



1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940
Fax +1 206 623 3485

milliman.com

May 6, 2009

Ms. Anne Holdren
Executive Director
Kern County Employees' Retirement Association
1115 Truxtun Avenue
Bakersfield, CA 93301

Re: Employer Contribution Rates to Reflect December 31, 2008 COLA Contribution Reserve

Dear Anne:

Per your request, attached are the exhibits to provide the detail for the contribution rates adopted by the Board at its April 22, 2009 meeting. These rates reflect the December 31, 2008 COLA Contribution Reserve (CCR), using the expanded asset corridor of 50% to 150% as adopted at that meeting. The rates also reflect the correction to District rates as explained below. Note that the attached exhibits correspond to Exhibits 14 through 16 of the June 30, 2008 actuarial valuation report.

Based upon the Board's interest crediting policy, any credits in the CCR fund as of December 31 will be used to determine the amount of the employer contributions that will be reduced for the subsequent fiscal year commencing July 1. This provision was added to the policy when the valuation date was moved up to June 30. There was a concern that any additional credits in the CCR as of December 31 would not be available to reduce contribution rates for the subsequent fiscal year. Thus, the intention of section IV (2) of the policy was to recompute the contribution rates determined by the prior June 30 valuation. It was anticipated that there would be an adjustment to the final contribution rates to reflect the asset statements as of December 31.

Due to the market conditions, the actual CCR fund balance as of December 31, 2008 was less than the balance was expected to be, based upon the June 30, 2008 valuation. The CCR was not credited with the full expected actuarial rate as of December 31, 2008. As a result, the recalculated contribution rates (after application of the CCR credit) are more than those estimated in the June 30, 2008 valuation following the interest crediting policy. Note that the employer contribution rates are still reduced compared to what they would be without applying any CCR credits.

The changes from the valuation report would have been much more significant if the asset corridor had remained at 20%. Under prior practice, the Actuarial Value of Assets (AVA) was restricted to be within 20% of the Market Value of Assets (MVA). Per the Board's action on April 22, the new policy is to restrict the AVA to be within 50% of the MVA.

Further Changes in the July 1, 2009 Contribution Rates for District Employers

As the June 30, 2008 valuation was being completed, an accounting error was found in the allocation of excess earnings to the CCR for the District employer group during 2007. The

This work product was prepared solely for KCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

correction to this error resulted in very minor adjustments for the non-District cost groups as well due to a redistribution of the interest credits. At its April 22, 2009 meeting, the Board voted to correct the accounting error and adopt the rates that reflect the adjustments to the CCR credits available as of December 31, 2008. The adjustment lowered the CCR credit and thus raised the net contribution rates for the Districts.

Certification

In preparing this analysis and the June 30, 2008 valuation 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, asset information, statutory provisions, and employee data. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since these results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

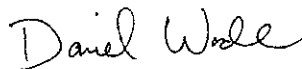
On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the attached information is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

Milliman's work product was prepared exclusively for KCERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning KCERA's operations. It is not for the use or benefit of any third party for any purpose. 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.

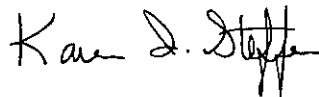
As you are aware, we are not attorneys and cannot give legal advice on such issues. We suggest that before you take any action with regard to the information provided in this letter, you discuss it with your legal counsel.

We are consulting actuaries for Milliman, Inc. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,



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



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

This work product was prepared solely for KCERA for the purposes described herein and may not be appropriate to use for other purposes.
Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Exhibit 14

	<u>General County with Courts</u>	<u>General District</u>	<u>Safety</u>	<u>Total</u>
A. Basic Benefits				
1. Total Normal Cost	17.83%	18.25%	22.83%	19.05%
2. Projected Employee Contributions	<u>2.71%</u>	<u>3.22%</u>	<u>2.92%</u>	<u>2.79%</u>
3. Employer Normal Cost (1-2)	15.12%	15.04%	19.91%	16.26%
4. Amortization of Unfunded Actuarial Accrued Liability	<u>8.27%</u>	<u>9.99%</u>	<u>9.15%</u>	<u>8.57%</u>
5. Employer Contribution (3+4)	23.38%	25.03%	29.07%	24.83%
B. COLA Benefits 2%				
1. Employer Normal Cost	3.63%	3.73%	5.45%	4.07%
2. Amortization of Unfunded Actuarial Accrued Liability	<u>1.63%</u>	<u>2.22%</u>	<u>2.31%</u>	<u>1.82%</u>
3. Employer Contribution (1+2)	5.26%	5.95%	7.76%	5.89%
C. COLA Benefits 0.5%				
1. Employer Normal Cost	1.10%	1.13%	1.70%	1.25%
2. Amortization of Unfunded Actuarial Accrued Liability	<u>1.43%</u>	<u>1.34%</u>	<u>2.83%</u>	<u>1.76%</u>
3. Employer Contribution (1+2)	2.53%	2.47%	4.53%	3.00%
D. Total Benefits				
1. Total Normal Cost	22.56%	23.11%	29.98%	24.36%
2. Projected Employee Contributions	<u>2.71%</u>	<u>3.22%</u>	<u>2.92%</u>	<u>2.79%</u>
3. Employer Normal Cost (1-2)	19.85%	19.90%	27.06%	21.58%
4. Amortization of Unfunded Actuarial Accrued Liability	<u>11.32%</u>	<u>13.56%</u>	<u>14.30%</u>	<u>12.15%</u>
5. Total Employer Contribution (3+4)	31.17%	33.45%	41.36%	33.73%
6. COLA Contribution Reserve Adjustments				
a.) CCR Credits*	3.32%	4.42%	5.68%	
b.) Max CCR Credits (B.3)	5.26%	5.95%	7.76%	
c.) CCR Adjustments (Minimum of a. and b.)	<u>3.32%</u>	<u>4.42%</u>	<u>5.68%</u>	<u>3.94%</u>
7. Adjusted Employer Contribution (5-6c.)	27.86%	29.04%	35.68%	29.79%
Estimated Payroll for Fiscal Year beginning July 1, 2009	\$ 354,992,455	\$ 27,144,840	\$ 120,056,612	\$ 502,193,907

Estimated Dollar Amounts	<u>General County with Courts</u>	<u>District</u>	<u>Safety</u>	<u>Total</u>
A. Basic Benefits				
Projected Employee Contributions	\$ 9,616,159	\$ 872,902	\$ 3,505,653	\$ 13,994,714
Employer Contribution	83,013,326	6,794,697	34,900,457	124,708,480
B. COLA Benefits 2%				
Employer Contribution	18,651,239	1,614,337	9,316,393	29,581,969
C. COLA Benefits 0.5%				
Employer Contribution	8,982,786	672,225	5,438,565	15,093,576
D. Total Benefits				
Projected Employee Contributions	9,616,159	872,902	3,505,653	13,994,714
Total Employer Contribution	110,647,350	9,081,259	49,655,415	169,384,024
COLA Contribution Reserve Adjustments				
a.) CCR Credits*	\$ 11,785,750	\$ 1,199,802	\$ 6,819,216	\$ 19,804,767
b.) Max CCR Credits (B.)	18,651,239	1,614,337	9,316,393	29,581,969
c.) CCR Adjustments (Minimum of a. and b.)	<u>\$ 11,785,750</u>	<u>\$ 1,199,802</u>	<u>\$ 6,819,216</u>	<u>\$ 19,804,767</u>
Adjusted Employer Contribution	\$ 98,861,601	\$ 7,881,457	\$ 42,836,199	\$ 149,579,257

* Based upon the COLA Contribution Reserve as of December 31, 2008. Updated May 6, 2009 from the estimate in the June 30, 2008 actuarial valuation report.

This work product was prepared solely for KCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Exhibit 15a

	Tier I w/o Courts	Tier II w/o Courts	Total General County w/o Courts	Courts
A. Basic Benefits				
1. Total Normal Cost	18.25%	10.03%	17.80%	18.25%
2. Projected Employee Contributions	2.36%	5.72%	2.55%	5.08%
3. Employer Normal Cost (1-2)	15.89%	4.31%	15.25%	13.17%
4. Amortization of Unfunded Actuarial Accrued Liability	8.27%	8.27%	8.27%	8.27%
5. Employer Contribution (3+4)	24.16%	12.58%	23.52%	21.44%
B. COLA Benefits 2%				
1. Employer Normal Cost	3.73%	1.87%	3.62%	3.73%
2. Amortization of Unfunded Actuarial Accrued Liability	1.63%	1.63%	1.63%	1.63%
3. Employer Contribution (1+2)	5.35%	3.50%	5.25%	5.35%
C. COLA Benefits 0.5%				
1. Employer Normal Cost	1.13%	0.56%	1.10%	1.13%
2. Amortization of Unfunded Actuarial Accrued Liability	1.43%	1.43%	1.43%	1.43%
3. Employer Contribution (1+2)	2.56%	1.99%	2.53%	2.56%
D. Total Benefits				
1. Total Normal Cost	23.11%	12.47%	22.52%	23.11%
2. Projected Employee Contributions	2.36%	5.72%	2.55%	5.08%
3. Employer Normal Cost (1-2)	20.75%	6.74%	19.98%	18.03%
4. Amortization of Unfunded Actuarial Accrued Liability	11.32%	11.32%	11.32%	11.32%
5. Total Employer Contribution (3+4)	32.07%	18.06%	31.30%	29.35%
6. COLA Contribution Reserve Adjustments				
a.) CCR Credits*	3.32%	3.32%	3.32%	3.32%
b.) Max CCR Credits (B.3)	5.35%	3.50%	5.25%	5.35%
c.) CCR Adjustments (Minimum of a. and b.)	3.32%	3.32%	3.32%	3.32%
7. Adjusted Employer Contribution (5-6c.)	28.76%	14.75%	27.98%	26.03%
Estimated Payroll for Fiscal Year beginning July 1, 2009	\$ 313,800,579	\$ 18,424,744	\$ 332,225,323	\$ 22,767,132

	Tier I w/o Courts	Tier II w/o Courts	Total General County w/o Courts	Courts
Estimated Dollar Amounts				
A. Basic Benefits				
Projected Employee Contributions	\$ 7,405,694	\$ 1,053,895	\$ 8,459,589	\$ 1,156,570
Employer Contribution	75,814,220	2,317,833	78,132,053	4,881,273
B. COLA Benefits 2%				
Employer Contribution	16,788,331	644,866	17,433,197	1,218,042
C. COLA Benefits 0.5%				
Employer Contribution	8,033,295	366,652	8,399,947	582,839
D. Total Benefits				
Projected Employee Contributions	7,405,694	1,053,895	8,459,589	1,156,570
Total Employer Contribution	100,635,846	3,329,351	103,965,197	6,682,153
COLA Contribution Reserve Adjustments				
a.) CCR Credits*	\$ 10,418,179	\$ 611,702	\$ 11,029,881	\$ 755,869
b.) Max CCR Credits (B.)	16,788,331	644,866	17,433,197	1,218,042
c.) CCR Adjustments (Minimum of a. and b.)	\$ 10,418,179	\$ 611,702	\$ 11,029,881	\$ 755,869
Adjusted Employer Contribution	\$ 90,217,666	\$ 2,717,650	\$ 92,935,316	\$ 5,926,284

* Based upon the COLA Contribution Reserve as of December 31, 2008. Updated May 6, 2009 from the estimate in the June 30, 2008 actuarial valuation report.

This work product was prepared solely for KCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Exhibit 15b

	General County w/o Courts	Safety	Total County w/o Courts
A. Basic Benefits			
1. Total Normal Cost	17.80%	22.83%	19.13%
2. Projected Employee Contributions	2.55%	2.92%	2.64%
3. Employer Normal Cost (1-2)	15.25%	19.91%	16.49%
4. Amortization of Unfunded Actuarial Accrued Liability	8.27%	9.15%	8.50%
5. Employer Contribution (3+4)	23.52%	29.07%	24.99%
B. COLA Benefits 2%			
1. Employer Normal Cost	3.62%	5.45%	4.11%
2. Amortization of Unfunded Actuarial Accrued Liability	1.63%	2.31%	1.81%
3. Employer Contribution (1+2)	5.25%	7.76%	5.92%
C. COLA Benefits 0.5%			
1. Employer Normal Cost	1.10%	1.70%	1.26%
2. Amortization of Unfunded Actuarial Accrued Liability	1.43%	2.83%	1.80%
3. Employer Contribution (1+2)	2.53%	4.53%	3.06%
D. Total Benefits			
1. Total Normal Cost	22.52%	29.98%	24.50%
2. Projected Employee Contributions	2.55%	2.92%	2.64%
3. Employer Normal Cost (1-2)	19.98%	27.06%	21.86%
4. Amortization of Unfunded Actuarial Accrued Liability	11.32%	14.30%	12.11%
5. Total Employer Contribution (3+4)	31.30%	41.36%	33.97%
6. COLA Contribution Reserve Adjustments			
a.) CCR Credits*	3.32%	5.68%	
b.) Max CCR Credits (B.3)	5.25%	7.76%	
c.) CCR Adjustments (Minimum of a. and b.)	3.32%	5.68%	3.94%
7. Adjusted Employer Contribution (5-6c.)	27.98%	35.68%	30.02%
Estimated Payroll for Fiscal Year beginning July 1, 2009	\$ 332,225,323	\$ 120,056,612	\$ 452,281,935
Estimated Dollar Amounts			
	General County w/o Courts	Safety	Total w/o Courts
A. Basic Benefits			
Projected Employee Contributions	\$ 8,459,589	\$ 3,505,653	\$ 11,965,242
Employer Contribution	78,132,053	34,900,457	113,032,510
B. COLA Benefits 2%			
Employer Contribution	17,433,197	9,316,393	26,749,590
C. COLA Benefits 0.5%			
Employer Contribution	8,399,947	5,438,565	13,838,512
D. Total Benefits			
Projected Employee Contributions	8,459,589	3,505,653	11,965,242
Total Employer Contribution	103,965,197	49,655,415	153,620,612
COLA Contribution Reserve Adjustments			
a.) CCR Credits*	\$ 11,029,881	\$ 6,819,216	\$ 17,849,096
b.) Max CCR Credits (B.)	17,433,197	9,316,393	26,749,590
c.) CCR Adjustments (Minimum of a. and b.)	\$ 11,029,881	\$ 6,819,216	\$ 17,849,096
Adjusted Employer Contribution	\$ 92,935,316	\$ 42,836,199	\$ 135,771,515

* Based upon the COLA Contribution Reserve as of December 31, 2008.
Updated May 6, 2009 from the estimate in the June 30, 2008 actuarial valuation report.

This work product was prepared solely for KCERA for the purposes described herein and may not be appropriate to use for other purposes.
Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Exhibit 16

	Category I	Category II	Category III	Category IV**	Total
A. Basic Benefits					
1. Total Normal Cost	18.25%	18.25%	18.25%	18.25%	18.25%
2. Projected Employee Contributions	1.35%	2.01%	4.10%	2.01%	3.22%
3. Employer Normal Cost (1-2)	16.90%	16.25%	14.15%	16.25%	15.04%
4. Amortization of Unfunded Actuarial Accrued Liability	10.06%	10.06%	10.06%	7.75%	9.99%
5. Employer Contribution (3+4)	26.96%	26.30%	24.21%	24.00%	25.03%
B. COLA Benefits 2%					
1. Employer Normal Cost	3.73%	3.73%	3.73%	3.73%	3.73%
2. Amortization of Unfunded Actuarial Accrued Liability	2.23%	2.23%	2.23%	1.76%	2.22%
3. Employer Contribution (1+2)	5.96%	5.96%	5.96%	5.49%	5.95%
C. COLA Benefits 0.5%					
1. Employer Normal Cost	1.13%	1.13%	1.13%	1.13%	1.13%
2. Amortization of Unfunded Actuarial Accrued Liability	1.34%	1.34%	1.34%	1.21%	1.34%
3. Employer Contribution (1+2)	2.48%	2.48%	2.48%	2.35%	2.47%
D. Total Benefits					
1. Total Normal Cost	23.11%	23.11%	23.11%	23.11%	23.11%
2. Projected Employee Contributions	1.35%	2.01%	4.10%	2.01%	3.22%
3. Employer Normal Cost (1-2)	21.76%	21.10%	19.01%	21.10%	19.90%
4. Amortization of Unfunded Actuarial Accrued Liability	13.64%	13.64%	13.64%	10.73%	13.56%
5. Total Employer Contribution (3+4)	35.40%	34.74%	32.65%	31.83%	33.45%
6. COLA Contribution Reserve Adjustments					
a.) CCR Credits*	4.42%	4.42%	4.42%	4.42%	4.42%
b.) Max CCR Credits (B.3)	5.96%	5.96%	5.96%	5.49%	5.95%
c.) CCR Adjustments (Minimum of a. and b.)	4.42%	4.42%	4.42%	4.42%	4.42%
7. Adjusted Employer Contribution (5-6c.)	30.98%	30.32%	28.23%	27.41%	29.04%
Estimated Payroll for Fiscal Year beginning July 1, 2009	\$ 5,823,852	\$ 3,078,313	\$ 17,498,957	\$ 743,719	\$ 27,144,840
Estimated Dollar Amounts					
	Category I	Category II	Category III	Category IV**	Total
A. Basic Benefits					
Projected Employee Contributions	\$ 78,622	\$ 61,874	\$ 717,457	\$ 14,949	\$ 872,902
Employer Contribution	1,570,110	809,596	4,236,497	178,493	6,794,697
B. COLA Benefits 2%					
Employer Contribution	347,102	183,467	1,042,938	40,830	1,614,337
C. COLA Benefits 0.5%					
Employer Contribution	144,432	76,342	433,974	17,477	672,225
D. Total Benefits					
Projected Employee Contributions	78,622	61,874	717,457	14,949	872,902
Total Employer Contribution	2,061,644	1,069,406	5,713,409	236,800	9,081,259
COLA Contribution Reserve Adjustments					
a.) CCR Credits*	\$ 257,414	\$ 136,061	\$ 773,454	\$ 32,872	\$ 1,199,802
b.) Max CCR Credits (B.)	347,102	183,467	1,042,938	40,830	1,614,337
c.) CCR Adjustments (Minimum of a. and b.)	\$ 257,414	\$ 136,061	\$ 773,454	\$ 32,872	\$ 1,199,802
Adjusted Employer Contribution	\$ 1,804,229	\$ 933,345	\$ 4,939,956	\$ 203,928	\$ 7,881,457

* Based upon the COLA Contribution Reserve as of December 31, 2008. Updated May 6, 2009 from the estimate in the June 30, 2008 actuarial valuation report.
 ** District Category IV adopted the 3% at 60 benefit formula prospectively only, reducing their share of the UAAL.

This work product was prepared solely for KCERA for the purposes described herein and may not be appropriate to use for other purposes.
 Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.