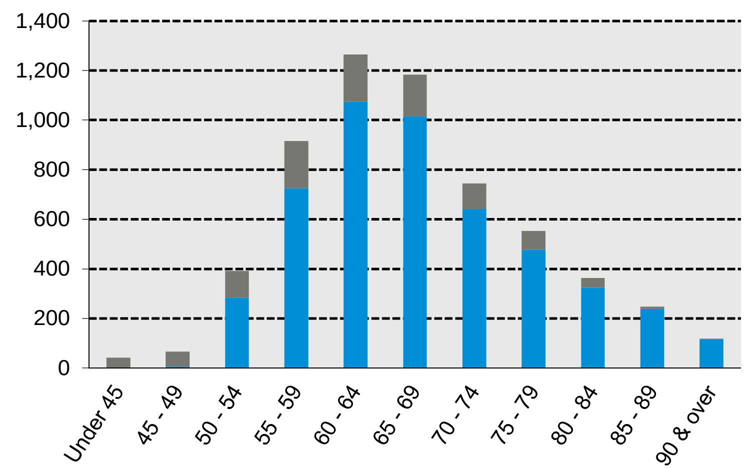


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2012



B. FINANCIAL INFORMATION

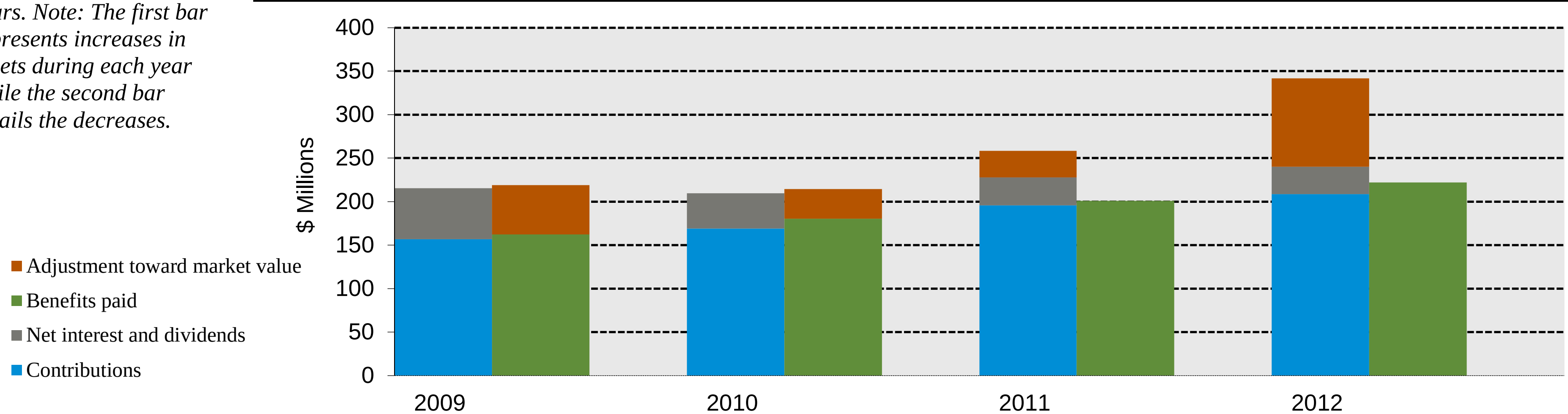
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the "non-cash" earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last four years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2009 – 2012



It is generally considered desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The determination of the actuarial and valuation value of assets is provided on the following page.

The chart shows the determination of the actuarial and valuation value of assets as of the valuation date.

CHART 7

Determination of Actuarial and Valuation Value of Assets for Year Ended June 30, 2012

Six Month Period*		Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain (Loss)	Deferred Factor	Deferred Return
From	To					
1/2007	6/2011			(161,618,914)	0.7778	$(125,703,600)
7/2011	12/2011	(141,648,758)	109,911,118	(251,559,875)	0.8	(201,247,900)
1/2012	6/2012	159,330,623	104,159,050	55,171,573	0.9	49,654,415

1.	Total Deferred Return**	$(277,297,084)
2.	Market Value of Assets	2,800,024,038
3.	Preliminary Actuarial Value of Assets (Item 2 – Item 1)	3,077,321,122
4.	Corridor Around Market Value	
	a. Minimum – 50% of Market Value	1,400,012,019
	b. Maximum – 150% of Market Value	4,200,036,057
5.	a. Final Actuarial Value of Assets	$3,077,321,122
	b. Ratio of Actuarial Value of Assets to Market Value of Assets (Item 5a / Item 2)	109.9%
6.	Non-valuation reserves***	
	a. Supplemental Retiree Benefit Reserve (SRBR) Unallocated to 0.5% COLA benefits	$116,814,489
	b. COLA Contribution Reserve	0
	c. Subtotal	$116,814,489
7.	Valuation Value of Assets (Item 5a – Item 6c)	$2,960,506,633

* *Net deferred loss as of June 30, 2011 was combined and will be recognized over four and a half years in nine level amounts.*

** *Deferred returns as of June 30, 2012 to be recognized in each of the next five years:*

(a)	*Amount Recognized during 2012/2013*	$(75,192,975)
(b)	*Amount Recognized during 2013/2014*	(75,192,975)
(c)	*Amount Recognized during 2014/2015*	(75,192,975)
(d)	*Amount Recognized during 2015/2016*	(57,235,318)
(e)	*Amount Recognized during 2016/2017*	5,517,157
		$(277,297,084)

****Because the Contingency Reserve is negative as of June 30, 2012, it is not excluded from the valuation value of assets per Section IX(4) of the Board's Interest Crediting Policy.*

Note: Results may not add due to rounding.

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2012

The allocation of the valuation reserves among General, District and Safety is provided below:

	General	District	Safety	Total
Member Deposit Reserves	$157,027,673	$15,980,098	$58,618,073	$231,625,844
Employer Advance Reserves	299,533,893	23,017,331	236,411,990	558,963,214
Cost-of-Living Reserves – 2%	444,809,983	27,282,025	317,881,859	789,973,868
Cost-of-Living Reserves – 0.5%(1)	40,159,706	2,463,160	28,699,990	71,322,855
Retired Member Reserves	798,383,650	49,440,978	477,150,959	1,324,975,586
Contingency Reserve(3)	(9,567,605)	(651,369)	(6,135,760)	(16,354,734)
Total Valuation Value of Assets	$1,730,347,300	$117,532,223	$1,112,627,110	$2,960,506,633

(1) *Allocated in proportion to the 2% Cost-of-Living Reserve.*

(2) *Allocated in proportion to the retired member and beneficiary Actuarial Accrued Liability for these groups.*

(3) *Allocated in proportion to the above valuation reserves (excluding Cost-of-Living Reserves – 0.5%) per Section IX (4) of the Board's Interest Crediting Policy.*

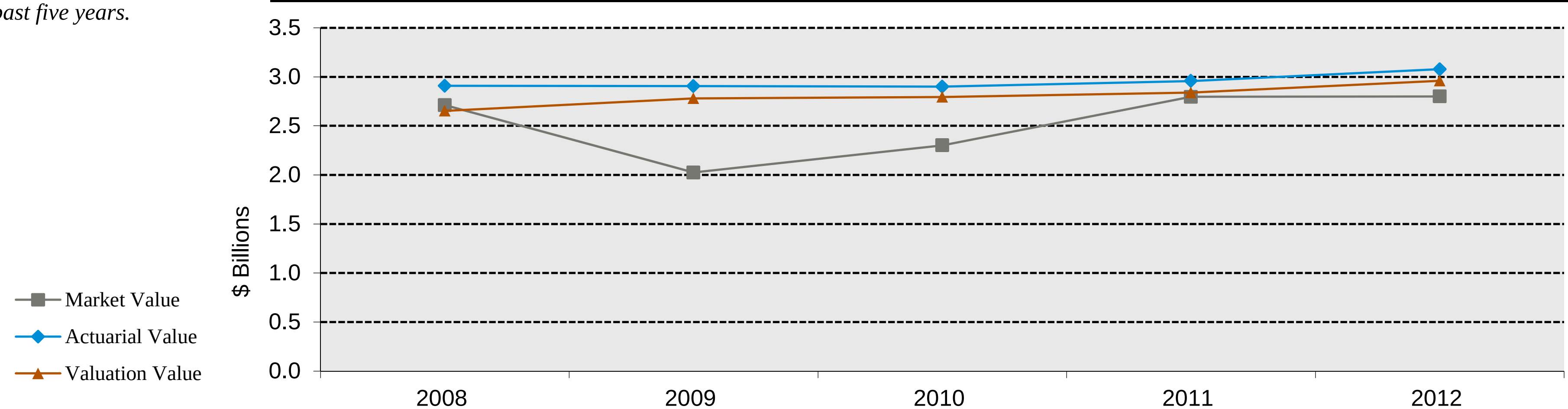
Note: Results may not add due to rounding.

The market value, actuarial value, and valuation value of assets are representations of KCERA's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation asset value is significant because KCERA's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past five years.

CHART 9

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2008 – 2012



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss was $78.3 million, a loss of $91.6 million from investments and a gain of $13.3 million from all other sources. The gain from all other sources was 0.2% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 10

Actuarial Experience for Year Ended June 30, 2012

1.	Net gain/(loss) from investments on valuation value of assets[1]	($91,605,000)
2.	Net gain/(loss) from other experience[2]	13,278,000
3.	Net experience gain/(loss): (1) + (2)	($78,327,000)

[1] *Details in Chart 11*

[2] *See Section 3, Exhibit H. Does not include the effect of plan or assumption changes, if any.*

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on KCERA's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 7.75% (based on the June 30, 2011 valuation). The actual rate of return on the valuation value of assets for the 2011/2012 plan year was 4.52%.

Since the actual return for the year was less than the assumed return, KCERA experienced an actuarial loss on the valuation value of assets during the year ended June 30, 2012 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 11

Investment Experience for Year Ended June 30, 2012 – Market, Actuarial and Valuation Value of Assets

	Market Value	Actuarial Value	Valuation Value
1. Actual return	$17,681,865	$133,360,035	$128,187,974
2. Average value of assets	2,789,133,858	2,950,752,772	2,836,032,663
3. Actual rate of return: (1) ÷ (2)	0.63%	4.52%	4.52%
4. Assumed rate of return	7.75%	7.75%	7.75%
5. Expected return: (2) x (4)	$216,157,874	$228,683,340	$219,792,531
6. Actuarial gain/(loss): (1) – (5)	($198,476,009)	($95,323,305)	($91,604,557)

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial, valuation and market basis for the last four years.

CHART 12

Investment Return – Market Value, Actuarial Value and Valuation Value: 2009 – 2012

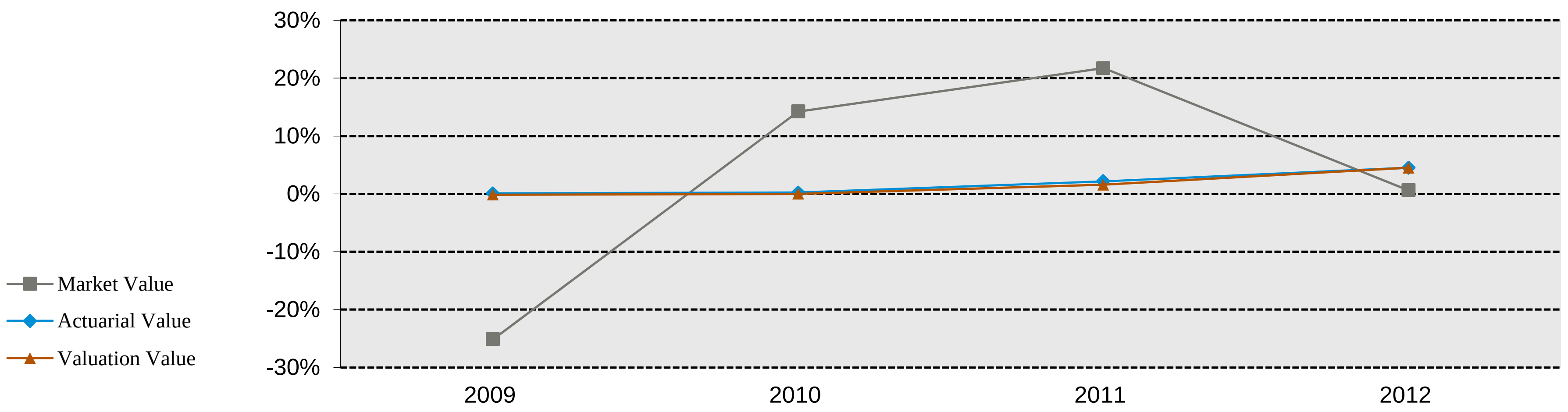
Year Ended June 30	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2009	-$680,408,313	-25.12%	$1,904,894	0.07%	-$3,689,033	-0.14%
2010	287,578,945	14.24%	6,357,420	0.22%	-27,057	0.00%
2011	499,791,014	21.74%	62,849,280	2.17%	43,965,998	1.57%
2012	17,681,865	0.63%	133,360,035	4.52%	128,187,974	4.52%
Total	$124,643,511		$204,471,629		$168,437,882	

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2009 - 2012.

CHART 13

Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2009 - 2012



SEGAL

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation.

These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2012 amounted to $13.3 million, which was 0.2% of the actuarial accrued liability. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is determined as a level percentage of the member's compensation.

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain level as a percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase along with expected payroll at the combined annual inflation and "across the board" salary increase rate of 4.00%. Effective with the June 30, 2012 valuation, the June 30, 2011 UAAL is being amortized over a 24.5-year declining period (23.5 years as of June 30, 2012). The change in unfunded liability that arises due to actuarial gains or losses or due to changes in actuarial assumptions or methods at each valuation is amortized over its own declining 18-year period. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with the exception of retirement incentives which are amortized over its own declining period of up to 5 years).

The UAAL contribution rates have been adjusted to account for the one-year delay between the valuation date and the date that the contribution rates become effective.

Employer Contribution Rates

The recommended employer contribution rates are shown in Chart 14. The current employer contribution rates are provided in Chart 15. The rates are shown for each tier/cost group and are separated into Normal Cost and UAAL components into each of these three benefit categories:

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

- The COLA benefits adopted prior to the Ventura Settlement are referred to as the “2.0% COLA benefits”.
- The COLA benefits provided under the Ventura settlement are referred to as the “0.5% COLA benefits”.

These breakdowns are used for allocating employer contributions to each specific reserve and, in the case of the 2% COLA contributions, providing the amounts that may be offset by the COLA Contribution Reserve.

Member Contributions

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General and Safety members, respectively. The basic contribution rate is determined as that percentage of compensation which if paid annually from a member's first year of membership through the prescribed retirement age would accumulate to the amount necessary to fund a prescribed annuity.

The prescribed annuity is equal to:

- 1/100 of one year Final Average Salary per year of service at age 55 for General Tier I members
- 1/120 of one year Final Average Salary per year of service at age 60 for General Tier II members
- 1/100 of one year Final Average Salary per year of service at age 50 for Safety members

Safety Tier I members also pay a supplemental contribution rate such that the aggregate amount of the supplemental and basic contribution rates will provide an annuity equal to 3/200 of one year Final Average Salary per year of service at age 50.

Member contributions are accumulated at an annual interest rate adopted annually by the Board.

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

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.

The tables on pages 18 and 20 summarize the specific member contribution rate arrangements for each employer as they have been reflected in this valuation. For valuation purposes, the member contribution levels that are assumed to be in place are those for the subsequent fiscal year. Any future changes in member contribution rates after that would be reflected in future valuations in determining the allocation of the total costs payable between the employers and the members.

Cost Sharing Adjustments

KCERA's Normal Cost is determined separately for each group of members that have the same benefit formula (on a prospective basis). The four Normal Cost cost sharing groups are as follows:

- General Tier I
- General Tier II
- Safety Tier I
- Safety Tier II

KCERA's UAAL is determined separately for each cost sharing group depending on the assets for that cost group. The three UAAL cost sharing groups are as follows:

- General County and Courts
- General Districts
- Safety

The tables on pages 18 through 20 contain more benefit and contribution information for each employer participating in KCERA.

Other Adjustments

There is a further adjustment made to the UAAL contribution rates to account for District Category IV adopting the 3% @ 60 formula on a prospective basis only. The District Category IV rates exclude the fixed portion of the UAAL contribution rates attributable to retroactive adoption of the 3% @ 60 formula as a percentage of compensation, which are as follows:

	General District Members
Basic Benefits	2.31%
2% COLA	0.47%
0.5% COLA	0.13%
Total	2.91%

Summary of KCERA Employers, Benefit Formulas and Member Contribution Rates – County and Courts

Plan	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution Provides Average Annuity of:	Adopted 1997 MOU	Soc Sec Integration	Pre-Tax	5-yr Contribution Stop
General – County Tier I	County General Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	Yes	Varies[1]
General – County – Court Employees Tier I	Courts Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55 plus supplemental 3.5%[2]	Yes	Yes	Yes	3/12/2011[3]
Safety – County Tier I	County Safety Tier I	31664.1 (3% @ 50)	31639.25	3/200 of FAS at age 50[4]	Yes	Yes	Yes	Varies[1]

Plan	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution Provides Average Annuity of:	Tier II Adoption Date	Soc Sec Integration	Pre-Tax
General – County Tier II	County General Tier II	31676.01 (1.62% @ 65)	31621	1/120 of FAS at age 60	10/27/2007[5]	Yes	Yes
General – County – Court Employees Tier II	Courts Tier II	31676.01 (1.62% @ 65)	31621	1/120 of FAS at age 60	3/12/2011	Yes	Yes
Safety – County Tier II	County Safety Tier II	31664 (2% @ 50)	31639.25	1/100 of FAS at age 50[4]	3/27/2012	Yes	Yes

[1] *See next page for member contribution rates by employee association and bargaining unit.*

[2] *Court employees in Tier I pay an additional 3.5% of the base salary for their entire career, increased to 4.0% of base salary effective October 6, 2012.*

[3] *Court employees in Tier I hired prior to this date pay the full member contribution rates for only the first five years of service as a result of the 2010 Memorandum of Understanding (MOU).*

[4] *All Safety members stop paying contributions upon attaining 30 years of continuous county service.*

[5] *KCPA (Prosecutors) employee association adopted Tier II effective July 5, 2008.*

Summary of KCERA Member Contribution Rates – County Bargaining Units

Plan	Employee Association	Bargaining Unit	5-yr Contribution Stop[1]	1/6th Rate Start[1]	1/3rd Rate Start[1]	"Safety 3" Effective Date
County General	SEIU	1 – Supervisory, 2 – Professional, 3 – Technical Services, 4 – Clerical, 5 – Administrative, 6 – Trade/Crafts/Labor	8/7/2004	4/20/2013	4/19/2014	N/A
County General		D – Mid-management, M – Management, X – Confidential	9/4/2004	7/13/2013	7/12/2014	N/A
County General	KCPA	P – Prosecutors	2/8/2005	8/10/2013	8/9/2014	N/A
County Safety	KCFFU	F – Firefighters, 7 – Supervisors	3/31/2007[2]	4/20/2013	4/19/2014	3/31/2007[3]
County Safety	KLEA	L – Sheriff Law Enforcement, 8 – Supervisors	11/1/2007	4/20/2013	4/19/2014	N/A
County Safety	KCSCA	N – Sheriff Lieutenants, R – Commanders	3/17/2007	4/20/2013	4/19/2014	N/A
County Safety	SEIU-CJU	J – Criminal Justice, S – Supervisors	12/8/2007	4/20/2013	4/19/2014	N/A
County Safety	KCPMA	O – Probation Management	4/7/2004	4/20/2013	4/19/2014	N/A
County Safety	KCPOA	Q – Probation Officers, Y – Supervisors	9/18/2007	8/10/2013	8/9/2014	9/18/2007[3]
County Safety	KCDOA	T – Detention Officers, V – Supervisors	6/23/2007	4/20/2013	4/19/2014	N/A
County Safety	KCSCA II	W – Detention Officers Lieutenants	9/15/2009	4/20/2013	4/19/2014	12/8/2007 to 9/14/2009[4]

[1] *Tier I members hired prior to this date pay the full member contributions for only the first five years of service. These members will start paying one-sixth of their full member contributions on the "1/6th Rate Start" date, and will start paying one-third of their full member contributions on the "1/3rd Rate Start" date.*

[2] *Firefighters hired prior to this date pay 1% of their base salary after the first five years of service. These members will start paying one-sixth of their full member contributions (not to exceed 2% of base salary) on the "1/6th Rate Start" date, and will start paying one-third of their full member contributions (not to exceed 4% of base salary) on the "1/3rd Rate Start" date.*

[3] *Members hired after this date pay a uniform "Safety 3" rate for all entry ages. The uniform rate continues to be integrated with Social Security.*

[4] *Effective December 8, 2007 through September 14, 2009, this flat rate applied to KCSCA II employees.*

Summary of KCERA Employers, Benefit Formulas and Member Contribution Rates – Districts

Plan (Tier I)	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution Provides Average Annuity of:	Adopted 1997 MOU	Soc Sec Integration	Pre-Tax	5-yr Contribution Stop[1]
District – Berrenda Mesa Water Tier I	District Category IV	31676.17 (3% @ 60)[2]	31621.8	1/100 of FAS at age 55	Yes	No	Yes	8/7/2004
District – Buttonwillow Recreation & Park	District Category III	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55 (Member pays 50%)[3]	No	No	No	N/A
District – East Kern Cemetery	District Category II	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	Yes	8/7/2004
District – Inyokern Community Services	District Category IV	31676.17 (3% @ 60)[2]	31621.8	1/100 of FAS at age 55	Yes	No	No	8/7/2004
District – Kern County Water Agency Tier I	District Category I	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55 (100% employer pickup if hired prior to 8/22/2004)[4]	Yes	Yes	Yes	N/A
District – Kern Mosquito & Vector Control	District Category II	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	Yes	1/8/2005
District – North of River Sanitation Tier I	District Category V	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	Yes	8/7/2004
District – San Joaquin Valley Unified Air Pollution Control Tier I	District Category III	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55 (Member pays 50%)[3]	No	No	Yes	N/A
District – Shafter Recreation & Park	District Category II	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	No	Yes	8/7/2004
District – West Side Cemetery	District Category VI	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	No	N/A[5]
District – West Side Mosquito Abatement	District Category II	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	No	8/7/2004
District – West Side Recreation & Park	District Category II	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	No	8/7/2004

Plan (Tier II)	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution Provides Average Annuity of:	Tier II Adoption Date	Soc Sec Integration	Pre-Tax
District – Berrenda Mesa Water Tier II[6]	District Category IV	31676.01 (1.62% @ 65)	31621	1/120 of FAS at age 60	1/12/2010	No	Yes
District – Kern County Water Agency Tier II	District Category I	31676.01 (1.62% @ 65)	31621	1/120 of FAS at age 60	1/1/2010	Yes	Yes
District – North of River Sanitation Tier II	District Category V	31676.01 (1.62% @ 65)	31621	1/120 of FAS at age 60	10/29/2007	Yes	Yes
District – San Joaquin Valley Unified Air Pollution Control Tier II[6]	District Category III	31676.01 (1.62% @ 65)	31621	1/120 of FAS at age 60	7/31/2012	No	Yes

FAS = Final Average Salary

[1] *Tier I Members hired prior to this date pay the full member contribution rates for only the first five years of service as a result of the 1997 Memorandum of Understanding (MOU).*

[2] *District Category IV adopted the 3% @ 60 Formula on a prospective basis only. Member contribution rates are the same as General Tier I.*

[3] *Buttonwillow and San Joaquin Valley Unified Air Pollution Control District Tier I (District Category III) did not adopt the 1997 MOU. Members in those districts pay 50% of the full rates, regardless of hire date.*

[4] *For Kern County Water Agency (District Category I) employees hired prior to August 22, 2004, the employer picks up 100% of all member contributions.*

[5] *West Side Cemetery (District Category VI) employees pay the full member contribution rates for only the first five years of service, regardless of hire date. West Side Cemetery was included in District Category II in the June 30, 2011 actuarial valuation.*

[6] *Berrenda Mesa Water and San Joaquin Valley Unified Air Pollution Control District adopted Tier II, but had no Tier II employees as of the valuation date.*

CHART 14

Recommended Employer Contribution Rates (Current Valuation)

	June 30, 2012 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
County General Tier I without Courts	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
Normal Cost	14.90%	$40,219	3.83%	$10,338	1.17%	$3,158	19.90%	$53,715
UAAL	15.42%	41,623	2.81%	7,585	2.33%	6,289	20.56%	55,497
Total Contribution	30.32%	$81,842	6.64%	$17,923	3.50%	$9,447	40.46%	$109,212
County General Tier II without Courts								
Normal Cost	4.00%	$3,204	1.88%	$1,506	0.56%	$448	6.44%	$5,158
UAAL	15.42%	12,350	2.81%	2,250	2.33%	1,866	20.56%	16,466
Total Contribution	19.42%	$15,554	4.69%	$3,756	2.89%	$2,314	27.00%	$21,624
County General without Courts - Combined								
Normal Cost	12.41%	$43,423	3.38%	$11,844	1.03%	$3,606	16.82%	$58,873
UAAL	15.42%	53,973	2.81%	9,835	2.33%	8,155	20.56%	71,963
Total Contribution	27.83%	$97,396	6.19%	$21,679	3.36%	$11,761	37.38%	$130,836
Courts Tier I								
Normal Cost	13.81%	$3,016	3.83%	$836	1.17%	$256	18.81%	$4,108
UAAL	15.42%	3,368	2.81%	614	2.33%	508	20.56%	4,490
Total Contribution	29.23%	$6,384	6.64%	$1,450	3.50%	$764	39.37%	$8,598
Courts Tier II								
Normal Cost	4.22%	$67	1.88%	$30	0.56%	$9	6.66%	$106
UAAL	15.42%	246	2.81%	45	2.33%	37	20.56%	328
Total Contribution	19.64%	$313	4.69%	$75	2.89%	$46	27.22%	$434
Courts – Combined								
Normal Cost	13.16%	$3,083	3.70%	$866	1.12%	$265	17.98%	$4,214
UAAL	15.42%	3,614	2.81%	659	2.33%	545	20.56%	4,818
Total Contribution	28.58%	$6,697	6.51%	$1,525	3.45%	$810	38.54%	$9,032
County Safety Tier I								
Normal Cost	19.66%	$26,603	5.77%	$7,808	1.80%	$2,436	27.23%	$36,847
UAAL	21.01%	28,430	5.29%	7,158	4.48%	6,063	30.78%	41,651
Total Contribution	40.67%	$55,033	11.06%	$14,966	6.28%	$8,499	58.01%	$78,498
County Safety Tier II								
Normal Cost	12.86%	$283	4.99%	$110	1.59%	$35	19.44%	$428
UAAL	21.01%	462	5.29%	116	4.48%	99	30.78%	677
Total Contribution	33.87%	$745	10.28%	$226	6.07%	$134	50.22%	$1,105
County Safety – Combined								
Normal Cost	19.55%	$26,886	5.76%	$7,918	1.80%	$2,471	27.11%	$37,275
UAAL	21.01%	28,892	5.29%	7,274	4.48%	6,162	30.78%	42,328
Total Contribution	40.56%	$55,778	11.05%	$15,192	6.28%	$8,633	57.89%	$79,603
All County with Courts - Combined								
Normal Cost	14.36%	$73,392	4.04%	$20,628	1.24%	$6,342	19.64%	$100,362
UAAL	16.92%	86,479	3.48%	17,768	2.91%	14,862	23.31%	119,109
Total Contribution	31.28%	$159,871	7.52%	$38,396	4.15%	$21,204	42.95%	$219,471

CHART 14 (continued)

Recommended Employer Contribution Rates (Current Valuation)

	June 30, 2012 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
District Category I Tier I	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
Normal Cost	16.32%	$959	3.83%	$225	1.17%	$69	21.32%	$1,253
UAAL	13.62%	801	3.20%	188	2.07%	121	18.89%	1,110
Total Contribution	29.94%	$1,760	7.03%	$413	3.24%	$190	40.21%	$2,363
District Category I Tier II								
Normal Cost	4.46%	$24	1.88%	$10	0.56%	$4	6.90%	$38
UAAL	13.62%	75	3.20%	18	2.07%	11	18.89%	104
Total Contribution	18.08%	$99	5.08%	$28	2.63%	$15	25.79%	$142
District Category I - Combined								
Normal Cost	15.30%	$983	3.66%	$235	1.13%	$73	20.09%	$1,291
UAAL	13.62%	876	3.20%	206	2.07%	132	18.89%	1,214
Total Contribution	28.92%	$1,859	6.86%	$441	3.20%	$205	38.98%	$2,505
District Category II								
Normal Cost	15.62%	$323	3.83%	$79	1.17%	$25	20.62%	$427
UAAL	13.62%	282	3.20%	66	2.07%	43	18.89%	391
Total Contribution	29.24%	$605	7.03%	$145	3.24%	$68	39.51%	$818
District Category III								
Normal Cost	14.40%	$3,234	3.83%	$860	1.17%	$262	19.40%	$4,356
UAAL	13.62%	3,058	3.20%	719	2.07%	465	18.89%	4,242
Total Contribution	28.02%	$6,292	7.03%	$1,579	3.24%	$727	38.29%	$8,598
District Category IV								
Normal Cost	15.52%	$86	3.83%	$21	1.17%	$7	20.52%	$114
UAAL	11.27%	63	2.72%	15	1.94%	11	15.93%	89
Total Contribution	26.79%	$149	6.55%	$36	3.11%	$18	36.45%	$203
District Category V Tier I								
Normal Cost	12.93%	$44	3.83%	$13	1.17%	$3	17.93%	$60
UAAL	13.62%	46	3.20%	11	2.07%	7	18.89%	64
Total Contribution	26.55%	$90	7.03%	$24	3.24%	$10	36.82%	$124
District Category V Tier II								
Normal Cost	4.26%	$17	1.88%	$7	0.56%	$2	6.70%	$26
UAAL	13.62%	54	3.20%	13	2.07%	7	18.89%	74
Total Contribution	17.88%	$71	5.08%	$20	2.63%	$9	25.59%	$100
District Category V - Combined								
Normal Cost	8.43%	$61	2.83%	$20	0.53%	$5	11.79%	$86
UAAL	13.62%	100	3.20%	24	2.07%	14	18.89%	138
Total Contribution	22.05%	$161	6.03%	$44	2.60%	$19	30.68%	$224
District Category VI								
Normal Cost	18.28%	$64	3.83%	$13	1.17%	$4	23.28%	$81
UAAL	13.62%	48	3.20%	11	2.07%	7	18.89%	66
Total Contribution	31.90%	$112	7.03%	$24	3.24%	$11	42.17%	$147
All Districts – Combined								
Normal Cost	14.58%	$4,751	3.77%	$1,228	1.15%	$376	19.50%	$6,355
UAAL	13.58%	4,427	3.19%	1,041	2.07%	672	18.84%	6,140
Total Contribution	28.16%	$9,178	6.96%	$2,269	3.22%	$1,048	38.34%	$12,495

CHART 14 (continued)

Recommended Employer Contribution Rates (Current Valuation)

	June 30, 2012 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
All Employers - Combined	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
Normal Cost	14.38%	$78,143	4.02%	$21,856	1.23%	$6,718	19.63%	$106,717
UAAL	16.72%	90,906	3.46%	18,809	2.86%	15,534	23.04%	125,249
Total Contribution	31.10%	$169,049	7.48%	$40,665	4.09%	$22,252	42.67%	$231,966

* *Amounts are in thousands and are based on June 30, 2012 projected compensation (also in thousands):*

County General Tier I without Courts	$269,927	District Category I Tier I	$5,878
County General Tier II without Courts	80,088	District Category I Tier II	549
Courts Tier I	21,839	District Category II	2,070
Courts Tier II	1,597	District Category III	22,455
County Safety Tier I	135,317	District Category IV	557
County Safety Tier II	2,201	District Category V Tier I	337
		District Category V Tier II	393
		District Category VI	350
All County with Courts	$510,969	All Districts	$32,589
		Total	$543,558

Note: As of June 30, 2012, the COLA Contribution Reserve was zero and therefore not available to offset the 2% COLA contribution rate.

CHART 15

Current Employer Contribution Rates (Prior Valuation)

	June 30, 2011 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
County General Tier I without Courts	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
Normal Cost	16.33%	$47,198	3.82%	$11,041	1.16%	$3,353	21.31%	$61,592
UAAL	14.56%	42,083	2.70%	7,804	2.03%	5,867	19.29%	55,754
Total Contribution	30.89%	$89,281	6.52%	$18,845	3.19%	$9,220	40.60%	$117,346
County General Tier II without Courts								
Normal Cost	3.94%	$2,362	1.85%	$1,109	0.56%	$335	6.35%	$3,806
UAAL	14.56%	8,728	2.70%	1,618	2.03%	1,217	19.29%	11,563
Total Contribution	18.50%	$11,090	4.55%	$2,727	2.59%	$1,552	25.64%	$15,369
County General without Courts - Combined								
Normal Cost	14.20%	$49,560	3.48%	$12,150	1.06%	$3,688	18.74%	$65,398
UAAL	14.56%	50,811	2.70%	9,422	2.03%	7,084	19.29%	67,317
Total Contribution	28.76%	$100,371	6.18%	$21,572	3.09%	$10,772	38.03%	$132,715
Courts Tier I								
Normal Cost	13.39%	$3,079	3.82%	$878	1.16%	$267	18.37%	$4,224
UAAL	14.56%	3,348	2.70%	621	2.03%	466	19.29%	4,435
Total Contribution	27.95%	$6,427	6.52%	$1,499	3.19%	$733	37.66%	$8,659
Courts Tier II								
Normal Cost	4.36%	$17	1.85%	$7	0.56%	$2	6.77%	$26
UAAL	14.56%	57	2.70%	11	2.03%	7	19.29%	75
Total Contribution	18.92%	$74	4.55%	$18	2.59%	$9	26.06%	$101
Courts – Combined								
Normal Cost	13.24%	$3,096	3.79%	$885	1.14%	$269	18.18%	$4,250
UAAL	14.56%	3,405	2.70%	632	2.03%	473	19.29%	4,510
Total Contribution	27.80%	$6,501	6.49%	$1,517	3.17%	$742	37.47%	$8,760
County Safety								
Normal Cost	21.29%	$28,764	5.76%	$7,782	1.81%	$2,446	28.86%	$38,992
UAAL	19.58%	26,454	4.85%	6,553	3.93%	5,309	28.36%	38,316
Total Contribution	40.87%	$55,218	10.61%	$14,335	5.74%	$7,755	57.22%	$77,308
All County with Courts - Combined								
Normal Cost	16.04%	$81,420	4.10%	$20,817	1.27%	$6,403	21.41%	$108,640
UAAL	15.90%	80,670	3.27%	16,607	2.53%	12,866	21.70%	110,143
Total Contribution	31.94%	$162,090	7.37%	$37,424	3.80%	$19,269	43.11%	$218,783
District Category I Tier I								
Normal Cost	16.76%	$1,050	3.82%	$239	1.16%	$73	21.74%	$1,362
UAAL	12.49%	783	3.01%	189	1.80%	112	17.30%	1,084
Total Contribution	29.25%	$1,833	6.83%	$428	2.96%	$185	39.04%	$2,446
District Category I Tier II								
Normal Cost	4.16%	$13	1.85%	$6	0.56%	$1	6.57%	$20
UAAL	12.49%	38	3.01%	9	1.80%	6	17.30%	53
Total Contribution	16.65%	$51	4.86%	$15	2.36%	$7	23.87%	$73
District Category I - Combined								
Normal Cost	16.17%	$1,063	3.73%	$245	1.12%	$74	21.02%	$1,382
UAAL	12.49%	821	3.01%	198	1.80%	118	17.30%	1,137
Total Contribution	28.66%	$1,884	6.74%	$443	2.92%	$192	38.32%	$2,519

CHART 15 (continued)

Current Employer Contribution Rates (Prior Valuation)

June 30, 2011 Actuarial Valuation

	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
District Category II								
Normal Cost	16.80%	$408	3.82%	$93	1.16%	$28	21.78%	$529
UAAL	12.49%	304	3.01%	73	1.80%	43	17.30%	420
Total Contribution	29.29%	$712	6.83%	$166	2.96%	$71	39.08%	$949
District Category III								
Normal Cost	14.64%	$3,235	3.82%	$844	1.16%	$257	19.62%	$4,336
UAAL	12.49%	2,760	3.01%	665	1.80%	398	17.30%	3,823
Total Contribution	27.13%	$5,995	6.83%	$1,509	2.96%	$655	36.92%	$8,159
District Category IV								
Normal Cost	15.79%	$83	3.82%	$20	1.16%	$7	20.77%	$110
UAAL	9.53%	50	3.02%	16	1.79%	10	14.34%	76
Total Contribution	25.32%	$133	6.84%	$36	2.95%	$17	35.11%	$186
District Category V Tier I								
Normal Cost	14.98%	$70	3.82%	$18	1.16%	$6	19.96%	$94
UAAL	12.49%	59	3.01%	14	1.80%	8	17.30%	81
Total Contribution	27.47%	$129	6.83%	$32	2.96%	$14	37.26%	$175
District Category V Tier II								
Normal Cost	4.24%	$12	1.85%	$5	0.56%	$1	6.65%	$18
UAAL	12.49%	35	3.01%	8	1.80%	5	17.30%	48
Total Contribution	16.73%	$47	4.86%	$13	2.36%	$6	23.95%	$66
District Category V - Combined								
Normal Cost	11.10%	$82	3.02%	$23	0.89%	$7	15.01%	$112
UAAL	12.49%	94	3.01%	22	1.80%	13	17.30%	129
Total Contribution	23.59%	$176	6.03%	$45	2.69%	$20	32.31%	$241
All Districts – Combined								
Normal Cost	15.05%	$4,871	3.78%	$1,225	1.15%	$373	19.98%	$6,469
UAAL	12.44%	4,029	3.01%	974	1.80%	582	17.25%	5,585
Total Contribution	27.49%	$8,900	6.79%	$2,199	2.95%	$955	37.23%	$12,054
All Employers - Combined								
Normal Cost	15.98%	$86,291	4.08%	$22,042	1.26%	$6,776	21.32%	$115,109
UAAL	15.69%	84,699	3.26%	17,581	2.49%	13,448	21.44%	115,728
Total Contribution	31.67%	$170,990	7.34%	$39,623	3.75%	$20,224	42.76%	$230,837

* *Amounts are in thousands and are based on June 30, 2011 projected compensation (also in thousands):*

County General Tier I without Courts	$289,029	District Category I Tier I	$6,267
County General Tier II without Courts	59,944	District Category I Tier II	307
Courts Tier I	22,992	District Category II	2,430
Courts Tier II	389	District Category III	22,098
County Safety	135,106	District Category IV	528
		District Category V Tier I	469
		District Category V Tier II	277
All County with Courts	$507,460	All Districts	$32,376
		Total	$539,836

Note: As of June 30, 2011, the COLA Contribution Reserve was zero and therefore not available to offset the 2% COLA contribution rate.

The employer contribution rates as of June 30, 2012 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Average Employer Contribution

The chart below details the changes in the recommended average employer contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 16

Reconciliation of Recommended Average Employer Contribution from June 30, 2011 to June 30, 2012 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost[1]
Recommended Average Employer Contribution Rate in June 30, 2011 Valuation	42.76%[2]	$230,837
Effect of investment loss[3]	1.30%	7,066
Effect of lower than expected salary increases for actives	-0.89%	-4,838
Effect of amortizing prior year's UAAL over a smaller than expected projected total payroll	0.68%	3,696
Effect of difference between actual and expected contributions	0.59%	3,207
Effect of scheduled member contribution rate increases	-0.86%	-4,689
Effect of different demographics of members amongst tiers	-0.54%	-2,915
Effect of other experience (gains)/losses[4]	-0.37%	-398
Total change	-0.09%	$1,129
Recommended Average Employer Contribution Rate in June 30, 2012 Valuation	42.67%	$231,966

(1) *Based on projected compensation for each valuation date shown.*

(2) *Reflects recalculated June 30, 2011 Courts Tier I employer contribution rate subsequent to the June 30, 2011 actuarial valuation. The average June 30, 2011 employer contribution rate before the recalculation was 42.78%.*

(3) *Return on the valuation value of assets of 4.52% was less than the 7.75% assumed rate of return.*

(4) *Other differences in actual versus expected experience. Estimated annual dollar cost also reflects the change in total projected compensation from the prior valuation.*

The member contribution rates as of June 30, 2012 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Average Member Contribution Rate

The chart below details the changes in the recommended average member contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.

CHART 17

Reconciliation of Recommended Average Member Contribution from June 30, 2011 to June 30, 2012 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost[1]
Recommended Average Member Contribution Rate in June 30, 2011 Valuation	3.19%	$17,219
Effect of scheduled member contribution rate increases	0.86%	4,689
Effect of different demographics of members amongst tiers	0.14%	734
Effect of other changes[2]	0.08%	550
Total change	1.08%	$5,973
Recommended Average Member Contribution Rate in June 30, 2012 Valuation	4.27%	$23,192

(1) *Based on projected compensation for each valuation date shown.*

(2) *Other differences in actual versus expected experience. Estimated annual dollar cost also reflects the change in total projected compensation from the prior valuation.*

E. INFORMATION REQUIRED BY GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes for governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contribution. This comparison demonstrates whether a plan is being funded within the range of GASB reporting requirements. Chart 18 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB standards. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 18

Required Versus Actual Contributions

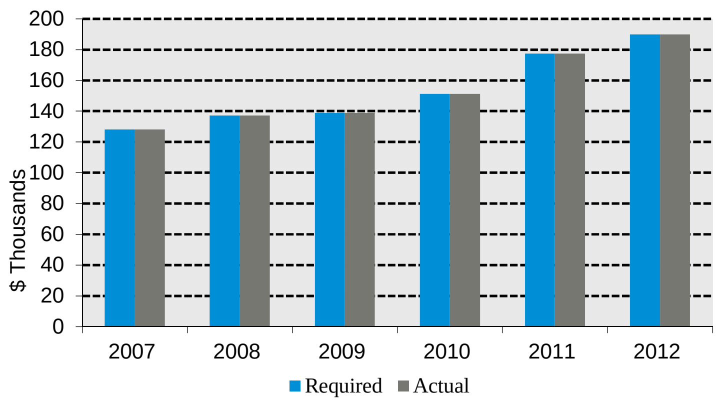
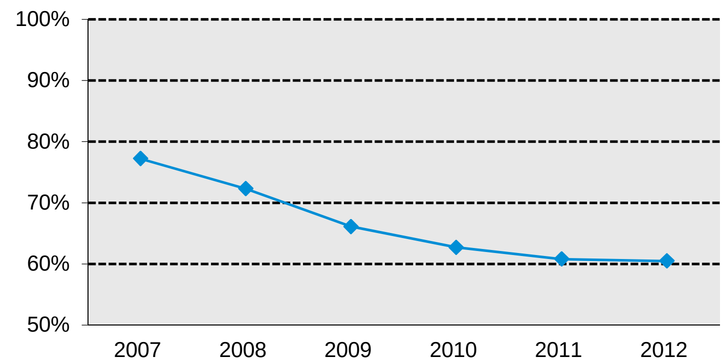


CHART 19

Funded Ratio (Valuation Value of Assets Compared to Actuarial Accrued Liabilities)



F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For KCERA, the current AVR is about 5.2. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 5.2% of one-year's payroll. Since KCERA amortizes actuarial gains and losses over a period of 18 years, there would be a 0.4% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For KCERA, the current LVR is about 9.0. This is about 73% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 20

Volatility Ratios for Years Ended June 30, 2008 – 2012

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2008	5.6	7.4
2009	3.6	7.5
2010	4.1	7.9
2011	5.2	8.7
2012	5.2	9.0

EXHIBIT A

Table of Plan Coverage

i. General Tier I County with Courts

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	4,584	4,988	-8.1%
Average age	47.4	46.8	N/A
Average service	13.2	12.6	N/A
Projected total compensation	$291,765,385	$312,020,857	-6.5%
Projected average compensation	$63,649	$62,554	1.8%
Account balances	$122,094,130	$121,747,167	0.3%
Total active vested members	4,217	4,055	4.0%
Vested terminated members:(1)	1,143	1,174	-2.6%
Retired members:			
Number in pay status	3,780	3,570	5.9%
Average age	68.7	68.8	N/A
Average monthly benefit(2)	$2,439	$2,310	5.6%
Disabled members:			
Number in pay status	522	529	-1.3%
Average age	62.6	61.9	N/A
Average monthly benefit(2)	$1,645	$1,584	3.9%
Beneficiaries:			
Number in pay status	671	650	3.2%
Average age	74.2	73.9	N/A
Average monthly benefit(2)	$1,136	$1,072	6.0%

(1) *Includes nonvested terminated members due a refund of member contributions.*

(2) *Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.*

EXHIBIT A

Table of Plan Coverage

ii. General Tier II County with Courts

Category	Year Ended June 30 2012	2011	Change From Prior Year
Active members in valuation:			
Number	1,487	1,070	39.0%
Average age	37.9	37.5	N/A
Average service	2.3	2.3	N/A
Projected total compensation	$81,685,529	$60,332,835	35.4%
Projected average compensation	$54,933	$56,386	-2.6%
Account balances	$10,651,788	$7,134,925	49.3%
Total active vested members	38	24	58.3%
Vested terminated members:[1]	252	172	46.5%
Retired members:			
Number in pay status	1	0	N/A
Average age	69.9	N/A	N/A
Average monthly benefit[2]	$712	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[2]	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[2]	N/A	N/A	N/A

(1) *Includes nonvested terminated members due a refund of member contributions.*

(2) *Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.*

EXHIBIT A

Table of Plan Coverage

iii. Districts Tier I

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	406	419	-3.1%
Average age	43.7	43.5	N/A
Average service	10.1	10.0	N/A
Projected total compensation	$31,646,609	$31,792,053	-0.5%
Projected average compensation	$77,947	$75,876	2.7%
Account balances	$12,249,274	$11,577,758	5.8%
Total active vested members	286	277	3.2%
Vested terminated members:[1]	155	154	0.6%
Retired members:			
Number in pay status	169	154	9.7%
Average age	64.8	65.0	N/A
Average monthly benefit[2]	$3,209	$3,049	5.2%
Disabled members:			
Number in pay status	14	14	0.0%
Average age	61.2	59.9	N/A
Average monthly benefit[2]	$2,005	$1,956	2.5%
Beneficiaries:			
Number in pay status	28	26	7.7%
Average age	73.2	73.6	N/A
Average monthly benefit[2]	$2,069	$1,411	46.6%

(1) *Includes nonvested terminated members due a refund of member contributions.*

(2) *Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.*

EXHIBIT A

Table of Plan Coverage

iv. Districts Tier II

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	17	10	70.0%
Average age	33.3	33.6	N/A
Average service	1.5	0.9	N/A
Projected total compensation	$941,891	$583,267	61.5%
Projected average compensation	$55,405	$58,327	-5.0%
Account balances	$51,692	$29,009	78.2%
Total active vested members	0	0	N/A
Vested terminated members:(1)	5	2	150.0%
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit(2)	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit(2)	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit(2)	N/A	N/A	N/A

(1) *Includes nonvested terminated members due a refund of member contributions.*

(2) *Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.*

EXHIBIT A

Table of Plan Coverage

v. Safety Tier I

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	1,715	1,700	0.9%
Average age	38.1	38.5	N/A
Average service	11.1	11.4	N/A
Projected total compensation	$135,317,450	$135,105,643	0.2%
Projected average compensation	$78,902	$79,474	-0.7%
Account balances	$54,228,332	$53,650,251	1.1%
Total active vested members	1,288	1,250	3.0%
Vested terminated members:(1)	193	198	-2.5%
Retired members:			
Number in pay status	952	886	7.4%
Average age	64.2	64.3	N/A
Average monthly benefit(2)	$5,255	$5,077	3.5%
Disabled members:			
Number in pay status	448	446	0.4%
Average age	61.9	61.1	N/A
Average monthly benefit(2)	$3,709	$3,570	3.9%
Beneficiaries:			
Number in pay status	305	295	3.4%
Average age	68.8	68.7	N/A
Average monthly benefit(2)	$1,997	$1,933	3.3%

(1) *Includes nonvested terminated members due a refund of member contributions.*

(2) *Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.*

EXHIBIT A

Table of Plan Coverage

vi. Safety Tier II

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	44	0	N/A
Average age	29.9	N/A	N/A
Average service	0.4	N/A	N/A
Projected total compensation	$2,200,611	N/A	N/A
Projected average compensation	$50,014	N/A	N/A
Account balances	$26,427	N/A	N/A
Total active vested members	1	N/A	N/A
Vested terminated members:[1]	0	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[2]	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[2]	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit[2]	N/A	N/A	N/A

(1) *Includes nonvested terminated members due a refund of member contributions.*

(2) *Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.*

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

i. General Tier I County with Courts

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	8	6	2	- -	- -	- -	- -	- -	- -	- -
	$36,128	$36,340	$35,492	- -	- -	- -	- -	- -	- -	- -
25 - 29	178	65	111	2	- -	- -	- -	- -	- -	- -
	49,710	47,539	51,096	$43,376	- -	- -	- -	- -	- -	- -
30 - 34	493	88	341	63	1	- -	- -	- -	- -	- -
	56,103	53,208	56,629	57,357	$52,659	- -	- -	- -	- -	- -
35 - 39	549	59	273	191	24	2	- -	- -	- -	- -
	62,295	61,959	60,278	65,540	60,488	$59,303	- -	- -	- -	- -
40 - 44	623	46	204	251	88	34	- -	- -	- -	- -
	64,258	62,141	58,612	65,473	75,871	61,974	- -	- -	- -	- -
45 - 49	690	32	179	194	111	121	50	3	- -	- -
	63,250	55,767	57,134	67,089	63,710	69,465	$58,912	$64,299	- -	- -
50 - 54	842	33	157	194	127	161	115	54	1	- -
	65,812	48,726	57,099	62,864	71,316	69,493	72,668	73,931	$50,900	- -
55 - 59	711	31	126	148	112	138	89	63	4	- -
	68,547	52,711	61,290	62,825	68,315	72,893	78,170	80,801	80,999	- -
60 - 64	371	11	79	128	61	52	24	9	6	1
	65,509	65,037	63,276	60,542	63,246	67,671	93,817	66,349	94,712	$46,220
65 - 69	97	3	25	27	16	13	7	4	1	1
	73,626	82,762	74,849	66,791	77,961	63,034	70,495	110,855	167,566	47,603
70 & over	22	1	7	7	2	2	- -	- -	2	1
	68,100	31,997	82,339	61,003	62,458	70,444	- -	- -	67,663	61,679
Total	4,584	375	1,504	1,205	542	523	285	133	14	3
	$63,649	$54,738	$58,395	$64,017	$68,619	$69,518	$73,701	$77,566	$89,004	$51,834

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

ii. General Tier II County with Courts

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	97	97	- -	- -	- -	- -	- -	- -	- -	- -
	$44,732	$44,732	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	352	350	2	- -	- -	- -	- -	- -	- -	- -
	51,486	51,497	$49,655	- -	- -	- -	- -	- -	- -	- -
30 - 34	288	283	5	- -	- -	- -	- -	- -	- -	- -
	53,213	53,222	52,739	- -	- -	- -	- -	- -	- -	- -
35 - 39	198	196	2	- -	- -	- -	- -	- -	- -	- -
	57,483	57,524	53,484	- -	- -	- -	- -	- -	- -	- -
40 - 44	174	171	3	- -	- -	- -	- -	- -	- -	- -
	56,743	56,740	56,875	- -	- -	- -	- -	- -	- -	- -
45 - 49	120	117	1	2	- -	- -	- -	- -	- -	- -
	58,297	58,794	37,475	$39,639	- -	- -	- -	- -	- -	- -
50 - 54	120	118	1	- -	1	- -	- -	- -	- -	- -
	57,811	58,127	45,695	- -	$32,670	- -	- -	- -	- -	- -
55 - 59	82	81	1	- -	- -	- -	- -	- -	- -	- -
	65,821	65,295	108,410	- -	- -	- -	- -	- -	- -	- -
60 - 64	45	43	- -	1	1	- -	- -	- -	- -	- -
	58,651	59,719	- -	41,452	29,918	- -	- -	- -	- -	- -
65 - 69	10	10	- -	- -	- -	- -	- -	- -	- -	- -
	63,846	63,846	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	1	1	- -	- -	- -	- -	- -	- -	- -	- -
	35,139	35,139	- -	- -	- -	- -	- -	- -	- -	- -
Total	1,487	1,467	15	3	2	- -	- -	- -	- -	- -
	$54,933	$54,990	$55,478	$40,243	$31,294	- -	- -	- -	- -	- -

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

iii. Districts Tier I

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	8	8	- -	- -	- -	- -	- -	- -	- -	- -
	$46,990	$46,990	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	40	34	6	- -	- -	- -	- -	- -	- -	- -
	56,592	55,284	$64,003	- -	- -	- -	- -	- -	- -	- -
30 - 34	57	26	25	6	- -	- -	- -	- -	- -	- -
	71,642	64,690	73,623	$93,513	- -	- -	- -	- -	- -	- -
35 - 39	73	18	29	25	1	- -	- -	- -	- -	- -
	73,175	56,997	74,151	84,166	$61,309	- -	- -	- -	- -	- -
40 - 44	42	9	17	10	5	1	- -	- -	- -	- -
	85,729	62,453	76,479	116,137	86,849	$142,769	- -	- -	- -	- -
45 - 49	42	10	6	14	7	5	- -	- -	- -	- -
	83,978	75,248	78,338	83,235	84,743	109,215	- -	- -	- -	- -
50 - 54	65	6	15	12	13	11	7	1	- -	- -
	93,794	51,480	88,017	84,420	93,959	122,287	$119,955	$48,145	- -	- -
55 - 59	55	8	8	13	8	14	2	2	- -	- -
	81,932	70,537	73,706	73,273	98,995	96,033	59,087	72,588	- -	- -
60 - 64	19	2	5	4	2	4	- -	2	- -	- -
	80,147	50,966	87,830	68,772	62,386	107,083	- -	76,761	- -	- -
65 - 69	4	1	2	- -	1	- -	- -	- -	- -	- -
	69,745	72,107	76,833	- -	53,208	- -	- -	- -	- -	- -
70 & over	1	- -	- -	1	- -	- -	- -	- -	- -	- -
	49,297	- -	- -	49,297	- -	- -	- -	- -	- -	- -
Total	406	122	113	85	37	35	9	5	- -	- -
	$77,947	$60,043	$76,530	$85,669	$88,653	$108,766	$106,428	$69,369	- -	- -

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

iv. Districts Tier II

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	2	2	--	--	--	--	--	--	--	--
	$37,971	$37,971	--	--	--	--	--	--	--	--
25 - 29	3	3	--	--	--	--	--	--	--	--
	55,506	55,506	--	--	--	--	--	--	--	--
30 - 34	6	6	--	--	--	--	--	--	--	--
	56,563	56,563	--	--	--	--	--	--	--	--
35 - 39	3	3	--	--	--	--	--	--	--	--
	52,961	52,961	--	--	--	--	--	--	--	--
40 - 44	3	3	--	--	--	--	--	--	--	--
	67,057	67,056	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	17	17	--	--	--	--	--	--	--	--
	$55,405	$55,405	--	--	--	--	--	--	--	--

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

v. Safety Tier I

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	88	87	1	- -	- -	- -	- -	- -	- -	- -
	$54,608	$54,380	$74,435	- -	- -	- -	- -	- -	- -	- -
25 - 29	290	184	105	1	- -	- -	- -	- -	- -	- -
	66,011	61,385	73,720	$107,853	- -	- -	- -	- -	- -	- -
30 - 34	356	97	183	75	1	- -	- -	- -	- -	- -
	74,682	61,816	77,202	84,917	$93,836	- -	- -	- -	- -	- -
35 - 39	326	43	88	165	29	1	- -	- -	- -	- -
	79,553	63,374	76,869	84,771	81,391	$97,261	- -	- -	- -	- -
40 - 44	249	18	33	115	62	21	- -	- -	- -	- -
	83,563	64,093	77,320	86,503	83,191	95,057	- -	- -	- -	- -
45 - 49	195	4	21	43	30	54	40	3	- -	- -
	91,966	61,578	75,147	89,740	78,605	97,301	$105,996	$132,658	- -	- -
50 - 54	128	3	6	15	15	31	48	10	- -	- -
	96,637	71,109	86,130	85,236	78,117	94,946	105,141	119,908	- -	- -
55 - 59	54	1	3	7	9	8	11	11	4	- -
	99,303	114,600	87,539	86,520	83,808	93,752	96,226	118,716	$127,717	- -
60 - 64	26	1	4	4	5	1	4	6	1	- -
	81,632	62,146	66,297	63,171	63,341	111,143	92,629	104,803	115,239	- -
65 - 69	2	- -	- -	- -	1	- -	1	- -	- -	- -
	74,706	- -	- -	- -	76,533	- -	72,878	- -	- -	- -
70 & over	1	- -	- -	1	- -	- -	- -	- -	- -	- -
	103,315	- -	- -	103,315	- -	- -	- -	- -	- -	- -
Total	1,715	438	444	426	152	116	104	30	5	- -
	$78,902	$60,587	$76,310	$85,706	$80,851	$96,140	$103,735	$117,725	$125,222	- -

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

vi. Safety Tier II

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	14	14	--	--	--	--	--	--	--	--
	$48,478	$48,478	--	--	--	--	--	--	--	--
25 - 29	12	12	--	--	--	--	--	--	--	--
	44,879	44,879	--	--	--	--	--	--	--	--
30 - 34	7	7	--	--	--	--	--	--	--	--
	49,016	49,016	--	--	--	--	--	--	--	--
35 - 39	5	5	--	--	--	--	--	--	--	--
	56,701	56,701	--	--	--	--	--	--	--	--
40 - 44	4	3	1	--	--	--	--	--	--	--
	66,525	60,944	$83,268	--	--	--	--	--	--	--
45 - 49	2	2	--	--	--	--	--	--	--	--
	45,332	45,332	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	44	43	1	--	--	--	--	--	--	--
	$50,014	$49,241	$83,268	--	--	--	--	--	--	--

EXHIBIT C

Reconciliation of Member Data – June 30, 2011 to June 30, 2012

	Active Members	Vested Terminated Members(1)	Retired Members	Disabled Members	Beneficiaries	Total
Number as of June 30, 2011	8,187	1,700	4,610	989	971	16,457
New members	800	0	N/A	N/A	78	878
Terminations – with vested rights	-259	259	0	0	0	0
Contribution refunds	-144	-113	N/A	N/A	N/A	-257
Retirements	-343	-69	412	N/A	N/A	0
New disabilities	-9	0	-9	18	N/A	0
Return to work	29	-28	-1	0	N/A	0
Died with or without beneficiary	-8	-1	-107	-22	-45	-183
Data adjustments	0	0	-3	-1	0	-4
Number as of June 30, 2012	8,253	1,748	4,902	984	1,004	16,891

(1) *Includes nonvested terminated members due a refund of member contributions.*

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2012		Year Ended June 30, 2011	
Contribution income:				
Employer contributions	$189,837,352		$177,443,815	
Employee contributions	18,719,762		18,270,765	
Total contribution income		$208,557,114		$195,714,580
Investment income:				
Interest, dividends and other income	$44,128,211		$43,449,540	
Adjustment toward market value[1]	101,745,495		30,734,614	
Less investment and administrative expenses	-12,513,671		-11,334,874	
Net investment income		133,360,035		62,849,280
Total income available for benefits		$341,917,149		$258,563,860
Less benefit payments:				
Retirement and survivor benefits	-$207,250,395		-$186,460,583	
Supplemental retirement benefits	-11,808,100		-11,435,853	
Refunds of member contributions	-3,081,989		-3,117,494	
Net benefit payments		-$222,140,484		-$201,013,930
Change in assets held for future benefits		$119,776,665		$57,549,930

(1) *Equals the "non-cash" earnings on investments implicitly included in the Actuarial Value of Assets.*

Note: Results may not add due to rounding.

EXHIBIT E

Summary Statement of Plan Assets

	Year Ended June 30, 2012		Year Ended June 30, 2011	
Cash equivalents		$25,722,025		$33,091,716
Capital assets		4,185,128		3,672,380
Accounts receivable:				
Investments sold	$102,123,137		$48,574,566	
Interest and dividends	6,477,823		5,789,090	
Contributions and other receivables	2,681,538		2,174,064	
Total accounts receivable		$111,282,498		$56,537,720
Investments:				
Domestic equities and securities	$851,912,802		$813,294,531	
International equities and securities	596,786,415		700,318,600	
Bonds	878,287,266		850,510,161	
Collateral held for securities lending	244,429,873		268,371,315	
Other investments	444,979,307		426,869,699	
Total investments at market value		3,016,395,663		3,059,364,306
Total assets		$3,157,585,314		$3,152,666,122
Less accounts payable:				
Securities purchased	-$110,878,776		-$78,700,087	
Collateral held for securities lent	-244,429,873		-268,371,315	
Contributions and other	-2,252,627		-9,669,177	
Total accounts payable		-$357,561,276		-$356,740,579
Net assets at market value		$2,800,024,038		$2,795,925,543
Net assets at actuarial value		$3,077,321,122		$2,957,544,457
Net assets at valuation value		$2,960,506,633		$2,839,746,667

Note: Results may not add due to rounding.

EXHIBIT F

Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that are anticipated to be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments.

		Total KCERA ($ in 000s)	
Assets		June 30, 2012	June 30, 2011
1	Total valuation value of assets	$2,960,507	$2,839,747
2	Present value of future contributions by members	233,792	157,848
3	Present value of future employer contributions for:		
	a. entry age normal cost	784,017	868,247
	b. unfunded actuarial accrued liability	1,934,483	1,832,601
4	Total current and future assets	$5,912,799	$5,698,443
Liabilities			
5	Present value of benefits for retirees and beneficiaries	$2,799,964	$2,545,066
6	Present value of benefits for active members	2,978,812	3,018,282
7	Present value of benefits for vested terminated members(1)	134,023	135,095
8	Total liabilities	$5,912,799	$5,698,443

(1) *Includes nonvested terminated members due a refund of member contributions.*

EXHIBIT G

Summary of Reported Reserve Information

Reserves		
	June 30, 2012	June 30, 2011
Member Deposit Reserve – General & Courts[1]	$157,027,673	$152,735,272
Member Deposit Reserve – Safety[1]	58,618,073	58,013,044
Member Deposit Reserve – Special Districts[1]	15,980,098	14,900,288
Employers Advance Reserve – General & Courts[1]	299,533,893	319,562,958
Employers Advance Reserve – Safety[1]	236,411,990	245,314,234
Employers Advance Reserve – Special Districts[1]	23,017,331	23,706,866
Cost-of-Living Reserve – General & Courts[1]	444,809,983	413,942,266
Cost-of-Living Reserve – Safety[1]	317,881,859	301,006,237
Cost-of-Living Reserve – Special Districts[1]	27,282,025	24,249,479
Retired Members – General, Courts & Special Districts[1]	847,824,628	776,240,979
Retired Members – Safety[1]	477,150,959	452,676,451
Supplemental Retiree Benefit Reserve (SRBR) – 0.5% COLA[1]	71,322,855	73,753,327
Contingency Reserve[1] [3]	(16,354,734)	(16,354,734)
Valuation Reserves	$2,960,506,633	$2,839,746,667
Supplemental Retiree Benefit Reserve (SRBR)[2]	116,814,489	117,797,790
COLA Contribution Reserve[2]	0	0
Total Reserves	$3,077,321,122	$2,957,544,457
Market Stabilization Reserve[2]	(277,297,084)	(161,618,914)
Net Market Value	$2,800,024,038	$2,795,925,543

(1) *Included in valuation value of assets.*

(2) *Not included in valuation value of assets.*

(3) *Since the Contingency Reserve is negative, it is included as part of (i.e., as an offset to) the valuation value of assets.*

Note: Results may not add due to rounding.

EXHIBIT H

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2012

				(Amounts in Thousands)
1	Unfunded actuarial accrued liability at beginning of year			$1,832,601
2	Total normal cost at middle of year			131,636
3	Expected employer and member contributions			-249,031
4	Interest			140,950
5	Expected unfunded actuarial accrued liability			$1,856,156
6	Actuarial (gain)/loss due to all changes:			
	(a)	Investment return less than expected	$91,605	
	(b)	Lower than expected individual salary increases	-62,906	
	(c)	Actual contributions less than expected	40,474	
	(d)	Other experience	9,154	
	(e)	Total changes		$78,327
7	Unfunded actuarial accrued liability at end of year			$1,934,483

Note: The sum of items 6(b), (c) and (d) equals the "net gain/(loss) from other experience" shown in Section 2, Chart 10.

EXHIBIT I
Table of Amortization Bases

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment[1]
General County with Courts	December 31, 2005	Restart Amortization	$1,137,894,000[2]	$1,152,521,000	23.5	$73,917,000
	June 30, 2012	Actuarial Loss	36,175,000	36,175,000	18	2,781,000
Subtotal				$1,188,696,000		$76,698,000
Districts	December 31, 2005	Restart Amortization	$88,675,000[2]	$89,819,000	23.5	$5,761,000
	June 30, 2012	Actuarial Loss	4,561,000	4,561,000	18	351,000
Subtotal				$94,380,000		$6,112,000
Safety	December 31, 2005	Restart Amortization	$606,032,000[2]	$613,816,000	23.5	$39,367,000
	June 30, 2012	Actuarial Loss	37,591,000	37,591,000	18	2,889,000
Subtotal				$651,407,000		$42,256,000
Grand Total				$1,934,483,000		$125,066,000

(1) *As of middle of year.*

(2) *As of June 30, 2011.*

EXHIBIT J

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar amount indexed for inflation. The amount of that limit is $200,000 for 2012 and $205,000 for 2013. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances for such things as age at retirement, form of benefits chosen and after-tax contributions. Limits could also be affected by the "grandfather" election under Section 415(b)(10).

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contributions rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

EXHIBIT K

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age; and

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the cost allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan.

Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired members as of the valuation date (including 1,004 beneficiaries in pay status)		6,890
2.	Members inactive during year ended June 30, 2012 with vested rights*		1,748
3.	Members active during the year ended June 30, 2012		8,253

The actuarial factors as of the valuation date are as follows (amounts in 000s):

1.	Normal cost		$129,909
2.	Present value of future benefits		5,912,799
3.	Present value of future normal costs		1,017,809
4.	Actuarial accrued liability**		4,894,990
	Retired members and beneficiaries	$2,799,964	
	Inactive members with vested rights*	134,023	
	Active members	1,961,003	
5.	Valuation value of assets*** ($2,800,024 at market value as reported by Retirement Association)		2,960,507
6.	Unfunded actuarial accrued liability		$1,934,483

* *Includes nonvested terminated members due a refund of member contributions.*

** *Excludes liabilities held for SRBR Reserves Unallocated to 0.5% COLA benefits.*

****Excludes assets for SRBR Reserves Unallocated to 0.5% COLA benefits. Excludes assets for Contingency Reserve (unless the Contingency Reserve is negative).*

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended average employer contribution is as follows (amounts in 000s):	Dollar Amount	% of Payroll
1. Total normal cost	$129,909	23.90%
2. Expected employee contributions	-23,192	-4.27%
3. Employer normal cost: (1) + (2)	$106,717	19.63%
4. Amortization of unfunded actuarial accrued liability	125,249	23.04%
5. Total recommended average employer contribution: (3) + (4)	$231,966	42.67%
6. Projected compensation	$543,558	

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2007	$128,135,000	$128,135,000	100.0%
2008	137,264,000	137,264,000	100.0%
2009	138,815,000	138,815,000	100.0%
2010	151,127,000	151,127,000	100.0%
2011	177,444,000	177,444,000	100.0%
2012	189,837,000	189,837,000	100.0%

EXHIBIT III

Supplementary Information Required by GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
12/31/2007	$2,589,817,000	$3,355,755,000	$765,938,000	77.2%	$453,412,000	168.9%
06/30/2008	2,654,305,000	3,671,460,000	1,017,155,000	72.3%	482,879,000	210.6%
06/30/2009	2,780,215,000	4,205,200,000	1,424,985,000	66.1%	559,872,000	254.5%
06/30/2010	2,794,644,000	4,457,038,000	1,662,395,000	62.7%	559,380,000	297.2%
06/30/2011	2,839,747,000	4,672,348,000	1,832,601,000	60.8%	539,836,000	339.5%
06/30/2012	2,960,507,000	4,894,990,000	1,934,483,000	60.5%	543,558,000	355.9%

(1) *Excludes assets for SRBR Reserves Unallocated to 0.5% COLA benefits. Excludes assets for Contingency Reserve (unless the Contingency Reserve is negative).*

(2) *Excludes liabilities held for SRBR Reserves Unallocated to 0.5% COLA benefits.*

EXHIBIT IV

Supplementary Information Required by GASB

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded liability (assuming a 4.00% payroll increase)
Remaining amortization period	23.5 years as of June 30, 2012 for all UAAL as of June 30, 2011. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 18-year closed period effective with each valuation. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in nine equal amounts over a period of four and a half years from that date.
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases**	General: 4.50% to 10.00%; Safety: 4.50% to 11.00%
Cost of living adjustments	2.50% (actual increases contingent upon CPI increases with a 2.50% maximum).
Plan membership:	
Retired members and beneficiaries receiving benefits	6,890
Vested terminated members entitled to, but not yet receiving benefits***	1,748
Active members	8,253
Total	16,891

* *Includes inflation at 3.25%.*

** *Includes inflation at 3.25%, "across the board" increases of 0.75%, plus promotional and merit increases. See Exhibit V for these increases.*

*** *Includes nonvested terminated members due a refund of member contributions.*

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

Actuarial Assumptions

Mortality Rates:

Healthy:	For General Members: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females.
	For Safety Members: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females.
Disabled:	For General Members: RP-2000 Combined Healthy Mortality Table set forward six years.
	For Safety Members: RP-2000 Combined Healthy Mortality Table set forward one year.
Beneficiaries:	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the 2011 Actuarial Experience Study.

Member Contribution Rates:	For General Members: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 30% male and 70% female.
	For Safety Members: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.

Termination Rates Before Retirement:

	Rate (%) Mortality			
	General		Safety	
Age	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.06	0.04	0.06	0.04
40	0.10	0.06	0.10	0.06
45	0.13	0.10	0.13	0.10
50	0.19	0.16	0.19	0.16
55	0.29	0.24	0.29	0.24
60	0.53	0.44	0.53	0.44
65	1.00	0.86	1.00	0.86

All pre-retirement deaths are assumed to be non-service connected.

Termination Rates Before Retirement (continued):

	Rate (%) Disability	
Age	General[1]	Safety[2]
25	0.03	0.11
30	0.05	0.21
35	0.11	0.37
40	0.18	0.60
45	0.26	0.94
50	0.36	1.64
55	0.40	2.90
60	0.40	4.40
65	0.40	0.00

(1) 55% of General disabilities are assumed to be service connected (duty) disabilities and the other 45% are assumed to be non-service connected (ordinary) disabilities.

(2) 100% of Safety disabilities are assumed to be service connected (duty) disabilities.

Termination Rates Before Retirement (continued):

	Rate (%) Withdrawal*	
Years of Service	General	Safety
0	18.00	9.00
1	13.00	7.00
2	10.00	4.00
3	7.50	3.00
4	6.50	3.00
5	6.00	2.50
6	5.00	2.40
7	4.00	2.30
8	3.75	2.20
9	3.50	2.10
10	3.25	2.00
11	3.00	1.90
12	2.80	1.70
13	2.60	1.50
14	2.40	1.30
15	2.30	1.10
16	2.20	0.90
17	2.10	0.75
18	1.90	0.75
19	1.70	0.75
20	1.50	0.00
21	1.30	0.00
22	1.10	0.00
23	1.00	0.00
24	1.00	0.00
25	1.00	0.00
26	1.00	0.00
27	1.00	0.00
28	1.00	0.00
29	1.00	0.00
30 & Over	0.00	0.00

* Refer to the next table that contains rates for electing a refund of contributions upon withdrawal. No withdrawal is assumed after a member is first assumed to retire.

Termination Rates Before Retirement (continued):

	Rate (%) Electing a Refund of Contributions upon Withdrawal	
Years of Service	**General**	**Safety**
0	100	100
1	100	100
2	100	100
3	100	100
4	100	100
5	50	50
6	47	46
7	44	42
8	41	38
9	38	34
10	35	30
11	32	27
12	30	24
13	28	21
14	26	18
15	24	15
16	22	12
17	20	9
18	18	7
19	16	5
20	14	0
21	12	0
22	10	0
23	8	0
24	6	0
25	4	0
26	2	0
27 & Over	0	0

Retirement Rates:

	Rate (%)			
Age	**General Tier I**	**General Tier II**	**Safety Tier I**	**Safety Tier II**
45	0.00	0.00	1.00	0.00
46	0.00	0.00	1.00	0.00
47	0.00	0.00	1.00	0.00
48	0.00	0.00	1.00	0.00
49	0.00	0.00	6.00	0.00
50	6.00	3.00	16.00	5.00
51	6.00	3.00	14.00	5.00
52	6.00	3.00	16.00	5.00
53	6.00	3.00	18.00	8.00
54	7.00	3.00	20.00	18.00
55	9.00	5.00	22.00	20.00
56	11.00	6.00	25.00	20.00
57	13.00	7.00	27.00	20.00
58	16.00	10.00	30.00	20.00
59	18.00	11.00	25.00	25.00
60	22.00	13.00	25.00	25.00
61	25.00	17.00	25.00	25.00
62	30.00	30.00	100.00	50.00
63	30.00	30.00	100.00	50.00
64	30.00	30.00	100.00	50.00
65	30.00	30.00	100.00	100.00
66	40.00	40.00	100.00	100.00
67	40.00	40.00	100.00	100.00
68	40.00	40.00	100.00	100.00
69	40.00	40.00	100.00	100.00
70	100.00	100.00	100.00	100.00

Retirement Age and Benefit for Deferred Vested Members:	For deferred vested members, we make the following retirement assumption: General Age: 57 Safety Age: 53 We assume that 55% and 60% of future General and Safety deferred vested members, respectively, will continue to work for a reciprocal employer. For reciprocals, we assume 4.75% compensation increases per annum.
Future Benefit Accruals:	1.0 year of service per year.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Definition of Active Members:	All active members of KCERA as of the valuation date.
Percent Married:	75% of male members and 55% of female members are assumed to be married at pre-retirement death or retirement. There is no explicit assumption for children's benefits.
Age of Spouse:	Female (or male) spouses are 3 years younger (or older) than their spouses.
Net Investment Return:	7.75%, net of investment and administration expenses.
Employee Contribution Crediting Rate:	7.75%, compounded semi-annually.
Consumer Price Index:	Increase of 3.25% per year; retiree COLA increases due to CPI are assumed to be 2.50% per year.

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.25% per year; plus "across the board" salary increases of 0.75% per year; plus the following promotional and merit increases:

Years of Service	General	Safety
Less than 1	6.00%	7.00%
1	5.00	5.75
2	4.00	4.50
3	3.00	3.50
4	2.50	3.00
5	2.00	2.50
6	1.75	2.25
7	1.50	2.00
8	1.25	1.75
9	1.00	1.25
10	0.90	1.00
11	0.80	0.95
12	0.70	0.90
13	0.60	0.85
14	0.50	0.80
15	0.50	0.75
16	0.50	0.70
17	0.50	0.65
18	0.50	0.60
19	0.50	0.55
20 & Over	0.50	0.50

Note: The promotional and merit increases are added to the sum of the inflationary and "across the board" increases.

Actuarial Methods

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formulas have always been in effect (i.e., "replacement life").
Actuarial Value of Assets:	Market value of assets (MVA) less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value, and are recognized semi-annually over a five-year period. 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. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in nine equal amounts over a period of four and a half years from that date.
Valuation Value of Assets:	The Actuarial Value of Assets reduced by the value of the non-valuation reserves (excluding the Contingency Reserve if it is negative).
Amortization Policy:	The UAAL, (i.e., the difference between the Actuarial Accrued Liability and the Valuation Value of Assets), as of June 30, 2011 shall be amortized separately from any future changes in UAAL over a period of 24.5 years from June 30, 2011. Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of 18 years. Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 18 years. Unless an alternative amortization period is recommended by the Actuary and accepted by the Board based on the results of an actuarial analysis: a. with the exception noted in b., below, the change in UAAL as a result of any plan amendments will be amortized over a period of 15 years or less; b. the increase in UAAL resulting from a temporary retirement incentive, including the impact of benefits resulting from additional service permitted in Section

31641.04 of the 1937 CERL (Golden Handshake), will be funded over a period of up to 5 years. For Golden Handshakes, the employer has the choice of two methods:

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

ii. Payment according to a five-year amortization period which will be invoiced (payable in 30 days) to the employer in the first month of the fiscal year following the fiscal year in the which the Golden Handshake 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 at any time during the five-year amortization period.

If the amortization method is used, then the outstanding balance will generally 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.

UAAL shall be amortized over "closed" amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation.

UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

If an overfunding exists (i.e., the total of all UAAL becomes negative so that there is a surplus), such surplus and any subsequent surpluses will be amortized over an "open" amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over 18 years as the first of a new series of amortization layers.

	These amortization policy components will apply separately to each of KCERA's UAAL cost sharing groups.
Changes in Actuarial Methods:	The Board adopted an adjustment to the asset smoothing method that combined the net deferred investment losses from the June 30, 2011 valuation into a single smoothing layer to be recognized in nine equal amounts over a period of four and a half years from that date. In addition, based on the review of actuarial funding policy, the following methods were changed. Previously, these methods were as follows:
Amortization Policy:	All UAAL is amortized as a level percent of payroll over the period ending December 31, 2035 (24.5 years as of June 30, 2011).

EXHIBIT VI
Summary of Plan Provisions

This exhibit summarizes the major provisions of the KCERA included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:	All permanent employees of Kern County or participating Special Districts scheduled to work 50% or more of the required regular standard hours are eligible to become a member of the Retirement Association subject to classification below:
General Tier I	All General members hired by the County prior to October 27, 2007 (prior to July 5, 2008 for Prosecutors), hired by North of the River Sanitation District prior to October 29, 2007, hired by the Kern County Water Agency prior to January 1, 2010, hired by Berrenda Mesa Water District prior to January 12, 2010, hired by San Joaquin Valley Unified Air Pollution Control District prior to July 31, 2012, hired by the Courts prior to March 12, 2011, or hired by all other districts regardless of hire date.
General Tier II	All General members hired by the County on or after October 27, 2007, hired by North of the River Sanitation District on or after October 29, 2007, hired by the Kern County Water Agency on or after January 1, 2010, hired by Berrenda Mesa Water District on or after January 12, 2010, hired by San Joaquin Valley Unified Air Pollution Control District on or after July 31, 2012, or hired by the Courts on or after March 12, 2011.
Safety Tier I	All members employed in active law enforcement, active fire suppression, probation, detention or criminal investigation hired prior to March 27, 2012.
Safety Tier II	All members employed in active law enforcement, active fire suppression, probation, detention or criminal investigation hired on or after March 27, 2012.
Final Compensation for Benefit Determination:	
General and Safety	Highest consecutive twelve months of compensation earnable (§31462.1) (FAS).

SEGAL

Service:	Years of service. (Yrs)
Service Retirement Eligibility:	
General Tier I and Tier II	Age 50 with 10 years of service credit, or age 70 regardless of service credit, or after 30 years of service credit, regardless of age (§31672).
Safety Tier I and Tier II	Age 50 with 10 years of service credit, or age 70 regardless of service credit, or after 20 years of service credit, regardless of age (§31663.25).

Benefit Formula:

	Retirement Age	Benefit Formula*
General Tier I (§31676.17)	50	(2.00%xFAS – 1/3%x2.00%x$350 x 12) x Yrs
	55	(2.50%xFAS – 1/3%x2.50%x$350 x 12) x Yrs
	60	(3.00%xFAS – 1/3%x3.00%x$350 x 12) x Yrs
	62 and over	(3.00%xFAS – 1/3%x3.00%x$350 x 12) x Yrs
	Retirement Age	**Benefit Formula**
*General Tier I** (§31676.14)*	50	1.48% x FAS x Yrs
	55	1.95% x FAS x Yrs
	60	2.44% x FAS x Yrs
	62 and over	2.61% x FAS x Yrs
	Retirement Age	**Benefit Formula***
General Tier II (§31676.01)	50	(0.79%xFAS – 1/3x0.79%x$350 x 12) x Yrs
	55	(0.99%xFAS – 1/3x1.00%x$350 x 12) x Yrs
	60	(1.28%xFAS – 1/3x1.28%x$350 x 12) x Yrs
	62	(1.39%xFAS – 1/3x1.39%x$350 x 12) x Yrs
	65 and over	(1.62%xFAS – 1/3x1.62%x$350 x 12) x Yrs

* *Benefits for some District Members are not integrated with Social Security.*

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

	Retirement Age	Benefit Formula
Safety Tier I (§31664.1)	50	(3.00% x FAS - 1/3 x 3.00% x $350 x 12) x Yrs
	55	(3.00% x FAS - 1/3 x 3.00% x $350 x 12) x Yrs
	60 and over	(3.00% x FAS - 1/3 x 3.00% x $350 x 12) x Yrs
	Retirement Age	**Benefit Formula**
Safety Tier II (§31664)	50	(2.00% x FAS - 1/3 x 2.00% x $350 x 12) x Yrs
	55	(2.62% x FAS - 1/3 x 2.62% x $350 x 12) x Yrs
	60 and over	(2.62% x FAS - 1/3 x 2.62% x $350 x 12) x Yrs

Maximum Benefit: 100% of FAS (§31676.14, §31676.17, §31676.01, §31664.1,§31664).

Non-Service Connected Disability:

Eligibility Five years of service (§31720).

Benefit Formula 20% of FAS plus 2% of FAS for each full year of service in excess of five years, not to exceed 40% of FAS (§31727.7).

Service Connected Disability:

Eligibility No age or service requirements (§31720).

Benefit Formula 50% of FAS (§31727.4).

Pre-Retirement Death:

Non Service Connected (Not Vested) Before Eligible to Retire	
Eligibility	None.
Benefit	Refund of employee contributions with interest plus one month's eligible compensation for each year of service to a maximum of six months' compensation (§31781). OR
Non Service Connected (Vested)	
Eligibility	Five years of service.
Benefit	60% of the greater of Service or Non Service Connected Disability Retirement benefit payable to surviving eligible spouse or eligible children (§31765.1, §31781.1), in lieu of above. Additionally, the spouse may choose a combined benefit of: • A lump sum payment of up to six months' compensation (see above), and • A monthly (60%) benefit reduced by actuarial equivalent of the lump sum payment (§31781.3).
Service Connected Death	50% of FAS or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787). In addition, Safety members are entitled to benefits under Sections 31787.5 and 31787.6.

Death After Retirement:

Service or Non Service Connected Disability Retirement	Unless another option was selected at retirement, 60% of member's unmodified allowance continued to eligible spouse (§31760.1). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the day of retirement (§31760.1), or, at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31760.2).
Service Connected Disability Retirement	Unless another option was selected at retirement, 100% of member's unmodified allowance continued to eligible spouse (§31786).

Withdrawal Benefits:	
Less than Five Years of KCERA/ Reciprocal Service Credit	Refund of accumulated employee contributions with interest or eligible for a retirement benefit at age 70 (§31628, §31629.5).
Five or More Years of KCERA/ Reciprocal Service Credit	If accumulated employee contributions left on deposit, eligible for retirement benefits at any time after meeting eligibility criteria to retire (§31700).
Post-retirement Cost-of-Living Benefits:	
General and Safety	Future changes based on changes to the Consumer Price Index to a maximum of 2.50% per year. (§31870.4)
Supplemental Retiree Benefit Reserve:	The Association provides Supplemental Retiree Benefit Reserve benefits for eligible retirees. These benefits have been excluded from this valuation.

Member Contributions:	Please refer to Appendix A for the specific rates. Members do not contribute towards the cost-of-living benefits.
General Tier I	
Basic	Provide for an average annuity at age 55 equal to 1/100 of FAS. (§31621.8)
General Tier II	
Basic	Provide for an average annuity at age 60 equal to 1/120 of FAS. (§31621)
Safety Tier I	
Basic	Provide for an average annuity at age 50 equal to 1/100 of FAS. (§31639.25)
Supplemental	Provide for an average annuity at age 50 equal to 1/200 of FAS. (Resolution #2004-144)
Safety "3" Tier I	
Basic and Supplemental	At all entry ages, the member contribution rate for the above Safety Tier I members who enter the plan at age 27.
Safety Tier II	
Basic	Provide for an average annuity at age 50 equal to 1/100 of FAS. (§31639.25)
Safety "3" Tier II	
Basic	At all entry ages, the member contribution rate for the above Safety Tier II members who enter the plan at age 27.
Other Information:	Safety members with 30 or more years of service are exempt from paying member contributions. Various other exemptions for member contributions are outlined on pages 18 through 20.
Plan Changes:	The following changes in plan provisions have been recognized since the prior valuation: • Safety members hired on or after March 27, 2012 are classified as Tier II.

- San Joaquin Valley Unified Air Pollution Control members hired on or after July 31, 2012 are classified as General Tier II.

- The "5-year contribution stop" was eliminated for County employees. The contribution start dates and portions of the member contribution rates to be paid are on page 19 of this report.

NOTE: *The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the Association should find the plan summary not in accordance with the actual provisions, the Association should alert the actuary so they can both be sure the proper provisions are valued.*

Appendix A

Member Contribution Rates

General Tier I Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)

	Integrated		Non-integrated
Entry Age	First $350 of Monthly Compensation	Over $350 of Monthly Compensation	All Compensation
16	3.99%	5.98%	5.98%
17	4.06%	6.09%	6.09%
18	4.13%	6.20%	6.20%
19	4.21%	6.32%	6.32%
20	4.29%	6.44%	6.44%
21	4.37%	6.56%	6.56%
22	4.45%	6.68%	6.68%
23	4.54%	6.81%	6.81%
24	4.63%	6.94%	6.94%
25	4.71%	7.06%	7.06%
26	4.80%	7.20%	7.20%
27	4.89%	7.33%	7.33%
28	4.98%	7.47%	7.47%
29	5.07%	7.61%	7.61%
30	5.17%	7.75%	7.75%
31	5.26%	7.89%	7.89%
32	5.36%	8.04%	8.04%
33	5.46%	8.19%	8.19%
34	5.56%	8.34%	8.34%
35	5.67%	8.50%	8.50%
36	5.77%	8.66%	8.66%
37	5.89%	8.83%	8.83%
38	6.00%	9.00%	9.00%
39	6.12%	9.18%	9.18%
40	6.24%	9.36%	9.36%

General Tier I Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)

	Integrated		Non-integrated
Entry Age	First $350 of Monthly Compensation	Over $350 of Monthly Compensation	All Compensation
41	6.37%	9.55%	9.55%
42	6.49%	9.73%	9.73%
43	6.61%	9.91%	9.91%
44	6.73%	10.09%	10.09%
45	6.85%	10.27%	10.27%
46	6.96%	10.44%	10.44%
47	7.07%	10.60%	10.60%
48	7.17%	10.75%	10.75%
49	7.27%	10.90%	10.90%
50	7.34%	11.01%	11.01%
51	7.40%	11.10%	11.10%
52	7.41%	11.12%	11.12%
53	7.39%	11.08%	11.08%
54 & Over	7.31%	10.96%	10.96%

Interest:	7.75%
COLA:	None
Salary Increase:	See Exhibit V.
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 30% male and 70% female.
Note:	These rates are determined before any pickups by the employer.

General Tier II Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)

	Integrated		Non-integrated
Entry Age	First $350 of Monthly Compensation	Over $350 of Monthly Compensation	All Compensation
16	2.83%	4.25%	4.25%
17	2.89%	4.33%	4.33%
18	2.94%	4.41%	4.41%
19	2.99%	4.49%	4.49%
20	3.05%	4.58%	4.58%
21	3.11%	4.67%	4.67%
22	3.17%	4.75%	4.75%
23	3.23%	4.84%	4.84%
24	3.29%	4.94%	4.94%
25	3.35%	5.03%	5.03%
26	3.41%	5.12%	5.12%
27	3.48%	5.22%	5.22%
28	3.55%	5.32%	5.32%
29	3.61%	5.41%	5.41%
30	3.68%	5.52%	5.52%
31	3.75%	5.62%	5.62%
32	3.81%	5.72%	5.72%
33	3.89%	5.83%	5.83%
34	3.96%	5.94%	5.94%
35	4.03%	6.05%	6.05%
36	4.11%	6.16%	6.16%
37	4.19%	6.28%	6.28%
38	4.26%	6.39%	6.39%
39	4.34%	6.51%	6.51%
40	4.43%	6.64%	6.64%
41	4.51%	6.76%	6.76%
42	4.59%	6.89%	6.89%
43	4.69%	7.03%	7.03%
44	4.78%	7.17%	7.17%

General Tier II Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)

Entry Age	Integrated: First $350 of Monthly Compensation	Integrated: Over $350 of Monthly Compensation	Non-integrated: All Compensation
45	4.87%	7.31%	7.31%
46	4.97%	7.45%	7.45%
47	5.06%	7.59%	7.59%
48	5.16%	7.74%	7.74%
49	5.25%	7.88%	7.88%
50	5.35%	8.02%	8.02%
51	5.43%	8.15%	8.15%
52	5.52%	8.28%	8.28%
53	5.60%	8.40%	8.40%
54	5.67%	8.51%	8.51%
55	5.73%	8.60%	8.60%
56	5.78%	8.67%	8.67%
57	5.79%	8.68%	8.68%
58	5.77%	8.65%	8.65%
59 & Over	5.71%	8.56%	8.56%

Interest:	7.75%
COLA:	None
Salary Increase:	See Exhibit V.
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 30% male and 70% female.
Note:	These rates are determined before any pickups by the employer.

Safety Tier I Members' (Excluding "Safety 3" Members) Contribution Rates
from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)

	Integrated	
Entry Age	First $350 of Monthly Compensation	Over $350 of Monthly Compensation
16	6.96%	10.44%
17	7.09%	10.64%
18	7.23%	10.84%
19	7.37%	11.05%
20	7.51%	11.26%
21	7.65%	11.47%
22	7.79%	11.69%
23	7.94%	11.91%
24	8.09%	12.14%
25	8.25%	12.38%
26	8.41%	12.62%
27	8.57%	12.86%
28	8.74%	13.11%
29	8.91%	13.37%
30	9.09%	13.63%
31	9.26%	13.89%
32	9.44%	14.16%
33	9.61%	14.42%
34	9.79%	14.69%
35	9.97%	14.96%
36	10.16%	15.24%
37	10.35%	15.52%
38	10.54%	15.81%
39	10.75%	16.12%
40	10.93%	16.40%
41	11.09%	16.64%
42	11.23%	16.85%
43	11.37%	17.05%

Safety Tier I Members' (Excluding "Safety 3" Members) Contribution Rates from the June 30, 2012 Actuarial Valuation (Expressed as a Percentage of Monthly Compensation)

	Integrated	
Entry Age	First $350 of Monthly Compensation	Over $350 of Monthly Compensation
44	11.49%	17.24%
45	11.59%	17.38%
46	11.66%	17.49%
47	11.67%	17.50%
48	11.58%	17.37%
49 & Over	11.41%	17.12%

Interest:	7.75%
COLA:	None
Salary Increase:	See Exhibit V.
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.
Note:	These rates are determined before any pickups by the employer.

"Safety 3" Safety Tier I Members' Contribution Rates
from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)

	Integrated	
Entry Age	**First $350 of Monthly Compensation**	**Over $350 of Monthly Compensation**
Every	8.57%	12.86%

Interest:	7.75%
COLA:	None
Salary Increase:	See Exhibit V.
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.
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. Based on the most recent Actuarial Experience Study, the contribution rates shown above are based on an entry age of 27. This is expected to provide for the same value of contributions that would be made based on the specific entry age based rates shown on the previous two pages. These rates are determined before any pickups by the employer.

Safety Tier II Members' (Excluding "Safety 3" Members) Contribution Rates from the June 30, 2012 Actuarial Valuation (Expressed as a Percentage of Monthly Compensation)

	Integrated	
Entry Age	First $350 of Monthly Compensation	Over $350 of Monthly Compensation
16	4.64%	6.96%
17	4.73%	7.09%
18	4.82%	7.23%
19	4.91%	7.36%
20	5.00%	7.50%
21	5.10%	7.65%
22	5.19%	7.79%
23	5.29%	7.94%
24	5.40%	8.10%
25	5.50%	8.25%
26	5.61%	8.41%
27	5.71%	8.57%
28	5.83%	8.74%
29	5.94%	8.91%
30	6.06%	9.09%
31	6.17%	9.26%
32	6.29%	9.44%
33	6.41%	9.61%
34	6.53%	9.79%
35	6.65%	9.97%
36	6.77%	10.16%
37	6.90%	10.35%
38	7.03%	10.54%
39	7.16%	10.74%
40	7.29%	10.93%
41	7.39%	11.09%
42	7.49%	11.23%
43	7.58%	11.37%

Safety Tier II Members' (Excluding "Safety 3" Members) Contribution Rates from the June 30, 2012 Actuarial Valuation (Expressed as a Percentage of Monthly Compensation)

	Integrated	
Entry Age	First $350 of Monthly Compensation	Over $350 of Monthly Compensation
44	7.66%	11.49%
45	7.73%	11.59%
46	7.77%	11.66%
47	7.78%	11.67%
48	7.72%	11.58%
49 & Over	7.61%	11.41%

Interest:	7.75%
COLA:	None
Salary Increase:	See Exhibit V.
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.
Note:	These rates are determined before any pickups by the employer.

"Safety 3" Safety Tier II Members' Contribution Rates
from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)

	Integrated	
Entry Age	**First $350 of Monthly Compensation**	**Over $350 of Monthly Compensation**
Every	5.71%	8.57%

Interest:	7.75%
COLA:	None
Salary Increase:	See Exhibit V.
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.
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. Based on the most recent Actuarial Experience Study, the contribution rates shown above are based on an entry age of 27. This is expected to provide for the same value of contributions that would be made based on the specific entry age based rates shown on the previous two pages. These rates are determined before any pickups by the employer.

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Kern County Employees' Retirement Association

Supplemental Retiree Benefit Reserve (SRBR)

Actuarial Valuation and Review as of June 30, 2012

KCERA- Investment/Regular Board
Agenda Item 24
December 12, 2012

SEGAL

THE SEGAL COMPANY
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November 30, 2012

Board of Retirement
Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, California 93311

Dear Board Members:

We are pleased to submit our Supplemental Retiree Benefit Reserve (SRBR) Actuarial Valuation and Review as of June 30, 2012. It summarizes the actuarial data on members included in the SRBR valuation, determines the funding status of the SRBR benefits and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Retirement Board. The census information on which our calculations were based was prepared by KCERA and the financial information was provided by the Retirement Association. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

The measurements shown in this actuarial valuation may not be applicable for other purposes. 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 the end of an amortization period); and changes in plan provisions or applicable law.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, MAAA, EA, FCA	*John Monroe, ASA, MAAA, EA*
Senior Vice President and Actuary	*Vice President and Associate Actuary*

JZM/gxk

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPORTING EXHIBITS

PURPOSE AND SCOPE

This report has been prepared by The Segal Company to present a valuation of the Kern County Employees' Retirement Association Supplemental Retiree Benefit Reserve (SRBR) benefits as of June 30, 2012. The valuation was performed to determine the funded status of the SRBR benefits. The funded status information presented in this report is based on:

- The benefit provisions of the SRBR, as administered by the Retirement Association;
- The characteristics of covered active members, vested terminated members, retired members and beneficiaries as of June 30, 2012, provided by the Retirement Association;
- The SRBR value as of June 30, 2012, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the SRBR's liabilities. Our calculations are based upon member data and financial information provided to us by the Association's staff. This information has not been audited by us, but it has been reviewed and found to be reasonably consistent, both internally and with prior year's information.

Note that the investment return assumption of 7.75% used in this report was determined without taking into consideration any impact of the 50/50 excess earnings allocation between the retirement and SRBR asset pools.

SIGNIFICANT ISSUES IN THIS VALUATION

- The funded status of the SRBR "Approved Benefits" increased from 205% as of June 30, 2011 to 209% as of June 30, 2012. Approved Benefits are those that have already been approved by the Retirement Board. Under the Board's "20/20" Policy, the goal is to have a 20% reserve for the death benefits, SRBR Tier 1 and SRBR Tier 2 benefits and 20 years of expected SRBR Tier 3 payments. The funded status of this SRBR "Targeted Funding with Reserves" decreased from 172% as of June 30, 2011 to 168% as of June 30, 2012.
- The funded status of the total SRBR benefits decreased from 176% as of June 30, 2011 to 168% as of June 30, 2012. The total SRBR benefits include all projected benefits expected to be paid to current plan members.
- The decrease in the funded status for total SRBR benefits was primarily due to an investment loss, since the rate of return on the available SRBR (after smoothing) during 2011/2012 was about 4.5%, which is less than the 7.75% assumption. These losses were offset to some extent by lower inflation as compared to expected.
- In this valuation, we assume that the CPI will increase by 3.25% per year, based on our long-term assumption for inflation. The Annual Average Consumer Price Index for All Urban Consumers (CPI-U) for the Los Angeles-Riverside-Orange County area increased by 2.7% from 2010 to 2011. Because the CPI increased by more than 2.5% (the maximum COLA possible), COLA bank balances were increased by 0.2%. Current SRBR Tier 3 benefits generally stayed the same because CPI increases in recent years were lower than the COLA increases for most retirees. However, future projected increases in SRBR Tier 3 benefits for current retirees and beneficiaries are expected to occur later than previously expected. This led to the offset of the decrease in funded ratio due to low inflation described above.
- The following table compares the reserves and liabilities for the total SRBR benefits as of:

	June 30, 2012	June 30, 2011
1. Available SRBR Reserves		
a. Total SRBR	$188,137,000	$191,551,000
b. 0.5% COLA Account	71,323,000	73,753,000
c. Available SRBR Reserve (1.a. – 1.b.)	$116,814,000	$117,798,000
2. Present Value of Total Benefits:		
a. Approved Benefits	55,940,000	57,490,000
b. Future Benefits	13,441,000	9,361,000
c. Total (2.a. + 2.b.)	$69,381,000	$66,851,000
3. PVB minus Reserves (2.c.) – (1.c.)	-47,433,000	-50,947,000
4. Funded Ratio (1.c.) ÷ (2.c.)	168.4%	176.2%

A. INTRODUCTION

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 Association 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 1, SRBR Tier 2 and SRBR Death Benefits, as well as the SRBR Tier 3 benefits approved through the valuation date (June 30, 2012).

Future Benefits – These are the SRBR Tier 3 benefits expected to be approved in future years in order to maintain 80% purchasing power.

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 allocated to the SRBR and the remaining 50% are allocated as additional interest credits to all other reserve funds excluding the Contingency Reserve and the SRBR.

A summary of the benefits provided by the SRBR is displayed in Exhibit II. Note that, 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. The assets and liabilities related to this additional 0.5% COLA are included in the regular valuation and are therefore excluded from this SRBR valuation.

B. DEMOGRAPHIC DATA

Chart 1 below provides a summary of the number of members eligible for Approved Benefits as of June 30, 2012. It also contains information on the monthly SRBR benefits in pay status as of June 30, 2012.

Each of the various SRBR benefits and their eligibilities are described in Exhibit II.

CHART 1

Table of Coverage

Members Eligible for Approved Benefits as of June 30, 2012		Death Benefits	SRBR1	SRBR2	SRBR3
1.	Active Members	8,253	1,418	-	-
2.	Deferred Vested Members	1,748	413	-	-
3.	Retirees and Beneficiaries	5,886	6,126	631	540
4.	Total	15,887	7,957	631	540
5.	Total monthly benefits in pay status as of June 30, 2012		$201,400	$105,300	$164,600
6.	Average monthly benefit in pay status as of June 30, 2012		$33	$167	$305

C. FUNDED STATUS

Undistributed Earnings are the only source of funding for the SRBR Benefits. By their very nature, Undistributed Earnings are produced on an inconsistent basis and cannot be relied upon on to appear in any single period. Because of this, the funding of SRBR Benefits is set up differently than funding for Regular Benefits. 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 (PVB) for SRBR Benefits.

The actuarial assumptions and methods used to determine the PVB are shown in Exhibit I. These are generally the same assumptions and methods used in the regular June 30, 2012 KCERA valuation.

The short-term, medium-term and long-term funding position are described as follows:

- Funded status of the SRBR "Approved Benefits"
- Funded status of the Targeted SRBR Liabilities
- Funded status of the Total SRBR Benefits

Approved Benefits are the SRBR benefits that have already been approved by the Retirement Board. They include all Tier 1, Tier 2 and Death Benefits, as well as the Tier 3 benefits approved through the valuation date. The Present Value of Approved Benefits is the short-term funding target for the SRBR.

The chart below shows the funded status of "Approved Benefits."

CHART 2

Funded Status of Approved Benefits

	June 30, 2012	June 30, 2011
1. Available SRBR Reserves		
a. Total SRBR	$188,137,000	$191,551,000
b. 0.5% COLA Account	71,323,000	73,753,000
c. Available SRBR Reserve (1.a. – 1.b.)	$116,814,000	$117,798,000
2. Present Value of Approved Benefits		
a. Death Benefits	8,166,000	7,905,000
b. SRBR1	28,518,000	28,628,000
c. SRBR2	7,065,000	7,968,000
d. SRBR3	12,191,000	12,989,000
e. Total	$55,940,000	$57,490,000
3. PVB Minus Reserves Available (2.e. – 1.c.)	-$60,874,000	-$60,308,000
4. Funded Ratio (1.c./2.e.)	208.8%	204.9%

C. FUNDED STATUS (continued)

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 PVB for SRBR Tier 1, SRBR Tier 2 and SRBR Death Benefits. For SRBR Tier 3 Benefits, the target liability is the Present Value of projected payments for the 20-year period beginning with the valuation date.

Under the Board's 20/20 policy, the goal is to have a 20% reserve for the death benefits, SRBR Tier 1 and SRBR Tier 2 benefits and 20 years of expected SRBR Tier 3 payments. This is the Targeted Funding with Reserves. The Present Value of Targeted Funding with Reserves is the medium-term funding target for the SRBR.

Under the Board's 20/20 policy, if the Present Value of the Targeted Funding with Reserves is more than 100% funded, the Board may consider increasing the SRBR approved benefits. As of June 30, 2012, the funded status is over the 100% benchmark, at 168.3%.

The chart below shows the funded status of "Targeted Funding."

CHART 3

Funded Status of Targeted Funding

	Liabilities	Liabilities with Reserves
1. June 30, 2012 Available SRBR Reserves	$116,814,000	$116,814,000
2. June 30, 2012 Present Value of Targeted Funding		
a. Death Benefits	8,166,000	9,800,000
b. SRBR1	28,518,000	34,221,000
c. SRBR2	7,065,000	8,478,000
d. SRBR3 (20 years of expected payments)	16,895,000	16,895,000
e. Total	$60,644,000	$69,394,000
3. PVB minus Reserves (2.e. – 1.)	-$56,170,000	-$47,420,000
4. Funded Ratio (1./2.e.)	192.6%	168.3%

C. FUNDED STATUS (continued)

KCERA's long-term funding target for the SRBR is based on the Present Value of all projected SRBR Benefits.

The chart below shows the funded status of total SRBR Benefits.

CHART 4

Funded Status of Total SRBR Benefits

	June 30, 2012	June 30, 2011
1. Available SRBR Reserves	$116,814,000	$117,798,000
2. Present Value of Total Benefits		
a. Approved Benefits	55,940,000	57,490,000
b. Future Benefits	13,441,000	9,361,000
c. Total	$69,381,000	$66,851,000
3. PVB minus Reserves (2.c. – 1.)	-$47,433,000	-$50,947,000
4. Funded Ratio (1./2.c.)	168.4%	176.2%

C. FUNDED STATUS (continued)

The funded status of Total SRBR Benefits as measured by the funded ratio decreased from 176.2% as of June 30, 2011 to 168.4% as of June 30, 2012.

The following chart details the changes in the funded ratio from the prior year's valuation to the current year's valuation.

The decrease in the funded status for total SRBR benefits was primarily due to an investment loss, since the rate of return on the available SRBR (after smoothing) during 2011/2012 was about 4.5%, which is less than the 7.75% assumption. These losses were offset to some extent by lower inflation as compared to expected.

CHART 5

Reconciliation of Funded Ratio for Total SRBR Benefits

1. Funded Ratio as of June 30, 2011	176.2%
2. Changes due to:	
a. Investment Loss	-5.7%
b. Inflation Gain	0.4%
c. Other Liability Loss	-2.5%
d. Total	-7.8%
3. Funded Ratio as of June 30, 2012	168.4%

EXHIBIT I

Actuarial Assumptions and Methods

Actuarial Assumptions:	The same actuarial assumptions used in the KCERA June 30, 2012 Actuarial Valuation and Review.
Actuarial Value of Assets:	Supplemental Retiree Benefit Reserve value as of valuation date.
Actuarial Cost Method:	Not applicable, since only the Present Value of Future Benefits (PVB) is determined in this report.

EXHIBIT II
Summary of Plan Provisions

Benefits Provided:	The SRBR currently provides four categories of 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. Upon death of the retired member, 60% of the Tier 1 and Tier 2 SRBR benefits continue to the retired member's beneficiary.
Tier 3:	Additional benefits to maintain 80% purchasing power protection. Upon death, this benefit continues to be paid to the retired member's beneficiary based on the applicable continuation percentage under the member's form of payment elected at retirement.
Death Benefit:	An additional one-time post-retirement death benefit of $3,000 is paid to a retired member's beneficiary upon the death of the retired member.
Plan Changes:	There have been no changes in plan provisions since the previous actuarial valuation.

EXHIBIT III
Summary of SRBR Valuation Results

Present Value of Projected Benefits

Approved Benefits	Death Benefit	SRBR1	SRBR2	SRBR3	Total
Active Members	$1,940,000	$4,612,000	$0	$0	$6,552,000
Deferred Vested Members	318,000	1,413,000	0	0	1,731,000
Retirees and Beneficiaries	5,908,000	22,493,000	7,065,000	12,191,000	47,657,000
Total	$8,166,000	$28,518,000	$7,065,000	$12,191,000	$55,940,000
Future Benefits					
Active Members	$0	$0	$0	$3,868,000	$3,868,000
Deferred Vested Members	0	0	0	117,000	117,000
Retirees and Beneficiaries	0	0	0	9,456,000	9,456,000
Total	$0	$0	$0	$13,441,000	$13,441,000
Total Approved and Future Benefits					
Active Members	$1,940,000	$4,612,000	$0	$3,868,000	$10,420,000
Deferred Vested Members	318,000	1,413,000	0	117,000	1,848,000
Retirees and Beneficiaries	5,908,000	22,493,000	7,065,000	21,647,000	57,113,000
Total	$8,166,000	$28,518,000	$7,065,000	$25,632,000	$69,381,000

Available SRBR Reserves

Total SRBR	$188,137,000
Additional 0.5% COLA Account	71,323,000
Available SRBR	$116,814,000

Funded Ratios

Approved Benefits	208.8%
Total Approved and Future Benefits	168.4%

EXHIBIT IV

Projected Cash Flow for SRBR Tier 3 Payments

Year Beginning July 1,	Projected SRBR Tier 3 Payments
2012	$1,942,000
2013	1,855,000
2014	1,810,000
2015	1,769,000
2016	1,726,000
2017	1,687,000
2018	1,659,000
2019	1,633,000
2020	1,605,000
2021	1,572,000
2022	1,533,000
2023	1,495,000
2024	1,455,000
2025	1,410,000
2026	1,366,000
2027	1,322,000
2028	1,277,000
2029	1,231,000
2030	1,186,000
2031	1,144,000

Value of Non-Discounted 20-Year Cash Flow: $30,677,000

Present Value of Projected 20-Year Cash Flow: $16,895,000