Kern County Employees' Retirement Association

Governmental Accounting Standards (GAS) 67
Actuarial Valuation as of June 30, 2014

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December 1, 2014

Board of Retirement
Kern County Employees' Retirement Association
11125 River Run Blvd.
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Dear Board Members:

We are pleased to submit this Governmental Accounting Standards (GAS) 67 Actuarial Valuation as of June 30, 2014. It contains various information that will need to be disclosed in order to comply with GAS 67.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Association. The census and financial information on which our calculations were based was prepared by KCERA. That assistance is gratefully acknowledged.

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; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary. 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 expectations for the Association.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By: John Monroe

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

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SECTION 1

VALUATION SUMMARY

SECTION 2

GASB 67 INFORMATION

Purpose

This report has been prepared by Segal Consulting to present certain disclosure information required by Governmental Accounting Standards (GAS) 67 as of June 30, 2014. This valuation is based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2013, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2014, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

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

- The Governmental Accounting Standards Board (GASB) 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. Statement 67 is effective with the year ending June 30, 2014 for Plan reporting and Statement 68 is effective with the fiscal years beginning after June 15, 2014 (2014-2015) for employer reporting. The information contained in this valuation is intended to be used (along with other information) in order to comply with Statement 67.
- It is important to note that the new GASB rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices.
- When measuring pension liability GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as KCERA uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on generally the same basis as KCERA's Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.
- The Plan's Fiduciary Net Position includes assets held for the Supplemental Retiree Benefit Reserve (SRBR). The TPL reflects all future projected benefits expected to be paid from the SRBR for members as of the valuation date.

- The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) calculated on a market value basis. The exception is that the NPL is reduced by the excess of the SRBR assets over the TPL associated with the SRBR benefits.
- The NPL decreased from $2,124 million as of June 30, 2013 to $2,069 million as of June 30, 2014. Changes in these values during the last two fiscal years ending June 30, 2013 and June 30, 2014 can be found in Exhibit 3 of Section 2. In particular the June 30, 2014 NPL was measured using the new actuarial assumptions and the NPL would have been lower by about $205 million if measured using the old assumptions.
- The NPLs measured as of June 30, 2014 and 2013 have been determined by rolling forward the results of the actuarial valuations as of June 30, 2013 and June 30, 2012, respectively.
- For purposes of illustration, a split of the TPL, Plan's Fiduciary Net Position and NPL by the regular benefits (non-SRBR) and the SRBR benefits as of June 30, 2014 is shown in the table below:

	Regular Benefits (Non-SRBR)	SRBR Benefits	Total KCERA
Total Pension Liability (TPL)	$5,579,171,489	$66,174,118	$5,645,345,607
Plan Fiduciary Net Position	3,456,446,200	119,665,326	3,576,111,526
Net Pension Liability (NPL)	2,122,725,289	(53,491,208)	2,069,234,081

- The discount rates used to originally determine the TPL and NPL as of June 30, 2014 and 2013 were 7.75% and 7.75%, respectively, following the same assumptions used by the Association in the funding valuations as of June 30, 2013 and June 30, 2012. However, as the Retirement Board has approved a new discount rate of 7.50% (together with other new actuarial assumptions) for use in the next pension funding valuation as of June 30, 2014, we have included the impact of this assumption change by (1) revaluing the actuarial valuation TPL as of June 30, 2013 (before the roll forward) and (2) using this revalued TPL in rolling forward the results from June 30, 2013 to June 30, 2014. The detailed derivation of the discount rate of 7.50% used in the calculation of the TPL and NPL as of June 30, 2014 can be found in Exhibit 5 of Section 2. The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.
- Various other information that is required to be disclosed can be found throughout Exhibits 1 through 4 in Section 2.

Summary of Key Valuation Results

	2014	2013
Disclosure elements for fiscal year ending June 30:		
Service cost[1]	$125,117,810	$125,643,925
Total pension liability	5,645,345,607	5,229,159,051
Plan fiduciary net position	3,576,111,526	3,104,770,253
Net pension liability	2,069,234,081	2,124,388,798
Schedule of contributions for fiscal year ending June 30:		
Actuarially determined contributions	$220,393,000	$211,677,000
Actual contributions	$220,393,000	$211,677,000
Contribution deficiency (excess)	0	0
Demographic data for plan year ending June 30:		
Number of retired members and beneficiaries	7,397	7,171
Number of vested terminated members[2]	1,949	1,855
Number of active members	8,512	8,485
Key assumptions as of June 30:		
Investment rate of return	7.50%	7.75%
Inflation rate	3.25%	3.25%
Projected salary increases[3]	General: 4.25% to 9.25% and Safety: 4.25% to 11.75%	General: 4.50% to 10.00% and Safety: 4.50% to 11.00%

(1) Please note that service cost is always based on the previous year's assumptions, meaning both values are based on those assumptions shown as of June 30, 2013.
(2) Includes terminated members due a refund of member contributions.
(3) Includes inflation at 3.25% plus real across-the-board salary increase of 0.50% (0.75% for the June 30, 2013 valuation) plus merit and promotional increases.

EXHIBIT 1

General Information – "Financial Statements", Note Disclosures and Required Supplementary Information for a Cost-Sharing Pension Plan

Plan Description

Plan administration. The Kern County Employees' Retirement Association (KCERA) was established by the County of Kern in 1945. KCERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). KCERA is a cost-sharing multiple employer defined benefit public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the General and Safety members employed by the County of Kern. KCERA also provides retirement benefits to the employee members of the Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, West Side Recreation and Park District, and the Kern County Superior Court.

The management of KCERA is vested with the KCERA Board of Retirement. The Board consists of nine members and two alternates. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the general membership; one member and one alternate are elected by the safety membership; one member and one alternate are elected by the retired members of the Association. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with his term as County Treasurer.

Plan membership. At June 30, 2014, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	7,397
Vested terminated members entitled to, but not yet receiving benefits[(1)]	1,949
Active members	8,512
Total	17,858

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

Benefits provided. KCERA provides service retirement, disability, death, survivor and supplemental benefits to eligible employees. All regular full-time employees of the County of Kern or contracting districts who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire. There are separate retirement benefits for General and Safety members. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers.

General members (excluding Tier III) are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire once they have attained the age of 70 regardless of service or at age 52 and have acquired 5 or more years of retirement service credit.

Safety members are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General member benefits for Tier I and Tier II are calculated pursuant to the provisions of California Government Code Sections 31676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times age factor from Section 31676.17 (Tier I) or 1/90th of final compensation times years of accrued retirement service credit times age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety member benefits for Tier I and Tier II are calculated pursuant to the provisions of California Government Code Sections 31664.1 and 31664, respectively. The monthly allowance is equal to 3% of final compensation times years of accrued retirement service credit times age factor from 31664.1 (Tier I) or 1/50th (or 2%) of final compensation times years of accrued retirement service credit times age factor from Section 31664 (Tier II).

For members in Tier I or Tier II, the maximum monthly retirement allowance is 100% of final compensation. There is no final compensation limit on the maximum retirement benefit for General Tier III members.

The maximum amount of compensation earnable that can be taken into account for 2014 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is $260,000. For members with membership dates on or after January 1, 2013 the maximum amount of pensionable compensation that can be taken into account for 2014 is equal to $115,064 for those enrolled in Social Security. These limits are adjusted on an annual basis. Members are exempt from paying member conributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

Final average compensation consists of the highest 12 consecutive months for a General Tier I or Tier IIA member or a Safety Tier I or Tier IIA member and the highest 36 consecutive months for a General Tier IIB or Tier III member or a Safety Tier IIB member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

KCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Los Angeles-Riverside-Orange County Area, is capped at 2.5%.

The County of Kern and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from KCERA’s actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 42.67% of compensation.

Members are required to make contributions to KCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2014 for 2013-2014 (based on the June 30, 2012 valuation) was 4.27% of compensation.

EXHIBIT 2

Net Pension Liability

The components of the net pension liability are as follows:

	June 30, 2014	June 30, 2013
Total pension liability	$5,645,345,607	$5,229,159,051
Plan fiduciary net position	3,576,111,526	3,104,770,253
Net pension liability	2,069,234,081	2,124,388,798
Plan fiduciary net position as a percentage of the total pension liability	63.35%	59.37%

The net pension liability was measured as of June 30, 2014 and 2013. Plan fiduciary net position (plan assets) was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from actuarial valuations as of June 30, 2013 and 2012, respectively.

Plan provisions. The plan provisions used in the measurement of the net pension liability are the same as those used in the KCERA actuarial valuation as of June 30, 2013. The TPL and the Plan's Fiduciary Net Position include liabilities and assets held for the Supplemental Retiree Benefit Reserve (SRBR).

Actuarial assumptions and methods. The total pension liabilities as of June 30, 2014 and June 30, 2013 were determined by actuarial valuations as of June 30, 2013 and June 30, 2012, respectively. The actuarial assumptions used to measure the TPL as of June 30, 2014 were based on the results of an experience study for the period from July 1, 2010 through June 30, 2013. They are the same assumptions used in the June 30, 2014 funding valuation for KCERA. The assumptions are outlined on page 9 of this report. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	General: 4.25% to 9.25% and Safety: 4.25% to 11.75%, vary by service, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Administrative expenses	0.90% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member
Other assumptions	See analysis of actuarial experience during the period July 1, 2010 through June 30, 2013

The Entry Age Actuarial Cost Method used in KCERA's annual actuarial valuation has also been applied in measuring the Service Cost and TPL with one exception. For purposes of measuring the Service Cost and TPL, we have reflected the same plan provisions used in determining the member's Actuarial Present Value of Projected Benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the Normal Cost and Actuarial Accrued Liability are determined as if the current benefit accrual rate had always been in effect.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	19%	5.92%
Small/Mid Cap U.S. Equity	4%	6.49%
Developed International Equity	18%	6.90%
Emerging Markets Equity	4%	8.34%
Core Bonds	18%	0.73%
High Yield Bonds	4%	2.67%
Emerging Market Debt	4%	4.00%
TIPS	3%	0.35%
Real Estate	5%	4.96%
Commodities	6%	4.35%
Hedge Funds	10%	4.30%
Private Equity	5%	8.10%
Total	100%	

Discount rate: The discount rates used to measure the total pension liability were 7.50% and 7.75% as of June 30, 2014 and June 30, 2013, respectively. The projection of cash flows used to determine the discount rates assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2014 and June 30, 2013.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability as of June 30, 2014, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
Net pension liability as of June 30, 2014	$2,810,415,650	$2,069,234,081	$1,456,723,591

EXHIBIT 3

Schedule of Changes in Net Pension Liability – Last Two Fiscal Years

	2014	2013
Total pension liability		
Service cost	$125,117,810	$125,643,925
Interest	400,558,398	384,836,865
Change of benefit terms	0	0
Differences between expected and actual experience	-57,033,870	-49,064,120
Changes of assumptions	205,039,279	0
Benefit payments, including refunds of member contributions	-257,495,061	-242,629,556
Net change in total pension liability	$416,186,556	$218,787,114
Total pension liability – beginning	5,229,159,051	5,010,371,937
Total pension liability – ending (a)	$5,645,345,607	$5,229,159,051
Plan fiduciary net position		
Contributions – employer	$220,393,167	$211,677,478
Contributions – employee	25,810,310	20,282,751
Net investment income	487,591,494	319,432,186
Benefit payments, including refunds of member contributions	-257,495,061	-242,629,556
Administrative expense	-4,958,637	-4,016,644
Other	0	0
Net change in plan fiduciary net position	$471,341,273	$304,746,215
Plan fiduciary net position – beginning	3,104,770,253	2,800,024,038
Plan fiduciary net position – ending (b)	$3,576,111,526	$3,104,770,253
Net pension liability – ending (a) – (b)	$2,069,234,081	$2,124,388,798
Plan fiduciary net position as a percentage of the total pension liability	63.35%	59.37%
Covered employee payroll	$555,752,000	$543,558,000
Plan net pension liability as percentage of covered employee payroll	372.33%	390.83%

Notes to Schedule:

Benefit changes: All members with membership dates on or after January 1, 2013 enter the new tiers created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

EXHIBIT 4

Schedule of Contributions – Last Six Fiscal Years ($ in millions)

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2009	$138,815,000	$138,815,000	$0	$482,879,000	28.74%
2010	151,127,000	151,127,000	0	559,872,000	26.99%
2011	177,444,000	177,444,000	0	559,380,000	31.72%
2012	189,837,000	189,837,000	0	539,836,000	35.17%
2013	211,677,000	211,677,000	0	543,558,000	38.94%
2014	220,393,000	220,393,000	0	555,752,000	39.66%

See accompanying notes to this schedule on next page.

Notes to Exhibit 4

Methods and used assumptions to establish "actuarially determined contribution" rates:	
Valuation date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded liability (assuming a 3.75% payroll increase)
Remaining amortization period	21.5 years as of June 30, 2014 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 semi-annual amounts over a period of four and a half years from that date.

	June 30, 2013	June 30, 2014
Actuarial assumptions:		
Investment rate of return	7.75%, net of pension plan administration and investment expenses, including inflation	7.50%, net of pension plan investment expenses, including inflation
Inflation rate	3.25%	3.25%
Real across-the-board salary increase	0.75%	0.50%
Projected salary increases*	General: 4.50% to 10.00% and Safety: 4.50% to 11.00%	General: 4.25% to 9.25% and Safety: 4.25% to 11.75%
Administrative Expenses	Offset to investment return	0.90% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.
Cost of living adjustments	2.50% (actual increases contingent upon CPI increases with a 2.50% maximum)	2.50% (actual increases contingent upon CPI increases with a 2.50% maximum)
Other assumptions	Same as those used in the June 30, 2013 funding actuarial valuation	Same as those used in the June 30, 2014 funding actuarial valuation

** Includes inflation at 3.25% plus real across-the-board salary increase of 0.75% (0.50% for the June 30, 2013 valuation) plus merit and promotional increases.*

EXHIBIT 5

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2014

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2013	$3,105	$246	$257	$5	$488	$3,576
2014	3,576	271	290	5	268	3,820
2015	3,820	279	308	5	286	4,073
2016	4,073	281	326	6	305	4,327
2017	4,327	278	344	6	323	4,579
2018	4,579	278	362	6	341	4,830
2019	4,830	281	381	6	359	5,083
2020	5,083	284	400	6	378	5,338
2021	5,338	288	419	7	396	5,596
2022	5,596	292	439	7	415	5,858
2038	9,467	41	740	12	686	9,442
2039	9,442	38	751	13	683	9,399
2040	9,399	35	760	13	680	9,340
2041	9,340	32	767	14	675	9,265
2042	9,265	30	771	14	669	9,178
2087	22,291	76	25	76	1,671	23,937
2088	23,937	78	20	78	1,795	25,712
2089	25,712	81	15	81	1,928	27,625
2090	27,625	84	12	84	2,071	29,684
2091	29,684	88	9	88	2,226	31,902
2115	168,244	212	0 *	212	12,618	180,862
2116	180,862					
2116 Discounted Value:	105 **					

* Less than $1 million, when rounded.

** $180,862 million when discounted with interest at the rate of 7.50% per annum has a value of $105 million as of June 30, 2013.

Notes:

(1) Amounts may not total exactly due to rounding.

(2) Amounts shown in the year beginning July 1, 2013 row are actual amounts, based on the financial statements provided by KCERA.

(3) Years 2023-2037, 2043-2086, and 2092-2114 have been omitted from this table.

(4) Column (a): Except for the "discounted value" shown for 2116, none of the projected beginning plan fiduciary net position amounts shown have been adjusted for the time value of money.

(5) Column (b): Projected total contributions include employee and employer normal cost rates applied to closed group projected payroll (based on covered active members as of June 30, 2013), plus employer contributions to the unfunded actuarial accrued liability. Contributions are assumed to occur halfway through the year, on average.

(6) Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of June 30, 2013. The projected benefit payments reflect the cost of living increase assumptions used in June 30, 2014 valuation report and include projected benefits associated with the Supplemental Retiree Benefit Reserve.

(7) Column (d): Projected administrative expenses are calculated assuming a 3.75% increase every year from the actual amount of $4,958,637 reported in the 2014 financials. Administrative expenses are assumed to occur halfway through the year, on average.

(8) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.50% per annum and reflect the actual timing of benefit payments, which are made at the end of each month.

(9) As illustrated in this Exhibit, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.50% per annum was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

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