

Kern County Employees'  
Retirement Association

*Actuarial Valuation and Review  
as of June 30, 2011*

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*January 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, 2011. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2012-2013 and analyzes the preceding year's experience.*


*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.*

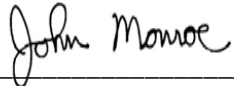
*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Retirement Board are reasonably related to the experience of and the expectations for the Plan. The undersigned are Members of the American Academy of Actuaries and meet the qualification standards to render the actuarial opinion herein.*

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

*Sincerely,*

*THE SEGAL COMPANY*

By:   
\_\_\_\_\_  
*Paul Angelo, FSA, EA, MAAA, FCA  
Senior Vice President and Actuary*

By:   
\_\_\_\_\_  
*John Monroe, ASA, EA, MAAA  
Vice President and Associate Actuary*

*CZI/hy*

## SECTION 1

### VALUATION SUMMARY

Purpose .....	i
Significant Issues in This Valuation .....	ii
Summary of Key Valuation Results .....	v
Summary of Key Valuation Demographic and Financial Data .....	vi

## SECTION 2

### VALUATION RESULTS

A. Member Data .....	1
B. Financial Information .....	4
C. Actuarial Experience .....	9
D. Employer and Member Contributions .....	14
E. Information Required by GASB .....	25

## SECTION 3

### SUPPLEMENTAL INFORMATION

EXHIBIT A Table of Plan Coverage .....	26
EXHIBIT B Members in Active Service and Projected Average Compensation as of June 30, 2011 .....	31
EXHIBIT C Reconciliation of Member Data – June 30, 2010 to June 30, 2011 .....	36
EXHIBIT D Summary Statement of Income and Expenses on an Actuarial Value Basis .....	37
EXHIBIT E Summary Statement of Plan Assets ..	38
EXHIBIT F Actuarial Balance Sheet .....	39
EXHIBIT G Summary of Reported Reserve Information as of June 30, 2011 .....	40
EXHIBIT H Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2011 .....	41
EXHIBIT I Table of Amortization Bases .....	42
EXHIBIT J Section 415 Limitations .....	43
EXHIBIT K Definitions of Pension Terms .....	44

## SECTION 4

### REPORTING INFORMATION

EXHIBIT I Supplementary Information Required by GASB – Schedule of Employer Contributions .....	46
EXHIBIT II Supplementary Information Required by GASB – Schedule of Funding Progress .....	47
EXHIBIT III Supplementary Information Required by GASB .....	48
EXHIBIT IV Actuarial Assumptions and Actuarial Cost Method .....	49
EXHIBIT V Summary of Plan Provisions .....	65
Appendix A Member Contribution Rates .....	72

## SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

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### 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, 2011. 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, 2011, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2011, 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.

## SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

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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 December 31, 2005 valuation, the Board of Retirement's funding policy is to amortize the Association's entire unfunded actuarial accrued liability over a fixed period ending December 31, 2035 (24.5 years from June 30, 2011).

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2012 through June 30, 2013.

### Significant Issues in This Valuation

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

*Reference: Pg. 49*

- The results of this valuation reflect changes in the actuarial assumptions that were adopted by the Association for the June 30, 2011 valuation. These changes were documented in our Actuarial Experience Study and are also outlined in Section 4, Exhibit IV of this report. These assumption changes resulted in an increase in the average employer contribution rate of 0.04% of payroll and a decrease in the average member rate of 0.01% of payroll.

*Reference: Pg. 11*

- The market value of assets earned a return of 21.7% for the July 1, 2010 to June 30, 2011 plan year. The valuation value of assets earned a return of 1.6% for the same period due to the deferral of most of the current year investment gains and the recognition of prior investment 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 2.08% of compensation.

*Reference: Pg. 47*

*Reference: Pg. 41*

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 62.7% to 60.8%. The Association's Unfunded Actuarial Accrued Liability (UAAL) increased from \$1.66 billion as of June 30, 2010 to \$1.83 billion as of June 30, 2011. 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, changes in actuarial assumptions and plan changes. A reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit H.

*Reference: Pg. 19*

*Reference: Pg. 23*

- The recommended average employer contribution rate increased from 38.98% of payroll as of June 30, 2010 to 42.78% of payroll in the June 30, 2011 valuation. This increase was mainly the result of a lower than expected investment return, an increase in UAAL rate due to lower than expected increase in payroll, actual contributions less than expected and other experience losses. A reconciliation of the recommended average member contribution rate is provided in Section 2, Subsection D (see Chart 16).

## SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

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*Reference: Pg. 24*

- The average recommended member contribution rate increased from 3.02% of payroll in the June 30, 2010 valuation to 3.19% of payroll in the June 30, 2011 valuation. This increase was mainly the result of changes in the demographic profile of the employee group including more new members joining Tier II. 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, 2011 is \$162 million (as compared to an unrecognized loss of \$599 million in the June 30, 2010 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.
- The footnote in Chart 7 shows that under the asset smoothing method the \$162 million in net deferred losses will be recognized in the next five valuations, but in a very non-level (uneven) pattern. In particular, there will be losses recognized in the next two years, the first of which is actually larger than the total deferred losses of \$162 million. Those losses will then be followed by somewhat offsetting gains in the three years after that, so as to ultimately recognize all of the current net total losses of \$162 million. This means that, absent any new gains or losses in the future, there will be two more years of increases in the average employer contribution rate followed by three years of decreases before the \$162 million in deferred losses are fully recognized.
- In keeping with model actuarial practice for this situation, for the June 30, 2012 valuation the asset smoothing method could be modified by combining the net deferred losses of \$162 million from the current valuation into a single smoothing "layer" and thereby recognizing those net deferred losses over the next five years in nine level amounts of approximately \$18 million each six-month period. This would reduce the volatility associated with the current pattern of deferred loss recognition and thereby result in both more stable funded ratios (on a valuation value basis) and more level employer contribution rates. Please note that this change would have no impact on the current June 30, 2011 valuation results as the total amount of unrecognized losses as of June 30, 2011 remains unchanged. Also, note that we recommend using a smoothing period for the combined deferred losses that will complete the recognition of those losses over the same time period as under the current separate smoothing layers. We will provide more information on this policy option during our review of KCERA's funding policy during 2012.

## SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

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- The unrecognized investment losses represent about 6% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$162 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 60.8% to 57.3%.
  - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer contribution rate would increase from 42.78% to 44.75%.

*Reference: Pg. 40*

- During 2010/2011 there were no "excess earnings" credited to the valuation reserves or the SRBR. Also, at June 30, 2011, 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, 2011, 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. 71*

- This valuation reflects the adoption of General Tier II for new members hired by Berrenda Mesa Water and the Courts. Also, the additional Courts Tier 1 member rate will increase to an ultimate level of 4.0% of base salary in October 2012.
- The actuarial valuation report as of June 30, 2011 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.

### Impact of Future Experience on Contribution Rates

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.

**SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association**

**Summary of Key Valuation Results (Dollar amounts in thousands)**

	June 30, 2011		June 30, 2010	
	Total Rate	Estimated Annual Amount <sup>(1)</sup>	Total Rate	Estimated Annual Amount <sup>(1)</sup>
<b>Employer Contribution Rates:</b>				
County General Tier I without Courts <sup>(2)</sup>	40.60%	\$117,346	36.95%	\$116,405
County General Tier II without Courts <sup>(2)</sup>	25.64	15,369	22.81	11,620
Courts Tier I <sup>(2)</sup>	38.11	8,762	34.83	8,174
Courts Tier II <sup>(2)</sup>	26.06	101	N/A	N/A
County Safety	57.22	77,308	51.30	70,658
District Category I Tier I <sup>(2)</sup>	39.04	2,446	36.36	2,296
District Category I Tier II <sup>(2)</sup>	23.87	73	N/A	N/A
District Category II	39.08	949	35.86	922
District Category III	36.92	8,159	34.28	7,526
District Category IV	35.11	186	32.95	204
District Category V Tier I <sup>(2)</sup>	37.26	175	35.86	212
District Category V Tier II <sup>(2)</sup>	23.95	66	21.82	32
All employers combined	42.78	230,940	38.98	218,049
<b>Average Member Contribution Rates:</b>				
	Total Rate	Estimated Annual Amount <sup>(1)</sup>	Total Rate	Estimated Annual Amount <sup>(1)</sup>
County General Tier I without Courts	2.49%	\$7,197	2.39%	\$7,529
County General Tier II without Courts	6.08	3,645	5.83	2,970
Courts Tier I	4.98	1,145	4.50	1,056
Courts Tier II	5.66	22	N/A	N/A
County Safety	2.99	4,040	3.07	4,228
District Category I Tier I	2.06	129	1.99	126
District Category I Tier II	5.86	18	N/A	N/A
District Category II	2.02	49	2.48	64
District Category III	4.18	924	4.07	894
District Category IV	3.03	16	2.48	15
District Category V Tier I	3.84	18	2.48	15
District Category V Tier II	5.78	16	5.83	9
All employers combined	3.19	17,219	3.02	16,906
<b>Funded Status:</b>				
Actuarial accrued liability	\$4,672,348		\$4,457,038	
Valuation value of assets	2,839,747		2,794,644	
Funded percentage	60.78%		62.70%	
Unfunded Actuarial Accrued Liability	\$1,832,601		\$1,662,395	
<b>Key Assumptions:</b>				
Interest rate	7.75%		7.75%	
Inflation rate	3.25%		3.25%	
Salary increases (excluding merit)	4.00%		4.00%	

<sup>(1)</sup> Based on projected annual compensation for each valuation date.

<sup>(2)</sup> 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 blended employer contribution rates for combined Tier I and Tier II for these categories.



**SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association**

**Summary of Key Valuation Demographic and Financial Data**

	June 30, 2011	June 30, 2010	Percentage Change
<b>Active Members:</b>			
Number of members	8,187	8,567	-4.4%
Average age	43.7	43.6	N/A
Average service	10.8	10.6	N/A
Projected total compensation	\$539,834,655	\$564,559,864	-4.4%
Average projected compensation	\$65,938	\$65,899	0.1%
<b>Retired Members and Beneficiaries:</b>			
Number of members:			
Service retired	4,610	4,229	9.0%
Disability retired	989	993	-0.4%
Beneficiaries	971	948	2.4%
Total	6,570	6,170	6.5%
Average age	67.5	67.7	N/A
Average monthly benefit <sup>(1)</sup>	\$2,584	\$2,435	6.1%
<b>Vested Terminated Members:</b>			
Number of vested terminated members <sup>(2)</sup>	1,700	1,839	-7.6%
Average age	44.1	43.8	N/A
<b>Summary of Financial Data (dollar amounts in thousands):</b>			
Market value of assets	\$2,795,926	\$2,301,434	21.5%
Return on market value of assets	21.74%	14.24%	N/A
Actuarial value of assets	\$2,957,544	\$2,899,995	2.0%
Return on actuarial value of assets	2.17%	0.22%	N/A
Valuation value of assets	\$2,839,747	\$2,794,644	1.6%
Return on valuation value of assets	1.57%	0.00%	N/A

<sup>(1)</sup> Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

<sup>(2)</sup> Includes terminated members due a refund of member contributions.

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**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 seven valuations can be seen in this chart.*

**CHART 1**  
**Member Population: 2005– 2011**

<b>Year Ended June 30<sup>(2)</sup></b>	<b>Active Members</b>	<b>Vested Terminated Members<sup>(1)</sup></b>	<b>Retired Members and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
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

<sup>(1)</sup>Includes terminated members due a refund of member contributions.

<sup>(2)</sup>Data for 2005-2007 is as of December 31.

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**Active Members**

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 8,187 active members with an average age of 43.7, average years of service of 10.8 years and average projected compensation of \$65,938. The 8,567 active members in the prior valuation had an average age of 43.6, average service of 10.6 years and average projected compensation of \$65,899.

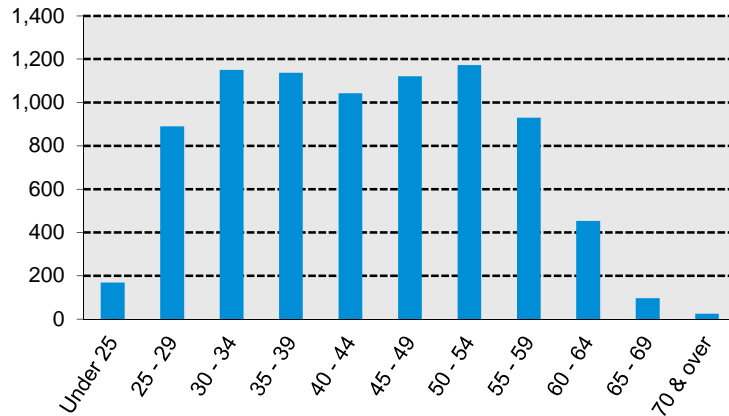
Among the active members, there were none with unknown age information.

**Vested Terminated Members**

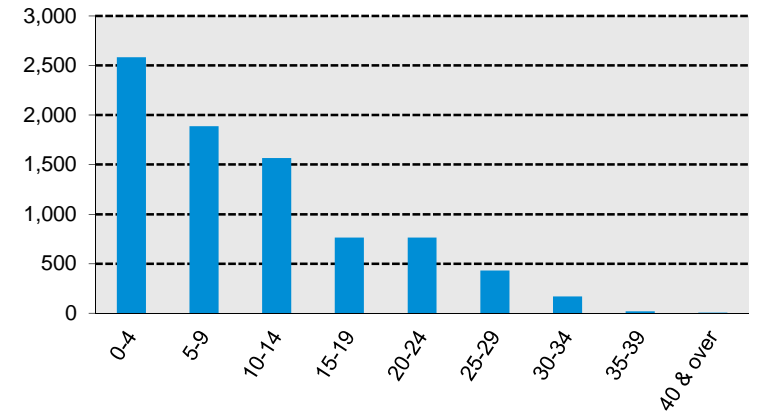
In this year's valuation, there were 1,700 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 1,839 in the prior valuation.

*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, 2011**



**CHART 3**  
**Distribution of Active Members by Years of Service as of June 30, 2011**



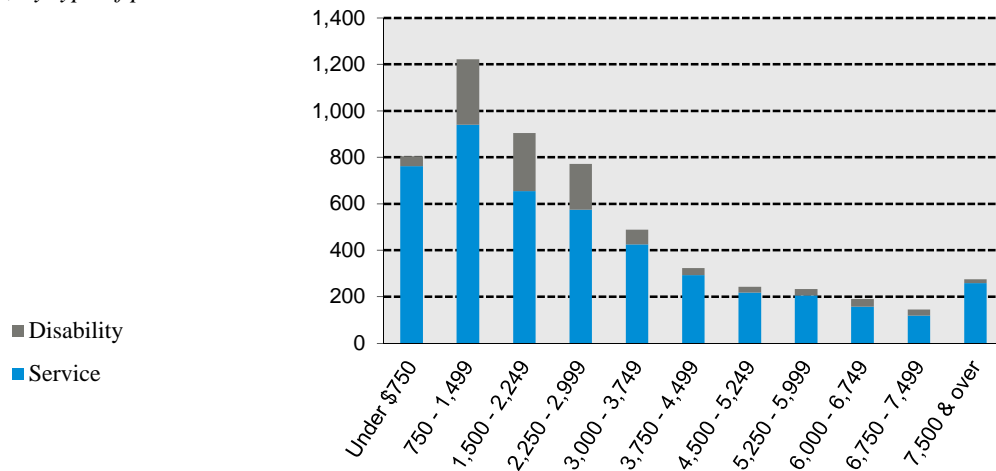
**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**Retired Members and Beneficiaries**

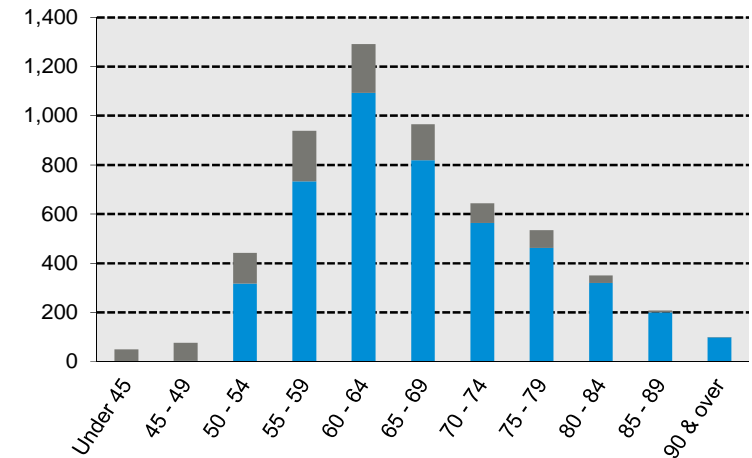
As of June 30, 2011, 5,599 retired members and 971 beneficiaries were receiving total monthly benefits of \$16,974,722. For comparison, in the previous valuation, there were 5,222 retired members and 948 beneficiaries receiving monthly benefits of \$15,020,944. These monthly benefits exclude benefits 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, 2011**



**CHART 5**  
**Distribution of Retired Members by Type and by Age as of June 30, 2011**



**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

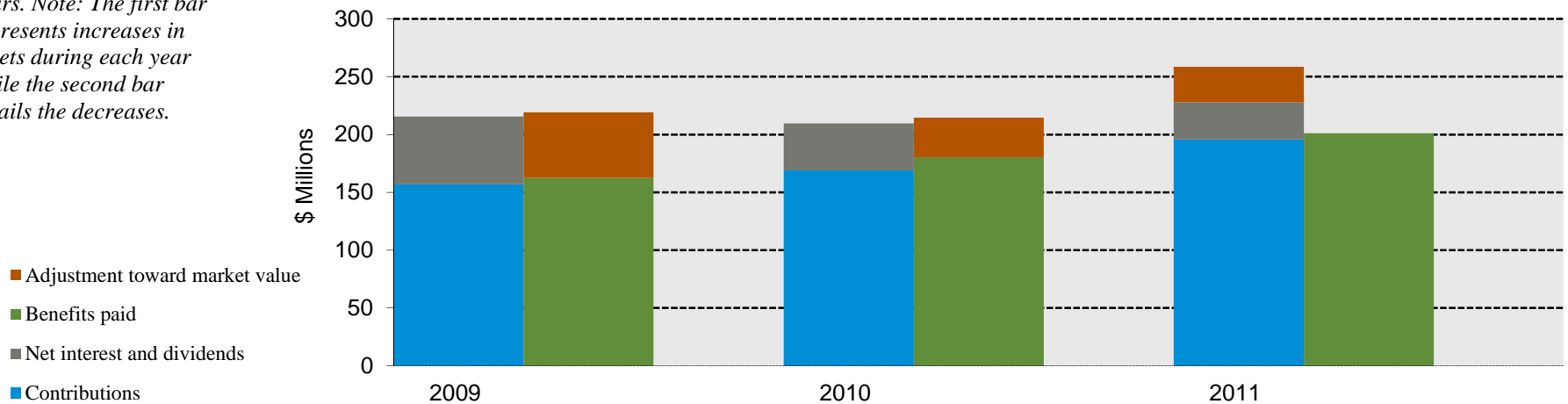
**B. FINANCIAL INFORMATION**

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 three 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 – 2011**



## **SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

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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.

## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

### CHART 7

#### Determination of Actuarial and Valuation Value of Assets for Year Ended June 30, 2011

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

Six Month Period		Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain (Loss)	Deferred Factor	Deferred Return
From	To					
7/2006	12/2006	267,537,710	99,450,900	168,086,809	0.0	\$0
1/2007	6/2007	182,793,843	110,226,212	72,567,632	0.1	7,256,762
7/2007	12/2007	(7,239,875)	117,489,091	(124,728,966)	0.2	(24,945,793)
1/2008	6/2008	(197,663,727)	117,274,184	(314,937,911)	0.3	(94,481,373)
7/2008	12/2008	(728,981,253)	109,261,735	(838,242,988)	0.4	(335,297,195)
1/2009	6/2009	48,572,939	79,992,827	(31,419,887)	0.5	(15,709,944)
7/2009	12/2009	349,727,012	79,555,305	270,171,707	0.6	162,103,024
1/2010	6/2010	(62,148,066)	92,887,077	(155,035,143)	0.7	(108,524,600)
7/2010	12/2010	346,137,404	91,317,049	254,820,355	0.8	203,856,284
1/2011	6/2011	153,653,777	104,627,199	49,026,579	0.9	<u>44,123,921</u>
1.	Total Deferred Return*					\$ (161,618,914)
2.	Market Value of Assets					2,795,925,543
3.	Preliminary Actuarial Value of Assets (Item 2 – Item 1)					2,957,544,457
4.	Corridor Around Market Value					
	a. Minimum – 50% of Market Value					1,397,962,771
	b. Maximum – 150% of Market Value					4,193,888,314
5.	a. Final Actuarial Value of Assets					\$2,957,544,457
	b. Ratio of Actuarial Value of Assets to Market Value of Assets (Item 5a / Item 2)					105.8%
6.	Non-valuation reserves**					
	a. Supplemental Retiree Benefit Reserve (SRBR) Unallocated to 0.5% COLA benefits					\$117,797,790
	b. COLA Contribution Reserve					<u>0</u>
	c. Subtotal					\$117,797,790
7.	Valuation Value of Assets (Item 5a – Item 6c)					<u>\$2,839,746,667</u>
	* Deferred Returns as of June 30, 2011 to be recognized in each of the next five years:					
	(a) Amount Recognized during 2011/2012					\$ (170,812,488)
	(b) Amount Recognized during 2012/2013					(121,629,667)
	(c) Amount Recognized during 2013/2014					80,654,711
	(d) Amount Recognized during 2014/2015					45,265,872
	(e) Amount Recognized during 2015/2016					<u>4,902,658</u>
						\$ (161,618,914)

\*\* Because the Contingency Reserve is negative as of June 30, 2011, 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.

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**CHART 8**

**Allocation of Valuation Value of Assets as of June 30, 2011**

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

	General	District	Safety	Total
Member Deposit Reserves	\$152,735,272	\$14,900,288	\$58,013,044	\$225,648,604
Employer Advance Reserves	319,562,958	23,706,866	245,314,234	588,584,058
Cost-of-Living Reserves – 2%	413,942,266	24,249,479	301,006,237	739,197,982
Cost-of-Living Reserves – 0.5% <sup>(1)</sup>	41,301,005	2,419,487	30,032,836	73,753,327
Retired Member Reserves	733,502,713 <sup>(2)</sup>	42,738,266 <sup>(2)</sup>	452,676,451	1,228,917,430
Contingency Reserve <sup>(3)</sup>	<u>(9,520,904)</u>	<u>(620,690)</u>	<u>(6,213,140)</u>	<u>(16,354,734)</u>
<b>Total Valuation Value of Assets</b>	<b>\$1,651,523,310</b>	<b>\$107,393,696</b>	<b>\$1,080,829,662</b>	<b>\$2,839,746,667</b>

<sup>(1)</sup> Allocated in proportion to the 2% Cost-of-Living Reserve.

<sup>(2)</sup> Allocated in proportion to the retired member and beneficiary Actuarial Accrued Liability for these groups.

<sup>(3)</sup> 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.



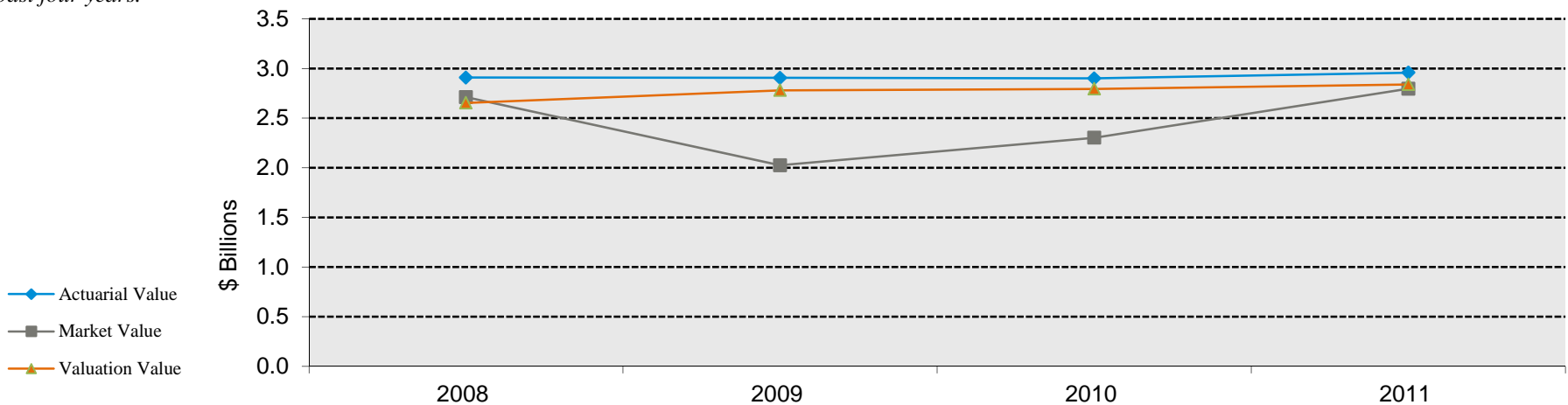
## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

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 four years.*

**CHART 9**

**Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2008 – 2011**



**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

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**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 \$178.0 million, a loss of \$172.7 million from investments and a loss of \$5.4 million from all other sources. The loss from all other sources was 0.1% 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.*

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**CHART 10**  
**Actuarial Experience for Year Ended June 30, 2011**

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1. Net gain/(loss) from investments on valuation value of assets <sup>(1)</sup>	(\$172,663,000)
2. Net gain/(loss) from other experience <sup>(2)</sup>	<u>(5,381,000)</u>
3. Net experience gain/(loss): (1) + (2)	(\$178,044,000)

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<sup>(1)</sup> Details in Chart 11

<sup>(2)</sup> See Section 3, Exhibit H. Does not include the effect of plan or assumption changes, if any.

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**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, 2010 valuation). The actual rate of return on the valuation value of assets for the 2010/2011 plan year was 1.57%.

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, 2011 with regard to its investments.

**CHART 11**

**Investment Experience for Year Ended June 30, 2011 – Market, Actuarial and Valuation Value of Assets**

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

	<b>Market Value</b>	<b>Actuarial Value</b>	<b>Valuation Value</b>
1. Actual return	\$499,791,014	\$62,849,280	\$43,965,998
2. Average value of assets	2,298,784,204	2,897,344,852	2,795,212,093
3. Actual rate of return: (1) ÷ (2)	21.74%	2.17%	1.57%
4. Assumed rate of return	7.75%	7.75%	7.75%
5. Expected return: (2) x (4)	\$178,155,776	\$224,544,226	\$216,628,937
6. Actuarial gain/(loss): (1) – (5)	<u>\$321,635,238</u>	<u>(\$161,694,946)</u>	<u>(\$172,662,939)</u>

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

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 three years.

Based upon the recommendations from the June 30, 2011 Review of Economic Actuarial Assumptions, the Board has maintained the assumed rate of return of 7.75%.

**CHART 12**

**Investment Return – Market Value, Actuarial Value and Valuation Value: 2009 – 2011**

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%
Total	\$106,961,646		\$71,111,594		\$40,249,908	

## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

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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.

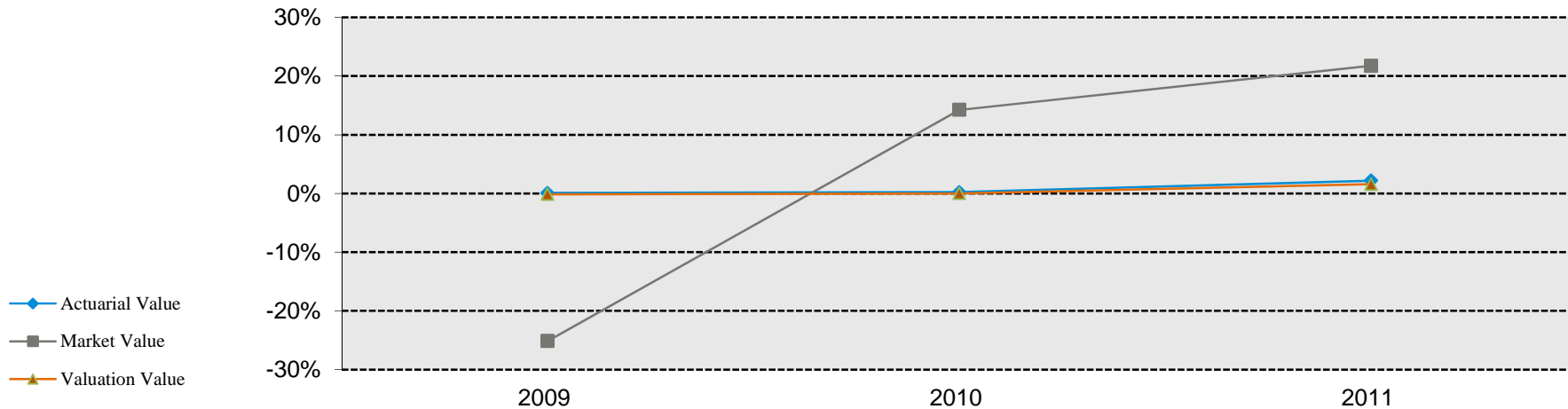
*This chart illustrates how this leveling effect has actually worked over the years 2009 - 2011.*

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**CHART 13**

**Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2009 - 2011**

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## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

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### **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 loss from this other experience for the year ended June 30, 2011 amounted to \$5.4 million, which was 0.1% of the actuarial accrued liability. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

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### 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%. The total UAAL is being amortized over a declining period with 24.5 years remaining as of June 30, 2011.

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".

## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

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### *Member Contributions*

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.

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

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



**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

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*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 three Normal Cost cost sharing groups are as follows:

- General Tier I
- General Tier II
- Safety

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 17 and 18 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%

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

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**Summary of KCERA Employers, Benefit Formulas and Member Contribution Rates – Tier I**

<b>Plan</b>	<b>Valuation Report Label</b>	<b>Benefit Formula</b>	<b>Member Contribution Code Section</b>	<b>Member Contribution Provides Average Annuity of:</b>	<b>Adopted 1997 MOU</b>	<b>Soc Sec Integration</b>	<b>Pre-Tax</b>	<b>5-yr Contribution Stop<sup>1</sup></b>
General – County Tier I	County General Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	Yes	8/7/2004
General – County – Court Employees Tier I	Courts Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55 plus supplemental 2.5% <sup>2</sup>	Yes	Yes	Yes	3/12/2011
District – Berrenda Mesa Water Tier I	District Category IV	31676.17 (3% @ 60) <sup>3</sup>	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%) <sup>4</sup>	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) <sup>3</sup>	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) <sup>5</sup>	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	District Category III	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55 (Member pays 50%) <sup>4</sup>	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 II	31676.17 (3% @ 60)	31621.8	1/100 of FAS at age 55	Yes	Yes	No	8/7/2004
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

FAS = Final Average Salary

<sup>1</sup> 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) (2010 MOU for Court employees).

<sup>2</sup> Court employees in Tier I pay an additional 3.0% of the base salary for their entire career, increased to 3.5% of base salary effective September 24, 2011 and increased to 4.0% of base salary effective October 6, 2012.

<sup>3</sup> District Category IV adopted the 3% @ 60 Formula on a prospective basis only. Member contribution rates are the same as General Tier I.

<sup>4</sup> Buttonwillow and San Joaquin Valley Unified Air Pollution Control District (District Category III) did not adopt the 1997 MOU. Members in those districts pay 50% of the full rates, regardless of hire date.

<sup>5</sup> For Kern County Water Agency (District Category I) employees hired prior to August 22, 2004, the employer picks up 100% of all member contributions.

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**Summary of KCERA Employers, Benefit Formulas and Member Contribution Rates – Tier II and Safety**

<b>Plan</b>	<b>Valuation Report Label</b>	<b>Benefit Formula</b>	<b>Member Contribution Code Section</b>	<b>Member Contribution Provides Average Annuity of:</b>	<b>Tier II Adoption Date</b>	<b>Soc Sec Integration</b>	<b>Pre-Tax</b>
General – County Tier II	County General Tier II	31676.01 (1.62% @ 65)	31621	1/120 of FAS at age 60	10/27/2007	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
District – Berrenda Mesa Water Tier II <sup>6</sup>	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
Safety – County	County Safety	31664.1 (3% @ 50)	31639.25	3/200 of FAS at age 50 <sup>7</sup>	N/A	Yes	Yes

FAS = Final Average Salary

<sup>6</sup> Berrenda Mesa Water adopted Tier II, but had no Tier II employees as of the valuation date.

<sup>7</sup> For most Safety members hired prior to 2007, members contribute only for the first five years of service. For members in certain bargaining units (Probation officers), members contribute for the first seven years of service. For members in certain bargaining units (Firefighters), members contribute 1% of pay after the contributions for the first five years of service cease. For Safety members hired after 2007, members contribute for 30 years of service. For Safety members hired in 2007, the contribution rate depends upon hire date and bargaining unit. For members hired in certain bargaining units, the rates by entry age have been replaced by a uniform rate for all entry ages. The uniform rate continues to be integrated with Social Security.

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**CHART 14**

**Recommended Employer Contribution Rates (Current Valuation)**

	<b>June 30, 2011 Actuarial Valuation</b>							
	<b>Basic</b>		<b>2% COLA</b>		<b>0.5% COLA</b>		<b>Total</b>	
	<b>Rate</b>	<b>Estimated Annual Amount*</b>	<b>Rate</b>	<b>Estimated Annual Amount*</b>	<b>Rate</b>	<b>Estimated Annual Amount*</b>	<b>Rate</b>	<b>Estimated Annual Amount*</b>
<b>County General Tier I without Courts</b>								
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
<b>County General Tier II without Courts</b>								
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
<b>County General without Courts - Combined</b>								
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
<b>Courts Tier I</b>								
Normal Cost	13.84%	\$3,182	3.82%	\$878	1.16%	\$267	18.82%	\$4,327
UAAL	14.56%	3,348	2.70%	621	2.03%	466	19.29%	4,435
Total Contribution	28.40%	\$6,530	6.52%	\$1,499	3.19%	\$733	38.11%	\$8,762
<b>Courts Tier II</b>								
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
<b>Courts - Combined</b>								
Normal Cost	13.69%	\$3,199	3.79%	\$885	1.14%	\$269	18.62%	\$4,353
UAAL	14.56%	3,405	2.70%	632	2.03%	473	19.29%	4,510
Total Contribution	28.25%	\$6,604	6.49%	\$1,517	3.17%	\$742	37.91%	\$8,863
<b>County Safety</b>								
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
<b>All County with Courts - Combined</b>								
Normal Cost	16.06%	\$81,523	4.10%	\$20,817	1.27%	\$6,403	21.43%	\$108,743
UAAL	15.90%	80,670	3.27%	16,607	2.53%	12,866	21.70%	110,143
Total Contribution	31.96%	\$162,193	7.37%	\$37,424	3.80%	\$19,269	43.13%	\$218,886
<b>District Category I Tier I</b>								
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
<b>District Category I Tier II</b>								
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
<b>District Category I - Combined</b>								
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

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**CHART 14 (continued)**

**Recommended Employer Contribution Rates (Current 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*
<b>District Category II</b>								
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
<b>District Category III</b>								
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
<b>District Category IV</b>								
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
<b>District Category V Tier I</b>								
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
<b>District Category V Tier II</b>								
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
<b>District Category V - Combined</b>								
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
<b>All Districts – Combined</b>								
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
<b>All Employers - Combined</b>								
Normal Cost	16.00%	\$86,394	4.08%	\$22,042	1.26%	\$6,776	21.34%	\$115,212
UAAL	15.69%	84,699	3.26%	17,581	2.49%	13,448	21.44%	115,728
Total Contribution	31.69%	\$171,093	7.34%	\$39,623	3.75%	\$20,224	42.78%	\$230,940

\*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	<u>135,106</u>	District Category IV	528
		District Category V Tier I	469
		District Category V Tier II	<u>277</u>
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.

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**CHART 15**

**Current Employer Contribution Rates (Prior Valuation)**

	<b>June 30, 2010 Actuarial Valuation</b>							
	<b>Basic</b>		<b>2% COLA</b>		<b>0.5% COLA</b>		<b>Total</b>	
	<b>Rate</b>	<b>Estimated Annual Amount*</b>	<b>Rate</b>	<b>Estimated Annual Amount*</b>	<b>Rate</b>	<b>Estimated Annual Amount*</b>	<b>Rate</b>	<b>Estimated Annual Amount*</b>
<b>County General Tier I without Courts</b>								
Normal Cost	15.89%	\$50,059	3.75%	\$11,814	1.14%	\$3,591	20.78%	\$65,464
UAAL	11.92%	37,552	2.42%	7,624	1.83%	5,765	16.17%	50,941
Total Contribution	27.81%	\$87,611	6.17%	\$19,438	2.97%	\$9,356	36.95%	\$116,405
<b>County General Tier II without Courts</b>								
Normal Cost	4.16%	\$2,119	1.90%	\$968	0.58%	\$296	6.64%	\$3,383
UAAL	11.92%	6,072	2.42%	1,233	1.83%	932	16.17%	8,237
Total Contribution	16.08%	\$8,191	4.32%	\$2,201	2.41%	\$1,228	22.81%	\$11,620
<b>County General without Courts - Combined</b>								
Normal Cost	14.26%	\$52,178	3.49%	\$12,782	1.06%	\$3,887	18.81%	\$68,847
UAAL	11.92%	43,624	2.42%	8,857	1.83%	6,697	16.17%	59,178
Total Contribution	26.18%	\$95,802	5.91%	\$21,639	2.89%	\$10,584	34.98%	\$128,025
<b>Courts Tier I</b>								
Normal Cost	13.78%	\$3,234	3.75%	\$880	1.13%	\$265	18.66%	\$4,379
UAAL	11.92%	2,798	2.42%	568	1.83%	429	16.17%	3,795
Total Contribution	25.70%	\$6,032	6.17%	\$1,448	2.96%	\$694	34.83%	\$8,174
<b>County Safety</b>								
Normal Cost	20.47%	\$28,194	5.70%	\$7,851	1.78%	\$2,452	27.95%	\$38,497
UAAL	15.84%	21,817	3.99%	5,496	3.52%	4,848	23.35%	32,161
Total Contribution	36.31%	\$50,011	9.69%	\$13,347	5.30%	\$7,300	51.30%	\$70,658
<b>All County with Courts - Combined</b>								
Normal Cost	15.86%	\$83,606	4.08%	\$21,513	1.25%	\$6,604	21.19%	\$111,723
UAAL	12.94%	68,239	2.83%	14,921	2.28%	11,974	18.05%	95,134
Total Contribution	28.80%	\$151,845	6.91%	\$36,434	3.53%	\$18,578	39.24%	\$206,857
<b>District Category I Tier I</b>								
Normal Cost	16.29%	\$1,029	3.75%	\$237	1.14%	\$71	21.18%	\$1,337
UAAL	11.28%	712	2.39%	151	1.51%	96	15.18%	959
Total Contribution	27.57%	\$1,741	6.14%	\$388	2.65%	\$167	36.36%	\$2,296

**SECTION 2: Valuation Results for the Kern County Employees' Retirement Association**

**CHART 15 (continued)**

**Current Employer Contribution Rates (Prior Valuation)**

	<b>June 30, 2010 Actuarial Valuation</b>							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
<b>District Category II</b>								
Normal Cost	15.80%	\$406	3.75%	\$96	1.13%	\$30	20.68%	\$532
UAAL	11.28%	290	2.39%	61	1.51%	39	15.18%	390
Total Contribution	27.08%	\$696	6.14%	\$157	2.64%	\$69	35.86%	\$922
<b>District Category III</b>								
Normal Cost	14.21%	\$3,120	3.75%	\$823	1.14%	\$250	19.10%	\$4,193
UAAL	11.28%	2,476	2.39%	525	1.51%	332	15.18%	3,333
Total Contribution	25.49%	\$5,596	6.14%	\$1,348	2.65%	\$582	34.28%	\$7,526
<b>District Category IV</b>								
Normal Cost	15.80%	\$98	3.75%	\$23	1.13%	\$7	20.68%	\$128
UAAL	8.97%	56	1.92%	12	1.38%	8	12.27%	76
Total Contribution	24.77%	\$154	5.67%	\$35	2.51%	\$15	32.95%	\$204
<b>District Category V Tier I</b>								
Normal Cost	15.80%	\$94	3.75%	\$22	1.13%	\$6	20.68%	\$122
UAAL	11.28%	67	2.39%	14	1.51%	9	15.18%	90
Total Contribution	27.08%	\$161	6.14%	\$36	2.64%	\$15	35.86%	\$212
<b>District Category V Tier II</b>								
Normal Cost	4.16%	\$6	1.90%	\$3	0.58%	\$1	6.64%	\$10
UAAL	11.28%	17	2.39%	4	1.51%	1	15.18%	22
Total Contribution	15.44%	\$23	4.29%	\$7	2.09%	\$2	21.82%	\$32
<b>District Category V – Combined</b>								
Normal Cost	13.60%	\$100	3.42%	\$25	0.79%	\$7	17.81%	\$132
UAAL	11.28%	84	2.39%	18	1.51%	10	15.18%	112
Total Contribution	24.88%	\$184	5.81%	\$43	2.30%	\$17	32.99%	\$244
<b>All Districts – Combined</b>								
Normal Cost	14.76%	\$4,753	3.74%	\$1,204	1.13%	\$365	19.63%	\$6,322
UAAL	11.24%	3,618	2.38%	767	1.50%	485	15.12%	4,870
Total Contribution	26.00%	\$8,371	6.12%	\$1,971	2.63%	\$850	34.75%	\$11,192
<b>All Employers - Combined</b>								
Normal Cost	15.80%	\$88,359	4.06%	\$22,717	1.24%	\$6,969	21.10%	\$118,045
UAAL	12.85%	71,857	2.80%	15,688	2.23%	12,459	17.88%	100,004
Total Contribution	28.65%	\$160,216	6.86%	\$38,405	3.47%	\$19,428	38.98%	\$218,049

\*Amounts are in thousands and are based on June 30, 2010 projected compensation (also in thousands):

County General Tier I without Courts	\$315,035	District Category I Tier I	\$6,314
County General Tier II without Courts	50,941	District Category II	2,570
Courts Tier I	23,469	District Category III	21,955
County Safety	137,736	District Category IV	621
		District Category V Tier I	592
		District Category V Tier II	148
All County with Courts	\$527,181	All Districts	\$32,199
		Total	\$559,380

Note: As of June 30, 2010, the COLA Contribution Reserve was zero and therefore not available to offset the 2% COLA contribution rate.

## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

The employer contribution rates as of June 30, 2011 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, 2010 to June 30, 2011 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost <sup>(1)</sup>
<b>Recommended Average Employer Contribution Rate in June 30, 2010 Valuation</b>	38.98%	\$218,049
Effect of investment loss <sup>(2)</sup>	2.08%	11,229
Effect of difference in actual versus expected total and individual salary increases <sup>(3)</sup>	0.43%	2,321
Effect of difference between actual and expected contributions	0.44%	2,375
Effect of other experience (gains)/losses <sup>(4)</sup>	0.85%	-3,034
Effect of changes in actuarial assumptions <sup>(5)</sup>	0.04%	216
Effect of plan changes <sup>(6)</sup>	<u>-0.04%</u>	<u>-216</u>
<b>Total change</b>	<u>3.80%</u>	<u>\$12,891</u>
<b>Recommended Average Employer Contribution Rate in June 30, 2011 Valuation</b>	42.78%	\$230,940

<sup>(1)</sup> Based on projected compensation for each valuation date shown.

<sup>(2)</sup> Return on the valuation value of assets of 1.57% was less than the 7.75% assumed rate of return.

<sup>(3)</sup> This item represents the impact of lower than expected individual salary increases and the resulting effect of amortizing the UAAL over lower than expected total payroll.

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

<sup>(5)</sup> Assumption changes based on June 30, 2011 Review of Economic Assumptions and Actuarial Experience Study.

<sup>(6)</sup> Reflects adoption of Tier II by Courts and Berranda Mesa Water. Also reflects changes to Courts Tier I member contributions.



## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

The member contribution rates as of June 30, 2011 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, 2010 to June 30, 2011 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost <sup>(1)</sup>
<b>Recommended Average Member Contribution Rate in June 30, 2010 Valuation</b>	3.02%	\$16,906
Effect of changes in actuarial assumptions <sup>(2)</sup>	-0.01%	-54
Effect of plan changes <sup>(3)</sup>	0.03%	162
Effect of other changes including demographic profile of employee group <sup>(4)</sup>	<u>0.15%</u>	<u>205</u>
<b>Total change</b>	<u>0.17%</u>	<u>\$313</u>
<b>Recommended Average Member Contribution Rate in June 30, 2011 Valuation</b>	3.19%	\$17,219

<sup>(1)</sup> Based on projected compensation for each valuation date shown.

<sup>(2)</sup> Assumption changes based on June 30, 2011 Review of Economic Assumptions and Actuarial Experience Study.

<sup>(3)</sup> Reflects adoption of Tier II by Courts and Berrenda Mesa Water. Also reflects changes to Courts Tier I member contributions.

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

## SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

### 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.

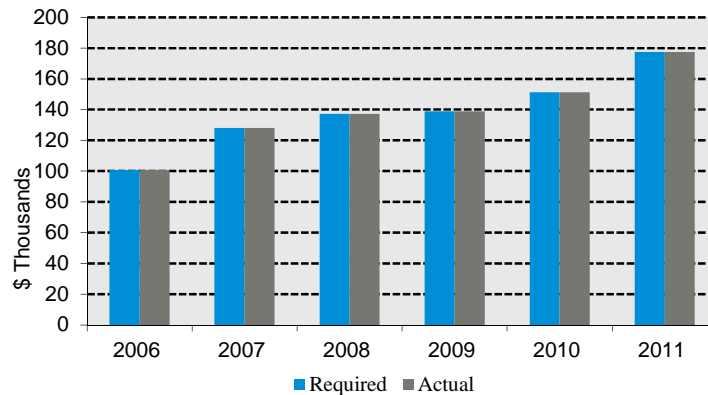
Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contribution. This comparison demonstrates whether a plan is being funded within the range of GASB reporting requirements. Chart 18 below presents a graphical representation of this information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

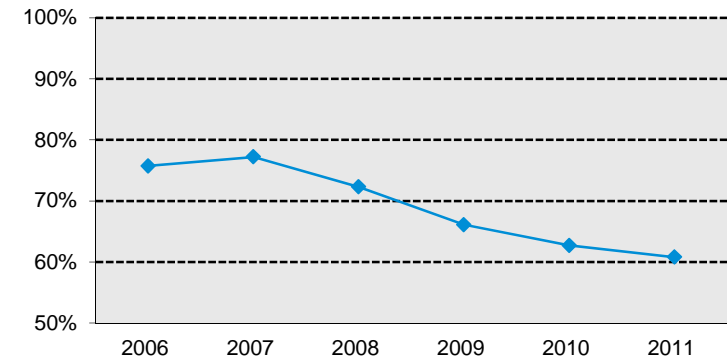
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, and III.

*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)



**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT A**

**Table of Plan Coverage**

**i. General Tier I County with Courts**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2011</b>	<b>2010</b>	
<b>Active members in valuation:</b>			
Number	4,988	5,459	-8.6%
Average age	46.8	46.4	N/A
Average service	12.6	12.0	N/A
Projected total compensation	\$312,020,857	\$340,468,261	-8.4%
Projected average compensation	\$62,554	\$62,368	0.3%
Account balances	\$121,747,167	\$124,923,279	-2.5%
Total active vested members	4,055	4,002	1.3%
<b>Vested terminated members:<sup>(1)</sup></b>	1,174	1,309	-10.3%
<b>Retired members:<sup>(2)</sup></b>			
Number in pay status	3,570	3,281	8.8%
Average age	68.8	69.3	N/A
Average monthly benefit <sup>(3)</sup>	\$2,310	\$2,158	7.0%
<b>Disabled members:<sup>(2)</sup></b>			
Number in pay status	529	534	-0.9%
Average age	61.9	61.5	N/A
Average monthly benefit <sup>(3)</sup>	\$1,584	\$1,551	2.1%
<b>Beneficiaries:<sup>(2)</sup></b>			
Number in pay status	650	644	0.9%
Average age	73.9	73.4	N/A
Average monthly benefit <sup>(3)</sup>	\$1,072	\$1,016	5.5%

<sup>(1)</sup>Includes terminated members due a refund of member contributions.

<sup>(2)</sup>Includes General Tier II also.

<sup>(3)</sup>Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT A**

**Table of Plan Coverage**

**ii. General Tier II County with Courts**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2011</b>	<b>2010</b>	
<b>Active members in valuation:</b>			
Number	1,070	908	17.8%
Average age	37.5	37.0	N/A
Average service	2.3	1.7	N/A
Projected total compensation	\$60,332,835	\$50,975,146	18.4%
Projected average compensation	\$56,386	\$56,140	0.4%
Account balances	\$7,134,925	\$4,607,390	54.9%
Total active vested members	24	7	242.9%
<b>Vested terminated members:<sup>(1)</sup></b>	172	141	22.0%
<b>Retired members:<sup>(2)</sup></b>			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit <sup>(3)</sup>	N/A	N/A	N/A
<b>Disabled members:<sup>(2)</sup></b>			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit <sup>(3)</sup>	N/A	N/A	N/A
<b>Beneficiaries:<sup>(2)</sup></b>			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit <sup>(3)</sup>	N/A	N/A	N/A

<sup>(1)</sup>Includes terminated members due a refund of member contributions.

<sup>(2)</sup>These members are included with General Tier I.

<sup>(3)</sup>Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT A**

**Table of Plan Coverage**

**iii. Districts Tier I**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2011</b>	<b>2010</b>	
<b>Active members in valuation:</b>			
Number	419	432	-3.0%
Average age	43.5	43.0	N/A
Average service	10.0	9.4	N/A
Projected total compensation	\$31,792,053	\$31,960,567	-0.5%
Projected average compensation	\$75,876	\$73,983	2.6%
Account balances	\$11,577,758	\$11,225,093	3.1%
Total active vested members	277	258	7.4%
<b>Vested terminated members:<sup>(1)</sup></b>	154	182	-15.4%
<b>Retired members:<sup>(2)</sup></b>			
Number in pay status	154	134	14.9%
Average age	65.0	65.3	N/A
Average monthly benefit <sup>(3)</sup>	\$3,049	\$3,067	-0.6%
<b>Disabled members:<sup>(2)</sup></b>			
Number in pay status	14	13	7.7%
Average age	59.9	60.6	N/A
Average monthly benefit <sup>(3)</sup>	\$1,956	\$1,969	-0.7%
<b>Beneficiaries:<sup>(2)</sup></b>			
Number in pay status	26	27	-3.7%
Average age	73.6	74.8	N/A
Average monthly benefit <sup>(3)</sup>	\$1,411	\$1,574	-10.3%

<sup>(1)</sup>Includes terminated members due a refund of member contributions.

<sup>(2)</sup>Includes General Tier II also.

<sup>(3)</sup>Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT A**

**Table of Plan Coverage**

**iv. Districts Tier II**

Category	Year Ended June 30		Change From Prior Year
	2011	2010	
<b>Active members in valuation:</b>			
Number	10	3	233.3%
Average age	33.6	33.9	N/A
Average service	0.9	1.7	N/A
Projected total compensation	\$583,267	\$147,802	294.6%
Projected average compensation	\$58,327	\$49,267	18.4%
Account balances	\$29,009	\$7,350	294.7%
Total active vested members	0	0	N/A
<b>Vested terminated members:<sup>(1)</sup></b>			
	2	0	N/A
<b>Retired members:<sup>(2)</sup></b>			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit <sup>(3)</sup>	N/A	N/A	N/A
<b>Disabled members:<sup>(2)</sup></b>			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit <sup>(3)</sup>	N/A	N/A	N/A
<b>Beneficiaries:<sup>(2)</sup></b>			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit <sup>(3)</sup>	N/A	N/A	N/A

<sup>(1)</sup>Includes terminated members due a refund of member contributions.

<sup>(2)</sup>These members are included with General Tier I.

<sup>(3)</sup>Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT A**

**Table of Plan Coverage**

**v. Safety**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2011</b>	<b>2010</b>	
<b>Active members in valuation:</b>			
Number	1,700	1,765	-3.7%
Average age	38.5	38.6	N/A
Average service	11.4	11.3	N/A
Projected total compensation	\$135,105,643	\$141,008,088	-4.2%
Projected average compensation	\$79,474	\$79,891	-0.5%
Account balances	\$53,650,251	\$55,920,463	-4.1%
Total active vested members	1,250	1,233	1.4%
<b>Vested terminated members:<sup>(1)</sup></b>			
	198	207	-4.3%
<b>Retired members:</b>			
Number in pay status	886	814	8.8%
Average age	64.3	64.7	N/A
Average monthly benefit <sup>(2)</sup>	\$5,077	\$4,822	5.3%
<b>Disabled members:</b>			
Number in pay status	446	446	0.0%
Average age	61.1	60.6	N/A
Average monthly benefit <sup>(2)</sup>	\$3,570	\$3,453	3.4%
<b>Beneficiaries:</b>			
Number in pay status	295	277	6.5%
Average age	68.7	68.5	N/A
Average monthly benefit <sup>(2)</sup>	\$1,933	\$1,853	4.3%

<sup>(1)</sup>Includes terminated members due a refund of member contributions.

<sup>(2)</sup>Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2011  
By Age and Years of Service**

**i. General Tier I County with Courts**

Age	Total	Years of Service									
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over	
Under 25	19	19	--	--	--	--	--	--	--	--	--
	\$36,682	\$36,682	--	--	--	--	--	--	--	--	--
25 - 29	284	202	82	--	--	--	--	--	--	--	--
	49,584	48,422	\$52,447	--	--	--	--	--	--	--	--
30 - 34	548	206	279	61	2	--	--	--	--	--	--
	54,716	50,859	57,094	\$56,970	\$51,657	--	--	--	--	--	--
35 - 39	590	148	240	177	23	2	--	--	--	--	--
	61,915	56,858	62,428	65,945	58,525	\$56,943	--	--	--	--	--
40 - 44	643	111	200	205	93	33	1	--	--	--	--
	63,208	55,599	60,821	66,003	71,299	61,285	\$123,163	--	--	--	--
45 - 49	777	95	172	179	124	138	64	5	--	--	--
	61,888	53,935	57,344	63,958	65,667	67,173	60,813	\$69,432	--	--	--
50 - 54	880	68	162	177	136	161	125	50	1	--	--
	65,632	49,559	60,256	63,156	68,743	69,422	74,757	70,443	\$53,599	--	--
55 - 59	761	72	110	150	115	150	85	72	7	--	--
	67,956	59,317	59,555	59,314	70,693	70,301	82,729	79,349	82,204	--	--
60 - 64	378	28	85	112	58	60	23	5	5	2	--
	66,221	75,906	65,169	62,623	66,249	67,178	69,409	61,073	98,331	\$43,343	--
65 - 69	86	6	22	23	10	14	8	1	1	1	--
	70,297	64,494	59,599	69,132	74,877	67,242	100,559	47,567	167,566	47,603	--
70 & over	22	2	7	5	2	3	--	1	1	1	--
	65,892	112,819	63,180	52,159	74,911	58,113	--	95,564	39,528	61,679	--
Total	4,988	957	1,359	1,089	563	561	306	134	15	4	--
	\$62,554	\$53,338	\$59,489	\$63,422	\$68,282	\$68,226	\$74,486	\$74,858	\$88,518	\$48,992	--



**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2011  
By Age and Years of Service**

**ii. General Tier II County with Courts**

Age	Total	Years of Service			
		0-4	5-9	10-14	15-19
Under 25	73	73	--	--	--
	\$41,996	\$41,996	--	--	--
25 - 29	266	264	2	--	--
	55,187	55,206	\$52,680	--	--
30 - 34	192	190	2	--	--
	53,783	53,761	55,880	--	--
35 - 39	164	164	--	--	--
	57,011	57,011	--	--	--
40 - 44	123	123	--	--	--
	61,796	61,796	--	--	--
45 - 49	78	75	1	2	--
	54,832	55,503	37,463	\$38,347	--
50 - 54	82	80	1	--	1
	62,724	62,530	108,355	--	\$32,670
55 - 59	58	58	--	--	--
	71,647	71,647	--	--	--
60 - 64	29	27	--	1	1
	49,261	50,321	--	41,452	28,462
65 - 69	5	5	--	--	--
	61,207	61,207	--	--	--
<b>Total</b>	<b>1,070</b>	<b>1,059</b>	<b>6</b>	<b>3</b>	<b>2</b>
	<b>\$56,386</b>	<b>\$56,460</b>	<b>\$60,489</b>	<b>\$39,381</b>	<b>\$30,566</b>

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2011  
By Age and Years of Service**

**iii. Districts Tier I**

Age	Total	Years of Service						
		0-4	5-9	10-14	15-19	20-24	25-29	30-34
Under 25	9	9	--	--	--	--	--	--
	\$46,893	\$46,894	--	--	--	--	--	--
25 - 29	48	44	4	--	--	--	--	--
	56,365	55,519	\$65,675	--	--	--	--	--
30 - 34	64	27	30	7	--	--	--	--
	68,773	56,312	74,233	\$93,439	--	--	--	--
35 - 39	59	22	25	11	1	--	--	--
	72,192	65,067	74,229	83,210	\$56,810	--	--	--
40 - 44	45	10	21	6	7	1	--	--
	80,365	55,465	80,733	100,634	89,232	\$137,963	--	--
45 - 49	55	11	13	13	11	4	2	1
	81,144	59,273	83,096	90,616	86,645	105,476	\$65,468	\$46,751
50 - 54	63	10	11	9	17	8	6	2
	96,157	64,650	86,518	71,714	116,629	104,654	119,905	137,465
55 - 59	53	9	8	10	13	6	3	4
	78,722	64,328	81,403	70,093	85,867	86,611	75,892	94,391
60 - 64	19	2	7	1	6	2	1	--
	75,976	62,082	79,363	44,552	72,169	120,365	45,541	--
65 - 69	3	--	1	1	1	--	--	--
	67,360	--	72,277	76,596	53,208	--	--	--
70 & over	1	--	--	1	--	--	--	--
	48,501	--	--	48,501	--	--	--	--
<b>Total</b>	<b>419</b>	<b>144</b>	<b>120</b>	<b>59</b>	<b>56</b>	<b>21</b>	<b>12</b>	<b>7</b>
	<b>\$75,876</b>	<b>\$58,146</b>	<b>\$77,932</b>	<b>\$82,495</b>	<b>\$93,209</b>	<b>\$102,738</b>	<b>\$93,632</b>	<b>\$99,892</b>

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

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**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2011  
By Age and Years of Service**

**iv. Districts Tier II**

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<b>Age</b>	<b>Years of Service</b>	
	<b>Total</b>	<b>0-4</b>
Under 25	1 \$36,010	1 \$36,010
25 – 29	3 51,758	3 51,758
30 – 34	2 62,481	2 62,481
35 – 39	2 73,870	2 73,870
40 – 44	1 45,751	1 45,751
45 – 49	1 73,529	1 73,529
Total	10 \$58,327	10 \$58,327

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**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT B**

**Members in Active Service and Projected Average Compensation as of June 30, 2011  
By Age and Years of Service**

**v. Safety**

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over	
Under 25	67	67	--	--	--	--	--	--	--	--
	\$59,637	\$59,637	--	--	--	--	--	--	--	--
25 - 29	291	207	83	1	--	--	--	--	--	--
	66,824	62,915	\$76,319	\$87,779	--	--	--	--	--	--
30 - 34	343	112	166	65	--	--	--	--	--	--
	73,526	63,967	76,331	82,835	--	--	--	--	--	--
35 - 39	322	49	90	154	29	--	--	--	--	--
	78,940	62,891	78,081	83,774	\$83,053	--	--	--	--	--
40 - 44	232	19	39	99	52	23	--	--	--	--
	83,442	62,451	80,852	85,841	80,190	\$102,203	--	--	--	--
45 - 49	209	9	21	39	25	65	49	1	--	--
	92,083	66,982	78,400	84,942	76,114	100,031	\$105,938	\$87,591	--	--
50 - 54	147	3	12	13	19	35	55	9	1	1
	96,186	93,094	83,745	82,857	78,403	95,203	104,551	118,675	\$137,753	
55 - 59	58	4	1	6	7	9	14	14	3	3
	98,593	83,339	65,756	83,725	81,365	93,349	103,350	116,125	111,528	
60 - 64	27	1	2	3	7	3	6	3	1	1
	82,299	49,694	61,858	56,080	67,986	84,398	99,533	95,431	115,239	
65 - 69	3	--	--	--	1	1	--	1	--	--
	79,650	--	--	--	67,312	72,226	--	99,411	--	--
70 & over	1	--	--	1	--	--	--	--	--	--
	103,315	--	--	103,315	--	--	--	--	--	--
Total	1,700	471	414	381	140	136	124	28	5	
	\$79,474	\$63,093	\$77,360	\$84,082	\$79,169	\$98,165	\$104,721	\$113,111	\$117,515	

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT C**

**Reconciliation of Member Data – June 30, 2010 to June 30, 2011**

	<b>Active Members</b>	<b>Vested Terminated Members<sup>(1)</sup></b>	<b>Retired Members</b>	<b>Disabled Members</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of June 30, 2010	8,567	1,839	4,229	993	948	16,576
New members	388	0	N/A	N/A	81	469
Terminations – with vested rights	-188	188	0	0	0	0
Contribution refunds	-167	-206	N/A	N/A	N/A	-373
Retirements	-395	-105	500	N/A	N/A	0
New disabilities	-14	-3	-3	20	N/A	0
Return to work	10	-9	-1	0	N/A	0
Died with or without beneficiary	-14	-4	-115	-24	-58	-215
Data adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Number as of June 30, 2011	8,187	1,700	4,610	989	971	16,457

<sup>(1)</sup>*Includes terminated members due a refund of member contributions.*

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT D**

**Summary Statement of Income and Expenses on an Actuarial Value Basis**

	Year Ended June 30, 2011	Year Ended June 30, 2010
<b>Contribution income:</b>		
Employer contributions	\$177,443,815	\$151,126,825
Employee contributions	<u>18,270,765</u>	<u>17,877,017</u>
Total contribution income	\$195,714,580	\$169,003,843
<b>Investment income:</b>		
Interest, dividends and other income	\$43,449,540	\$49,712,803
Adjustment toward market value <sup>(1)</sup>	30,734,614	-34,726,330
Less investment and administrative expenses	<u>-11,334,874</u>	<u>-8,629,052</u>
Net investment income	<u>62,849,280</u>	<u>6,357,421</u>
<b>Total income available for benefits</b>	<b><u>\$258,563,860</u></b>	<b><u>\$175,361,264</u></b>
<b>Less benefit payments:</b>		
Retirement and survivor benefits	-\$186,460,583	-\$166,835,741
Supplemental retirement benefits	-11,435,853	-11,213,587
Refunds of member contributions	<u>-3,117,494</u>	<u>-2,317,059</u>
Net benefit payments	-\$201,013,930	-\$180,366,387
<b>Change in assets held for future benefits</b>	<b>\$57,549,930</b>	<b>-\$5,005,123</b>

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

Note: Results may not add due to rounding.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT E**

**Summary Statement of Plan Assets**

	<b>Year Ended June 30, 2011</b>	<b>Year Ended June 30, 2010</b>
<b>Cash equivalents</b>	\$33,091,716	\$80,369,380
<b>Capital assets</b>	3,672,380	2,758,958
<b>Accounts receivable:</b>		
Investments sold	\$48,574,566	\$104,789,336
Interest and dividends	5,789,090	7,392,463
Contributions and other receivables	<u>2,174,064</u>	<u>1,785,079</u>
Total accounts receivable	\$56,537,720	\$113,966,878
<b>Investments:</b>		
Domestic equities and securities	\$813,294,531	\$646,326,088
International equities and securities	700,318,600	538,418,357
Bonds	850,510,161	733,850,293
Collateral held for securities lending	268,371,315	237,933,424
Other investments	<u>426,869,699</u>	<u>324,871,572</u>
Total investments at market value	<u>3,059,364,306</u>	<u>2,481,399,734</u>
<b>Total assets</b>	<b>\$3,152,666,122</b>	<b>\$2,678,494,950</b>
<b>Less accounts payable:</b>		
Securities purchased	-\$78,700,087	-\$136,551,053
Collateral held for securities lent	-268,371,315	-237,933,424
Contributions and other	<u>-9,669,177</u>	<u>-2,576,594</u>
Total accounts payable	-\$356,740,579	-\$377,061,071
<b>Net assets at market value</b>	<b><u>\$2,795,925,543</u></b>	<b><u>\$2,301,433,879</u></b>
<b>Net assets at actuarial value</b>	<b><u>\$2,957,544,457</u></b>	<b><u>\$2,899,994,527</u></b>
<b>Net assets at valuation value</b>	<b><u>\$2,839,746,667</u></b>	<b><u>\$2,794,643,516</u></b>

*Note: Results may not add due to rounding.*

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**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.

	<b>Total KCERA (\$ in 000s)</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<u>Assets</u>		
1 Total valuation value of assets	\$2,839,747	\$2,794,644
2 Present value of future contributions by members	157,848	159,800
3 Present value of future employer contributions for:		
a. entry age normal cost	868,247	975,151
b. unfunded actuarial accrued liability	1,832,601	1,662,405
4 Total current and future assets	<u>\$5,698,443</u>	<u>\$5,592,000</u>
<u>Liabilities</u>		
5 Present value of benefits for retirees and beneficiaries	\$2,545,066	\$2,233,700
6 Present value of benefits for active members	3,018,282	3,211,300
7 Present value of benefits for vested terminated members <sup>(1)</sup>	135,095	147,000
8 Total liabilities	<u>\$5,698,443</u>	<u>\$5,592,000</u>

<sup>(1)</sup> Includes terminated members due a refund of member contributions.



**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT G**

**Summary of Reported Reserve Information as of June 30, 2011**

<b>Reserves</b>	
Member Deposit Reserve – General & Courts <sup>(1)</sup>	\$152,735,272
Member Deposit Reserve – Safety <sup>(1)</sup>	58,013,044
Member Deposit Reserve – Special Districts <sup>(1)</sup>	14,900,288
Employers Advance Reserve – General & Courts <sup>(1)</sup>	319,562,958
Employers Advance Reserve – Safety <sup>(1)</sup>	245,314,234
Employers Advance Reserve – Special Districts <sup>(1)</sup>	23,706,866
Cost-of-Living Reserve – General & Courts <sup>(1)</sup>	413,942,266
Cost-of-Living Reserve – Safety <sup>(1)</sup>	301,006,237
Cost-of-Living Reserve – Special Districts <sup>(1)</sup>	24,249,479
Retired Members – General, Courts & Special Districts <sup>(1)</sup>	776,240,979
Retired Members – Safety <sup>(1)</sup>	452,676,451
Supplemental Retiree Benefit Reserve (SRBR) – 0.5% COLA	73,753,327
Contingency Reserve <sup>(1)(3)</sup>	<u>(16,354,734)</u>
Valuation Reserves	\$2,839,746,667
Supplemental Retiree Benefit Reserve (SRBR) <sup>(2)</sup>	117,797,790
COLA Contribution Reserve <sup>(2)</sup>	<u>0</u>
Total Reserves	\$2,957,544,457
Market Stabilization Reserve <sup>(2)</sup>	<u>(161,618,914)</u>
Net Market Value	\$2,795,925,543

<sup>(1)</sup> Included in valuation value of assets.

<sup>(2)</sup> Not included in valuation value of assets.

<sup>(3)</sup> Since the Contingency Reserve is negative as of June 30, 2011, 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.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT H**

**Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2011**

		(Amounts in Thousands)
1	Unfunded actuarial accrued liability at beginning of year	\$1,662,395
2	Total normal cost at middle of year	132,098
3	Expected employer and member contributions	-231,212
4	Interest	<u>126,370</u>
5	Expected unfunded actuarial accrued liability	<u>\$1,689,651</u>
6	Actuarial (gain)/loss due to all changes:	
	(a) Investment return less than expected	\$172,663
	(b) Lower than expected individual salary increases	-77,879
	(c) Actual contributions less than expected	35,497
	(d) Other experience	47,763
	(e) Changes in actuarial assumptions	-34,866
	(f) Plan changes	<u>-228</u>
	(g) Total changes	<u>\$142,950</u>
7	Unfunded actuarial accrued liability at end of year	<u>\$1,832,601</u>

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

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

**EXHIBIT I**

**Table of Amortization Bases**

	<b>Date Established</b>	<b>Source</b>	<b>Outstanding Balance</b>	<b>Years Remaining</b>	<b>Annual Payment<sup>(1)</sup></b>
<b>General County with Courts Subtotal</b>	December 31, 2005	Restart Amortization	<u>\$1,137,894,000</u> \$1,137,894,000	24.5	<u>\$71,074,000</u> \$71,074,000
<b>Districts Subtotal</b>	December 31, 2005	Restart Amortization	<u>\$88,675,000</u> \$88,675,000	24.5	<u>\$5,539,000</u> \$5,539,000
<b>Safety Subtotal</b>	December 31, 2005	Restart Amortization	<u>\$606,032,000</u> \$606,032,000	24.5	<u>\$37,853,000</u> \$37,853,000
<b>Grand Total</b>			\$1,832,601,000		\$114,466,000

<sup>(1)</sup>As of middle of year.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

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**EXHIBIT J**

**Section 415 Limitations**

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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 \$195,000 for 2011 and \$200,000 for 2012. 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.

### SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

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#### EXHIBIT K

#### Definitions of Pension Terms

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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.

**SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association**

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**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.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**EXHIBIT I**

**Supplementary Information Required by GASB – Schedule of Employer Contributions**

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<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2006	\$100,734,000	\$100,734,000	100.0%
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%

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**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

**EXHIBIT II**

**Supplementary Information Required by GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Valuation Value of Assets<sup>(1)</sup> (a)</b>	<b>Actuarial Accrued Liability (AAL)<sup>(2)</sup> (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)</b>
12/31/2006	\$2,352,028,000	\$3,109,038,000	\$757,010,000	75.7%	\$417,351,000	181.4%
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%

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

<sup>(2)</sup> Excludes liabilities held for SRBR Reserves Unallocated to 0.5% COLA benefits.



**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

**EXHIBIT III**

**Supplementary Information Required by GASB**

<b>Valuation date</b>	June 30, 2011
<b>Actuarial cost method</b>	Entry Age Normal Actuarial Cost Method
<b>Amortization method</b>	Level percent of payroll for total unfunded liability (assuming a 4.00% payroll increase)
<b>Remaining amortization period</b>	24.5-year fixed (decreasing or closed) amortization period for all UAAL
<b>Asset valuation method</b>	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 .

**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	6,570
Vested terminated members entitled to, but not yet receiving benefits***	1,700
Active members	<u>8,187</u>
Total	16,457

\* Includes inflation at 3.25%.

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

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

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**EXHIBIT IV**  
**Actuarial Assumptions and Actuarial Cost Method**

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**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.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Termination Rates Before Retirement:**

<b>Age</b>	<b>Rate (%) Mortality</b>			
	<b>General</b>		<b>Safety</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
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.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Termination Rates Before Retirement (continued):**

<b>Age</b>	<b>Rate (%) Disability</b>	
	<b>General<sup>(1)</sup></b>	<b>Safety<sup>(2)</sup></b>
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

<sup>(1)</sup> 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.

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

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

**Termination Rates Before Retirement (continued):**

<u>Years of Service</u>	<u>Rate (%) Withdrawal*</u>	
	<u>General</u>	<u>Safety</u>
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.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Termination Rates Before Retirement (continued):**

<u>Years of Service</u>	<u>Rate (%)</u> <u>Electing a Refund of Contributions</u> <u>upon Withdrawal</u>	
	<u>General</u>	<u>Safety</u>
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

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Retirement Rates:**

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

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**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.

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**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.



**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Salary Increases:**

<b>Annual Rate of Compensation Increase</b>		
Inflation: 3.25% per year; plus “across the board” salary increases of 0.75% per year; plus the following promotional and merit increases:		
<b>Years of Service</b>	<b>General</b>	<b>Safety</b>
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.

#### SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

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<b>Actuarial Value of Assets:</b>	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.
<b>Valuation Value of Assets:</b>	The Actuarial Value of Assets reduced by the value of the non-valuation reserves (excluding the Contingency Reserve if it is negative).
<b>Actuarial Cost Method:</b>	Entry Age Normal Actuarial Cost Method. Entry Age is calculated as the age on the valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, with Normal Cost determined as if the current benefit accrual rate had always been in effect.
<b>Changes in Actuarial Assumptions:</b>	Based on the actuarial experience study, the following actuarial assumptions were changed. Previously these assumptions were as follows:
<b>Mortality Rates:</b>	
<i>Healthy:</i>	For General Members: RP-2000 Combined Healthy Mortality Table set back one year for males and two years for females.  For Safety Members: RP-2000 Combined Healthy Mortality Table set back one year for males and two years for females.
<i>Disabled:</i>	For General Members: RP-2000 Combined Healthy Mortality Table set forward two years for males and set forward four years for females. Rates are not less than 1.00% for both males and females.  For Safety Members: RP-2000 Combined Healthy Mortality Table. Rates are not less than 0.50% for both males and females.
<i>Member Contribution Rates:</i>	For General Members: RP-2000 Combined Healthy Mortality Table set back one year for males and two years for females weighted five-sixths male and two-thirds female.  For Safety Members: RP-2000 Combined Healthy Mortality Table set back one year for males and two years for females weighted five-sixths male and one-sixth female.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Changes in Actuarial Assumptions (continued):**

**Termination Rates Before Retirement:**

<b>Age</b>	<b>Rate (%) Mortality</b>			
	<b>General</b>		<b>Safety</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.07	0.04	0.07	0.04
40	0.10	0.06	0.10	0.06
45	0.14	0.09	0.14	0.09
50	0.20	0.14	0.20	0.14
55	0.32	0.22	0.32	0.22
60	0.60	0.39	0.60	0.39
65	1.13	0.77	1.13	0.77

All pre-retirement deaths are assumed to be non-service connected, with the exception that for Safety members, an additional pre-retirement mortality rate of 0.02% applies to account for service connected deaths.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Changes in Actuarial Assumptions (continued):**

**Termination Rates Before Retirement (continued):**

<b>Age</b>	<b>Rate (%)</b>	
	<b>Disability</b>	
	<b>General<sup>(1)</sup></b>	<b>Safety<sup>(2)</sup></b>
20	0.05	0.03
25	0.05	0.13
30	0.07	0.28
35	0.10	0.48
40	0.17	0.78
45	0.26	1.38
50	0.48	1.98
55	0.60	2.88
60	0.54	0.00
65	0.44	0.00
70	0.00	0.00

<sup>(1)</sup> 60% of General disabilities are assumed to be service connected (duty) disabilities and the other 40% are assumed to be non-service connected (ordinary) disabilities.

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

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

**Changes in Actuarial Assumptions (continued):**

**Termination Rates Before Retirement (continued):**

<u>Years of Service</u>	<u>Rate (%) Withdrawal*</u>	
	<u>General</u>	<u>Safety</u>
0	20.00	7.00
1	14.00	5.00
2	10.00	4.00
3	7.00	3.00
4	6.20	3.00
5	5.53	2.83
6	4.87	2.67
7	4.20	2.50
8	3.86	2.40
9	3.52	2.30
10	3.18	2.20
11	2.84	2.10
12	2.50	2.00
13	2.40	1.70
14	2.30	1.40
15	2.20	1.10
16	2.10	0.80
17	2.00	0.50
18	1.80	0.50
19	1.60	0.50
20	1.40	0.00
21	1.20	0.00
22	1.00	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	1.00	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.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Changes in Actuarial Assumptions (continued):**

**Termination Rates Before Retirement (continued):**

<u>Years of Service</u>	<u>Rate (%)</u> <u>Electing a Refund of Contributions</u> <u>upon Withdrawal</u>	
	<u>General</u>	<u>Safety</u>
0	100	100
1	100	100
2	100	100
3	100	100
4	100	100
5	45	40
6	45	40
7	45	40
8	42	36
9	39	32
10	36	28
11	33	24
12	30	20
13	28	17
14	26	14
15	24	11
16	22	8
17	20	5
18	18	4
19	16	3
20	14	0
21	12	0
22	10	0
23	8	0
24	6	0
25	4	0
26	2	0
27 & Over	0	0

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Changes in Actuarial Assumptions (continued):**

**Retirement Rates:**

Age	Rate (%)				
	General Tier I		General Tier II		Safety
	Male	Female	Male	Female	Unisex
45	0.00	0.00	0.00	0.00	1.00
46	0.00	0.00	0.00	0.00	0.50
47	0.00	0.00	0.00	0.00	0.50
48	0.00	0.00	0.00	0.00	1.00
49	0.00	0.00	0.00	0.00	2.00
50	6.00	6.00	3.00	3.00	12.00
51	3.00	6.00	3.00	3.00	12.00
52	4.00	6.00	3.00	3.00	12.00
53	5.00	6.00	3.00	3.00	12.00
54	5.00	6.00	3.00	3.00	15.00
55	10.00	8.00	8.00	4.00	17.00
56	11.00	10.00	6.00	6.00	20.00
57	14.00	12.00	8.00	7.00	23.00
58	17.00	15.00	12.00	9.00	25.00
59	18.00	18.00	13.00	10.00	25.00
60	20.00	22.00	15.00	12.00	100.00
61	26.00	20.00	20.00	14.00	100.00
62	32.00	30.00	32.00	30.00	100.00
63	30.00	30.00	30.00	30.00	100.00
64	30.00	30.00	30.00	30.00	100.00
65	30.00	30.00	30.00	30.00	100.00
66	30.00	30.00	30.00	30.00	100.00
67	30.00	30.00	30.00	30.00	100.00
68	30.00	30.00	30.00	30.00	100.00
69	30.00	30.00	30.00	30.00	100.00
70	100.00	100.00	100.00	100.00	100.00

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Changes in Actuarial Assumptions (continued):**

**Retirement Age and Benefit for  
Deferred Vested Members:**

For deferred vested members, we make the following retirement assumption:

General Age: 60  
Safety Age: 50

We assume that 50% of future deferred vested members will continue to work for a reciprocal employer. For reciprocals, we assume compensation increases of 4.52% for General members and 4.78% for Safety members per annum.

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**Percent Married:**

80% 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.



**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Changes in Actuarial Assumptions (continued):**

**Salary Increases:**

<u>Annual Rate of Compensation Increase</u>		
Inflation: 3.25% per year; plus “across the board” salary increases of 0.75% per year; plus the following promotional and merit increases:		
<u>Years of Service</u>	<u>General</u>	<u>Safety</u>
Less than 1	6.00%	6.00%
1	5.00	5.00
2	4.00	4.00
3	3.00	3.00
4	2.50	2.50
5	2.25	2.25
6	2.00	2.00
7	1.75	1.75
8	1.50	1.50
9	1.30	1.30
10	1.10	1.10
11	0.90	0.90
12	0.80	0.80
13	0.70	0.75
14	0.60	0.75
15 & Over	0.50	0.75

Note: The promotional and merit increases are compounded with the sum of the inflationary and “across the board” increases.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**EXHIBIT V**

**Summary of Plan Provisions**

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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.

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<b>Membership Eligibility:</b>	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:
<i>General Tier I</i>	All General members hired by the County prior to October 27, 2007, or hired by North of the River Sanitation District prior to October 29, 2007, or hired by the Kern County Water Agency prior to January 1, 2010, or hired by Berrenda Mesa Water District prior to January 12, 2010, or hired by the Courts prior to March 12, 2011, or hired by all other districts regardless of hire date.
<i>General Tier II</i>	All General members hired by the County on or after October 27, 2007, or hired by North of the River Sanitation District on or after October 29, 2007, or hired by the Kern County Water Agency on or after January 1, 2010, or hired by Berrenda Mesa Water District on or after January 12, 2010, or hired by the Courts on or after March 12, 2011.
<i>Safety</i>	All members employed in active law enforcement, active fire suppression, probation, detention or criminal investigation.
<b>Final Average Compensation for Benefit Determination:</b>	
<i>General and Safety</i>	Highest consecutive twelve months of compensation earnable (§31462.1) (FAS).
<b>Service:</b>	Years of service. (Yrs)

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**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

**Service Retirement Eligibility:**

<i>General Tier I and Tier II</i>	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).
<i>Safety</i>	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:**

	<b>Retirement Age</b>	<b>Benefit Formula*</b>
<i>General Tier I (§31676.17)</i>	50	$(2.00\% \times \text{FAS} - 1/3 \times 2.00\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(2.50\% \times \text{FAS} - 1/3 \times 2.50\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(3.00\% \times \text{FAS} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(3.00\% \times \text{FAS} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	65	$(3.00\% \times \text{FAS} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
<i>General Tier I** (§31676.14)</i>	<b>Retirement Age</b>	<b>Benefit Formula</b>
	50	1.48% x FAS x Yrs
	55	1.95% x FAS x Yrs
	60	2.44% x FAS x Yrs
	62	2.61% x FAS x Yrs
<i>General Tier II (§31676.01)</i>	<b>Retirement Age</b>	<b>Benefit Formula*</b>
	50	$(0.79\% \times \text{FAS} - 1/3 \times 0.79\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(0.99\% \times \text{FAS} - 1/3 \times 1.00\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(1.28\% \times \text{FAS} - 1/3 \times 1.28\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(1.39\% \times \text{FAS} - 1/3 \times 1.39\% \times \$350 \times 12) \times \text{Yrs}$
	65	$(1.62\% \times \text{FAS} - 1/3 \times 1.62\% \times \$350 \times 12) \times \text{Yrs}$

\* *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.*

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Safety</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	(3.00% x FAS - 1/3 x 3.00% x \$350 x 12) x Yrs
<b>Maximum Benefit:</b>	100% of Final Average Compensation (§31676.14, §31676.17, §31676.01, §31664.1)	
<hr/>		
<b>Non Service Connected Disability:</b>		
<i>Eligibility</i>	Five years of service (§31720).	
<i>Benefit Formula</i>	20% of FAS plus 2% of FAS for each full year of service in excess of five years, not to exceed 40% of Final Average Compensation (§31727.7).	
<hr/>		
<b>Service Connected Disability:</b>		
<i>Eligibility</i>	No age or service requirements (§31720).	
<i>Benefit Formula</i>	50% of FAS or 100% of Service Retirement benefit, if larger (§31727.4).	

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**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 month's 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 6 month's 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.

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**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).

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**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).

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**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)

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**Supplemental Retiree Benefit Reserve:**

The Association provides Supplemental Retiree Benefit Reserve benefits for eligible retirees. These benefits have been excluded from this valuation.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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<b>Member Contributions:</b>	Please refer to Appendix A for the specific rates.
<i>General Tier I</i>	
<i>Basic</i>	Provide for an average annuity at age 55 equal to 1/100 of FAS. (§31621.8)
<i>Cost-of-Living</i>	Members do not contribute towards the cost-of-living benefits.
<i>General Tier II</i>	
<i>Basic</i>	Provide for an average annuity at age 60 equal to 1/120 of FAS. (§31621)
<i>Cost-of-Living</i>	Members do not contribute towards the cost-of-living benefits.
<i>Safety</i>	
<i>Basic</i>	Provide for an average annuity at age 50 equal to 1/100 of FAS. (§31639.25)
<i>Cost-of-Living</i>	Members do not contribute towards the cost-of-living benefits.
<i>Safety "3"</i>	
<i>Basic</i>	At all entry ages, the member contribution rate for the above Safety members who enter the plan at age 27.
<i>Cost-of-Living</i>	Members do not contribute towards the cost-of-living benefits.
<b>Other Information:</b>	Safety members with 30 or more years of service are exempt from paying member contributions.

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#### SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

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**Plan Changes:**

The following changes in plan provisions have been recognized since the prior valuation:

- Members hired by Berrenda Mesa Water District on or after January 12, 2010 and members hired by the Courts on or after March 12, 2011 are classified as General Tier II.
- The additional 2.5% of base salary that General Tier I Court employees contribute is increased to 3.0% of base salary effective March 12, 2011, 3.5% of base salary effective September 24, 2011, and 4.0% of base salary effective October 6, 2012.

**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.*



**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

**Appendix A**

**Member Contribution Rates**

**General Tier I Members' Contribution Rates from the June 30, 2011 Actuarial Valuation  
(Expressed as a Percentage of Monthly Compensation)**

<b>Entry Age</b>	<b>Integrated</b>		<b>Non-integrated</b>
	<b>First \$350 of Monthly Compensation</b>	<b>Over \$350 of Monthly Compensation</b>	<b>All Compensation</b>
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%

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

**General Tier I Members' Contribution Rates from the June 30, 2011 Actuarial Valuation  
(Expressed as a Percentage of Monthly Compensation)**

<b>Entry Age</b>	<b>Integrated</b>		<b>Non-integrated</b>
	<b>First \$350 of Monthly Compensation</b>	<b>Over \$350 of Monthly Compensation</b>	<b>All Compensation</b>
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 IV  
 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.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**General Tier II Members' Contribution Rates from the June 30, 2011 Actuarial Valuation  
(Expressed as a Percentage of Monthly Compensation)**

<b>Entry Age</b>	<b>Integrated</b>		<b>Non-integrated</b>
	<b>First \$350 of Monthly Compensation</b>	<b>Over \$350 of Monthly Compensation</b>	<b>All Compensation</b>
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%

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

**General Tier II Members' Contribution Rates from the June 30, 2011 Actuarial Valuation  
(Expressed as a Percentage of Monthly Compensation)**

<b>Entry Age</b>	<b>Integrated</b>		<b>Non-integrated</b>
	<b>First \$350 of Monthly Compensation</b>	<b>Over \$350 of Monthly Compensation</b>	<b>All Compensation</b>
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 IV  
 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.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Safety Members' (Excluding "Safety 3" Members) Contribution Rates from  
the June 30, 2011 Actuarial Valuation  
(Expressed as a Percentage of Monthly Compensation)**

<b>Entry Age</b>	<b>Integrated</b>	
	<b>First \$350 of Monthly Compensation</b>	<b>Over \$350 of Monthly Compensation</b>
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%

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**Safety Members' (Excluding "Safety 3" Members) Contribution Rates from  
the June 30, 2011 Actuarial Valuation  
(Expressed as a Percentage of Monthly Compensation)**

<b>Entry Age</b>	<b>Integrated</b>	
	<b>First \$350 of Monthly Compensation</b>	<b>Over \$350 of Monthly Compensation</b>
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 IV  
 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.

**SECTION 4: Reporting Information for the Kern County Employees' Retirement Association**

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**“Safety 3” Members’ Contribution Rates from the June 30, 2011 Actuarial Valuation  
(Expressed as a Percentage of Monthly Compensation)**

<b>Entry Age</b>	<b>Integrated</b>	
	<b>First \$350 of Monthly Compensation</b>	<b>Over \$350 of Monthly Compensation</b>
Every	8.57%	12.86%

Interest: 7.75%

COLA: None

Salary Increase: See Exhibit IV

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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