

Kern County Employees' Retirement Association



Actuarial Valuation

December 31, 2007

By

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May 13, 2008

Retirement Board
Kern County Employees' Retirement Association
1115 Truxtun Avenue, First Fl.
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Dear Members of the Board:

In accordance with your request, we have performed an actuarial valuation as of December 31, 2007 of the Kern County Employees' Retirement Association (KCERA). The major findings of the valuation are contained in this report, which reflects the benefit provisions and contribution rates in effect as of December 31, 2007.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the KCERA staff. This information includes, but is not limited to, statutory provisions, employee data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

We further certify that all costs, liabilities, rates of interest, and other factors for the programs have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the programs and reasonable expectations). The assumptions used in this report, as summarized in Appendix A, are based on the 2005 Experience Study report adopted by the Board on April 12, 2006. These assumptions are the same as those used in our December 31, 2006 valuation report. The Retirement Board has the final decision regarding the appropriateness of the assumptions.

The emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following:

- Plan experience differing from the actuarial assumptions,
- Future changes in the actuarial assumptions,

- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as potential additional contribution requirements due to changes in the plan's funded status), and
- Changes in the plan provisions or accounting standards.

Due to the scope of this assignment, we did not perform an analysis of the potential range of such measurements.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Association. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements and are found in Section 7 of this report. The computations for these two purposes may differ as disclosed in our report. The calculations in this report have been made on a basis consistent with our understanding of the Association's funding requirements and goals, as well as of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes. Any distribution of the enclosed report must be in its entirety including this cover letter, unless prior written consent is obtained from Milliman.

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

We would like to express our appreciation to Anne Holdren, Executive Director of the Association, and to members of her staff, who gave substantial assistance in supplying the data on which this report is based.

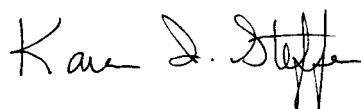
We respectfully submit the following report, and we look forward to discussing it with you.

We, Daniel R. Wade and Karen I. Steffen, are members of the American Academy of Actuaries, Enrolled Actuaries and Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel Wade".

Daniel R. Wade, FSA, EA, MAAA
Consulting Actuary
DRW/KIS/nlo

A handwritten signature in cursive script that reads "Karen I. Steffen".

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

Kern County Employees' Retirement Association

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**Kern County
Employees' Retirement Association**

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Kern County Employees' Retirement Association

Section 1: Summary of Findings



Overview

Before delving into the finer points of this report, it may be instructive to take a high level look at the results. The following chart presents a summary of the calculated Employer contribution rates as of last year (the top line) and this year (the bottom line). The numbers in between explain the major changes that have occurred during the year. The rate shown for the General Members include the costs for the District General members as well as those employed by the County.

	Employer Contribution Rate	
	General Members	Safety Members
2006 Valuation (prior to application of CCR)	30.11%	39.23%
Benefit Changes	N/A	N/A
Experience Changes	-0.94%	-1.44%
Assumption Changes	<u>-0.03%</u>	<u>-0.04%</u>
2007 Valuation (prior to application of CCR)	29.14%	37.75%
Application of CCR	<u>-4.84%</u>	<u>-6.94%</u>
2007 Valuation (after application of CCR)	24.30%	30.81%

Summary of Changes

- Tier II:** Effective October 27, 2007, the County Board of Supervisors adopted new retirement benefits for most KCERA County General members hired on or after that date. Members covered by the new level of benefits are referred to as "Tier II" members and the members covered by the prior level of retirement benefits are referred to as "Tier I" members. See Appendix B for a more detailed description of the benefits provided under Tier I and Tier II for General members. The table below compares Normal Cost Rates by Tier for General members:

Normal Cost Rates by Tier

	Tier I	Tier II	Total General
Active Members	6,991	136	7,127
Valuation Payroll in millions	\$ 338.8	\$ 5.2	\$ 344.0
Average Annual Pay	\$ 48,656	\$ 37,891	\$ 48,451
Total Normal Cost Rate	22.52%	12.11%	22.36%
Employee Contribution Rate	<u>2.57%</u>	<u>5.24%</u>	<u>2.61%</u>
Employer Contribution Rate	19.95%	6.87%	19.75%

Summary of Changes (continued)

- **Experience During the Year:** Actual experience during 2007 led to changes in the contribution rates, a decrease of 0.94% for General members and a 1.44% decrease for Safety members from that expected based on the 2006 valuation. Some experience gains and losses are to be expected as part of the normal variation between actual and expected experience. About half of this year's experience gain was due to recognition of recent investment gains under the system's asset smoothing method. The changes due to actual experience are described in further detail in the gain and loss summary, Exhibit 18, Section 6, and were well within a reasonable level of fluctuation.
- **Assumption Change:** One technical change was made between the 2006 and 2007 valuations. Earlier valuations amortized the UAAL amount as if the contribution rate changes were effective on the valuation date. In practice, any contribution rate changes as determined by the valuation will not be effective until July 1, 2008. Therefore, in computing the contribution rates, this six-month delay is recognized in the mathematical computations. This assumption change was approved by the Board on September 26, 2007.
- **COLA Contribution Reserve (CCR):** At the time of each annual actuarial valuation, any funds in the COLA Contribution Reserve (CCR) as of the valuation date are used to offset the required 2.0% COLA contributions for the subsequent fiscal year, commencing on July 1 following the valuation date. Exhibit 15 estimates the 2.0% COLA contribution for the next fiscal year to be \$24.2 million. The CCR account has a balance of \$27.6 million as of December 31, 2007. Depending on the actual payroll for the next fiscal year, it is estimated that only 90% of the CCR, as of December 31, 2007, will be used to offset the expected COLA contributions for July 1, 2008 through June 30, 2009.

Summary of Recommendations

The following exhibit summarizes our recommendations to the Board. These are the recommended employer contribution rates for the fiscal year, commencing July 1, 2008, shown for each employer cost group. Member contributions, also effective July 1, 2008 are shown in Appendix D.

Funding Status

The Funded Ratio for the Regular Benefits increased slightly, to 77%.

In accordance with the Board's funding policy, the funding status is measured using the Actuarial Value of Valuation Assets. As of December 31, 2007, the Market Value of Assets is 114% of the Actuarial Value of Valuation Assets. Thus, on a market value basis, the Funded Ratio for the Regular Benefits would be about 88%.

The funding status for the SRBR approved benefits increased from 141% in the 2006 valuation to 199% for this 2007 valuation. A funded ratio over 100% indicates the SRBR unallocated reserve assets are more than sufficient to meet the expected benefit obligations. The portion of the assets greater than the present value of the approved benefits is referred to as the Funding Excess Amount.

The remainder of this section, as well as Sections 2-7, discusses KCERA's financial status as of December 31, 2007.

Kern County Employees' Retirement Association

Exhibit 1: Summary of Recommendations (All dollar amounts in millions)

	December 31, 2006	December 31, 2007	Change	
I. Total Membership				
A. Active Members	8,547	8,928	4.46%	
B. Retired Members & Beneficiaries	5,355	5,552	3.68%	
C. Vested Terminated Members	1,088	1,185	8.92%	
D. Terminated Members Pending Refund	<u>460</u>	<u>509</u>	10.65%	
E. Total	15,450	16,174	4.69%	
II. Pay Rate as of January 1, 2008				
A. Annual Total Covered Payroll (\$ millions)	\$420.4	\$456.7	8.63%	
B. Annual Average	\$49,191	\$51,157	4.00%	
III. Average Monthly Benefits Paid to Current Retirees and Beneficiaries				
A. Service Retirement	\$2,191	\$2,299	4.93%	
B. Disability Retirement	\$2,085	\$2,169	4.03%	
C. Surviving Spouse and Dependents	<u>\$1,055</u>	<u>\$1,123</u>	6.45%	
D. Total	\$1,989	\$2,088	4.98%	
IV. Funded Status- Regular Benefits				
A. Actuarial Accrued Liability (\$ millions)	\$3,109	\$3,356	7.94%	
B. Valuation Assets (\$ millions)	\$2,352	\$2,590	10.11%	
C. Unfunded Actuarial Accrued Liability (\$ millions)	\$757	\$766	1.18%	
D. Funded Ratio based on Valuation Assets	75.7%	77.2%	2.01%	
E. Market Value of Assets (\$ millions)	\$2,782	\$2,955	6.22%	
F. Funded Ratio on Market Value of Assets	89.5%	88.1%	-1.59%	
V. Funded Status- SRBR				
A. Present Value of Approved Benefits (\$ millions)	\$64.3	\$62.7	-2.55%	
B. SRBR Assets not allocated to 0.5% COLA (\$ millions)	\$91.0	\$124.5	36.82%	
C. Unfunded Approved SRBR (\$ millions)	(\$26.7)	(\$61.8)	131.80%	
D. Funded Ratio	141%	199%	40.41%	
VI. Required Employer Contribution				
	Before CCR	After CCR	Before CCR	After CCR
General – County	30.09%	27.65%	29.13%	24.35%
General – County -Court Employees only	27.28%	24.84%	26.40%	21.62%
General – Kern County Water Agency	35.00%	31.96%	33.57%	27.92%
General – Districts Electing 1997 MOU	34.65%	31.61%	33.40%	27.75%
General – Districts Not Electing 1997 MOU	31.81%	28.77%	30.91%	25.26%
General – Districts Adopting 3%@60 prospectively only	30.06%	27.03%	29.14%	23.97%
General Total	30.11%	27.62%	29.14%	24.31%
Safety	39.23%	35.52%	37.75%	30.81%
Total Plan	32.26%	29.49%	31.22%	25.88%
VII. Key Assumptions				
Interest Rate	8.00%		8.00%	
Wage Inflation			4.00%	
Price Inflation	3.50%		3.50%	

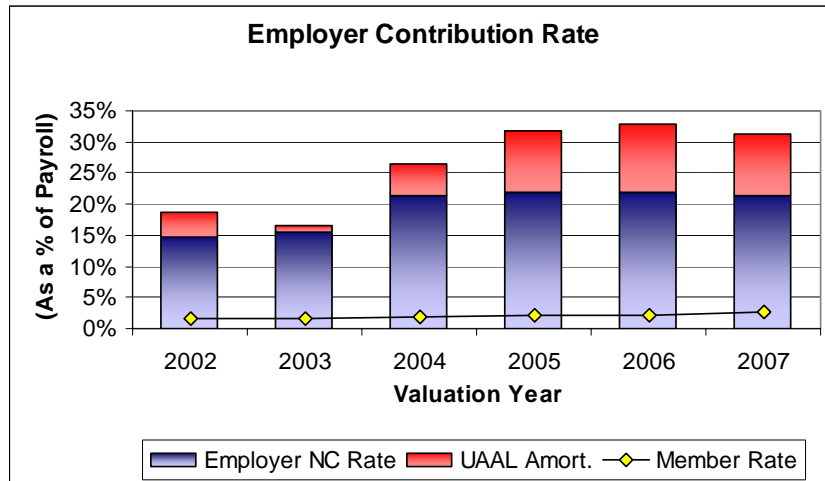
Employer Contribution Rate

Under the Board's current funding objectives, the total calculated Employer contribution rate is 31.22% of payroll, prior to the application of the CCR credits. This is equal to the payment of the normal cost rate plus a 28-year amortization of the Unfunded Actuarial Accrued Liability (UAAL). It should be noted that the 31.22% is a weighted average for all KCERA employers and for both General and Safety members. The actual percent of payroll to be contributed by each employer for each member varies by their benefits and member contributions. See Exhibits 14-17 for normal cost rates by employer groups and class.

After application of the credit for the CCR, the total weighted employer contribution rate is 25.88%.

The new rates are effective for the fiscal year beginning July 1, 2008. The 31.22% total contribution rate (25.88% employer contributions plus 5.35% for the CCR credits) is adequate to maintain the funding of the retirement system based on the current actuarial methods and assumptions and satisfies the funding policy objectives that call for the UAAL to be paid off by December 31, 2035. See Exhibit 17 for the employer contribution rates by group and class.

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



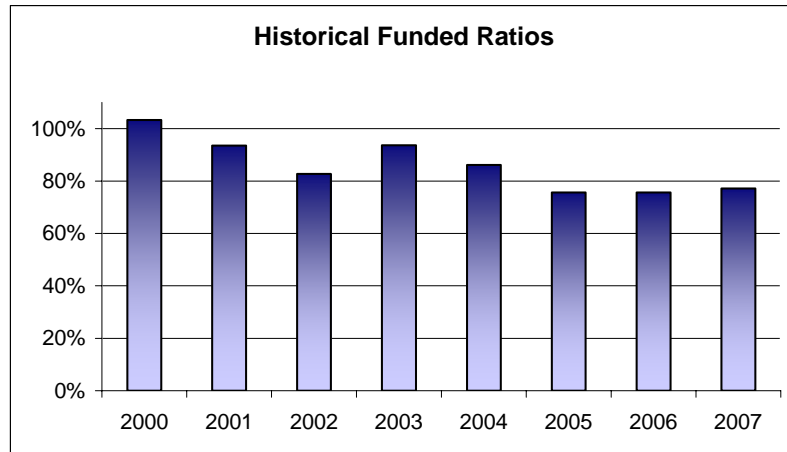
Member Rates

The member contribution rates are projected to average about 2.6% of pay for contributory cost groups. This rate should increase over time as new members contribute at a higher rate and for a longer period of time. See the description of changes in member contribution rates in Section 5.

Funding Progress

One measure of the funding adequacy of the plan is the Funded Ratio which compares the value of the Actuarial Value of Assets (net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL), for all KCERA employers combined. KCERA's Funded Ratio increased rapidly in the last half of the 1990s, reaching 103.3% in 2000. However, due primarily to asset losses early in this decade, the Funded Ratio has decreased significantly since then. Currently, the Funded Ratio is 77.2%; that is, the actuarial value of the Valuation Assets of \$2.6 billion is about 23% less than the actuarial accrued liabilities of \$3.4 billion.

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



Assets

For the fiscal year ending December 31, 2007, we estimate that KCERA earned 6.31%, net of all expenses, on its market value of assets.

KCERA uses an asset-smoothing method in the determination of valuation assets used in the calculation of UAAL contribution. Under this method, the market value returns are smoothed over a five-year period. Due to the recognition of prior gains, the return on the actuarial valuation assets was higher, returning 9.91%.

Allocation of Assets and Cost Sharing

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

Member contribution rates vary widely between different employer groups. Beginning with the 2005 valuation, the Court employees, formerly reported as part of the larger County General membership, are reported as a separate employer group, since they are now paying a higher member rate than the other County General members.

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

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

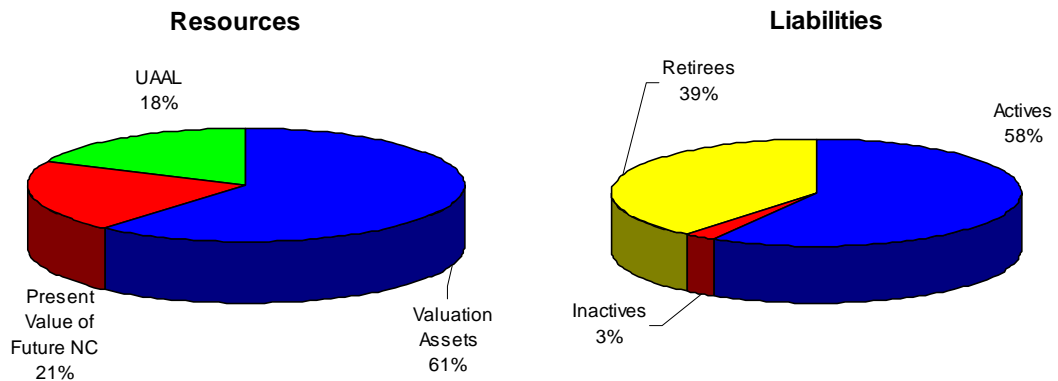
In addition, the portion of the SRBR fund allocated to the 0.5% COLA benefits under the Ventura settlement is not allocated among cost groups. Those funds have also been allocated based on the value of the total actuarial value of the 0.5% benefits for those three major cost groups.

Note that the 0.5% COLA benefits have a current AAL of \$197.3 million compared to the allocated SRBR fund for those benefits of \$80.8 million. The difference is included in each cost group's UAAL contribution rate.

Actuarial Balance Sheet

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

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



SRBR

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

As part of the Ventura legal settlement in 2001, a portion of the SRBR funds, \$64.7 million, was set aside to be used to pay for the additional 0.5% COLA benefits to retired members. The actuarial value of this special allocation of the SRBR fund on December 31, 2007 is \$80.8 million. The remaining SRBR funds are equal to \$124.5 million.

The Board measures the future SRBR benefits under three scenarios:

- a) Approved benefits: Represents the value of the SRBR benefits approved by the Board as of the valuation date and does not include any future additional SRBR benefits to either retired or active members.
- b) Target benefits: The Board has established a measurement under a policy commonly referred to as the “20/20” policy where the value of certain approved benefits: death benefits, SRBR1 and SRBR2 are valued along with a 20% additional reserve for future experience. The SRBR3 benefits are projected for both active and retired members for the next 20 years.
- c) Future benefits: this represents the actuarial value as of the valuation of all levels of SRBR benefits to all current retired and active members.

The following chart indicates the funded ratio of the SRBR benefits under these three measurements as of December 31, 2007:

	<u>Funded Ratio</u>
Approved Benefits	198.6%
Target Benefits, including 20% reserve amounts	144.4%
Future Benefits	110.7%

The SRBR Funded Ratio increased since the 2006 valuation primarily due to the plan experiencing “Excess Earnings” as of December 31, 2007 and an additional \$32.2 million was allocated to the unallocated portion of the SRBR assets.

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

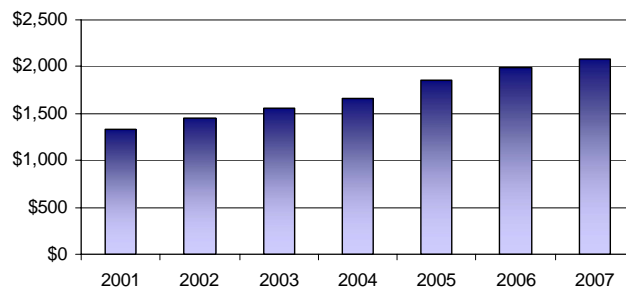
Member Information

The number of active members included in the valuation increased by 4.5% from 8,547 in 2006 to 8,928 in 2007.

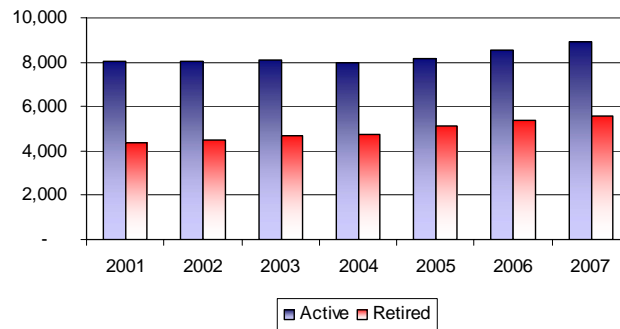
Retired member counts and average retirement benefit amounts continue to increase steadily. For 2007, there were 5,552 retired members and beneficiaries with an average benefit of \$2,088 per month. This represents a 3.7% increase in count and a 5.0% increase in the average monthly benefit.

The average actuarial present value of all future benefits per person for General Actives and Retirees (including beneficiaries) were \$235,378 and \$226,339 respectively while the average benefits per person for Safety Actives and Retirees were \$442,901 and \$523,201.

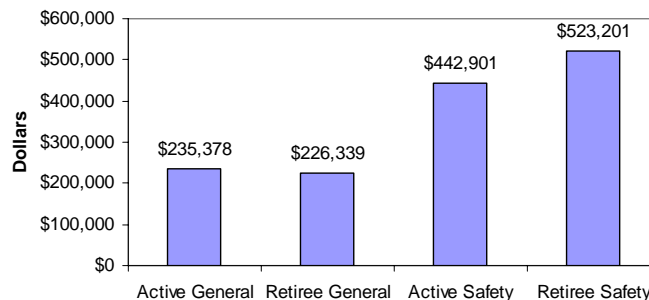
Average Monthly Retirement Benefit



Membership Count



Present Value of Benefits per Person



Kern County Employees' Retirement Association

Section 2: Scope of Report



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

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of KCERA. The assets and investment income are presented in Exhibits 2-4. Exhibits 5-7 develop the Actuarial Value of Assets as of December 31, 2007.

Section 4 describes the benefit obligations of KCERA. Exhibit 9 presents the actuarial value of projected benefits. We also discuss the normal cost, actuarial accrued liability, and funded ratios.

Section 5 discusses the Member contribution rates.

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

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

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

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

This report includes several appendices:

- Appendix A A summary of the actuarial procedures, and assumptions used to estimate liabilities and contributions.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on December 31, 2007.
- Appendix C Schedules of valuation data classified by various categories of plan members.
- Appendix D Member contribution rates by plan.
- Appendix E A glossary of actuarial terms used in this report.

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Kern County Employees' Retirement Association

Section 3: Assets



In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is December 31, 2007. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and employers are needed to pay all expected future benefits.

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

December 31	Market Value of Total Assets	Actuarial Value			Market Value as Percentage of Actuarial Value
		Non-Valuation Reserves*	Valuation Assets	Total	
1998	\$ 1,449.4		\$ 1,203.7		
1999	1,673.4		1,325.9		
2000	1,618.7		1,434.9		
2001	1,511.3	\$163.6	1,508.3	\$1,671.9	90%
2002	1,384.9	91.6	1,570.3	1,661.9	83%
2003	2,016.2	114.0	1,927.6	2,041.6	99%
2004	2,224.9	119.5	2,012.5	2,132.0	104%
2005	2,395.6	113.5	2,164.3	2,277.8	105%
2006	2,781.8	158.2	2,352.0	2,510.2	111%
2007	2,954.9	240.7	2,589.8	2,830.6	104%

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

On December 31, 2007, the total market value of the fund was \$2.95 billion. The actuarial value of the fund was determined to be \$2.83 billion, including the non-valuation reserves. The Market Value of Assets includes all plan assets. The Actuarial Value of Valuation Assets of \$2.59 billion includes only those assets that are taken into account in determining employer contribution rates for the Regular Benefits. These exclude the unallocated portion of the Supplemental Retiree Benefit Reserve, the Contingency Reserve and the COLA Contribution Reserve.

Financial Exhibits

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

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

Actuarial Asset Method

The actuarial asset method computes the expected market value of assets based on the prior year's market value of assets, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return. The current assumed rate of return, as recommended for this valuation, is 8.00%, net of all expenses. The difference between the actual market value and the computed expected market value is smoothed, or recognized over a five-year period.

Actuarial Value of Assets

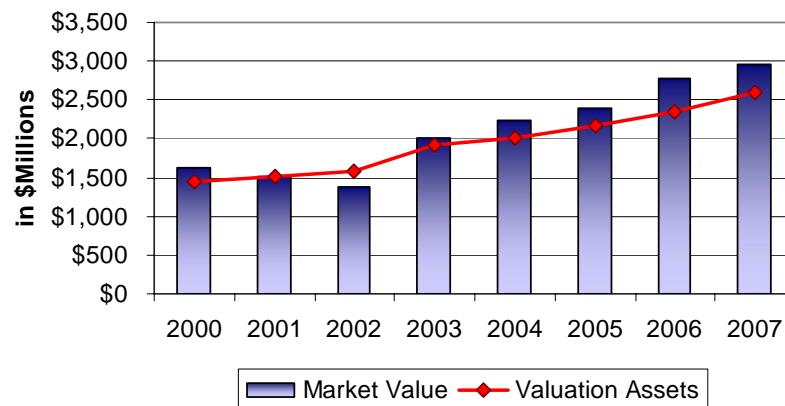
The development of the December 31, 2007 actuarial value of assets is shown in Exhibit 5. The result is an actuarial value of assets that is lower than the market value, indicating past investment gains exceed the past investment losses yet to be recognized.

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

Valuation Reserves

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

Applicable Valuation Assets



Allocation of Assets

Exhibit 7 reconciles the beginning of the year assets to the end of the year on both the market value and the actuarial value basis.

The allocation of valuation assets by cost group is shown in Exhibit 8.

Interest Crediting Policy

The Retirement Board has established a policy to determine the crediting of interest to reserves under KCERA. Interest credits are based on the smoothed actuarial value of assets and are determined for each six-month calendar year period ending June 30 and December 31. This is a brief summary of the order of precedence if interest credits remain to be allocated when earnings are positive, as they have been in the prior year. The numbers in brackets refer to the applicable section of the County Employees Retirement Law of 1937 (CERL).

1. Credit the Contingency Reserve until it is equal to 1% of the market value of assets. [31616]
2. Credit the Valuation Reserves (Member Deposit, Employer Advance, COLA and Retired Member reserves) and the SRBR Reserves and the COLA Contribution Reserve (CCR) at a rate up to one-half of the assumed valuation interest rate. [31615]

**Interest Crediting
Policy
(continued)**

3. Credit the Contingency Reserve until it is equal to 3% of the market value of assets. [31616]
4. Credit the CCR with a dollar amount equal to the 2% COLA contributions payable by all employers for the six-month period ending on the date of the interest determination. This allocation is made even if CCR funds were used rather than actual contributions made for the six-month period. [31617]
5. 50% of any remaining interest credits are applied to the SRBR (the unallocated portion of the SRBR reserve, not the portion set aside for the 0.5% COLA benefits). [31618]
6. The other 50% of the remaining interest credits are applied to all the Valuation Reserves and the CCR in proportion to the amounts in each of those reserves, on the balance in the fund for at least six full months. The allocated SRBR fund amount does not participate in this allocation of remaining earnings. [31619]

Thus, for purposes of crediting interest, the CCR is treated the same as the Valuation Reserves. For purposes of determining contribution rates, the CCR is excluded from Valuation Assets, since it is used later as contribution credits.

At the time of each annual actuarial valuation, any funds in the CCR as of the valuation date will be used to offset the required 2.0% COLA contributions for the subsequent fiscal year, commencing on July 1 following the valuation date. Per section 31617 of the CERL the "cost-of-living contributions shall come from excess interest earnings on the fund". Thus the CCR credits are used as an offset to contributions otherwise payable rather than an offset to the liabilities for the cost-of-living benefits.

**Interest Crediting
Policy
(continued)**

If, at any time, the interest credits are less than zero, then the Board has in the past established a Negative Contingency Account and all other reserves receive zero interest credits. The allocation of Excess Earnings for 2007 is summarized as follows:

Allocation of Excess Earnings as of December 31, 2007

(amounts in millions)

1. Total Excess Earnings to be allocated after regular interest credits		\$	123.3
2. Increase Contingency Reserve to 3% of assets	\$	33.0	
3. Credits to CCR based on prior years required contributions (Max allocation made)	\$	25.9	
4. Remaining Excess Earnings (1) - (2) - (3)		\$	<u>64.4</u>
5. 50% Allocation to SRBR Unallocated Fund		\$	<u>32.2</u>
6. Allocation to other valuation reserves			
Member Deposit Reserves	\$	2.8	
Employer Advance Reserves	\$	9.0	
2% Cost of Living Reserves	\$	7.9	
Retired Member Reserves	\$	12.3	
CCR	\$	0.2	
Total		\$	<u>32.2</u>

**Kern County
Employees' Retirement Association**

**Exhibit 2: Statement of Plan Net Assets
For the Years Ended December 31, 2006 and 2007**

STATEMENT OF PLAN NET ASSETS

	2007	2006
Assets		
Current Assets		
Cash	\$ 146,689,903	\$ 116,722,554
Accounts Receivable	38,457,428	85,242,161
Total Current Assets	<u>185,147,331</u>	<u>201,964,715</u>
Investments	2,928,048,618	2,723,739,132
Property, Fixtures and Equipment, Net	87,445	92,519
Total Assets	<u>3,113,283,394</u>	<u>2,925,796,366</u>
Liabilities		
Current Liabilities	(158,346,475)	(143,969,702)
Net Assets Held in Trust for Pension Benefits	<u>\$ 2,954,936,919</u>	<u>\$ 2,781,826,664</u>

Kern County Employees' Retirement Association

Exhibit 3: Statement of Changes in Plan Net Assets For the Years Ended December 31, 2006 and 2007

STATEMENT OF CHANGES IN PLAN NET ASSETS			
For the Years Ended December 31, 2006 and 2007			
		2007	2006
Additions			
Contributions			
	Employer	\$ 126,986,464	\$ 124,735,089
	Member	12,480,636	10,695,530
	Service Credit Purchases	1,578,226	1,338,572
	Total Contributions	141,045,326	136,769,191
	Net Appreciation (Depreciation) in Fair Value of Investments	30,191,872	323,787,537
	Investment Income	172,844,155	81,387,052
	Less Investment Expenses (including securities lending expenses)	24,311,621	22,609,544
	Net Investment Income	178,724,406	382,565,044
	Total Additions	319,769,733	519,334,236
Deductions			
	Benefit Payments	\$ 130,969,773	\$ 119,448,345
	SRBR Payments (Tiers 1, 2, & 3)	6,555,249	6,519,513
	SRBR Payments (0.5% COLA)	2,754,038	2,150,152
	Refunds	2,721,740	2,062,112
	SRBR Death Benefits	304,500	119,167
	Active Death Benefits	183,740	98,312
	Administrative Expense	3,170,438	2,735,041
	Total Deductions	146,659,478	133,132,641
	Net Increase (Decrease)	173,110,255	386,201,595
	Net Assets Held in Trust for Pension Benefits		
	Beginning of Year	2,781,826,664	2,395,625,069
	End of Year	2,954,936,919	2,781,826,664
	Estimated Return, Net of all Expenses on Market Value basis	6.31%*	15.83%*

* May differ from return reported in CAFR due to timing of contributions and benefit payments.

Kern County Employees' Retirement Association

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

Six-Month Period Ended	Market Value of Assets (Beginning)	Market Value of Assets (End)	Contributions	Benefit Payments	Actual Investment Return (Net of Expenses)	Assumed Rate of Return	Expected Return (Net of Expenses)	Unexpected Gain (Loss)
12/31/2007	\$ 2,912,277,768	\$ 2,954,936,919	\$ 122,848,031	\$ 72,949,005	\$ (7,239,875)	8.00%	\$ 117,489,091	\$ (124,728,966)
06/30/2007	\$ 2,781,826,664	\$ 2,912,277,768	\$ 18,197,296	\$ 70,540,035	\$ 182,793,843	8.00%	\$ 110,226,212	\$ 72,567,632
12/31/2006	\$ 2,458,256,056	\$ 2,781,826,664	\$ 122,571,166	\$ 66,538,268	\$ 267,537,710	8.00%	\$ 99,450,900	\$ 168,086,809
06/30/2006	\$ 2,395,625,069	\$ 2,458,256,056	\$ 14,198,025	\$ 63,859,332	\$ 112,292,294	8.00%	\$ 94,831,777	\$ 17,460,517
12/31/2005	\$ 2,212,271,078	\$ 2,395,625,069	\$ 98,310,989	\$ 59,906,157	\$ 144,949,159	8.00%	\$ 89,258,940	\$ 55,690,220
06/30/2005	\$ 2,224,898,721	\$ 2,212,271,078	\$ 10,983,739	\$ 56,586,530	\$ 32,975,149	8.00%	\$ 88,083,893	\$ (55,108,744)
12/31/2004	\$ 2,030,719,406	\$ 2,224,898,721	\$ 59,635,395	\$ 54,419,552	\$ 188,963,472	8.00%	\$ 81,333,093	\$ 107,630,379
06/30/2004	\$ 2,016,236,085	\$ 2,030,719,406	\$ 9,159,416	\$ 55,488,271	\$ 60,812,177	8.00%	\$ 79,722,866	\$ (18,910,690)
12/31/2003	\$ 1,782,946,667	\$ 2,016,236,085	\$ 50,051,399	\$ 49,472,104	\$ 232,710,123	8.00%	\$ 71,329,453	\$ 161,380,670
06/30/2003	\$ 1,384,882,245	\$ 1,782,946,667	\$ 295,135,493	\$ 48,275,833	\$ 151,204,762	8.00%	\$ 60,332,483	\$ 90,872,279



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**Kern County
Employees' Retirement Association**

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

Calculation of Market Stabilization Reserve

Six-Month Period Ended	Unexpected Gain (Loss)	Percent Not Yet Phased In	Gain (Loss) Excluded
12/31/2007	\$ (124,728,966)	90%	\$ (112,256,070)
06/30/2007	\$ 72,567,632	80%	58,054,105
12/31/2006	\$ 168,086,809	70%	117,660,767
06/30/2006	\$ 17,460,517	60%	10,476,310
12/31/2005	\$ 55,690,220	50%	27,845,110
06/30/2005	\$ (55,108,744)	40%	(22,043,498)
12/31/2004	\$ 107,630,379	30%	32,289,114
06/30/2004	\$ (18,910,690)	20%	(3,782,138)
12/31/2003	\$ 161,380,670	10%	<u>16,138,067</u>
Total			\$ 124,381,767

Calculation of Actuarial Value of Assets and Valuation Assets

1. Market Value of Assets	\$ 2,954,936,919
2. Unrecognized Gain/Loss (Market Stabilization Reserve)	\$ 124,381,767
3. Preliminary Actuarial Value (1) - (2)	\$ 2,830,555,151
4. Corridor Around Market Value	
(a) Minimum - 80% of Market Value	\$ 2,363,949,535
(b) Maximum - 120% of Market Value	\$ 3,545,924,303
5. Computed Actuarial Value of Assets	\$ 2,830,555,151
6. Non-Valuation Reserves and Designations	
(a) SRBR unallocated to 0.5% COLA benefits	\$ 124,480,825
(b) Contingency Reserve	88,648,108
(c) COLA Contribution Reserve	<u>27,608,922</u>
(d) Total	\$ 240,737,855
7. Total Valuation Reserves (5) - (6)	\$ 2,589,817,297

Kern County Employees' Retirement Association

Exhibit 6: Allocation of Assets by Accounting Reserve Amounts For the Years Ended December 31, 2006 and 2007

RESERVES	December 31, 2007	December 31, 2006
A Market Stabilization Reserve	\$ 124,381,767	\$ 271,607,812
Members Deposit Reserve-General	\$ 142,004,563	\$ 131,173,166
Members Deposit Reserve-Safety	60,283,260	54,875,056
Members Deposit Reserve-Special Districts	12,993,717	11,458,654
Employers Advance Reserve-General	400,504,967	363,821,060
Employers Advance Reserve-Safety	315,938,462	278,342,350
Employers Advance Reserve-Special Districts	17,349,423	12,355,579
Cost-of-Living Reserve-General	346,110,967	307,163,393
Cost-of-Living Reserve-Safety	263,817,828	237,418,459
Cost-of-Living Reserve-Special Districts	16,718,819	13,473,989
Retired Members-General	573,095,795	515,222,419
Retired Members-Safety	360,161,259	349,390,023
SRBR	124,480,825	90,980,473
SRBR 0.5% COLA	80,838,238	77,333,873
COLA Contribution Reserve	27,608,922	11,573,825
Contingency Reserve	88,648,108	55,636,533
Current Earnings	-	-
B Total Reserves for Actuarial Value of Assets	\$ 2,830,555,151	\$ 2,510,218,852
C Total Fund Balance = A + B	\$ 2,954,936,919	\$ 2,781,826,664
D Non-Valuation Reserves and Designations		
(a) SRBR unallocated to 0.5% COLA benefits	124,480,825	90,980,473
(b) Contingency Reserve	88,648,108	55,636,533
(c) COLA Contribution Reserve	27,608,922	11,573,825
(d) Total	240,737,855	158,190,832
E Valuation Reserves = B - D	\$ 2,589,817,297	\$ 2,352,028,020

**Kern County
Employees' Retirement Association**

**Exhibit 7: Reconciliation of Assets
For the Year Ended December 31, 2007**

Reconciliation of Assets for the Year Ended December 31, 2007

Amounts may not add exactly, due to rounding.

	Market Value Of Total Fund	Actuarial Value Of Valuation Reserves*
Beginning of Year	\$ 2,781,826,664	\$ 2,352,028,020
Contributions - Employers	126,986,464	126,986,464
Contributions - Members	12,480,636	12,480,636
Contributions - Service Purchases	1,578,226	1,578,226
Gross Investment Income	203,036,028	236,543,679
Investment Expenses	(24,311,621)	n/a
Benefits paid to participants	(143,489,040)	(136,629,291)
Administrative Expenses	(3,170,438)	(3,170,438)
End of the Year	\$ 2,954,936,919	\$ 2,589,817,297
Estimated Return (net of all expenses)	6.31%	9.91%

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

**Kern County
Employees' Retirement Association**

Exhibit 8: Allocation of Valuation Assets

Allocation of Valuation Assets	General Members	District Members	Safety Members	Total
Member Deposit Reserves	\$ 142,004,563	\$ 12,993,717	\$ 60,283,260	\$ 215,281,539
Employer Advance Reserves	400,504,967	17,349,423	315,938,462	733,792,852
Cost-of-Living Reserves - 2%	346,110,967	16,718,819	263,817,828	626,647,615
Cost-of-Living Reserves - 0.5%	44,648,699	2,156,746	34,032,793	80,838,238
Retired Member Reserves	544,212,419	28,883,376	360,161,259	933,257,053
Total Valuation Assets	\$ 1,477,481,615	\$ 78,102,081	\$ 1,034,233,601	\$ 2,589,817,297
COLA Contribution Reserve (CCR)	16,441,160	2,370,042	8,797,720	27,608,922
Total Valuation Assets & CCR	\$ 1,493,922,774	\$ 80,472,123	\$ 1,043,031,321	\$ 2,617,426,219

The SRBR Cost-of-Living Reserves - 0.5% are allocated in proportion to the 2.0% COL Reserves.

The Retired Member Reserves for General and District Members are allocated based on the present value of the benefit obligations for each group.



Kern County Employees' Retirement Association

Section 4: Actuarial Liabilities



In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of KCERA's assets as of the valuation date, December 31, 2007. In this section, the discussion will focus on the commitments of KCERA for retirement benefits, which are referred to as its actuarial liabilities. The SRBR benefits are determined separately and are discussed in Section 8.

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

Actuarial Balance Sheet – Liabilities

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

Exhibit 9 contains an analysis of the actuarial present value of all future benefits for inactive members, (both retired and terminated vested members), and active members. The analysis is given by class of membership and by type of benefit, Basic or COLA.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All liabilities reflect the benefits effective through December 31, 2007.

**Actuarial Balance
Sheet – Liabilities
(continued)**

Due to the adoption of Section 31617 of the County Employees Retirement Law of 1937 (CERL), and the Ventura settlement, the actuarial value of benefits needs to be valued in total and also into three major subtotals:

- a) The Basic benefits are the retirement benefits excluding all COLA benefits.
- b) The COLA benefits adopted prior to the Ventura settlement are referred to as the “2.0% COLA benefits”.
- c) The COLA benefits provided under the Ventura settlement are referred to as the “0.5% COLA benefits”.

Exhibit 9 shows the present value of both the 2.0% COLA benefits and the 0.5% COLA benefits separately.

Kern County Employees' Retirement Association

Exhibit 9: Actuarial Value of Benefits – December 31, 2007 (Dollars in millions)

	Basic	COLA - 2%	COLA - 0.5%	Total
1. Retirees and Beneficiaries				
A. General				
i. County Tier I				
a. Regular Benefits	\$ 607.1	\$ 233.1	\$ 57.8	\$ 897.9
b. Golden Handshake	-	-	-	-
c. Subtotal	<u>607.1</u>	<u>233.1</u>	<u>57.8</u>	<u>898.0</u>
ii. County Tier II				
iii. Districts				
a. Regular Benefits	32.7	11.6	3.1	47.4
b. Golden Handshake	0.2	-	-	0.2
c. Subtotal	<u>32.9</u>	<u>11.6</u>	<u>3.1</u>	<u>47.7</u>
iv. Total General	640.0	244.7	60.9	945.6
B. Safety				
a. Regular Benefits	466.7	201.1	50.6	718.4
b. Golden Handshake	-	-	-	-
c. Subtotal	<u>466.7</u>	<u>201.1</u>	<u>50.6</u>	<u>718.4</u>
C. All Retirees and Beneficiaries	\$ 1,106.7	\$ 445.8	\$ 111.5	\$ 1,664.0
2. Terminated Members				
A. General				
i. County Tier I				
a. Deferred Vested	\$ 65.9	\$ 13.4	\$ 4.1	\$ 83.4
b. Pending Refunds	2.0	-	-	2.0
c. Subtotal	<u>67.9</u>	<u>13.4</u>	<u>4.1</u>	<u>85.4</u>
ii. County Tier II				
iii. Districts				
a. Deferred Vested	-	-	-	-
b. Pending Refunds	-	-	-	-
c. Subtotal	-	-	-	-
iii. Districts				
a. Deferred Vested	6.9	1.4	0.4	8.7
b. Pending Refunds	0.1	-	-	0.1
c. Subtotal	<u>7.0</u>	<u>1.4</u>	<u>0.4</u>	<u>8.8</u>
iv. Total General	74.9	14.8	4.5	94.2
B. Safety				
a. Deferred Vested	11.4	2.8	0.9	15.1
b. Pending Refunds	0.3	-	-	0.3
c. Subtotal	<u>11.7</u>	<u>2.8</u>	<u>0.9</u>	<u>15.4</u>
C. All Terminated Members	\$ 86.5	\$ 17.7	\$ 5.4	\$ 109.6
3. Active Members				
A. General				
i. County Tier I				
a. Regular Benefits	\$ 1,223.1	\$ 254.8	\$ 76.9	\$ 1,554.8
ii. County Tier II				
iii. Districts				
a. Regular Benefits	91.9	19.4	5.9	117.2
b. Golden Handshake	-	-	-	-
c. Subtotal	<u>91.9</u>	<u>19.4</u>	<u>5.9</u>	<u>117.2</u>
iv. Total General	1,319.4	275.0	83.1	1,677.5
B. Safety				
a. Regular Benefits	609.9	142.4	44.0	796.3
b. Golden Handshake	-	-	-	-
c. Subtotal	<u>609.9</u>	<u>142.4</u>	<u>44.0</u>	<u>796.3</u>
C. All Active Members	\$ 1,929.3	\$ 417.4	\$ 127.2	\$ 2,473.9
4. All Members				
A. General				
i. County Tier I				
a. Regular Benefits	\$ 1,898.1	\$ 501.3	\$ 138.8	\$ 2,538.2
b. Golden Handshake	-	-	-	-
c. All Benefits	<u>1,898.1</u>	<u>501.3</u>	<u>138.8</u>	<u>2,538.2</u>
ii. County Tier II				
iii. Districts				
a. Regular Benefits	131.6	32.4	9.4	173.4
b. Golden Handshake	0.2	-	-	0.2
c. All Benefits	<u>131.7</u>	<u>32.4</u>	<u>9.4</u>	<u>173.6</u>
iv. Total General	2,034.3	534.6	148.5	2,717.4
B. Safety				
a. Regular Benefits	1,088.2	346.3	95.5	1,530.1
b. Golden Handshake	-	-	-	-
c. All Benefits	<u>1,088.2</u>	<u>346.3</u>	<u>95.5</u>	<u>1,530.1</u>
C. Grand Total	\$ 3,122.5	\$ 880.9	\$ 244.0	\$ 4,247.4

Actuarial Resources

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

- (a) assets currently available to pay benefits and considered for funding purposes, the Valuation Reserves, and
- (b) the present value of future contributions expected to be made by current active Members and the employers.

Actuarial Cost Method

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

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

Normal Cost

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

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

**Normal Cost
(continued)**

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

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

Entry Age Total Normal Cost				
(In Dollars)	Basic	COLA - 2%	COLA - 0.5%	Total
1. General	\$ 60,856,434	\$ 12,323,172	\$ 3,735,165	\$ 76,914,771
2. Safety	24,353,667	5,815,429	1,919,936	32,089,032
3. All Members	<u>\$ 85,210,101</u>	<u>\$ 18,138,601</u>	<u>\$ 5,655,101</u>	<u>\$ 109,003,803</u>
As a Percent of Pay	Basic	COLA - 2%	COLA - 0.5%	Total
1. General	17.69%	3.58%	1.09%	22.36%
2. Safety	22.24%	5.31%	1.75%	29.31%
3. All Members	18.79%	4.00%	1.25%	24.04%

The following table compares the General Tier I Normal Cost Rate with the new Tier II.

Normal Cost Rates by Tier

	Tier I	Tier II	Total General
Active Members	6,991	136	7,127
Valuation Payroll in millions	\$ 338.8	\$ 5.2	\$ 344.0
Average Annual Pay	\$ 48,656	\$ 37,891	\$ 48,451
Total Normal Cost Rate	22.52%	12.11%	22.36%
Employee Contribution Rate	<u>2.57%</u>	<u>5.24%</u>	<u>2.61%</u>
Employer Contribution Rate	19.95%	6.87%	19.75%

Actuarial Accrued Liability

The difference between the present value of all future obligations and the present value of the future normal cost contributions is referred to as the “actuarial accrued liability” (AAL). The AAL is then compared to the value of assets available to fund benefits, and the difference is referred to as the UAAL. The results for KCERA for all benefits and all cost groups are summarized below:

<u>(Dollars in millions)</u>		<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
A.	Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	\$ 4,247	\$ 3,927	8.1%
B.	Actuarial present value of total future normal costs for current members	891	818	8.9%
C.	Actuarial accrued liability [A - B]	\$ 3,356	\$ 3,109	7.9%
D.	Valuation Reserves	2,590	2,352	10.1%
E.	UAAL or Surplus Funding [C - D]	\$ 766	\$ 757	1.2%
F.	Funded Ratio [D/C]	77.2%	75.7%	2.0%

Unfunded Actuarial Accrued Liability/ Surplus Funding

The portion allocated to service already rendered or accrued is called the Actuarial Accrued Liability (AAL). The difference between the AAL and the Valuation Assets is called the UAAL. If a UAAL amount exists, it usually results from prior years' benefit or assumption changes and the net effect of accumulated gains and losses. If the County had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

Exhibit 10 shows the AAL for the Basic and each of the COLA Benefits by the three major cost groups.

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

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

Due to the adoption of Section 31617 of the CERL, and the Ventura settlement, just as the actuarial value of benefits needs to be valued in total and also into three major cost group subtotals, so the UAAL needs to be valued separately for the Basic benefits, the UAAL for the 2.0% COLA, and the UAAL for the 0.5% COLA benefits using the portion of the SRBR funds allocated to those benefits.

Funding Adequacy

A key consideration in determining the adequacy of the funding of KCERA is how the UAAL is being funded. If the UAAL amount is positive, that is, the AAL to be funded is greater than the Valuation Assets, then the UAAL is amortized. Under the current funding method, the UAAL is amortized over a fixed period ending December 31, 2035. Thus, the UAAL contribution rate is funding the UAAL over 28 years from the valuation date.

Analysis of Change in UAAL

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

The 2007 actuarial valuation reflects an increase in the UAAL of \$9 million for the plan year just ended.

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Exhibit 10: Actuarial Accrued Liability (Dollars in millions)

	Basic	COLA - 2%	COLA - 0.5%	Total
1. Retirees and Beneficiaries				
A. General				
i. County Tier I				
a. Regular Benefits	\$ 607.1	\$ 233.1	\$ 57.8	\$ 897.9
b. Golden Handshake	-	-	-	-
c. Subtotal	<u>607.1</u>	<u>233.1</u>	<u>57.8</u>	<u>898.0</u>
ii. County Tier II				
iii. Districts				
a. Regular Benefits	32.7	11.6	3.1	47.4
b. Golden Handshake	0.2	-	-	0.2
c. Subtotal	<u>32.9</u>	<u>11.6</u>	<u>3.1</u>	<u>47.7</u>
iv. Total General	640.0	244.7	60.9	945.6
B. Safety				
a. Regular Benefits	466.7	201.1	50.6	718.4
b. Golden Handshake	-	-	-	-
c. Subtotal	<u>466.7</u>	<u>201.1</u>	<u>50.6</u>	<u>718.4</u>
C. All Retirees and Beneficiaries	<u>\$ 1,106.7</u>	<u>\$ 445.8</u>	<u>\$ 111.5</u>	<u>\$ 1,664.0</u>
2. Terminated Members				
A. General				
i. County Tier I				
a. Deferred Vested	\$ 65.9	\$ 13.4	\$ 4.1	\$ 83.4
b. Pending Refunds	2.0	-	-	2.0
c. Subtotal	<u>67.9</u>	<u>13.4</u>	<u>4.1</u>	<u>85.4</u>
ii. County Tier II				
iii. Districts				
a. Deferred Vested	6.9	1.4	0.4	8.7
b. Pending Refunds	0.1	-	-	0.1
c. Subtotal	<u>7.0</u>	<u>1.4</u>	<u>0.4</u>	<u>8.8</u>
iv. Total General	74.9	14.8	4.5	94.2
B. Safety				
a. Deferred Vested	11.4	2.8	0.9	15.1
b. Pending Refunds	0.3	-	-	0.3
c. Subtotal	<u>11.7</u>	<u>2.8</u>	<u>0.9</u>	<u>15.4</u>
C. All Terminated Members	<u>\$ 86.5</u>	<u>\$ 17.7</u>	<u>\$ 5.4</u>	<u>\$ 109.6</u>
3. Active Members				
A. General				
i. County Tier I	\$ 784.0	\$ 165.0	\$ 49.7	\$ 998.7
ii. County Tier II	-	-	-	-
iii. Districts	56.1	11.9	3.6	71.5
iv. Total	<u>840.1</u>	<u>176.8</u>	<u>53.3</u>	<u>1,070.3</u>
B. Safety	394.0	90.8	27.1	511.9
C. All Active Members	<u>\$ 1,234.1</u>	<u>\$ 267.6</u>	<u>\$ 80.5</u>	<u>\$ 1,582.2</u>
4. All Members				
A. General				
i. County Tier I				
a. Regular Benefits	\$ 1,459.0	\$ 411.5	\$ 111.6	\$ 1,982.1
b. Golden Handshake	-	-	-	-
c. All Benefits	<u>1,459.0</u>	<u>411.6</u>	<u>111.6</u>	<u>1,982.1</u>
ii. County Tier II				
iii. Districts				
a. Regular Benefits	95.8	24.8	7.1	127.7
b. Golden Handshake	0.2	-	-	0.2
c. All Benefits	<u>95.9</u>	<u>24.9</u>	<u>7.1</u>	<u>128.0</u>
iv. Total General	1,555.0	436.4	118.7	2,110.1
B. Safety				
a. Regular Benefits	872.4	294.7	78.6	1,245.6
b. Golden Handshake	-	-	-	-
c. All Benefits	<u>872.4</u>	<u>294.7</u>	<u>78.6</u>	<u>1,245.6</u>
C. Grand Total	<u>\$ 2,427.3</u>	<u>\$ 731.1</u>	<u>\$ 197.3</u>	<u>\$ 3,355.8</u>

Kern County Employees' Retirement Association

Exhibit 11: **Unfunded Actuarial Accrued Liability and Funded Ratio** (Dollars in millions)

Basic Benefits

	General – County Tier I and II	General – Districts	Safety	Totals
1. Actuarial Accrued Liability	\$ 1,459.0	\$ 96.0	\$ 872.4	\$ 2,427.4
2. Valuation Assets	<u>1,086.7</u>	<u>59.2</u>	<u>736.4</u>	<u>1,882.3</u>
3. Unfunded Actuarial Accrued Liability	\$ 372.3	\$ 36.8	\$ 136.0	\$ 545.1
4. Funded Ratio	74.5%	61.7%	84.4%	77.5%

COLA Benefits - 2%

	General – County	General – Districts	Safety	Totals
1. Actuarial Accrued Liability	\$ 411.6	\$ 24.8	\$ 294.7	\$ 731.1
2. Valuation Assets	<u>346.1</u>	<u>16.7</u>	<u>263.8</u>	<u>626.6</u>
3. Unfunded Actuarial Accrued Liability	\$ 65.5	\$ 8.1	\$ 30.9	\$ 104.5
4. Funded Ratio	84.1%	67.3%	89.5%	85.7%

COLA Benefits - 0.5%

	General – County	General – Districts	Safety	Totals
1. Actuarial Accrued Liability	\$ 111.6	\$ 7.1	\$ 78.6	\$ 197.3
2. Valuation Assets	<u>44.6</u>	<u>2.2</u>	<u>34.0</u>	<u>80.8</u>
3. Unfunded Actuarial Accrued Liability	\$ 67.0	\$ 4.9	\$ 44.6	\$ 116.5
4. Funded Ratio	40.0%	31.0%	43.3%	41.0%

Total Regular Benefits

	General – County	General – Districts	Safety	Totals
1. Actuarial Accrued Liability	\$ 1982.1	\$ 127.9	\$ 1245.6	\$ 3355.6
2. Valuation Assets	1,477.5	78.1	1,034.2	2,589.8
3. Unfunded Actuarial Accrued Liability	\$ 504.6	\$ 49.8	\$ 211.4	\$ 765.8
4. Funded Ratio	74.5%	61.1%	83.0%	77.2%

Kern County Employees' Retirement Association

Exhibit 12: Liability by District

<u>Category</u>	<u>District Name</u>	Member Count*	A	B	C	D	E
			Present Value of Projected Benefits	Present Value of Future Normal Cost	Actuarial Accrued Liability (AAL) (A-B)	Actuarial Value of Assets (AVA) (Pro-rated by AAL)	Unfunded Actuarial Accrued Liability (UAAL) (C-D)
IV	Berrenda Mesa Water	18	4,729,548	\$ 1,063,516	3,666,032	\$ 2,237,567	\$ 1,428,465
III	Buttonwillow Recreation & Park	3	326,955	183,428	143,527	87,602	55,925
II	East Kern Cemetery	2	421,132	117,318	303,814	185,433	118,381
IV	Inyokern Community Services	3	378,862	112,370	266,492	162,654	103,838
I	Kern County Water Agency	138	51,666,897	9,491,517	42,175,380	25,741,791	16,433,589
II	Kern Mosquito & Vector Control	31	10,283,838	1,279,942	9,003,896	5,495,538	3,508,358
II	North of the River Sanitation	18	5,940,632	812,470	5,128,162	3,129,980	1,998,183
III	San Joaquin Valley Unified Air Pollution Control	428	87,101,204	30,646,479	56,454,725	34,457,205	21,997,519
II	Shafter Recreation & Park	4	362,938	-	362,938	221,520	141,418
II	West Side Cemetery	15	3,569,320	647,133	2,922,187	1,783,560	1,138,627
II	West Side Mosquito Abatement	17	5,699,065	529,905	5,169,160	3,155,003	2,014,157
II	West Side Recreation & Park	33	3,128,295	762,069	2,366,226	1,444,229	921,997
Total District		710	\$ 173,608,685	\$ 45,646,147	\$ 127,962,538	\$ 78,102,081	\$ 49,860,457

District Category Descriptions:

I. Kern County Water Agency: Employer picks up 100% member contributions for those hired prior to August 22, 2004.

II. Kern Mosquito & Vector Control, West Side Mosquito Abatement, Shafter Recreation & Park, West Side Cemetery, West Side Recreation & Park, North of the River Sanitation, and East Kern Cemetery: Adopted 1997 MOU. Members hired prior to August 7, 2004 (January 8, 2005 for Kern Mosquito & Vector Control) only contribute for first five years of service.

III. San Joaquin Valley Unified Air Pollution Control and Buttonwillow Recreation & Park: Did not adopt 1997 MOU. Members contribute 50% of rates shown on page D-2 for 30 years of service, regardless of hire date.

IV. Brrenda Mesa Water and Inyokern Community Services: Adopted 3% at 60 formula on a prospective basis only.

* Includes both active and inactive members.

Kern County Employees' Retirement Association

Section 5: Member Contributions



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

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

Basic Contributions

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

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

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

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

Note that for some employers, benefits are integrated with Social Security. In those cases, members pay 2/3 of the full rate on the first \$350 of pay each month.

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

General Members

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

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

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

General Members (continued)

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

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

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

Safety Members

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

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

- a) If hired after July 10, 2004, an additional rate equal to the total employee rate sufficient to provide an average annuity payable at age 50, equal to 3/200 of final compensation. This amount is equal to 150% of the rate specified in Section 31639.25 of the CERL.
- b) If hired before July 10, 2004, the supplemental rate will increase 1% each fiscal year until the full rate as described in a) is reached.

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

For members in certain bargaining units hired after collectively bargained dates in 2007, the rates described above have been replaced by one uniform rate for all entry ages. That rate is designed to result in average contribution rates comparable to the rates based upon the 3/200 described above. Currently, the rate is 11.56% for salary above \$350/month and 7.70% for the first \$350. These rates will be reviewed at the time of our experience analysis.

Kern County Employees' Retirement Association

Exhibit 13: Member Contribution Rates

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

FAS = Final Average Salary

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

Notes:

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

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Kern County Employees' Retirement Association

Section 6: Employer Contributions



Calculated Contribution Rate

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

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

The total calculated employer contribution rates for each cost sharing group can be found in Exhibits 14-17. These results are expressed as a percentage of payroll and annual contribution dollars.

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

- a) The Basic benefits are the retirement benefits excluding all COLA benefits and the rates for those benefits are shown in Exhibit 14.
- b) The COLA benefits adopted prior to the Ventura settlement are referred to as the “2.0% COLA benefits” and the rates for those benefits are shown in Exhibit 15.
- c) The COLA benefits provided under the Ventura settlement are referred to as the “0.5% COLA benefits” and the rates for those benefits are shown in Exhibit 16.

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

Exhibit 17 shows the total contribution rates for all cost sharing groups.

Contribution Rate (continued)

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

In accordance with the Board's funding policy, for each employer cost sharing group, the new UAAL established due to the adoption of the 3% at 60 benefit formula for General members is established as of January 1, 2006 and then determined as of the December 31, 2005 valuation date. The UAAL contribution rate needed to amortize this portion of the UAAL increase due to the benefit enhancements is computed as of December 31, 2005 as a fixed percentage of pay. Thus, the UAAL contributions are split between those attributable to the 3% at 60 benefits and all other UAAL amounts starting with the 2005 valuation. This split is shown in Exhibits 14-17.

Additional UAAL incurred through the granting of Golden Handshake agreements made in 2004 and 2005 was amortized over a three-year period from the year in which they were granted. Beginning January 1, 2006, any liability attributable to Golden Handshakes is paid by the employer at the time the handshake is granted.

Court Employees

Per Article VI, Section 2-E of the Court Memorandum of Understanding (MOU), ratified in January 2005, all court employees began contributing 2.5% of their base salary in May 2005 to partially offset the Court's additional costs in adopting the 3% @ 60 retirement enhancement.

The reduction in the employer contribution rate for court employees is less than the 2.50% contributed by members, since the additional member contributions result in additional refunds of member contributions. Those additional refunds are reflected in our calculations. Total employee contributions are calculated for the court employees group. Depending on the demographic makeup of this group, the base member contribution rate could be either higher or lower than the rate calculated for the General County group excluding the court members.

Kern County Employees' Retirement Association

Exhibit 14: Basic Benefits

	County		General				Safety	Totals
	Tier I and II	Courts	District					
			Category I KCWA	Category II Electing 1997 MOU	Category III Not Electing 1997 MOU	Category IV 3%@60 Prospectively Only		
Contributions in Dollars								
1. Total Normal Cost	\$ 52,556,840	\$ 3,868,211	\$ 980,157	\$ 497,670	\$ 2,831,525	\$ 122,032	\$ 24,353,667	\$ 85,210,101
2. Projected Employee Contributions	7,099,651	1,119,706	67,896	39,254	624,059	18,966	2,960,258	11,929,790
3. Employer Normal Cost (1-2)	<u>45,457,189</u>	<u>2,748,505</u>	<u>912,261</u>	<u>458,416</u>	<u>2,207,466</u>	<u>103,066</u>	<u>21,393,409</u>	<u>73,280,311</u>
4. Amortization of Unfunded Actuarial Accrued Liability	<u>20,114,851</u>	<u>1,480,464</u>	<u>508,693</u>	<u>258,286</u>	<u>1,469,537</u>	<u>47,443</u>	<u>7,878,020</u>	<u>31,757,293</u>
5. Total Employer Contribution (3+4)	\$ 65,572,040	\$ 4,228,968	\$ 1,420,954	\$ 716,702	\$ 3,677,002	\$ 150,508	\$ 29,271,429	\$ 105,037,604
Contributions as a Percent of Pay								
1. Total Normal Cost	17.69%	17.69%	17.69%	17.69%	17.69%	17.69%	22.24%	18.79%
2. Projected Employee Contributions	<u>2.39%</u>	<u>5.12%</u>	<u>1.23%</u>	<u>1.40%</u>	<u>3.90%</u>	<u>2.75%</u>	<u>2.70%</u>	<u>2.63%</u>
3. Employer Normal Cost (1-2)	15.30%	12.57%	16.47%	16.30%	13.79%	14.94%	19.54%	16.16%
4. Amortization of Unfunded Actuarial Accrued Liability								
a.) 30 Year Fixed for Benefit Change to 3% @ 60 Formula	2.43%	2.43%	2.30%	2.30%	2.30%	0.00%	0.00%	
b.) Remaining UAAL	<u>4.34%</u>	<u>4.34%</u>	<u>6.88%</u>	<u>6.88%</u>	<u>6.88%</u>	<u>6.88%</u>	<u>7.20%</u>	
c.) Total UAAL Rate	6.77%	6.77%	9.18%	9.18%	9.18%	6.88%	7.20%	7.00%
5. Total Employer Contribution (3+4)	22.08%	19.35%	25.65%	25.48%	22.98%	21.82%	26.73%	23.17%

District Category Descriptions:

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



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Kern County Employees' Retirement Association

Exhibit 15: COLA Benefits – 2.0%

	General					Safety	Totals	
	County		District					
	Tier I and II	Courts	Category I KCWA	Category II Electing 1997 MOU	Category III Not Electing 1997 MOU			Category IV 3%@60 Prospectively Only
Contributions in Dollars								
1. Total Normal Cost	\$ 10,642,539	\$ 783,296	\$ 198,478	\$ 100,776	\$ 573,372	\$ 24,711	\$ 5,815,429	\$ 18,138,601
2. Projected Employee Contributions	0	0	0	0	0	0	0	0
3. Employer Normal Cost (1-2)	10,642,539	783,296	198,478	100,776	573,372	24,711	5,815,429	18,138,601
4. Amortization of Unfunded Actuarial Accrued Liability	3,538,534	260,438	114,347	58,059	330,331	10,964	1,786,965	6,099,639
5. Total Employer Contribution (3+4)	14,181,073	\$ 1,043,734	\$ 312,825	\$ 158,835	\$ 903,703	\$ 35,675	\$ 7,602,394	\$ 24,238,240
Contributions as a Percent of Pay								
1. Total Normal Cost	3.58%	3.58%	3.58%	3.58%	3.58%	3.58%	5.31%	4.00%
2. Projected Employee Contributions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3. Employer Normal Cost (1-2)	3.58%	3.58%	3.58%	3.58%	3.58%	3.58%	5.31%	4.00%
4. Amortization of Unfunded Actuarial Accrued Liability								
a.) 30 Year Fixed for Benefit Change to 3% @ 60 Formula	0.51%	0.51%	0.47%	0.47%	0.47%	0.00%	0.00%	0.00%
b.) Remaining UAAL	0.68%	0.68%	1.59%	1.59%	1.59%	1.59%	1.63%	0.00%
c.) Total UAAL Rate	1.19%	1.19%	2.06%	2.06%	2.06%	1.59%	1.63%	1.35%
5. Total Employer Contribution (3+4)	4.77%	4.77%	5.65%	5.65%	5.65%	5.17%	6.94%	5.35%

District Category Descriptions:

I. Kern County Water Agency: Employer picks up 100% member contributions for those hired prior to August 22, 2004.

II. Kern Mosquito & Vector Control, West Side Mosquito Abatement, Shafter Recreation & Park, West Side Cemetery, West Side Recreation & Park, North of the River Sanitation, and East Kern Cemetery: Adopted 1997 MOU. Members hired prior to August 7, 2004 (January 8, 2005 for Kern Mosquito & Vector Control) only contribute for first five years of service.

III. San Joaquin Valley Unified Air Pollution Control and Buttonwillow Recreation & Park: Did not adopt 1997 MOU. Members contribute 50% of rates shown on page D-2 for 30 years of service, regardless of hire date.

IV. Brrenda Mesa Water and Inyokern Community Services: Adopted 3% at 60 formula on a prospective basis only.



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Kern County Employees' Retirement Association

Exhibit 16: COLA Benefits – 0.5%

	General						Safety	Totals
	County		District					
	Tier I and II	Courts	Category I KCWA	Category II Electing 1997 MOU	Category III Not Electing 1997 MOU	Category IV 3% @ 60 Prospectively Only		
Contributions in Dollars								
1. Total Normal Cost	\$ 3,225,764	\$ 237,418	\$ 60,159	\$ 30,545	\$ 173,790	\$ 7,490	\$ 1,919,936	\$ 5,655,101
2. Projected Employee Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
3. Employer Normal Cost (1-2)	3,225,764	237,418	60,159	30,545	173,790	7,490	1,919,936	5,655,101
4. Amortization of Unfunded Actuarial Accrued Liability	<u>3,613,890</u>	<u>265,984</u>	<u>67,609</u>	<u>34,328</u>	<u>195,313</u>	<u>7,503</u>	<u>2,583,629</u>	<u>6,768,256</u>
5. Total Employer Contribution (3+4)	\$ 6,839,653	503,402	\$ 127,768	\$ 64,874	\$ 369,102	\$ 14,993	\$ 4,503,565	\$ 12,423,357
Contributions as a Percent of Pay								
1. Total Normal Cost	1.09%	1.09%	1.09%	1.09%	1.09%	1.09%	1.75%	1.25%
2. Projected Employee Contributions	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
3. Employer Normal Cost (1-2)	1.09%	1.09%	1.09%	1.09%	1.09%	1.09%	1.75%	1.25%
4. Amortization of Unfunded Actuarial Accrued Liability								
a.) 30 Year Fixed for Benefit Change to 3% @ 60 Formula	0.13%	0.13%	0.13%	0.13%	0.13%	0.00%	0.00%	
b.) Remaining UAAL	<u>1.09%</u>	<u>1.09%</u>	<u>1.09%</u>	<u>1.09%</u>	<u>1.09%</u>	<u>1.09%</u>	<u>2.36%</u>	
c.) Total UAAL Rate	1.22%	1.22%	1.22%	1.22%	1.22%	1.09%	2.36%	1.49%
5. Total Employer Contribution (3+4)	2.30%	2.30%	2.31%	2.31%	2.31%	2.17%	4.11%	2.74%

District Category Descriptions:

I. Kern County Water Agency: Employer picks up 100% member contributions for those hired prior to August 22, 2004.

II. Kern Mosquito & Vector Control, West Side Mosquito Abatement, Shafter Recreation & Park, West Side Cemetery, West Side Recreation & Park, North of the River Sanitation, and East Kern Cemetery: Adopted 1997 MOU. Members hired prior to August 7, 2004 (January 8, 2005 for Kern Mosquito & Vector Control) only contribute for first five years of service.

III. San Joaquin Valley Unified Air Pollution Control and Buttonwillow Recreation & Park: Did not adopt 1997 MOU. Members contribute 50% of rates shown on page D-2 for 30 years of service, regardless of hire date.

IV. Brenda Mesa Water and Inyokern Community Services: Adopted 3% at 60 formula on a prospective basis only.



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Kern County Employees' Retirement Association

Exhibit 17: Total Benefits

	County		General				Safety	Totals
	Tier I and II	Courts	District					
			Category I KCWA	Category II Electing 1997 MOU	Category III Not Electing 1997 MOU	Category IV 3%@60 Prospectively Only		
Contributions in Dollars								
1. Total Normal Cost	\$ 66,425,142	\$ 4,888,925	\$ 1,238,793	\$ 628,991	\$ 3,578,686	\$ 154,233	\$ 32,089,032	\$ 109,003,803
2. Projected Employee Contributions	7,099,651	1,119,706	67,896	39,254	624,059	18,966	2,960,258	11,929,790
3. Employer Normal Cost (1-2)	<u>59,325,491</u>	<u>3,769,219</u>	<u>1,170,897</u>	<u>589,737</u>	<u>2,954,627</u>	<u>135,267</u>	<u>29,128,774</u>	<u>97,074,013</u>
4. Amortization of Unfunded Actuarial Accrued Liability								
a.) Remaining UAAL	27,267,274	2,006,886	690,649	350,674	1,995,181	65,910	12,248,614	44,625,188
b.) Adjustment for Contribution Change Timing	<u>(81,256)</u>	<u>(5,498)</u>	<u>(2,254)</u>	<u>(1,001)</u>	<u>(4,101)</u>	<u>(180)</u>	<u>(46,031)</u>	<u>(140,321)</u>
c.) Total Amortization of UAAL	27,186,018	2,001,388	688,395	349,673	1,991,080	65,730	12,202,583	44,484,867
5. Total Employer Contribution (3+4c)	\$ 86,511,510	\$ 5,770,607	\$ 1,859,293	\$ 939,410	\$ 4,945,707	\$ 200,996	\$ 41,331,357	\$ 141,558,880
6. COLA Contribution Reserve Adjustments								
a.) CCR Credits	15,314,039	1,127,121	524,218	266,169	1,514,388	65,266	8,797,720	27,608,922
b.) Max CCR Credits (Exh. 15)	<u>14,181,073</u>	<u>1,043,734</u>	<u>312,825</u>	<u>158,835</u>	<u>903,703</u>	<u>35,675</u>	<u>7,602,394</u>	<u>24,238,240</u>
c.) CCR Adjustments (Minimum of a. and b.)	14,181,073	1,043,734	312,825	158,835	903,703	35,675	7,602,394	24,238,240
8. Remaining Employer Contribution (5-6)	<u>\$ 72,330,437</u>	<u>\$ 4,726,873</u>	<u>\$ 1,546,468</u>	<u>\$ 780,575</u>	<u>\$ 4,042,004</u>	<u>\$ 165,321</u>	<u>\$ 33,728,963</u>	<u>\$ 117,320,640</u>

District Category Descriptions:

I. Kern County Water Agency: Employer picks up 100% member contributions for those hired prior to August 22, 2004.

II. Kern Mosquito & Vector Control, West Side Mosquito Abatement, Shafter Recreation & Park, West Side Cemetery, West Side Recreation & Park, North of the River Sanitation, and East Kern Cemetery: Adopted 1997 MOU. Members hired prior to August 7, 2004 (January 8, 2005 for Kern Mosquito & Vector Control) only contribute for first five years of service.

III. San Joaquin Valley Unified Air Pollution Control and Buttonwillow Recreation & Park: Did not adopt 1997 MOU. Members contribute 50% of rates shown on page D-2 for 30 years of service, regardless of hire date.

IV. Brenda Mesa Water and Inyokern Community Services: Adopted 3% at 60 formula on a prospective basis only.



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Kern County Employees' Retirement Association

Exhibit 17: Total Benefits (continued)

	County		General				Safety	Totals
	Tier I and II	Courts	District					
			Category I KCWA	Category II Electing 1997 MOU	Category III Not Electing 1997 MOU	Category IV 3%@60 Prospectively Only		
Contributions as a Percent of Pay								
1. Total Normal Cost	22.36%	22.36%	22.36%	22.36%	22.36%	22.36%	29.31%	24.04%
2. Projected Employee Contributions	2.39%	5.12%	1.23%	1.40%	3.90%	2.75%	2.70%	2.63%
3. Employer Normal Cost (1-2)	19.97%	17.24%	21.14%	20.97%	18.46%	19.61%	26.60%	21.41%
4. Amortization of Unfunded Actuarial Accrued Liability								
a.) 30 Year Fixed for Benefit Change to 3% @ 60 Formula*	3.07%	3.07%	2.91%	2.91%	2.91%	0.00%	0.00%	
b.) Remaining UAAL	6.11%	6.11%	9.56%	9.56%	9.56%	9.56%	11.19%	9.84%
c.) Adjustment for Contribution Change Timing	-0.03%	-0.03%	-0.04%	-0.04%	-0.03%	-0.03%	-0.04%	-0.03%
d.) Total UAAL Rate	9.15%	9.16%	12.43%	12.43%	12.44%	9.53%	11.14%	9.81%
5. Total Employer Contribution (3+4)	29.13%	26.40%	33.57%	33.40%	30.91%	29.14%	37.75%	31.22%
6. COLA Contribution Reserve Adjustments								
a.) CCR Credits as a % of pay	5.16%	5.16%	9.46%	9.46%	9.46%	9.46%	8.04%	6.09%
b.) Max CCR Credits (Exh. 15)	4.77%	4.77%	5.65%	5.65%	5.65%	5.17%	6.94%	5.35%
c.) CCR Adjustments (Minimum of a. and b.)	4.77%	4.77%	5.65%	5.65%	5.65%	5.17%	6.94%	5.35%
7. Adjusted Employer Contribution (5-6c)	24.35%	21.62%	27.92%	27.75%	25.26%	23.97%	30.81%	25.88%

*In accordance with the Funding Policy, calculated as a fixed UAAL Rate for Benefit Change effective January 1, 2005.

District Category Descriptions:

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



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Changes in the Contribution Rates

The following Exhibit 18 illustrates the various sources of changes that impacted both the employer contribution rates and the funded ratio. It shows the analysis of change both in aggregate for all of KCERA, as well as for the General and Safety cost sharing groups.

Experience during the 2007 year resulted in a 0.94% decrease in the employer contribution rate for General members and a 1.44% decrease for Safety members. Some experience gains and losses are to be expected as part of the normal variation between actual and expected experience. The changes due to actual experience were well within a reasonable level of fluctuation. The primary reasons for the changes are summarized as follows:

- **Investment Gains:** Under the actuarial asset valuation method, gains and losses are recognized over a five year period. For this valuation, there was a significant recognition of deferred gains. The investment experience gains resulted in approximately half of the decrease in the employer contribution rates between the prior valuation and this valuation.
- **Increased Member Contribution Rates:** The County is phasing in higher contribution rates for Safety members. In addition, more Safety and General members are now required to make contributions after five years of service. As a result, the total expected member contributions are increasing. This resulted in a decrease to the employer contribution rate.
- **Salary and Demographic Changes:** When the salary, termination, retirement, death, and disability experience does not match expectations, gains and losses occur. The 2007 salary and demographic experience resulted in small changes to the employer contribution rates and decreased the funded ratio.
- **Expiration of Golden Handshakes:** For Golden Handshakes granted prior to 2006, a 3-year amortization is used. This means that the amortization for Golden Handshakes granted in 2004 has now expired. This resulted in a small decrease in the rates this year for General and a more significant decrease for Safety.

**Kern County
Employees' Retirement Association**

Exhibit 18: Gain and Loss Analysis by Employer Contribution Rates and Funded Ratio

Changes in Average Employer Contribution Rate	<u>General</u>	<u>Safety</u>		<u>Total</u>	
As of December 31, 2006 prior to CCR credit	30.11%	39.23%		32.26%	
Experience:					
Salary and Demographic Changes	-0.28%	0.31%		-0.10%	
Investment Experience	-0.36%	-0.82%		-0.46%	
Golden Handshake Amortization Expiring	-0.02%	-0.28%		-0.08%	
Increased Member Contributions	<u>-0.28%</u>	<u>-0.65%</u>		<u>-0.37%</u>	
Subtotal for Experience	-0.94%	-0.94%	-1.44%	-1.44%	-1.01%
Adjustment for Contribution Change Timing	<u>-0.03%</u>	<u>-0.04%</u>		<u>-0.03%</u>	
Total Changes	-0.97%	-1.48%		-1.04%	
As of December 31, 2007 prior to CCR credit	29.14%	37.75%		31.22%	
COLA Contribution Reserve	<u>-4.84%</u>	<u>-6.94%</u>		<u>-5.35%</u>	
Total as of December 31, 2007	24.30%	30.81%		25.88%	

Changes in Funded Ratio	<u>General</u>	<u>Safety</u>		<u>Total</u>	
As of December 31, 2006	71.7%	82.2%		75.7%	
Experience:					
Salary and Demographic Changes	-0.4%	-1.3%		-0.7%	
Investment Experience	1.0%	1.2%		1.0%	
Expected Increase due to UAAL amortization	<u>1.4%</u>	<u>0.9%</u>		<u>1.2%</u>	
Total Changes	2.0%	0.8%		1.5%	
Total as of December 31, 2007	73.7%	83.0%		77.2%	

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Kern County Employees' Retirement Association

Section 7: Accounting Information



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

- (1) A Schedule of Funding Progress
- (2) A Schedule of Employer Contributions

The Schedule of Funding Progress, Exhibit 19, compares actuarial assets and liabilities of KCERA, based on the actuarial funding method used. The required Schedule of Employer Contributions, Exhibit 20, compares the employer contributions required based on the actuarial valuation (the actuarial required contribution, or ARC) with the employer contributions actually made. The ARC must be calculated based on certain parameters required for disclosure purposes.

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

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

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

Please refer to Section 6 of this report which discloses the financial impact of any benefit changes or assumption changes that may have occurred in 2007.

Exhibit 21 compares the Actuarial Value of Valuation Assets to the types of Actuarial Accrued Liabilities, applying them first to Active Member contributions, then to retirees and beneficiaries, and then the remaining amount to the Active Members benefits. This is referred to as the Solvency Test. Although not required under GASB, this test is part of the CAFR guidelines specified by the Government Finance Officers Association (GFOA).

**Kern County
Employees' Retirement Association**

Exhibit 19: Schedule of Funding Progress
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as a % of Annual Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
12/31/1996	\$ 1,003,076	\$ 1,029,574	\$ 26,498	97.43%	\$ 273,351	9.69%
12/31/1997	1,113,914	1,140,019	26,105	97.71%	266,640	9.79%
12/31/1998	1,203,670	1,179,753	(23,917)	102.03%	282,251	-8.47%
12/31/1999	1,325,928	1,324,662	(1,266)	100.10%	297,738	-0.43%
12/31/2000	1,434,873	1,388,984	(45,889)	103.30%	283,283	-16.20%
12/31/2001 *	1,508,291	1,611,960	103,669	93.57%	333,791	31.06%
12/31/2002	1,570,278	1,899,031	328,753	82.69%	344,871	95.33%
12/31/2003	1,927,585	2,059,286	131,701	93.60%	353,444	37.26%
12/31/2004	2,012,521	2,336,406	323,885	86.14%	374,951	86.38%
12/31/2005 **	2,164,304	2,861,872	697,568	75.63%	391,381	178.23%
12/31/2006	2,352,028	3,109,038	757,010	75.65%	417,351	181.38%
12/31/2007	2,589,817	3,355,755	765,937	77.18%	453,412	168.93%

* Reflects Safety member benefit increases

** Reflects General member benefit increases

**Kern County
Employees' Retirement Association**

Exhibit 20: Schedule of Contributions from the Employer

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
06/30/1998	\$35,421,000	100%
06/30/1999	40,159,000	100%
06/30/2000	37,576,000	100%
06/30/2001	41,067,000	100%
06/30/2002	41,882,000	100%
06/30/2003	58,247,000	682% *
06/30/2004	48,760,000	100%
06/30/2005	60,286,000	100%
06/30/2006	100,734,000	100%
06/30/2007	128,135,000	100%

* Reflects pension obligation bond proceeds.

Kern County Employees' Retirement Association

Exhibit 21: Solvency Test

Valuation Date	Actuarial Accrued Liabilities for				Portion of AAL Covered by Assets			
	Active Member Contributions	Retire/Vested Members	Active Members (Employer-Financed Portion)	Total	Actuarial Value of Assets	Active Member	Retire/Vested Members	Active Members (Employer-Financed Portion)
December 31, 2003	\$ 182,161,145	\$ 1,067,016,084	\$ 810,108,722	\$ 2,059,285,951	\$ 1,927,584,527	100%	100%	84%
December 31, 2004	191,485,223	1,147,205,842	997,714,664	2,336,405,729	2,012,520,879	100%	100%	68%
December 31, 2005	188,810,897	1,437,046,916	1,236,014,189	2,861,872,002	2,164,304,268	100%	100%	44%
December 31, 2006	197,506,875	1,629,003,347	1,282,527,384	3,109,037,606	2,352,028,020	100%	100%	41%
December 31, 2007	215,281,539	1,773,556,434	1,366,916,822	3,355,754,795	2,589,817,297	100%	100%	44%



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Kern County Employees' Retirement Association

Section 8: SRBR – Supplemental Retirement Benefit Reserve



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

- **Approved Benefits** – These are the SRBR benefits that have already been approved by the Retirement Board. They include all SRBR Tier I, SRBR Tier II and SRBR Death Benefits, as well as the SRBR Tier III benefits approved through December 31, 2007.
- **Future Benefits** – These are the SRBR Tier III benefits expected to be approved in future years in order to maintain the 80% purchasing power goal.

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

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

The funding status of the SRBR benefits changed since the 2006 valuation due to the fact that the assets experienced "Excess Earnings" in 2007 and an additional \$32.2 million dollars was allocated to the unallocated portion of the SRBR assets.

Determination of SRBR Benefits

The SRBR currently provides four categories of supplemental retiree benefits:

- Tier 1 – \$35.50 per month payable to retirees who were hired on or before July 1, 1994.
- Tier 2 – Three additional monthly stipends payable to retirees:
 - \$1.372 per year of service for Participants who retired prior to 1985. This was granted July 1, 1994.
 - \$5.470 per year of service for Participants who retired prior to 1985. This was granted July 1, 1996.
 - \$10.276 per year of service for Participants who retired prior to 1981. This was granted July 1, 1997.
- Tier 3 – Additional benefits to maintain 80% purchasing power protection.
- Death Benefit – A one-time payment of \$3,000 to a Participant's beneficiary is made upon the death of the Participant.

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

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

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

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

----- then -----

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

Approved Benefits

Approved Benefits are the SRBR benefits that have already been approved by the Retirement Board. They include all Tier I, Tier II and Death Benefits, as well as the Tier III benefits approved through December 31, 2007. The Present Value of Approved Benefits is the short-term funding target for the SRBR.

The Plan's funded ratio for Approved SRBR Benefits is 198.6%. It is calculated by dividing the Actuarial Value of Assets (\$124.5 million) by the Present Value of Approved SRBR Benefits (\$62.7 million).

The funded ratio is developed in the following table:

Approved Benefits

1. Present Value of Approved Benefits

a. Death Benefits	\$ 6,907,467
b. SRBR1	28,593,055
c. SRBR2	11,896,711
d. SRBR3	15,276,546
e. Total	<u>\$ 62,673,779</u>

2. Available SRBR Reserves

a. Total SRBR	\$ 205,319,063
b. 0.5% COLA Account	80,838,238
c. Available SRBR Reserve	<u>\$ 124,480,825</u>

3. Funded Ratio 198.6%

Targeted Funding

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

On this basis, the Plan's funded ratio for Target SRBR Liabilities is 162.3%. It is calculated by dividing the Actuarial Value of Assets (\$124.5 million) by the Present Value of SRBR Target Liabilities (\$76.7 million).

**Targeted Funding
(continued)**

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

Target Liabilities Under "20/20" Policy

1. Present Value of Targeted Funding

	Liabilities	With Reserves
a. Death Benefits	\$ 6,907,467	\$ 8,288,960
b. SRBR1	28,593,055	34,311,666
c. SRBR2	11,896,711	14,276,053
d. SRBR3 (20 years)	<u>29,320,403</u>	<u>29,320,403</u>
e. Total	\$ 76,717,636	\$ 86,197,083

2. Available SRBR Reserves

a. Total SRBR	\$ 205,319,063	\$ 205,319,063
b. 0.5% COLA Account	<u>80,838,238</u>	<u>80,838,238</u>
c. Available SRBR Reserve	\$ 124,480,825	\$ 124,480,825

3. Funded Ratio 162.3% 144.4%

Under the Board's "20/20" policy, if the liabilities of the targeted benefits with a 20% reserve on all but the SRBR3 20-year projection of benefits are more than 100% funded, the Board may consider increasing the SRBR approved benefits. As of December 31, 2007, the funded ratio is over the 100% benchmark, at 144.4%.

Total SRBR Benefits

KCERA's long-term funding target for the SRBR is based on the Present Value of all SRBR Benefits. The Plan's funded ratio for all SRBR Benefits is 110.7%. It is calculated by dividing the Actuarial Value of Assets (\$124.5 million) by the Present Value of all SRBR Benefits (\$112.5 million).

The funded ratio is developed in the following table:

Total Benefits

1. Present Value of SRBR

a. Approved Benefits	\$ 62,673,779
b. Future Benefits	<u>49,790,616</u>
c. Total	\$ 112,464,395

2. Available SRBR Reserves

a. Total SRBR	\$ 205,319,063
b. 0.5% COLA Account	<u>80,838,238</u>
c. Available SRBR Reserve	\$ 124,480,825

3. Funded Ratio 110.7%

**Total SRBR Benefits
(continued)**

The funded ratio increased to 110.7% from 81.6% in our last valuation. The following table quantifies the impact of various changes.

	Funded Status	Change
Prior Year	81.6%	
Passage of Time		-1.2%
Asset Gain (Transfer from Excess Earnings)		29.5%
Inflation lower than expected		0.8%
Liability Gain		<u>0.0%</u>
Total Change:		29.1%
Current Year	110.7%	

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

Kern County Employees' Retirement Association

Exhibit 22: Supplemental Retiree Benefit Reserve

Present Value of Projected Benefits

Approved Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members	\$ 1,960,926	\$ 8,163,080	\$	\$	\$ 10,124,006
Deferred Vested Members	295,174	1,499,023			1,794,197
Retirees and Beneficiaries	<u>4,651,367</u>	<u>18,930,952</u>	<u>11,896,711</u>	<u>15,276,546</u>	<u>50,755,576</u>
Total	\$ 6,907,467	\$ 28,593,055	\$ 11,896,711	\$ 15,276,546	\$ 62,673,779

Future Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members				\$ 16,987,399	\$ 16,987,399
Deferred Vested Members				595,879	595,879
Retirees and Beneficiaries	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,207,338</u>	<u>32,207,338</u>
Total	0	0	0	\$ 49,790,616	\$ 49,790,616

Total Approved and Future Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members	\$ 1,960,926	\$ 8,163,080	\$ 0	\$ 16,987,399	\$ 27,111,405
Deferred Vested Members	295,174	1,499,023	0	595,879	2,390,076
Retirees and Beneficiaries	<u>4,651,367</u>	<u>18,930,952</u>	<u>11,896,711</u>	<u>47,483,884</u>	<u>82,962,914</u>
Total	\$ 6,907,467	\$ 28,593,055	\$ 11,896,711	\$ 65,067,162	\$ 112,464,395

Available Reserves

Total SRBR	\$ 205,319,063
Additional 0.5% COLA Account	<u>80,838,238</u>
Available SRBR	\$ 124,480,825

Funded Ratios

Approved Benefits	198.6%
Total Approved and Future Benefits	110.7%

Members Eligible for Approved Benefits

	Death Ben	SRBR1	SRBR2	SRBR3
Active Members	8,925	2,841		
Deferred Vested Members	1,185	617		
Retirees and Beneficiaries	<u>4,664</u>	<u>5,254</u>	<u>912</u>	<u>635</u>
Total	14,774	8,712	912	635

**Kern County
Employees' Retirement Association**

Exhibit 23: Projected Cash Flow for SRBR Tier 3 Payments

Calendar Year	Projected SRBR 3 Payments
2008	\$ 2,561,951
2009	2,628,004
2010	2,703,563
2011	2,778,895
2012	2,849,043
2013	2,910,740
2014	2,964,250
2015	3,006,707
2016	3,038,208
2017	3,057,506
2018	3,061,567
2019	3,053,378
2020	3,033,904
2021	2,999,490
2022	2,954,087
2023	2,902,836
2024	2,871,556
2025	2,925,324
2026	3,138,868
2027	3,582,209
Present Value of Projected 20-Year Cash Flow:	\$29,320,403

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Kern County Employees' Retirement Association

Section 9: Benefit Payment Projections



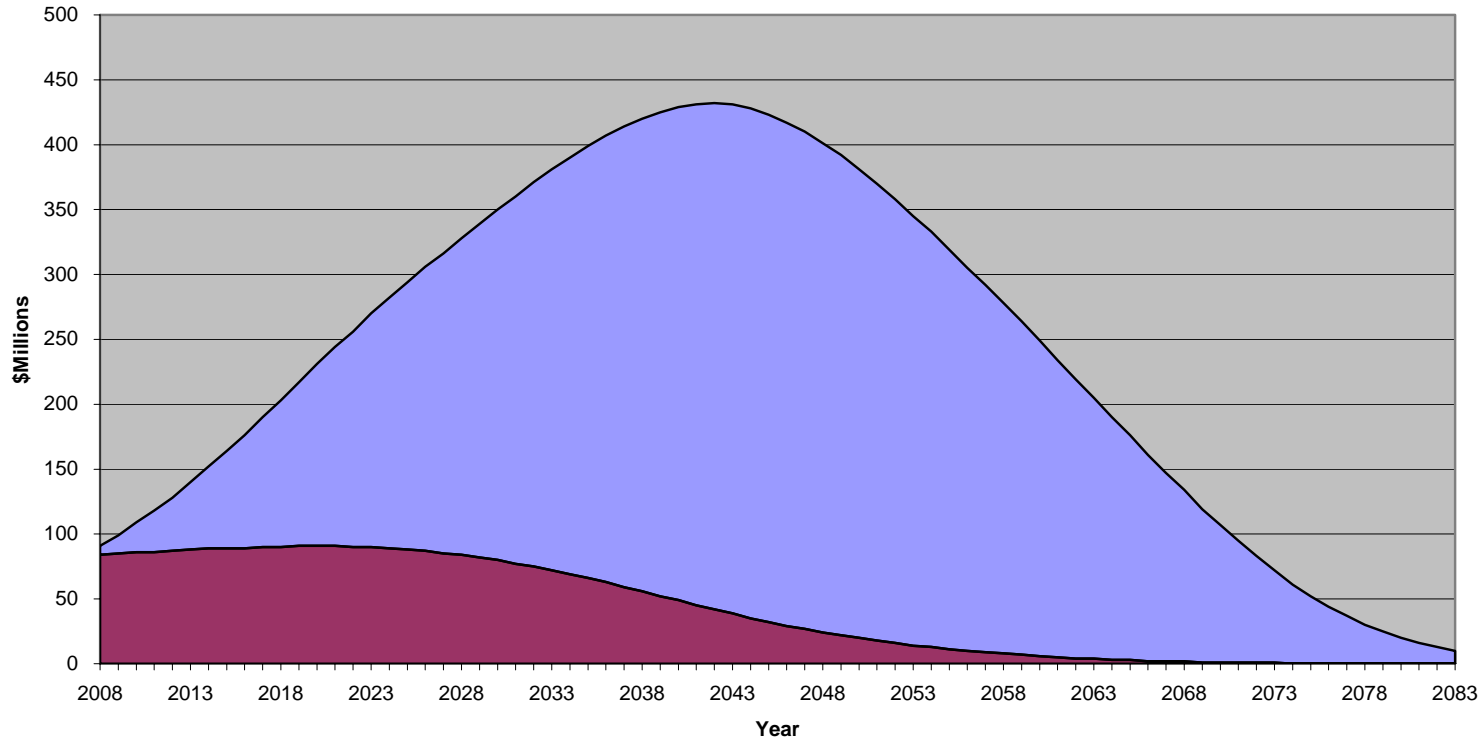
Cash Flow Projection

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

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

Kern County Employees' Retirement Association

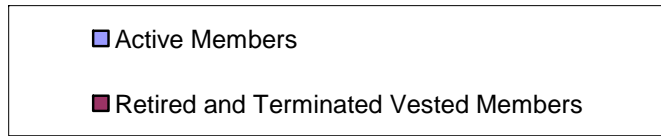
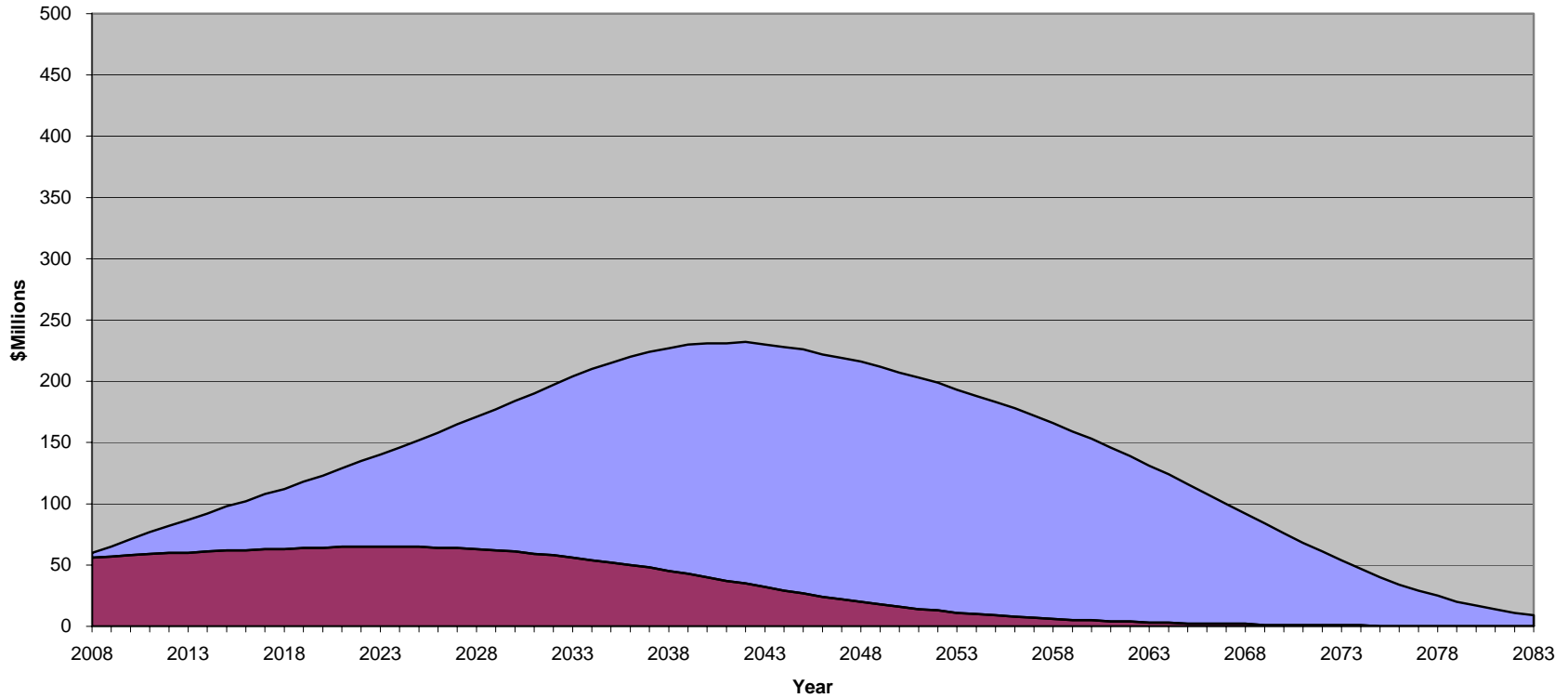
General Members- Projected Benefit Payments



■ Active Members
■ Retired and Terminated Vested Members

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Safety Members- Projected Benefit Payments



**Kern County
Employees' Retirement Association**

Appendix A

Actuarial Assumptions

The actuarial procedures and assumptions recommended to be used in the December 31, 2007 valuation are described in this section.

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of KCERA in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of KCERA's benefits.

The assumption regarding the Deferred Retirement Age for Vested Terminated was changed in 2006 to reflect the age at which full benefit are available. All other assumptions were reviewed during the 2005 Investigation of Experience study. The next study is expected as of June 30, 2008. A technical change recognizing the delay between the valuation date and the actual change in contribution rate was adopted for the 2007 valuation.

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

ECONOMIC ASSUMPTIONS

Investment Earnings and Expenses:	The future investment earnings of the assets of KCERA are assumed to accrue at an annual rate of 8.0%, compounded annually, net of both investment and administrative expenses.
Postretirement Benefit Increases:	Postretirement increases are assumed for the valuation in accordance with the benefits provided as described in Appendix B of the valuation report. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.5% per year.
Salary Increase – Total Payroll:	4.0% per year.
Salary Increase – Individual:	Rates varying by service, as shown in Schedule 1.
Inflation (CPI):	3.5% per year.
Interest on Member Contributions:	The annual credited interest rate on member contributions is assumed to be 8.0% compounded semi-annually.

DEMOGRAPHIC ASSUMPTIONS

Postretirement mortality:

- Service Retirement – General: RP-2000 Healthy Annuitant Mortality, with adjustment for white collar workers.

Rates for females are set back one year; no adjustment is made for males.

Mortality rates for the standard table are shown in Schedule 2.

Life expectancies for the adjusted tables are shown in Schedule 3.
 - Service Retirement – Safety: Rates are the same as General.
 - Disability Retirement – General: RP-2000 Healthy Annuitant Mortality, with adjustment for white collar workers.

Rates set forward four years for males and females. Rates are not less than 1.25% for males and 1.00% for females.

Life expectancies for the adjusted tables are shown in Schedule 4.
 - Disability Retirement – Safety: Rates are the same as General, except that set forward is two years.

Life expectancies for the adjusted tables are shown in Schedule 4.
 - Beneficiary: Rates are the same as a service retiree of the opposite gender.
- Other Termination: Rates varying by years of service, as shown in Schedule 5 (for General males), 6 (for General females) and 7 (for Safety). Note that these decrements are not applied after eligibility for retirement.
- Probability of Refund: Rates varying by years of service, as shown in Schedule 8.
- Reciprocal Agency: For current active members, the probability of joining a reciprocal agency immediately after termination is 60% for Safety members and 60% for General members. For members who have already terminated vested with a deferred commencement, we use the code provided by the KCERA to determine if the person has joined a reciprocal agency. All terminating members are assumed to not be rehired.

Deferred Retirement Age for Vested Termination:	<p>Age 50 for Safety members. Age 60 for General members.</p> <p>This assumption was changed from our previous valuation. The new assumption reflects the age at which members are entitled to full benefits.</p>
Salary Projection for Vested Termination with Reciprocity:	<p>Salaries are assumed to increase with wage inflation from termination with KCERA to benefit commencement. The assumed annual increase after termination of employment is 4.52% for General members and 4.78% for Safety members.</p>
Preretirement Mortality:	<p>Rates varying by age, as shown in Schedule 5 (for General males), 6 (for General females) and 7 (for Safety). Separate rates are used for ordinary death, service related death, and death while eligible to retire.</p>
Service Disability:	<p>Rates varying by age, as shown in Schedule 5 (for General males), 6 (for General females) and 7 (for Safety).</p>
Ordinary Disability:	<p>Rates varying by age, as shown in Schedule 5 (for General males), 6 (for General females) and 7 (for Safety).</p>
Service Retirement:	<p>Rates varying by age, as shown in Schedule 5 (for General males), 6 (for General females) and 7 (for Safety). All general members who attain or who have attained age 70 in active service and all safety members who have attained age 60 in active service are assumed to retire immediately.</p> <p>The assumptions regarding termination of employment and service retirement are treated as a single set of decrements in regards to a particular member.</p> <p>For example, a general member hired at age 30 has a probability to withdraw from KCERA due to death, disability or other termination of employment until age 50. After age 50, the member could still withdraw due to death, disability or retirement. Thus, in no year during the member's projected employment would they be eligible for both a probability of other termination of employment and a probability of retirement.</p>

Form of Payment: Life annuity for single members. 60% contingent annuity for married members (100% contingent annuity if receiving service-related disability).
SRBR benefits for married members are all assumed to be paid as a 60% contingent annuity.

Percentage Married at Retirement: 80% of male active members and 60% of female active members are assumed to have a spouse or qualified domestic partner eligible for the 60% continuance at retirement. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this marriage assumption are sufficient to cover children's benefits as they occur.

Spouse Ages: For active members reaching retirement, wives are assumed to be three years younger than husbands.
Where spousal information was included for retirees, that information was used. If the age of the spouse was not provided, we have assumed that all spouses are still alive, and that female spouses are four years younger than their husbands.

ACTUARIAL METHODS

Actuarial Cost Method: The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age).

The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL).

Amortization Period: The UAAL due to the change to the benefit formula for General Members is amortized as a level percentage of payroll over a 30-year period beginning with the December 31, 2005 valuation, or 28 years as of December 31, 2007.

The UAAL due to all other sources is amortized as a level percentage of payroll over a 28-year period beginning with the December 31, 2007 valuation.

Additional UAAL incurred through the granting of Golden Handshake agreements made in 2004 and 2005 was amortized over a three-year period from the year in which they were granted. Beginning January 1, 2006, any liability attributable to Golden Handshakes is paid by the employer at the time the handshake is granted.

Actuarial Value of Assets: The market value of assets is adjusted to recognize, over a five-year period, investment earnings greater than (or less than) the assumed investment return. Details are shown in Section 2, Assets, of this report.

The actuarial value, market value and book value are net of amounts allocated to the Supplemental Retiree Benefit Reserve and the Contingency Reserve.

Replacement of Terminated Members: The ages and relative salaries at entry of future members are assumed to follow a new entrant distribution based on the pattern of current members. Under this assumption, the normal cost rates for active members will remain fairly stable in future years unless there are changes in the governing law, the actuarial assumptions or the pattern of the new entrants.

Growth in Membership: For benefit determination purposes, no growth in the membership of KCERA is assumed. For funding purposes, if amortization is required, the total payroll of covered members is assumed to grow due to the combined effects of future wage increases of current active members and the replacement of the current active members by new employees. No growth in the total number of active members is assumed.

Internal Revenue Code
Section 415 Limit:

The Internal Revenue Code Section 415 maximum benefit limitations are not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement.

Employer Contributions:

The employer contribution rate is set by the Retirement Board based on actuarial valuations.

Member Contributions:

The member contribution rates vary by entry age and are described in the law. Code references are shown in Appendix D of this report. The methods and assumptions used are detailed below.

The individual member rates by entry age, plan and class are illustrated in Appendix D.

Member Contribution Rate
Assumptions:

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

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

- A. Annuity factor used for general members is based on a one-third / two-thirds blend of the male and female mortality tables using current valuation assumptions. For Safety members it is based on a five-sixths / one-sixth blend.
- B. The annuity factor used in determining the present value of future benefits (PVFB) at entry age is equal to the life only annuity factor at 8%.
- C. The Final Compensation is based on the salary paid in the year prior to attaining the retirement age.

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

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

DATA SOURCES

Asset Data:

The asset information is taken directly from statements furnished by the Retirement Office and used without audit.

Member Data:

The member data is supplied by the Retirement Office. It is reviewed for reasonableness and consistency, but no audit was performed. Milliman is not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Kern County Employees' Retirement Association

Schedule 1 Assumed Rate of Salary Increase

Annual Increase in Salary (before wage inflation)

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

Annual Increase in Salary (with wage inflation)

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

**Kern County
Employees' Retirement Association**

**Schedule 2
Standard RP-2000 Table with White Collar Adjustment***

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.035%	0.019%
25	0.038%	0.021%
30	0.035%	0.028%
35	0.059%	0.047%
40	0.089%	0.065%
45	0.134%	0.102%
50	0.198%	0.159%
55	0.330%	0.259%
60	0.558%	0.468%
65	1.106%	0.865%
70	1.928%	1.519%
75	3.363%	2.572%
80	5.941%	4.308%
85	10.467%	7.419%
90	17.827%	12.615%

**Actual mortality rates used in the valuation are adjusted as described in this appendix.*

**Kern County
Employees' Retirement Association**

**Schedule 3
Life Expectancies at Sample Ages
Non-Disabled General & Safety Members**

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	31.62	35.12
51	30.68	34.17
52	29.75	33.22
53	28.83	32.28
54	27.90	31.34
55	26.98	30.41
56	26.07	29.48
57	25.17	28.55
58	24.27	27.63
59	23.38	26.73
60	22.49	25.82
61	21.62	24.93
62	20.75	24.04
63	19.90	23.17
64	19.07	22.31
65	18.25	21.46
66	17.45	20.62
67	16.66	19.80
68	15.89	18.99
69	15.14	18.19
70	14.40	17.41
71	13.67	16.64
72	12.96	15.89
73	12.26	15.16
74	11.59	14.44
75	10.93	13.74
76	10.30	13.05
77	9.68	12.38
78	9.09	11.73
79	8.52	11.10
80	7.97	10.49
81	7.45	9.89
82	6.95	9.32
83	6.47	8.76
84	6.03	8.23
85	5.60	7.72
86	5.20	7.24
87	4.83	6.78
88	4.48	6.35
89	4.17	5.95
90	3.88	5.58

**Kern County
Employees' Retirement Association**

**Schedule 4
Life Expectancies at Sample Ages
Disabled General and Safety Members**

Age	General		Safety	
	Male	Female	Male	Female
50	26.14	28.84	27.46	30.25
51	25.46	28.13	26.80	29.55
52	24.78	27.41	26.14	28.84
53	24.08	26.68	25.46	28.13
54	23.38	25.95	24.78	27.41
55	22.67	25.20	24.08	26.68
56	21.96	24.45	23.38	25.95
57	21.23	23.70	22.67	25.20
58	20.49	22.93	21.96	24.45
59	19.74	22.16	21.23	23.70
60	18.99	21.38	20.49	22.93
61	18.22	20.59	19.74	22.16
62	17.45	19.79	18.99	21.38
63	16.66	18.99	18.22	20.59
64	15.89	18.19	17.45	19.79
65	15.14	17.41	16.66	18.99
66	14.40	16.64	15.89	18.19
67	13.67	15.89	15.14	17.41
68	12.96	15.16	14.40	16.64
69	12.26	14.44	13.67	15.89
70	11.59	13.74	12.96	15.16
71	10.93	13.05	12.26	14.44
72	10.30	12.38	11.59	13.74
73	9.68	11.73	10.93	13.05
74	9.09	11.10	10.30	12.38
75	8.52	10.49	9.68	11.73
76	7.97	9.89	9.09	11.10
77	7.45	9.32	8.52	10.49
78	6.95	8.76	7.97	9.89
79	6.47	8.23	7.45	9.32
80	6.03	7.72	6.95	8.76
81	5.60	7.24	6.47	8.23
82	5.20	6.78	6.03	7.72
83	4.83	6.35	5.60	7.24
84	4.48	5.95	5.20	6.78
85	4.17	5.59	4.83	6.35
86	3.88	5.25	4.48	5.95
87	3.62	4.94	4.17	5.59
88	3.39	4.66	3.88	5.25
89	3.18	4.41	3.62	4.94
90	2.98	4.18	3.39	4.66

Kern County Employees' Retirement Association

Schedule 5 Probability of Separation from Active Service (Number separating at each age per 10,000 working at that age) General Members – Male

Age	Ordinary Death	Service Death	Ordinary Disability	Service Disability	Service Retirement		Years of Service	Other Terminations
					Tier I	Tier II		
20	10	0	2	3	0	0	0	2000
21	10	0	2	3	0	0	1	1400
22	10	0	2	3	0	0	2	1000
23	10	0	2	3	0	0	3	700
24	11	0	2	3	0	0	4	500
25	11	0	2	3	0	0	5	433
26	11	0	2	3	0	0	6	367
27	11	0	2	3	0	0	7	300
28	11	0	2	3	0	0	8	280
29	12	0	2	4	0	0	9	260
30	12	0	3	4	0	0	10	240
31	14	0	3	4	0	0	11	220
32	16	0	3	5	0	0	12	200
33	18	0	3	5	0	0	13	190
34	20	0	4	6	0	0	14	180
35	22	0	4	6	0	0	15	170
36	24	0	5	7	0	0	16	160
37	25	0	5	8	0	0	17	150
38	27	0	6	8	0	0	18	144
39	29	0	6	9	0	0	19	138
40	30	0	7	10	0	0	20	132
41	32	0	7	11	0	0	21	126
42	34	0	8	12	0	0	22	120
43	36	0	9	13	0	0	23	116
44	39	0	10	14	0	0	24	112
45	42	0	10	16	0	0	25	108
46	45	0	11	17	0	0	26	104
47	49	0	12	18	0	0	27	100
48	52	0	14	22	0	0	28	100
49	56	0	17	25	0	0	29	100
50	60	0	19	29	600	300	30 & Above	100
51	60	0	22	32	500	300		
52	59	0	24	36	500	300		
53	57	0	24	36	500	300		
54	56	0	24	36	500	300		
55	54	0	24	36	1400	800		
56	54	0	24	36	1100	600		
57	55	0	24	36	1400	800		
58	57	0	23	35	1700	1200		
59	61	0	22	34	2000	1300		
60	66	0	22	32	2500	1500		
61	73	0	21	31	2500	2000		
62	82	0	20	30	2500	2500		
63	92	0	19	29	2500	2500		
64	104	0	18	28	2500	2500		
65	116	0	18	26	3000	3000		
66	130	0	17	25	3000	3000		
67	144	0	16	24	3000	3000		
68	158	0	15	23	3000	3000		
69	174	0	14	22	3000	3000		
70	0	0	0	0	10000	10000		

Kern County Employees' Retirement Association

Schedule 6 Probability of Separation from Active Service (Number separating at each age per 10,000 working at that age) General Members – Female

Age	Ordinary Death	Service Death	Ordinary Disability	Service Disability	Service Retirement		Years of Service	Other Terminations
					Tier I	Tier II		
20	3	0	2	3	0	0	0	2000
21	3	0	2	3	0	0	1	1400
22	3	0	2	3	0	0	2	1000
23	3	0	2	3	0	0	3	700
24	3	0	2	3	0	0	4	500
25	3	0	2	3	0	0	5	433
26	3	0	2	3	0	0	6	367
27	3	0	2	3	0	0	7	300
28	3	0	2	3	0	0	8	280
29	4	0	2	4	0	0	9	260
30	4	0	3	4	0	0	10	240
31	4	0	3	4	0	0	11	220
32	5	0	3	5	0	0	12	200
33	6	0	3	5	0	0	13	190
34	6	0	4	6	0	0	14	180
35	7	0	4	6	0	0	15	170
36	8	0	5	7	0	0	16	160
37	8	0	5	8	0	0	17	150
38	9	0	6	8	0	0	18	144
39	9	0	6	9	0	0	19	138
40	10	0	7	10	0	0	20	132
41	11	0	7	11	0	0	21	126
42	12	0	8	12	0	0	22	120
43	14	0	9	13	0	0	23	116
44	15	0	10	14	0	0	24	112
45	16	0	10	16	0	0	25	108
46	18	0	11	17	0	0	26	104
47	19	0	12	18	0	0	27	100
48	21	0	14	22	0	0	28	100
49	23	0	17	25	0	0	29	100
50	24	0	19	29	600	300	30 & Above	100
51	25	0	22	32	600	300		
52	27	0	24	36	600	300		
53	29	0	24	36	600	300		
54	32	0	24	36	600	300		
55	35	0	24	36	800	400		
56	39	0	24	36	1000	600		
57	43	0	24	36	1200	700		
58	47	0	23	35	1500	900		
59	51	0	22	34	1800	1000		
60	56	0	22	32	2200	1200		
61	61	0	21	31	2000	1400		
62	67	0	20	30	3000	3000		
63	74	0	19	29	3000	3000		
64	82	0	18	28	3000	3000		
65	91	0	18	26	3000	3000		
66	101	0	17	25	3000	3000		
67	112	0	16	24	3000	3000		
68	124	0	15	23	3000	3000		
69	137	0	14	22	3000	3000		
70	0	0	0	0	10000	10000		

Kern County Employees' Retirement Association

Schedule 7 Probability of Separation from Active Service (Number separating at each age per 10,000 working at that age) Safety Members

Age	Ordinary Death*	Service Death	Ordinary Disability	Service Disability	Service Retirement	Years of Service	Other Terminations
20	10	2	0	3	0	0	800
21	10	2	0	5	0	1	600
22	10	2	0	7	0	2	450
23	10	2	0	9	0	3	300
24	11	2	0	11	0	4	250
25	11	2	0	13	0	5	233
26	11	2	0	16	0	6	217
27	11	2	0	19	0	7	200
28	11	2	0	22	0	8	190
29	12	2	0	25	0	9	180
30	12	2	0	28	0	10	170
31	14	2	0	32	0	11	160
32	16	2	0	36	0	12	150
33	18	2	0	40	0	13	140
34	20	2	0	44	0	14	130
35	22	2	0	48	0	15	120
36	24	2	0	54	0	16	110
37	25	2	0	60	0	17	100
38	27	2	0	66	0	18	100
39	29	2	0	72	0	19	100
40	30	2	0	78	0	20 & Above	0
41	32	2	0	90	0		
42	34	2	0	102	0		
43	36	2	0	114	0		
44	39	2	0	126	0		
45	42	2	0	138	100		
46	45	2	0	150	50		
47	49	2	0	162	50		
48	52	2	0	174	100		
49	56	2	0	186	200		
50	60	2	0	198	1200		
51	60	2	0	216	1200		
52	59	2	0	234	1200		
53	57	2	0	252	1200		
54	56	2	0	270	1500		
55	54	2	0	288	2500		
56	54	2	0	306	3000		
57	55	2	0	324	3000		
58	57	2	0	342	3000		
59	61	2	0	360	3000		
60	66	2	0	0	10000		
61	73	0	0	0	0		
62	82	0	0	0	0		
63	92	0	0	0	0		
64	104	0	0	0	0		
65	116	0	0	0	0		
66	130	0	0	0	0		
67	144	0	0	0	0		
68	158	0	0	0	0		
69	174	0	0	0	0		
70	0	0	0	0	0		

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



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**Kern County
Employees' Retirement Association**

**Schedule 8
Immediate Refund of Contributions
upon Termination of Employment**

<u>Years of Service</u>	<u>General</u>	<u>Safety</u>
0	100%	100%
1	100%	100%
2	100%	100%
3	100%	100%
4	100%	100%
5	40%	30%
6	40%	30%
7	40%	30%
8	37%	27%
9	34%	24%
10	31%	21%
11	28%	18%
12	25%	15%
13	23%	13%
14	21%	11%
15	19%	9%
16	17%	7%
17	15%	5%
18	13%	4%
19	11%	3%
20	9%	0%
21	7%	0%
22	5%	0%
23	4%	0%
24	3%	0%
25	2%	0%
26	1%	0%
27	0%	0%
28	0%	0%
29	0%	0%
30 & Up	0%	0%

**Kern County
Employees' Retirement Association**

Appendix B

Benefit Summaries

GENERAL AND SAFETY MEMBERS

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

SERVICE RETIREMENT SPECIFIC TO GENERAL TIER I MEMBERS

Code Section:	31676.17 (3% at 60).* 31676.14 (1.667% at 52).**								
Eligibility:	Tier I generally applies to KCERA General members hired by the County prior to October 27, 2007 and all district employees.								
Retirement Eligibility:	10 years of service and age 50, or 30 years of service regardless of age, or age 70 regardless of service.								
Benefit:	2.0%, or one-fiftieth (1/50) of FAS per year of service times Retirement Adjustment Factor (RAF).								
Retirement Age Factor (RAF):	Adjustment factor for benefit commencing at age other than 60. Sample factors: <table style="margin-left: 40px;"><thead><tr><th>Age</th><th>Factor</th></tr></thead><tbody><tr><td>50</td><td>1.0000</td></tr><tr><td>55</td><td>1.2500</td></tr><tr><td>60 and older</td><td>1.5000</td></tr></tbody></table>	Age	Factor	50	1.0000	55	1.2500	60 and older	1.5000
Age	Factor								
50	1.0000								
55	1.2500								
60 and older	1.5000								
Integration with Social Security:	Benefits based on first \$350 of monthly FAS are reduced by 1/3. Benefits for some District members are not integrated with Social Security.								
Maximum Benefit:	100% of FAS.								
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.								

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

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

SERVICE RETIREMENT SPECIFIC TO GENERAL TIER II MEMBERS

Code Section:	31676.01 (1.62% at 65).*								
Eligibility:	Tier II generally applies to most KCERA General members hired by the County on or after October 27, 2007. This tier does not apply for any district employees.								
Retirement Eligibility:	Retirement eligibility with 10 years of service and age 50, or 30 years of service regardless of age, or age 70 regardless of service.								
Benefit:	1.11%, or one-ninetieth (1/90) of FAS per year of service times Retirement Adjustment Factor (RAF).								
Retirement Age Factor (RAF):	Adjustment factor for benefit commencing at age other than 65. Sample factors: <table><thead><tr><th>Age</th><th>Factor</th></tr></thead><tbody><tr><td>55</td><td>0.8954</td></tr><tr><td>60</td><td>1.1500</td></tr><tr><td>65 and older</td><td>1.4593</td></tr></tbody></table>	Age	Factor	55	0.8954	60	1.1500	65 and older	1.4593
Age	Factor								
55	0.8954								
60	1.1500								
65 and older	1.4593								
Integration with Social Security:	Benefits based on first \$350 of monthly FAS are reduced by 1/3. Benefits for some District members are not integrated with Social Security.								
Maximum Benefit:	100% of FAS.								
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.								

* Note: CERL 31676.01 (1.62% at 65) was adopted by the Board of Supervisors, effective October 27, 2007.

SERVICE RETIREMENT SPECIFIC TO SAFETY MEMBERS

Code Section:	31664.1 effective January 1, 2001.								
Retirement Eligibility:	10 years of service and age 50, or 20 years of service regardless of age.								
Benefit:	3.000% of FAS per year of service times Retirement Adjustment Factor (RAF).								
Retirement Age Factor (RAF):	Adjustment factor for benefit commencing prior to age 50. Sample factors: <table><thead><tr><th>Age</th><th>Factor</th></tr></thead><tbody><tr><td>41</td><td>0.6258</td></tr><tr><td>45</td><td>0.7805</td></tr><tr><td>50 and above</td><td>1.0000</td></tr></tbody></table>	Age	Factor	41	0.6258	45	0.7805	50 and above	1.0000
Age	Factor								
41	0.6258								
45	0.7805								
50 and above	1.0000								
Integration with Social Security:	Benefits based on first \$350 of monthly FAS are reduced by 1/3.								
Maximum Benefit:	100% of FAS.								
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.								

GENERAL TIER I, GENERAL TIER II, AND SAFETY MEMBERS

NONSERVICE-CONNECTED DISABILITY

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

SERVICE-CONNECTED DISABILITY

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

NONSERVICE-CONNECTED DEATH

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

SERVICE-CONNECTED DEATH

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

DEFERRED SERVICE RETIREMENT

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

WITHDRAWAL

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

COST-OF-LIVING BENEFITS

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

SUPPLEMENTAL RETIREE BENEFIT RESERVE

See Section 8 of this report for a description of the SRBR benefits.

Kern County Employees' Retirement Association

Appendix C

Membership Data

	December 31, 2006	December 31, 2007	Change
General Members			
County Tier I			
Number	6,449	6,577	1.98%
Average Age	44.8	44.6	-0.43%
Average Service	10.0	9.9	-0.97%
Percent Male	29.03%	28.52%	-1.74%
Average Annual Pay	\$ 45,962	\$ 47,911	4.24%
Total Covered Payroll	\$ 296,405,823	\$ 315,111,815	6.31%
Valuation Payroll	\$ 295,202,659	\$ 313,724,774	6.27%
County Tier II			
Number	N/A	\$ 136	N/A
Average Age	N/A	\$ 36.0	N/A
Average Service	N/A	0.1	N/A
Percent Male	N/A	36.76%	N/A
Average Annual Pay	N/A	\$ 37,891	N/A
Total Covered Payroll	N/A	\$ 5,153,231	N/A
Valuation Payroll	N/A	\$ 5,153,231	N/A
Districts Electing 1997 MOU			
Number	136	141	3.68%
Average Age	45.0	45.2	0.46%
Average Service	11.6	11.1	-4.41%
Percent Male	75.00%	73.76%	-1.65%
Average Annual Pay	\$ 61,184	\$ 64,123	4.80%
Total Covered Payroll	\$ 8,321,088	\$ 9,041,361	8.66%
Valuation Payroll	\$ 8,321,088	\$ 9,041,361	8.66%
Districts Not Electing 1997 MOU			
Number	277	273	-1.44%
Average Age	41.9	42.3	1.00%
Average Service	6.6	7.0	6.97%
Percent Male	63.90%	61.90%	-3.12%
Average Annual Pay	\$ 55,419	\$ 58,615	5.77%
Total Covered Payroll	\$ 15,351,157	\$ 16,001,953	4.24%
Valuation Payroll	\$ 15,351,157	\$ 16,001,953	4.24%
Total General			
Number	6,862	7,127	3.86%
Average Age	44.7	44.4	-0.71%
Average Service	9.9	9.6	-2.66%
Percent Male	31.35%	30.85%	-1.57%
Average Annual Pay	\$ 46,645	\$ 48,451	3.87%
Total Covered Payroll	\$ 320,078,067	\$ 345,308,360	7.88%
Valuation Payroll	\$ 318,874,904	\$ 343,921,319	7.85%
Safety Members*			
Number	1,685	1,801	6.88%
Average Age	39.5	39.0	-1.22%
Average Service	12.0	11.5	-3.71%
Percent Male	82.61%	82.29%	-0.39%
Average Annual Pay	\$ 59,558	\$ 61,865	3.87%
Total Covered Payroll	\$ 100,355,950	\$ 111,418,703	11.02%
Valuation Payroll	\$ 98,475,860	\$ 109,490,298	11.18%
Total Active Members			
Number	8,547	8,928	4.46%
Average Age	43.7	43.3	-0.86%
Average Service	10.3	10.0	-2.82%
Percent Male	41.45%	41.23%	-0.54%
Average Annual Pay	\$ 49,191	\$ 51,157	4.00%
Total Covered Payroll	\$ 420,434,017	\$ 456,727,063	8.63%
Valuation Payroll	\$ 417,350,764	\$ 453,411,617	8.64%

*Includes 3 Suspended members.



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**Kern County
Employees' Retirement Association**

Terminated Participants with Pending Refunds

	December 31, 2006	December 31, 2007	Change
General Members			
Number	428	474	10.75%
Average Age	37.2	37.0	-0.79%
Percent Male	30.84%	29.96%	-2.86%
Safety Members			
Number	32	35	9.38%
Average Age	31.1	31.4	1.19%
Percent Male	84.38%	82.86%	-1.80%
All Members			
Number	460	509	10.65%
Average Age	36.8	36.6	-0.67%
Percent Male	34.57%	33.60%	-2.81%

Terminated Vested Participants

	December 31, 2006	December 31, 2007	Change
General Members			
Number	965	1053	9.12%
Average Age	47.4	47.2	-0.34%
Average Service	15.8	15.6	-1.20%
Percent Male	40.83%	40.74%	-0.22%
Safety Members			
Number	123	132	7.32%
Average Age	41.1	41.1	-0.05%
Average Service	14.5	14.1	-2.89%
Percent Male	80.49%	78.79%	-2.11%
All Members			
Number	1088	1,185	8.92%
Average Age	46.6	46.5	-0.29%
Average Service	15.6	15.4	-1.36%
Percent Male	45.31%	44.98%	-0.74%

Kern County Employees' Retirement Association

Retired Participants

	December 31, 2006	December 31, 2007	Change
General Members			
Service Retirements			
Number	2,878	3,000	4.24%
Average Age	69.8	69.6	-0.29%
Percent Male	37.98%	37.43%	-1.43%
Average Monthly Benefit*	\$ 1,754	\$ 1,863	6.21%
Beneficiaries			
Number	629	637	1.27%
Average Age	73.8	74.1	0.33%
Percent Male	22.26%	20.72%	-6.90%
Average Monthly Benefit*	\$ 843	\$ 896	6.26%
Disabled			
Number	535	541	1.12%
Average Age	59.9	60.2	0.47%
Percent Male	36.07%	36.60%	1.45%
Average Monthly Benefit*	\$ 1,394	\$ 1,443	3.58%
Total General			
Number	4,042	4,178	3.36%
Average Age	69.1	69.0	-0.08%
Percent Male	35.28%	34.78%	-1.42%
Average Monthly Benefit*	\$ 1,565	\$ 1,661	6.17%
Safety Members			
Service Retirements			
Number	673	698	3.71%
Average Age	64.4	64.8	0.56%
Percent Male	90.79%	90.69%	-0.11%
Average Monthly Benefit*	\$ 4,059	\$ 4,173	2.80%
Beneficiaries			
Number	236	251	6.36%
Average Age	67.9	67.8	-0.07%
Percent Male	4.24%	5.18%	22.23%
Average Monthly Benefit*	\$ 1,622	\$ 1,702	4.92%
Disabled			
Number	404	425	5.20%
Average Age	58.2	58.8	0.98%
Percent Male	81.93%	81.65%	-0.35%
Average Monthly Benefit*	\$ 3,000	\$ 3,092	3.05%
Total Safety			
Number	1,313	1,374	4.65%
Average Age	63.1	63.5	0.56%
Percent Male	72.51%	72.27%	-0.32%
Average Monthly Benefit*	\$ 3,295	\$ 3,387	2.78%

*Excludes SRBR amounts.



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Kern County Employees' Retirement Association

Retired Participants (continued)

	December 31, 2006	December 31, 2007	Change
Total Members			
Service Retirements			
Number	3,551	3,698	4.14%
Average Age	68.7	68.7	-0.14%
Percent Male	47.99%	47.49%	-1.04%
Average Monthly Benefit*	\$ 2,191	\$ 2,299	4.93%
Beneficiaries			
Number	865	888	2.66%
Average Age	72.2	72.3	0.14%
Percent Male	17.34%	16.33%	-5.84%
Average Monthly Benefit*	\$ 1,055	\$ 1,123	6.45%
Disabled			
Number	939	966	2.88%
Average Age	59.2	59.6	0.66%
Percent Male	55.80%	56.42%	1.10%
Average Monthly Benefit*	\$ 2,085	\$ 2,169	4.02%
Total Retirees			
Number	5,355	5,552	3.68%
Average Age	67.6	67.7	0.04%
Percent Male	44.41%	44.06%	-0.79%
Average Monthly Benefit*	\$ 1,989	\$ 2,088	4.99%

*Excludes SRBR amounts.

SRBR Approved Benefits

	December 31, 2006	December 31, 2007	Change
Total Members			
SRBR Death Benefits			
Retirees Eligible	4,490	4,664	3.88%
Total Benefits	\$ 13,470,000	\$ 13,992,000	3.88%
Average Benefit	\$ 3,000	\$ 3,000	0.00%
SRBR 1			
Retirees and Beneficiaries Eligible	5,135	5,254	2.32%
Total Monthly Benefits	\$ 169,156	\$ 173,032	2.29%
Average Monthly Benefit	\$ 32.94	\$ 32.93	-0.03%
SRBR 2			
Retirees and Beneficiaries Eligible	981	912	-7.03%
Total Monthly Benefits	\$ 182,593	\$ 167,866	-8.07%
Average Monthly Benefit	\$ 186.13	\$ 184.06	-1.11%
SRBR 3			
Retirees and Beneficiaries Eligible	587	635	8.18%
Total Monthly Benefits	\$ 186,230	\$ 200,519	7.67%
Average Monthly Benefit	\$ 317.26	\$ 315.78	-0.47%



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Kern County Employees' Retirement Association

General Members

	<u>Actives</u>	<u>Terminated Vested</u>	<u>Terminated Pending Refund</u>	<u>Service Retirees</u>	<u>Disability Retirees</u>	<u>Beneficiaries</u>
As of December 31, 2006	6,862	965	428	2,878	535	629
New Hires/Rehires	1,019	(17)	-	(1)	-	-
Net Transfers to Safety	(12)	-	-	-	-	-
Terminated - Contributions Refunded	(246)	(18)	(92)	-	-	-
Terminated - Pending Refund	(136)	-	136	-	-	-
Vested Terminations	(152)	152	-	-	-	-
Suspended	-	-	-	-	-	-
Service Retirements	(168)	(48)	-	216	-	-
Disability Retirements	(18)	(2)	-	(2)	22	-
Active Deaths	(14)	-	-	-	-	-
Deaths Or Ceased Payments	-	-	-	(98)	(18)	(42)
Beneficiaries of Retirees Who Died	-	-	-	-	-	47
Data Corrections	(8)	21	2	7	2	3
As of December 31, 2007	7,127	1,053	474	3,000	541	637



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Kern County Employees' Retirement Association

Safety Members

	<u>Actives</u>	<u>Terminated Vested</u>	<u>Terminated Pending Refund</u>	<u>Service Retirees</u>	<u>Disability Retirees</u>	<u>Beneficiaries</u>
As of December 31, 2006	1,682 *	123	32	673	404	236
New Hires/Rehires	186	(2)	-	-	-	-
Net Transfers from General	12	-	-	-	-	-
Terminated - Contributions Refunded	(11)	(6)	-	-	-	-
Terminated - Pending Refund	(7)	-	7	-	-	-
Vested Terminations	(15)	15	-	-	-	-
Suspended	-	-	-	-	-	-
Service Retirements	(35)	(3)	-	38	-	-
Disability Retirements	(13)	(2)	-	(5)	20	-
Active Deaths	(1)	-	-	-	-	-
Deaths Or Ceased Payments	-	-	-	(12)	(2)	(4)
Beneficiaries of Retirees Who Died	-	-	-	-	-	16
Data Corrections	-	7	(4)	4	3	3
As of December 31, 2007	1,798 *	132	35	698	425	251

* Liabilities for three suspended members were also valued.



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Kern County Employees' Retirement Association

Summary of Active General Members by Age and Service

Number of Members by Age and Service Groups

Age	Years of Service										Total	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up		
0-24	148	85										233
25-29	246	361	69									676
30-34	173	357	236	21	1							788
35-39	136	257	297	102	29							821
40-44	84	195	244	138	113	41						815
45-49	89	164	251	168	203	158	60	2				1,095
50-54	64	142	200	170	231	163	157	40				1,167
55-59	49	98	209	138	156	126	103	52	12			943
60-64	15	41	108	77	87	50	39	22	4			443
65-69	2	7	39	19	33	13	7	2	1	2		125
70&Up		4	5	3	3	2	1	3				21
Total	1,006	1,711	1,658	836	856	553	367	121	17	2		7,127

Average Annual Compensation for General Members by Age and Service at December 31, 2007

Average Compensation by Age and Service Groups

Age	Years of Service										Total	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up		
0-24	30,928	33,738										31,953
25-29	34,169	40,477	40,609									38,195
30-34	38,188	43,031	49,945	43,369	42,691							44,047
35-39	39,994	43,795	53,088	54,925	46,886							48,019
40-44	38,953	42,280	48,593	51,879	53,830	46,906						47,287
45-49	36,944	44,602	49,133	54,247	55,119	55,442	50,274	47,935				50,329
50-54	40,638	44,922	50,011	55,269	53,840	59,642	58,846	56,805				53,168
55-59	48,177	48,527	51,736	48,274	54,336	60,743	57,657	65,823	45,712			53,691
60-64	47,580	49,707	49,136	55,622	51,665	54,756	64,978	67,992	48,022			53,715
65-69	92,717	46,099	50,336	52,454	43,280	66,440	45,802	40,591	103,665	67,970		51,210
70&Up		78,649	55,573	53,142	32,829	94,904	27,846	106,368				66,054
Total	37,226	42,938	50,005	52,969	53,282	57,594	57,429	63,528	49,665	67,970		48,451

Note that the compensation in this chart is the Final Average Salary as of December 31, 2007.

Kern County Employees' Retirement Association

Summary of Active Safety Members by Age and Service

Number of Members by Age and Service Groups

Age	Years of Service									Total	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39		40&Up
0-24	42	41									83
25-29	72	159	75								306
30-34	27	90	171	40	1						329
35-39	15	29	129	92	22						287
40-44	6	20	42	40	66	31					205
45-49	1	7	19	32	51	93	35				238
50-54	1	2	6	15	25	46	79	30			204
55-59	3	1	6	11	12	27	24	33	1		118
60-64			2	3	5	7	3	1	1		22
65-69			2	3	1						6
70&Up											
Total	167	349	452	236	183	204	141	64	2		1,798

Average Annual Compensation for Safety Members by Age and Service at December 31, 2007

Average Compensation by Age and Service Groups

Age	Years of Service									Total	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39		40&Up
0-24	40,002	47,661									43,785
25-29	40,142	50,102	60,263								50,249
30-34	43,306	49,309	59,803	61,750	52,557						55,793
35-39	42,350	50,263	63,146	61,976	63,369						60,399
40-44	40,896	50,232	63,348	60,422	71,921	77,807					65,787
45-49	38,868	57,316	56,246	61,036	69,085	74,871	79,713				70,329
50-54	67,207	50,823	59,475	62,094	70,200	73,866	81,980	91,010			77,533
55-59	46,876	49,072	46,883	53,022	63,952	73,858	78,948	86,949	168,415		74,138
60-64			50,903	58,066	56,320	63,247	88,651	76,659	123,632		66,663
65-69			69,297	59,132	51,931						61,320
70&Up											
Total	41,119	49,777	60,840	61,051	68,704	74,558	81,043	88,692	146,024		61,916

Note that the compensation in this chart is the Final Average Salary as of December 31, 2007.

**Kern County
Employees' Retirement Association**

Appendix D

Member Contribution Rates

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

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

**Kern County
Employees' Retirement Association**

December 31, 2007 Valuation

General Tier I Member Contribution Rates

Member Rates as a Percentage of Salary

**Contribution Rates (Fiscal Year 2008-9)
1/100th @ 55**

<u>Entry Age</u>	<u>Integrated</u>		<u>Non-Integrated</u>
	<u>First \$350 of Monthly Comp.</u>	<u>Excess of \$350 Monthly Comp.</u>	<u>All Compensation</u>
18	3.93%	5.89%	5.89%
19	4.01%	6.01%	6.01%
20	4.09%	6.13%	6.13%
21	4.17%	6.26%	6.26%
22	4.25%	6.38%	6.38%
23	4.34%	6.51%	6.51%
24	4.43%	6.64%	6.64%
25	4.52%	6.78%	6.78%
26	4.61%	6.91%	6.91%
27	4.70%	7.05%	7.05%
28	4.79%	7.19%	7.19%
29	4.89%	7.34%	7.34%
30	4.99%	7.48%	7.48%
31	5.09%	7.64%	7.64%
32	5.19%	7.79%	7.79%
33	5.30%	7.95%	7.95%
34	5.41%	8.11%	8.11%
35	5.51%	8.27%	8.27%
36	5.63%	8.44%	8.44%
37	5.75%	8.62%	8.62%
38	5.87%	8.80%	8.80%
39	5.99%	8.99%	8.99%
40	6.11%	9.17%	9.17%
41	6.24%	9.36%	9.36%
42	6.37%	9.55%	9.55%
43	6.49%	9.74%	9.74%
44	6.61%	9.92%	9.92%
45	6.73%	10.09%	10.09%
46	6.84%	10.26%	10.26%
47	6.94%	10.41%	10.41%
48	7.03%	10.55%	10.55%
49	7.12%	10.68%	10.68%
50	7.20%	10.80%	10.80%
51	7.27%	10.90%	10.90%
52	7.30%	10.95%	10.95%
53	7.30%	10.95%	10.95%
54	7.30%	10.95%	10.95%



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**Kern County
Employees' Retirement Association**

December 31, 2007 Valuation

General Tier II Member Contribution Rates

Member Rates as a Percentage of Salary

**Contribution Rates (Fiscal Year 2008-9)
1/120th @ 60**

<u>Entry Age</u>	<u>Integrated</u>		<u>Non-Integrated</u>
	<u>First \$350 of Monthly Comp.</u>	<u>Excess of \$350 Monthly Comp.</u>	<u>All Compensation</u>
18	2.73%	4.09%	4.09%
19	2.79%	4.18%	4.18%
20	2.84%	4.26%	4.26%
21	2.90%	4.35%	4.35%
22	2.96%	4.44%	4.44%
23	3.02%	4.53%	4.53%
24	3.08%	4.62%	4.62%
25	3.14%	4.71%	4.71%
26	3.21%	4.81%	4.81%
27	3.27%	4.91%	4.91%
28	3.34%	5.01%	5.01%
29	3.41%	5.11%	5.11%
30	3.47%	5.21%	5.21%
31	3.54%	5.31%	5.31%
32	3.61%	5.42%	5.42%
33	3.69%	5.53%	5.53%
34	3.76%	5.64%	5.64%
35	3.83%	5.75%	5.75%
36	3.91%	5.87%	5.87%
37	3.99%	5.99%	5.99%
38	4.07%	6.11%	6.11%
39	4.15%	6.23%	6.23%
40	4.24%	6.36%	6.36%
41	4.33%	6.49%	6.49%
42	4.41%	6.62%	6.62%
43	4.51%	6.76%	6.76%
44	4.61%	6.91%	6.91%
45	4.70%	7.05%	7.05%
46	4.80%	7.20%	7.20%
47	4.89%	7.34%	7.34%
48	4.99%	7.48%	7.48%
49	5.08%	7.62%	7.62%
50	5.17%	7.76%	7.76%
51	5.25%	7.88%	7.88%
52	5.33%	8.00%	8.00%
53	5.41%	8.11%	8.11%
54	5.47%	8.21%	8.21%
55	5.53%	8.30%	8.30%
56	5.59%	8.38%	8.38%
57	5.61%	8.42%	8.42%
58	5.61%	8.42%	8.42%
59 and older	5.61%	8.42%	8.42%

Kern County Employees' Retirement Association

December 31, 2007 Valuation

Safety Member Contribution Rates Fiscal Year 2008-9

Member Rates as a Percentage of Salary

Hired Prior to July 10, 2004 (Basic)			Hired Prior to July 10, 2004 Including 5.0% Supplemental*		Hired After July 10, 2004 excluding 'Safety 3'			Safety 3**		
Entry Age	Integrated		Integrated		Entry Age	Integrated		Entry Age	Integrated	
	First \$350 of Monthly Comp.	Excess of \$350 Monthly Comp.	First \$350 of Monthly Comp.	Excess of \$350 Monthly Comp.		First \$350 of Monthly Comp.	Excess of \$350 Monthly Comp.		First \$350 of Monthly Comp.	Excess of \$350 Monthly Comp.
20	4.81%	7.22%	7.22%	10.83%	20	7.22%	10.83%	20	7.70%	11.56%
21	4.90%	7.35%	7.35%	11.03%	21	7.35%	11.03%	21	7.70%	11.56%
22	4.99%	7.48%	7.48%	11.22%	22	7.49%	11.22%	22	7.70%	11.56%
23	5.08%	7.62%	7.62%	11.43%	23	7.62%	11.43%	23	7.70%	11.56%
24	5.17%	7.76%	7.76%	11.64%	24	7.76%	11.64%	24	7.70%	11.56%
25	5.27%	7.90%	7.90%	11.85%	25	7.91%	11.85%	25	7.70%	11.56%
26	5.36%	8.04%	8.03%	12.06%	26	8.04%	12.06%	26	7.70%	11.56%
27	5.46%	8.19%	8.13%	12.29%	27	8.19%	12.29%	27	7.70%	11.56%
28	5.56%	8.34%	8.23%	12.51%	28	8.34%	12.51%	28	7.70%	11.56%
29	5.66%	8.49%	8.33%	12.74%	29	8.49%	12.74%	29	7.70%	11.56%
30	5.77%	8.65%	8.43%	12.98%	30	8.66%	12.98%	30	7.70%	11.56%
31	5.87%	8.81%	8.54%	13.22%	31	8.81%	13.22%	31	7.70%	11.56%
32	5.98%	8.97%	8.65%	13.46%	32	8.97%	13.46%	32	7.70%	11.56%
33	6.09%	9.14%	8.76%	13.71%	33	9.14%	13.71%	33	7.70%	11.56%
34	6.21%	9.31%	8.87%	13.97%	34	9.32%	13.97%	34	7.70%	11.56%
35	6.33%	9.49%	8.99%	14.24%	35	9.50%	14.24%	35	7.70%	11.56%
36	6.45%	9.68%	9.12%	14.52%	36	9.68%	14.52%	36	7.70%	11.56%
37	6.58%	9.87%	9.25%	14.81%	37	9.87%	14.81%	37	7.70%	11.56%
38	6.71%	10.06%	9.37%	15.06%	38	10.07%	15.09%	38	7.70%	11.56%
39	6.83%	10.25%	9.50%	15.25%	39	10.25%	15.38%	39	7.70%	11.56%
40	6.95%	10.43%	9.62%	15.43%	40	10.43%	15.65%	40	7.70%	11.56%
41	7.07%	10.60%	9.73%	15.60%	41	10.61%	15.90%	41	7.70%	11.56%
42	7.17%	10.75%	9.83%	15.75%	42	10.76%	16.13%	42	7.70%	11.56%
43	7.27%	10.90%	9.93%	15.90%	43	10.91%	16.35%	43	7.70%	11.56%
44	7.35%	11.03%	10.02%	16.03%	44	11.03%	16.55%	44	7.70%	11.56%
45	7.43%	11.15%	10.10%	16.15%	45	11.15%	16.73%	45	7.70%	11.56%
46	7.51%	11.26%	10.17%	16.26%	46	11.27%	16.89%	46	7.70%	11.56%
47	7.55%	11.32%	10.21%	16.32%	47	11.33%	16.98%	47	7.70%	11.56%
48	7.55%	11.32%	10.21%	16.32%	48	11.33%	16.98%	48	7.70%	11.56%
49 and older	7.55%	11.32%	10.21%	16.32%	49 and older	11.33%	16.98%	49 and older	7.70%	11.56%

*Beginning July 10, 2004, contribution rates for safety members are divided into "basic" and "supplemental" components. The basic component is calculated to provide for an average annuity at age 50 of 1% of final compensation. For employees hired on or after July 10, 2004, the supplemental component is defined so as to bring the total contribution rate to a level which provides for an average annuity at age 50 of 1.5% of final compensation. For employees hired before July 10, 2004, the supplemental contribution rate is defined to be 1.0% in the first year, increasing by 1.0% each year until the total contribution rate provides for an average annuity at age 50 of 1.5% of final compensation. As an example, for someone with entry age 40 and hired prior to July 10, 2004, the rate on compensation in excess of \$350 per month in fiscal year ending 2009 is 15.43% = 10.43% for basic + 5.0% for supplemental. In fiscal year 2010, that rate will be 15.65%, the ultimate rate for someone with entry age 40. For an employee with entry age 20 and hired after July 10, 2004, it is the full rate of 10.83%.

**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.



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**Kern County
Employees' Retirement Association**

Appendix E

Glossary

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

Accrued Benefit	The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.
Actuarial Accrued Liability	That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.
Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.
Actuarial Gain (Loss)	A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.
Actuarial Present Value	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.
Actuarial Value of Assets	The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.
Actuarially Equivalent	Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.
Amortization Payment	That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Approved SRBR Benefits	These are the SRBR benefits that have already been approved by the Retirement Board. They include all Tier I, Tier II and Death Benefits, as well as the Tier III benefits approved through the valuation date.
Basic Benefits	All formula benefits provided under the Regular portion of KCERA. These include service retirement benefits, survivor continuance, disability benefits, and refunds of member contributions. Basic Benefits do not include cost-of-living adjustments.
COLA Benefits	These are the cost-of-living adjustments provided under the Regular portion of KCERA. They include cost-of-living increases paid on service retirement benefits, disability benefits and survivor benefits. The funding of the permanent additional 0.5% COLA benefit that was granted as part of the Ventura court settlement is included in the regular benefits, for a total COLA benefit of 2.5%. For funding purposes and to determine the COLA Contributions Reserve, the COLA benefits are split between the "2.0%" COLA benefits and the "0.50%" COLA benefits.
Contingency Reserve	The Contingency Reserve is used to satisfy the California Government Code requirement for Section 31616 requirement for KCERA to reserve at least 1% of assets, up to a maximum of 3% of assets. KCERA has adopted a goal to reserve 2.0% of the assets against earning deficiencies, investment losses, and other contingencies, if available.
Cost-of-Living Reserve	The accumulation of employer contributions for future annual cost-of – living increases for retirees and continuance beneficiaries. Additions include contributions from employers and related earnings and deductions include monthly cost-of-living benefit payments.
COLA Contribution Reserve	This CCR refers to the amount of excess investment earnings that have been set aside to reduce future employer COLA contributions as provided under Section 31617 of Article 5.5 under the CERL. If no earnings are allocated under 31617 or they have already been allocated as a credit for future employer COLA contributions, the CCR value is zero.
Employers' Advance Reserve	The accumulation of employer contributions for future retirement benefit payments. Additions include contributions from employers and related earnings and deductions include transfers to the Retired Members' Reserve.
Entry Age Actuarial Cost Method	A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Funded Ratio	A measurement of the funded status of the system. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. For example, a Funded Ratio of 90% indicates assets are 10% less than liabilities.
Funding Excess	The excess, if any, of the Actuarial Value of Assets over the Actuarial Accrued Liability.
Future SRBR Benefits	These are the SRBR benefits expected to be approved in future years in order to maintain the 80% purchasing power goal.
Members' Deposit Reserve	The accumulation of member contributions. Additions include member contributions and related earnings and deductions include transfers to the Retired Members' Reserve and refunds to members.
Non-Valuation Reserves	Those funds not available to fund the Regular Benefits. These are the Contingency Reserve, the Unallocated SRBR Reserve and the COLA Contribution Reserve.
Normal Cost	That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
Plan Year	A 12-month period beginning January 1 and ending December 31.
Projected Benefits	Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.
Regular Benefits	The benefits provided under the non-SRBR section of KCERA. These will include both Basic Benefits and COLA Benefits, including the supplemental 0.5% COLA provisions.
Supplemental Retiree Benefit Reserve (SRBR)	Supplemental benefit payments that are additional payments to retired participants and to restore purchasing power at a specified percentage level, as described in California Government Code Section 31618, under Article 5.5 of CERL. These are non-vested benefits to both current and future retired participants and their beneficiaries.
Unfunded Actuarial Accrued Liability	The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
Valuation Date	The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year.
Valuation Assets	The actuarial value of the Valuation Reserves.
Valuation Reserves	All reserves excluding the Non-Valuation Reserves.