

COMPREHENSIVE _____
Annual Financial Report

for the fiscal years ended June 30, 2011 and 2010

*Discovering
Kern County*



KCERA

PRUDENT INVESTMENT · QUALITY SERVICE

Kern County Employees' Retirement Association
11125 River Run Boulevard Bakersfield, CA 93311

Discovering Kern County

COMPREHENSIVE _____
Annual Financial Report

for the fiscal years ended June 30, 2011 and 2010

Issued By

Anne M. Holdren

Executive Director

Sheryl Lawrence

Financial Officer

KCERA

PRUDENT INVESTMENT • QUALITY SERVICE

Kern County Employees' Retirement Association

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Downtown Bakersfield Skyline

Introductory Section

Most KCERA members choose to retire in Kern County after leaving the work force. As the county seat, Bakersfield is home to nearly two-thirds of our retirees.

With its lower cost of living and slower pace than other metropolitan cities, Bakersfield has seen extraordinary growth in recent years. Several quaint, small towns dot the county landscape, too. But Bakersfield has always been the “big city” within this agricultural hub of California.

Discovering

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KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
Norman Briggs, Chairman
Jeff Frapwell, Vice Chairman
Brad Barnes
Jackie Denney
Lance Horton
Joseph Hughes
Konrad Moore
Mark Ratekin
Zack Scrivner
Michael Turnipseed
Bart Camps, Alternate
Phil Franey, Alternate

Anne M. Holdren
Executive Director

Gloria M. Domínguez
Assistant Executive Director

November 10, 2011

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

Dear Board Members:

As Executive Director of the Kern County Employees' Retirement Association (KCERA), I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2011 and 2010. This Letter of Transmittal is presented as a narrative introduction, overview and analysis in conjunction with the Management's Discussion and Analysis included in the Financial Section of this Comprehensive Annual Financial Report.

KCERA is a public employee retirement system that was established on January 1, 1945 by the County of Kern. The KCERA Plan provides retirement, disability, death, beneficiary, cost-of-living and supplemental retirement benefits. For the fiscal year ended June 30, 2011, KCERA paid retirements to 6,564 members and continued supplemental benefits to 821 retirees or their beneficiaries, assuring 80% purchasing power parity for all KCERA retirees now and for the foreseeable future. The KCERA Plan added 491 service retirees, 6 non-service-connected disability retirees, 10 service-connected disability retirees and 5 nonservice-connected death survivorship benefits in the fiscal year.

KCERA AND ITS SERVICES

KCERA was established on January 1, 1945, to provide retirement allowances and other benefits to all permanent general and safety employees of the County of Kern and of participating special districts. As of June 30, 2011, thirteen districts participated in the retirement plan including: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Water Agency, Kern Mosquito & Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito Abatement District, West Side Recreation and Park District, and the Kern County Superior Court.

The Plan is administered by the Kern County Board of Retirement (Board), which consists of nine members and two alternate members. The Board is responsible for establishing policies governing the administration of the retirement plan, determining benefit allowances, and managing the investments of KCERA's assets. The Board oversees the Executive Director and the KCERA staff in the performance of their duties in accordance with the County Employees' Retirement Law of 1937 and the bylaws, procedures, and policies adopted by the KCERA Board.

MAJOR INITIATIVES

Five Trustees Join Board

Five new trustees joined the Board of Retirement in 2011. Konrad Moore, who serves as Kern County's chief deputy public defender, was elected by the general membership in November. Michael Turnipseed, who is the executive director of the Kern County Taxpayers Association, and Lance Horton, who is a vice-president/wealth advisor at Morgan Stanley Smith Barney, were both appointed by the Kern County Board of Supervisors. Zack Scrivner, who serves on the Board of Supervisors, was also appointed to the Board of Retirement. Bart Camps, who serves as Lieutenant in the Kern County Sheriff's Department, became the alternate safety member in a special election in early 2011. The other four trustees began their three-year term on January 1, 2011.

KCERA Hires Two Executives

After completion of two executive searches, KCERA recently welcomed Assistant Executive Director Gloria Domínguez and Chief Investment Officer (CIO) Peter Tirp to the executive management team. Ms. Domínguez joined KCERA after a 15-year tenure at the County of Kern, most recently as its Director of Budget and Finance. Prior to accepting KCERA's new CIO position, Mr. Tirp served as an investment officer at Oberlin College (Ohio) and an investment advisor in New York City.

Pension Administration System

KCERA's new pension administration system, produced by CPAS Systems, Inc., is currently in the system configuration phase of its development. KCERA expects to complete system configuration, data conversion, and data cleansing and reconciliation by the end of 2011. User training of the new system should begin by next summer, with system implementation scheduled for the fall of 2012.

\$1.3 Billion Asset Transition

In 2009, the Board approved an Asset/Liability Study for former investment consultant Wilshire Associates, Inc., to assess the risk levels inherent in KCERA's asset allocation. The Board later adopted Wilshire's recommendations, resulting in a \$1.3 billion transition of funds in January 2011, which was completed by BNY ConvergeEx Group, acting as transition manager.

New Investment Consultant: Wurts & Associates

Following a competitive search process, the KCERA Board selected Wurts & Associates from a pool of four firms to replace Wilshire Associates, Inc. as its investment consultant.

Building Project

KCERA's new 14,300-square-foot facility was completed in October 2011. KCERA Property, Inc., purchased the 1.25-acre lot in Southwest Bakersfield two years earlier to accommodate KCERA's operations and Board meetings.

Board Governance Report

As part of governance support services to the Board, Cortex Applied Research, Inc., provides an annual review of the extent to which Board practices are consistent with KCERA's governance structure. This year, Cortex reported that KCERA, its Board and senior staff have adhered to the provisions of KCERA's various charters, which prescribe approximately 110 verifiable responsibilities.

FUNDING

KCERA's funding objective is to meet long-term benefit obligations through approximately level contributions to the Plan and the accrual and compounding of investment income. As of June 30, 2010, the funded ratio of the Plan was 62.7% using actuarial assets and actuarial liabilities of \$2,794,644,000 and \$4,457,038,000, respectively. The funded percentage decreased 3.4% from June 30, 2009 due primarily to asset losses and benefit improvements. The plan assets rebounded in fiscal years 2011 and 2010, but due to the asset smoothing method, only a small portion of the gains were recognized. Meanwhile, large deferred losses from 2007 and 2008 are still being recognized.

Pursuant to provisions in the County Employees' Retirement Law of 1937, KCERA engages an independent actuarial consulting firm, Milliman, Inc., to conduct annual actuarial valuations. Every three years, an experience study is performed for the appropriateness of all economic and non-economic assumptions. The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member and employer contribution rates necessary to properly fund the Plan. The last triennial analysis was performed as of June 30, 2008.

FINANCIAL INFORMATION

The Comprehensive Annual Financial Report (CAFR) for the fiscal years June 30, 2011 and 2010 has been prepared by KCERA's management, which is responsible for the accuracy, completeness, fair presentation of information, and all disclosures in this report. The report has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

KCERA has maintained an internal control system to provide reasonable assurance that assets are properly safeguarded from loss, theft, or misuse and the fair presentation of the financial statements and supporting schedules. Further, it should be recognized there are inherent limitations in the effectiveness of any system of internal controls due to changes in conditions. KCERA has established an audit committee for oversight of the financial reporting process and to review the scope and results of independent audits. The independent auditors have unrestricted access to the audit committee to discuss their related findings as to the integrity of the financial reporting and adequacy of internal controls.

KCERA's external auditors, Brown Armstrong Accountancy Corporation, have conducted an audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America, performing such tests and other procedures as they deem necessary to express an opinion in their report to the Board of Retirement. The financial audit ensures that KCERA's financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free of material misstatements. Their opinion is that KCERA's financial statements present fairly, in all material respects, the Plan Net Assets of KCERA as of June 30, 2011 and 2010 and its Changes in Plan Net Assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INVESTMENTS

The Board of Retirement (Board) has exclusive control of all investments of KCERA and is responsible for establishing investment policies, objectives and strategies. The Board is authorized to invest in any form or type of investment deemed “prudent” in the informed opinion of the Board. The members of the Board serve as fiduciaries for the members and beneficiaries of the retirement association and are held to a high standard of care in all transactions.

The Board operates under a standard of care in California commonly known as the “prudent expert rule,” which allows the Board to invest or delegate the authority to invest the assets of the Plan when prudent in the informed opinion of the Board. In addition, the rule requires the Board to diversify the investments of the Plan, unless it is clearly prudent not to do so under the circumstances. The Board therefore makes basic policy decisions with respect to the Plan, including, but not limited to, the allocation of assets to various investment classes. The Board delegates much discretion to professional investment advisors to execute investment policy subject only to policy and guidelines provided by the Board.

KCERA’s assets are managed exclusively by external, professional investment managers. The KCERA staff monitors the activity of these managers and assists the Board with the development and implementation of investment policies and long-term investment strategies. These policies and guidelines are outlined in KCERA’s Investment Goals, Objectives and Policies, which state the goals of the program, the asset allocation of the Plan, and specific objectives and guidelines for each investment strategy or managed portfolio. The Board employs the services of an independent investment consultant, Wurts & Associates to assist the Board in formulating policies, setting goals and manager guidelines, and monitoring the performance of the external money managers.

For fiscal year 2011, the investments of the Plan realized a gain of 19.2% (net of fees). KCERA’s annualized rate of return, net of fees, was 1.4% in the past three years, 2.9% in the past five years, and 5.2% in the past ten years. The investment expenses of the fund are linked to the performance of the investment portfolio and other factors, and therefore they vary year to year.

PROFESSIONAL SERVICES

The Board retains professional consultants and investment managers to provide professional services essential to the effective and efficient operation of KCERA.

Opinions from the certified public accountant and the actuary for the Plan are included in this report. The consultants and investment managers retained by the Board are listed on page 59 of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KCERA for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and well-organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we will again submit it to the GFOA for appraisal.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort of the KCERA staff. This report is intended to provide complete information as a basis for management decisions, as a means for establishing compliance with legal requirements, and as a means for determining the responsible stewardship of the KCERA fund.

I wish to take this opportunity to thank the members of KCERA for their confidence in KCERA and to express my gratitude to the Board of Retirement for dedicated support of the KCERA administration and the best interests of the beneficiaries of the Plan throughout the fiscal year. Likewise, I wish to thank the consultants and staff for their continued commitment to KCERA and their diligent work to ensure the successful administration of the Plan.

Respectfully submitted,

A handwritten signature in cursive script that reads "Anne M. Holdren".

Anne M. Holdren
Executive Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to
Kern County Employees'
Retirement Association, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director



Members of the Board of Retirement

As of June 30, 2011



Norman Briggs, Chairman
Elected by retired members
Present term expires 12/31/2013



Jeff Frapwell, Vice Chairman
Elected by general members
Present term expires 12/31/2012



Jackie Denney
County Treasurer-Tax Collector
Ex-Officio Member



Lance Horton
Appointed by Board of Supervisors
Present term expires 12/31/2013



Joseph Hughes
Appointed by Board of Supervisors
Present term expires 12/31/2012



Konrad Moore
Elected by general members
Present term expires 12/31/2013



Mark Ratekin
Elected by safety members
Present term expires 12/31/2012



Zack Scrivner
Appointed by Board of Supervisors
Present term expires 12/31/2013



Michael Turnipseed
Appointed by Board of Supervisors
Present term expires 12/31/2013



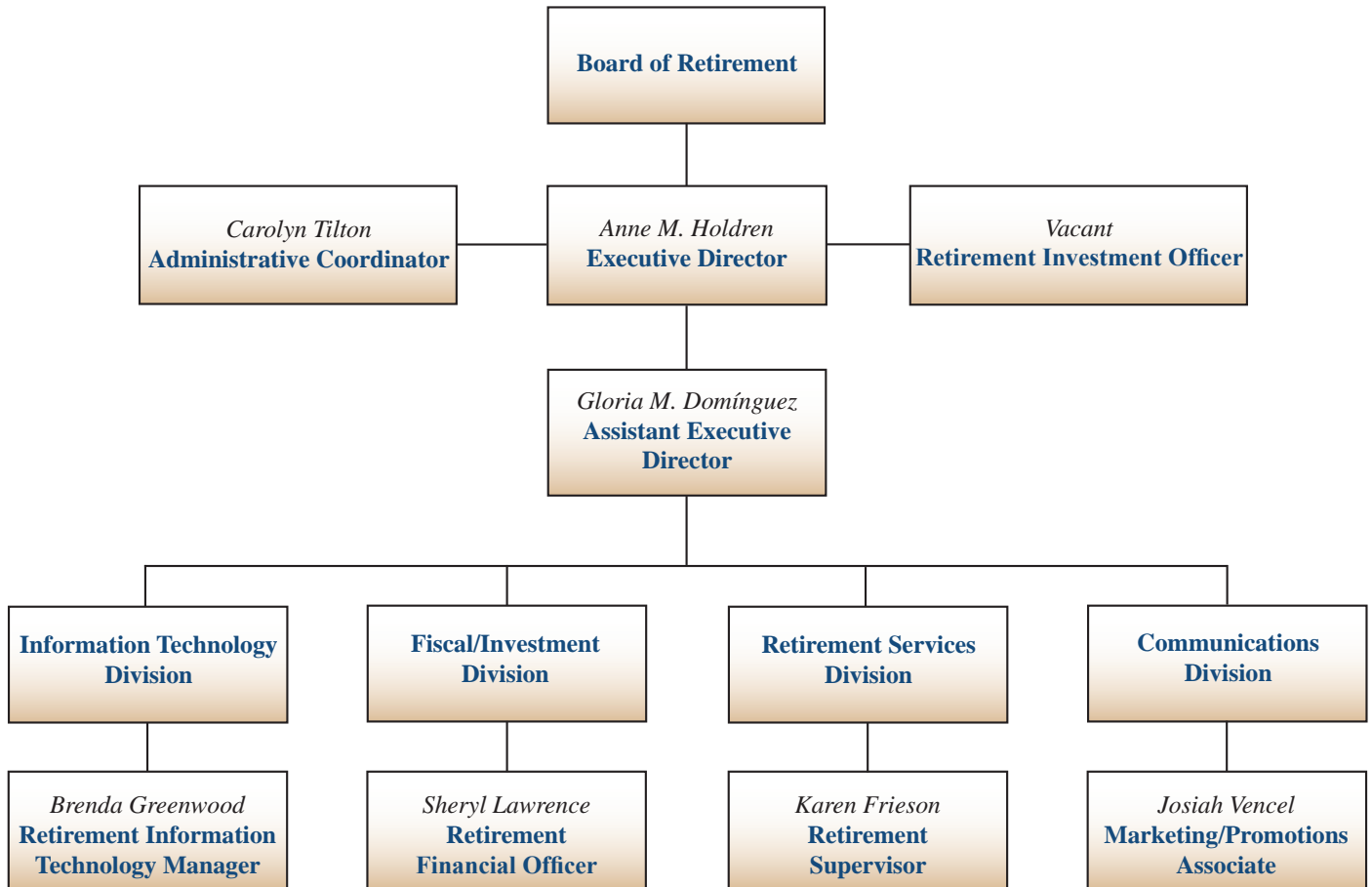
Bart Camps, Alternate
Elected by safety members
Present term expires 12/31/2012



Phil Franey, Alternate
Elected by retired members
Present term expires 12/31/2013

Organizational Chart

As of June 30, 2011



Note: A list of Investment Professionals is located on page 59 of the Investment Section of this report.

List of Professional Consultants

As of June 30, 2011

ACTUARY

Milliman, Inc.
Seattle, WA

AUDITOR

Brown Armstrong Accountancy Corporation
Bakersfield, CA

CUSTODIAN

The Northern Trust Company
Chicago, IL

LEGAL

Kern County Counsel
Bakersfield, CA

Foster Pepper
Seattle, WA

Hanson Bridgett
San Francisco, CA

Andrew L. Kjeldgaard, Attorney at Law
San Bernardino, CA

Manatt, Phelps & Phillips, LLP
Los Angeles, CA

INVESTMENT CONSULTANTS

Wilshire Associates, Inc.
Santa Monica, CA

Wurts & Associates
Seattle, WA

OTHER SPECIALIZED SERVICES

Cortex Applied Research, Inc.
Toronto, Ontario (Canada)

Glass, Lewis & Co., LLC
San Francisco, CA

Linea Solutions Inc.
Los Angeles, CA

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Oil Derrick in Rural Kern County

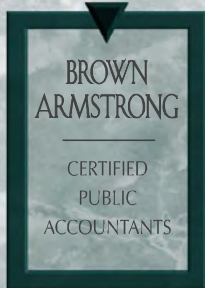
Financial Section

Kern County has long attracted settlers to its wide borders and golden opportunities. The area is well-known for its plentiful reserves of “black gold,” which have supplied local residents with countless jobs and the county with a dependable source of tax revenue.

The financial heart of Kern is not only found beneath its rich soil. Myriad businesses also have taken root, drawn here by the same hope for bounty that once beckoned gold prospectors westward.

Discovering

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement and the Audit/Actuarial Committee
Kern County Employees' Retirement Association

We have audited the accompanying Statement of Plan Net Assets of the Kern County Employees' Retirement Association (KCERA) as of June 30, 2011 and 2010, and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of KCERA management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KCERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan Net Assets of KCERA as of June 30, 2011 and 2010, and its Changes in Plan Net Assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MAIN OFFICE

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8050 N. PALM AVENUE

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FRESNO, CALIFORNIA 93711
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790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Other Supplementary Information and the Introductory, Investment, Actuarial and Statistical sections as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial and Statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011, on our consideration of KCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
November 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the Kern County Employees' Retirement Association's (KCERA) financial statements and the significant events and conditions which affected the operations and performance during the years ended June 30, 2011 and 2010. It is presented as a narrative overview and analysis in conjunction with the Executive Director's *Letter of Transmittal* included in the Introductory Section of this Comprehensive Annual Financial Report.

Financial Highlights

- During the fiscal year ended June 30, 2011, KCERA's total fund returned 19.2% (net of fees), an increase from the prior fiscal year return of 13.3%. Performance of the fund was primarily due to strong performance in the equity markets. KCERA's net assets increased \$494.5 million during the year ended June 30, 2011.
- Member contributions increased by \$394 thousand, or 2.2%, due primarily to an increase over time as new hires contribute for 30 years or more of service. Most current employees contribute for the first five years of service. Employer contributions increased by \$26.3 million, or 17.4%, due primarily to an overall 2.7% increase in the employer contribution rate.
- Vested pension benefits increased by \$19.6 million, or 11.8%, over the prior year. The increase is attributable to a 6.4% increase in retired members and beneficiaries receiving pension benefits and a 5.1% increase in the average monthly benefit, which rose to \$2,367 in the fiscal year.
- As of June 30, 2010, the date of the most recent actuarial valuation, the funded ratio for KCERA was 62.7%, compared to the funded ratio of 66.1% as of June 30, 2009. Prior year investment losses from 2007 and 2008 have

been factored into the June 30, 2010 funded ratio because KCERA uses a five-year asset-smoothing method to determine its actuarial value of assets.

Overview of Basic Financial Statements and Accompanying Information

- 1) **The Statement of Plan Net Assets** is the basic statement of position for a defined benefit pension plan. This statement presents assets and liabilities account balances at fiscal year end. The difference between assets and liabilities represents the net assets available for future payments to retirees and their beneficiaries. Assets and current liabilities of the Plan reflect full accruals. The statement reflects investments at fair value and accounting liabilities as distinct from actuarial liabilities.
- 2) **The Statement of Changes in Plan Net Assets** is the basic operating statement for a defined benefit pension plan. Changes in plan net assets are recorded as additions or deductions from the Plan. All additions and deductions are reported on a full accrual basis.
- 3) **Notes to the Basic Financial Statements** are an integral part of the financial statements and provide important additional information for a user.
- 4) **Required Supplementary Information** consists of two schedules and related notes of long-term actuarial data. The two schedules are the Schedule of Funding Progress and the Schedule of Employer Contributions.
- 5) **Other Supplemental Information** includes schedules of administrative expenses, investment manager fees, other investment expenses, and payments to consultants.

Kern County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of Basic Financial Statements and Accompanying Information (cont.)

The required financial statements and disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America and are in compliance with Governmental Accounting Standards Board (GASB) Statements.

Financial Analysis

Net Assets Held in Trust for Pension Benefits

KCERA provides pension benefits to the employees and their beneficiaries of the County of Kern and other public agencies. KCERA's benefits are funded by member and employer contributions and by investment income. KCERA's net assets held in trust for pension benefits at June 30, 2011 were \$2.8 billion, an increase of approximately \$494.5 million (21.5%) from June 30, 2010. KCERA's net assets held in trust for pension benefits at June 30, 2010 were \$2.3 billion, an increase of approximately \$276 million (13.6%) from June 30, 2009. Key elements of the increase in net assets are described below and in Tables 1 and 2 on page 20.

Contributions and Investment Income

Additions to plan net assets include member and employer contributions and investment income. Member contributions were approximately \$18.3 million, \$17.9 million and \$18.2 million for the years ended June 30, 2011, 2010 and 2009, respectively. Employer contributions were \$177.4 million, \$151.1 million and \$138.8 million for the years ended June 30, 2011, 2010 and 2009, respectively.

Member contributions increased by \$394 thousand (2.2%) in 2011 and decreased by \$314 thousand (-1.7%) in 2010. The increase in member contributions in 2011 was due to an increase in service purchases as well as more members being required to contribute after attaining five years of service. The decrease in member contributions in 2010 was attributable to a 5.0% decrease in active membership.

Employer contributions increased by approximately \$26.3 million (17.4%) in 2011 and increased by approximately \$12.3 million (8.9%) in 2010. The increase in employer contributions in 2011 was due to an overall 2.7% increase in the employer contribution rate, mostly attributable to 2007 and 2008 investment losses and inclusion of additional salary information. The increase in employer contributions in 2010 was due to an overall 2.5% increase in the employer contribution rate, mostly attributable to the reduction of the actuarial assumption rate from 8.00% to 7.75%.

Net investment income was \$494.5 million, \$291.3 million and (\$677.3) million for the years ended June 30, 2011, 2010 and 2009, respectively. The increase in 2011 can be attributed to strong performance in the equity markets. The increase in 2010 can be attributed to strong performance in the U.S. equity and fixed income markets.

For the fiscal years ended June 30, 2011 and 2010, the KCERA portfolio gained 19.2% (net of fees) and 13.3% (net of fees), respectively. More information on KCERA's investment portfolio is contained in the investment section of this report, beginning on page 49.

Benefits, Refunds and Expenses

Deductions to plan net assets include pension benefits, lump sum payments, supplemental benefits, refunds of member contributions, and administrative expenses. The pension benefits (annuity, pension and cost-of-living allowances) were \$186.5 million, \$166.8 million, and \$149.4 million for the years ended June 30, 2011, 2010 and 2009, respectively. Pension benefits increased by approximately \$19.6 million (11.8%) in 2011 and \$17.5 million (11.7%) in 2010.

Kern County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis (cont.)

Benefits, Refunds and Expenses (cont.)

These increases were mainly due to an increase in retired members and beneficiaries receiving pension benefits, and an increase in the average monthly benefit, attributable to higher final average compensations. Retired members and beneficiaries increased by 6.4% in 2011 and by 4.2% in 2010. The average monthly benefit for retirees and beneficiaries increased by 5.1% in 2011 and 7.1% in 2010.

KCERA previously adopted California Government Code Section 31618, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). SRBR currently provides retirees with 80% purchasing power parity and a \$3,000 death benefit, effective January 1, 2007. In addition to pension benefits, the supplemental retirement benefits paid were \$11.4 million, \$11.2 million and

\$10.5 million for the years ended June 30, 2011, 2010 and 2009, respectively. Refunds of member contributions were \$3.1 million, \$2.3 million and \$2.6 million for the years ended June 30, 2011, 2010 and 2009, respectively.

KCERA's administrative expenses were \$3.8 million, \$3.2 million and \$3.1 million for the years ended June 30, 2011, 2010 and 2009, respectively. Administrative expenses increased due to the cost of furnishing a new office building and completing projects described in the KCERA business plan.

Average aggregate monthly defined benefit payments, excluding SRBR benefits AND total number of retirees and beneficiaries:		
<u>June 2011</u>	<u>June 2010</u>	<u>June 2009</u>
\$15.5 million 6,564	\$13.9 million 6,171	\$12.4 million 5,919

Kern County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS

NET ASSETS
(In thousands)

Table 1

	2011		2010		2009
		Increase/ (Decrease) Amount		Increase/ (Decrease) Amount	
Assets					
Current Assets	\$ 89,630	\$ (104,707)	\$ 194,337	\$ 35,321	\$ 159,016
Investments	2,790,993	547,527	2,243,466	243,581	1,999,885
Securities Lending Collateral	268,371	30,438	237,933	87,729	150,204
Capital Assets	3,672	913	2,759	1,273	1,486
Total Assets	\$ 3,152,666	\$ 474,171	\$ 2,678,495	\$ 367,904	\$ 2,310,591
Liabilities					
Current Liabilities	\$ 88,369	\$ (50,759)	\$ 139,128	\$ 3,958	\$ 135,170
Liabilities for Security Lending	268,371	30,438	237,933	87,729	150,204
Total Liabilities	\$ 356,740	\$ (20,321)	\$ 377,061	\$ 91,687	\$ 285,374
Net Assets Held in Trust for Pension Benefits	\$ 2,795,926	\$ 494,492	\$ 2,301,434	\$ 276,217	\$ 2,025,217

CHANGES IN NET ASSETS
(In thousands)

Table 2

	2011		2010		2009
		Increase/ (Decrease) Amount		Increase/ (Decrease) Amount	
Additions					
Member Contributions	\$ 18,271	\$ 394	\$ 17,877	\$ (314)	\$ 18,191
Employer Contributions	177,444	26,317	151,127	12,312	138,815
Net Investment Income (Loss)	503,553	212,220	291,333	968,669	(677,336)
Total Additions	\$ 699,268	\$ 238,931	\$ 460,337	\$ 980,667	\$ (520,330)
Deductions					
Pension Benefits	\$ 186,460	\$ 19,624	\$ 166,836	\$ 17,471	\$ 149,365
Supplemental Retirement Benefits	11,436	223	11,213	718	10,495
Refunds of Member Contributions	3,117	800	2,317	(312)	2,629
Administrative Expenses	3,763	556	3,207	134	3,073
Miscellaneous Expenses	0	(547)	547	547	0
Total Deductions	\$ 204,776	\$ 20,656	\$ 184,120	\$ 18,558	\$ 165,562
Increase (Decrease) in Net Assets	\$ 494,492	\$ 218,275	\$ 276,217	\$ 962,109	\$ (685,892)
Net Assets Held in Trust for for Pension Benefits:					
At Beginning of Year	\$ 2,301,434	\$ 276,217	\$ 2,025,217	\$ (685,892)	\$ 2,711,109
At End of Year	\$ 2,795,926	\$ 494,492	\$ 2,301,434	\$ 276,217	\$ 2,025,217

Kern County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS

Reserves

KCERA's reserves are established for the purpose of managing benefit operations in accordance with the County Employees' Retirement Law of 1937 (CERL). The total amount of reserves equals KCERA's Net Assets Held in Trust for Pension Benefits at the end of the year.

Investments are stated at fair value instead of at cost and include the recognition of unrealized gains and losses in the current period. Unrealized gains and losses are held in the Market Stabilization Reserve with a portion allocated to all other reserves. KCERA uses a five-year smoothing methodology to recognize unrealized gains and losses. The five-year smoothing is calculated by subtracting the expected return of the actuarial assumed interest rate of 7.75% from the total fund's actual return on

net assets. The Market Stabilization Reserve was (\$161.6) million, (\$598.6) million and (\$879.8) million for the years ended June 30, 2011, 2010 and 2009, respectively.

Interest at the actuarial rate of 7.75%, or at the highest rate possible if net earnings are not sufficient to credit the full actuarial rate, is credited semiannually on December 31 and June 30. Interest is credited to all reserves, except a contingency reserve. KCERA credited the reserves 2.1% in fiscal year 2011 and 0.0% in fiscal year 2010. In addition, in fiscal year 2011, no funds were credited to reduce the negative contingency reserve, in accordance with the Board of Retirement's Interest Crediting Policy. As investment returns improve, resulting in positive changes in net assets, the Contingency and Market Stabilization Reserves will turn positive.

KCERA Reserves			
(In thousands)	2011	2010	2009
Member Reserve	\$ 225,649	\$ 229,783	\$ 232,426
Employer Reserve	588,584	676,522	710,574
Cost of Living Reserve	739,198	700,538	683,060
Retired Member Reserve	1,228,918	1,110,646	1,072,575
Supplemental Retiree Benefit Reserve	191,551	198,861	210,073
Contribution Credit Reserve	-	-	19,030
Contingency Reserve	(16,355)	(16,355)	(22,739)
Market Stabilization Reserve	(161,619)	(598,561)	(879,782)
Total	\$ 2,795,926	\$ 2,301,434	\$ 2,025,217

Fiduciary Responsibilities

KCERA's Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Pension Protection Act of 1992, the Board of Retirement has plenary authority and fiduciary responsibility for the investment of monies and for the administration of KCERA.

The Board of Retirement has the sole and exclusive fiduciary responsibility over the assets of the Plan. The assets are held for the exclusive purpose of providing benefits to KCERA members and their survivors, as mandated.

Kern County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS

Potentially Changing Standards

On June 27, 2011, the GASB, which sets generally accepted accounting principles (GAAP) for governments, including KCERA, has released two exposure drafts regarding changes to the pension accounting and reporting framework. The GASB Board approved exposure drafts for Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The primary objective of this proposed Statement is to improve accounting and financial reporting by state and local governments whose employees are provided with pensions. Though the Board of Retirement has taken no formal position on the proposed exposure drafts, KCERA's profes-

sional organizations and management are monitoring these developments very closely.

Requests for Information

This financial report is designed to provide a general overview of KCERA's finances and accountability for the plan sponsors and members. Questions concerning any of the information provided in this report or requests for additional information should be directed to Sheryl Lawrence, KCERA's financial officer, at (661) 381-7700 or lawrences@co.kern.ca.us.

Kern County Employees' Retirement Association
STATEMENT OF PLAN NET ASSETS
AS OF JUNE 30, 2011 AND 2010

(In thousands)

	2011	2010
Assets		
Cash and Cash Equivalents	\$ 33,092	\$ 80,370
Receivables:		
Investments Sold	48,575	104,789
Interest and Dividends	5,789	7,393
Contributions and Other Receivables	2,174	1,785
Total Receivables	<u>56,538</u>	<u>113,967</u>
Investments at Fair Value:		
U.S. Debt Securities and Bonds	804,492	647,665
International Bonds	46,018	86,185
Domestic Equities	813,294	646,326
International Equities	700,319	538,418
Real Estate Investments	61,489	26,657
Alternative Investments	364,334	298,485
Swaps/Options	1,047	(270)
Collateral Held for Securities Lending	268,371	237,933
Total Investments at Fair Value	<u>3,059,364</u>	<u>2,481,399</u>
Capital Assets:		
Computer Software	3,541	2,568
Equipment/Computers	420	445
Accumulated Depreciation	(289)	(254)
Total Capital Assets	<u>3,672</u>	<u>2,759</u>
Total Assets	<u>3,152,666</u>	<u>2,678,495</u>
Liabilities		
Securities Purchased	78,700	136,551
Collateral Held for Securities Lent	268,371	237,933
Contributions and Other Liabilities	9,669	2,577
Total Liabilities	<u>356,740</u>	<u>377,061</u>
Net Assets Held in Trust for Pension Benefits	\$ 2,795,926	\$ 2,301,434

See accompanying notes to the financial statements.

Kern County Employees' Retirement Association
STATEMENT OF CHANGES IN PLAN NET ASSETS
AS OF JUNE 30, 2011 AND 2010

(In thousands)

	2011	2010
Additions		
Contributions:		
Employer	\$ 177,444	\$ 151,127
Member	18,271	17,877
Total Contributions	<u>195,715</u>	<u>169,004</u>
Investment Income:		
Net Appreciation in Fair Value of Investments	467,676	247,042
Interest	21,811	37,626
Dividends	17,287	13,033
Real Estate Investments	0	(1,582)
Other Investment Income	3,654	10
Total Investment Income	<u>510,428</u>	<u>296,129</u>
Less: Investment Expenses	<u>7,572</u>	<u>5,422</u>
Net Investment Income	502,856	290,707
Securities Lending Income:		
Earnings:	849	726
Less: Rebates & Bank Fees	<u>152</u>	<u>100</u>
Net Securities Lending Income	697	626
Total Additions	<u>699,268</u>	<u>460,337</u>
Deductions		
Retirement and Survivor Benefits	186,460	166,836
Supplemental Retirement Benefits	11,436	11,213
Refunds of Member Contributions	3,117	2,317
Administrative Expenses	3,763	3,207
Miscellaneous Expenses	0	547
Total Deductions	<u>204,776</u>	<u>184,120</u>
Net Increase	\$ 494,492	\$ 276,217
Net Assets Held in Trust for Pension Benefits At Beginning of Year	\$ 2,301,434	\$ 2,025,217
Net Assets Held in Trust for Pension Benefits At End of Year	\$ 2,795,926	\$ 2,301,434

See accompanying notes to the financial statements.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF PLAN

The Kern County Employees' Retirement Association (KCERA) was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA is a cost-sharing, multiple-employer defined benefit plan (the Plan) covering all permanent employees of the County of Kern and of the following agencies: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services

District, Kern County Water Agency, Kern Mosquito & Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito Abatement District, West Side Recreation and Park District, and Kern County Superior Court. The Plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members.

As of June 30, 2011, employee membership data related to the pension plan was as follows:

	General	Safety	Total
Active employees	6,493	1,703	8,196
Terminated employees – vested	917	155	1,072
Current retirees and beneficiaries	4,933	1,631	6,564
Total	12,343	3,489	15,832

Benefit Provisions

The KCERA Plan provides for retirement, disability, death, beneficiary, cost-of-living, and supplemental retirement benefits. On July 1, 1968, the Kern County Board of Supervisors adopted a provision of the Government Code providing for a fixed-benefit formula plan.

Service Retirement Benefit:

- All eligible employees must participate in KCERA. A member may retire after reaching age 50 with 10 years of service. Or, general members may retire with 30 years of service, and safety members may retire with 20 years of service, regardless of age. Members who retire at or after age 50 with 10 or more years of

service are entitled to pension benefits for the remainder of their lives. The amount of such monthly benefits is determined as a percentage of their final monthly compensation and is based on age at retirement and the number of years of service. The final monthly compensation is the monthly average of the final 12 months of compensation, or, if the member so elects, any other continuous 12-month period in the member's work history.

- Retiring members may choose from four optional beneficiary retirement allowances. Most retirees elect to receive the unmodified allowance, which includes 60% of the allowance continued to the retiree's surviving spouse or registered domestic partner.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF PLAN (cont.)

- Pension provisions include deferred allowances whereby a member may terminate employment with the County of Kern or a special district after five or more years of service. If the member does not withdraw his or her accumulated contributions, he or she is entitled to all pension benefits after being vested five years and reaching age 50 with 10 or more years of participation in the retirement system.
- A member who terminates his or her employment with the County of Kern or a special district and within six months enters another retirement system that has a reciprocal agreement with KCERA may elect to leave their contributions on deposit with KCERA and establish reciprocity, regardless of their length of service with KCERA. Reciprocal retirement systems include any other county under the County Employees' Retirement Law of 1937, the California Public Employees' Retirement System (CalPERS) and any other public agency within the State of California that has a reciprocal agreement with CalPERS.

Death Benefit:

Death Before Retirement

- An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions, plus interest, and one month's salary for each full year of service up to a maximum of six month's salary.
- If a member is vested and their death is not the result of job-caused injury or disease, their spouse or registered domestic partner will be entitled to receive, for life, a monthly allowance equal to 60% of the retirement allowance in which they would have been entitled to receive if they had retired for nonservice-connected disability on the date of their death. This same choice is given to their minor children under the age of 18 (continuing to age 22 if enrolled full time in an accredited school).

- If a member dies in the performance of duty, their spouse or registered domestic partner receives, for life, a monthly allowance equal to at least 50% of the member's final average salary. This will apply to minor children under the age of 18 (continuing to age 22 if enrolled full time in an accredited school).

Death After Retirement

- If a member dies after retirement, a death benefit of \$3,000 is payable to their designated beneficiary or their estate.
- If the retirement was for service-connected or nonservice-connected disability and the member chose the unmodified allowance option, their surviving spouse, registered domestic partner or minor children will receive a monthly continuance equal to 60% of the retirement allowance.
- If the retirement was for service-connected disability, their spouse, registered domestic partner or minor children will receive a 100% continuance of their retirement allowance.

Disability Benefit:

- A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment, is eligible for a service-connected disability, regardless of service length or age.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF PLAN (cont.)

Cost-of-Living Adjustment:

- An annual cost-of-living adjustment (COLA) of up to 2.5% for all retirees and continuance beneficiaries was adopted as of April 1, 2002.

Supplemental Benefit:

- The Board of Retirement and the Board of Supervisors adopted Government Code Section 31618 on April 23, 1984, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement. SRBR currently provides for 80% purchasing power protection and a \$3,000 death benefit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

KCERA, with its own governing board, is an independent governmental entity separate and distinct from the County of Kern. KCERA's annual financial statements are referenced by footnote in the County of Kern's Annual Financial Report.

Basis of Accounting

KCERA follows Governmental Accounting Standards Board (GASB) accounting principles and reporting guidelines. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of KCERA. Employer and member contributions are recognized in the period in which the contributions are due, and benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan.

Administrative Expenses

KCERA's Board of Retirement annually adopts the operating budget for the administration of KCERA. The administrative expenses are charged against the Plan's earnings and are limited to twenty-one hundredths of one percent (0.21%) of the accrued actuarial liability of the Plan. Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the Plan.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Fair Valuation of Investments

Fair value for investments are derived by various methods as indicated in the following table:

Publicly traded stocks	Most recent exchange closing price. International securities reflect currency exchange rates in effect at June 30, 2011 & 2010.
Short-term investments and bonds	Institutional evaluations or priced at par.
OTC securities	Evaluations based on good faith opinion as to what a buyer in the marketplace would pay for a security.
Commingled funds	Net asset value provided by the investment manager.
Alternative investments	Provided by the Fund manager based on the underlying financial statements and performance of the investments.
Private equity real estate investments	Estimated based on the price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investments without a public market are valued based on assumptions made and multiple valuation techniques used by the investment manager.

Capital Assets

Assets shall be recorded at historical cost or, if that amount is not practicably determined, at estimated historic cost. Accumulated depreciation shall be summarized and reflected on KCERA's annual financial statements. Capital assets shall be depreciated over their estimated useful lives using

the straight-line depreciation method. Intangible assets with limited useful lives (e.g., by legal or contractual provisions) should be amortized over their estimated useful lives. Amortization of computer software should begin when the program is placed into service.

Capitalization Thresholds and Useful Life

Capital Asset Category	Thresholds	Useful Life
Furniture	\$2,500	5-15 years
Equipment/Computers	\$5,000	3-10 years
Internally generated computer software	\$1,000,000	5-12 years
Computer software	\$100,000	3-10 years

Income Taxes

The Plan qualifies under Section 401(a) of the Internal Revenue Code and is therefore not subject to tax under present income tax laws. No provision for income taxes has been made in the accompanying financial statements, as the Plan is exempt from federal and state income taxes under the provisions of Internal Revenue Code, Section 501 and California Revenue and Taxation Code Section 23701, respectively.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 59, Financial Instruments Omnibus. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified. This Statement amends GASB Statement Nos. 25 and 43 – unallocated insurance contracts, Statement No. 31 – 2a7-like external investment pools, Statement No. 40 – interest rate risk disclosure for bond mutual funds, and Statement No. 53 – contracts that include non-performance penalties, certain financial guarantee contracts, revenue-based contracts and hybrid instruments for investor's initial rate of return. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. This implementation had no significant impact on KCERA's statements with fiscal year ending June 30, 2011.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Board of Retirement (the Board) has exclusive control of the investments of the retirement fund and, therefore, establishes investment policies and implements investment decisions. The overall objective of KCERA's investment program is to prudently invest assets such as to offset some of the costs of the Plan in providing the retirement benefits required by the CERL. KCERA is governed by the California Government Code Sections 31594 and 31595, which provide for prudent person governance of the Plan.

Deposits

Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. All cash and cash equivalents are held by the County of Kern as part of Kern County's treasury pool and at KCERA's master global custodian, The Northern

Trust Company. The County Treasury Oversight Committee is responsible for regulatory oversight of Kern County's treasury pool. Substantially all of the cash held at The Northern Trust Company is swept daily into collective short-term investment funds.

A summary of cash, deposits and short-term investments as of June 30, 2011 and 2010 consists of:

Held by	2011	2010
County of Kern	\$ 1,364	\$ 13,659
The Northern Trust Co.	31,728	66,711
Total	\$ 33,092	\$ 80,370

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. KCERA does not have a formal policy for custodial credit risk but limits custodial credit risk for deposits by maintaining cash in an external investment pool managed by the County of Kern and cash and short-term investments managed by The Northern Trust Company. At June 30, 2011, KCERA had \$630 thousand in deposits held at The Northern Trust Company that were uninsured and uncollateralized.

Investments

Investments of the Plan are reported at fair value. The Board of Retirement maintains a formal Statement of Investment Policy, which addresses guidelines for the investment process. In fulfilling its responsibilities, the Board of Retirement has contracted with investment managers and a master global custodian. Manager contracts include specific guidelines regarding the KCERA investments under management. For the year ended June 30, 2011, The Northern Trust Company is the global custodian for the majority of the investments of the Plan.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – DEPOSITS AND INVESTMENTS (cont.)

Investments (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The KCERA's investment policy's minimum average credit quality rating for fixed income, with

the exception of high yield, shall be at least A- and the minimum issue quality shall be B-rated. The minimum overall credit quality for high yield shall be at least B. At June 30, 2011, KCERA's assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations, as follows:

Standard & Poor's (S&P) Credit Quality by Investment Type
(In thousands)

Type of Investment	S&P Credit Quality							Total
	AAA	AA	A	BBB-B	CCC-C	D-NR	Agency	
Asset-Backed Securities	\$ 4,856	\$ 1,327	\$ -	\$ 3,010	\$ 1,665	\$ 649	\$ -	\$ 11,507
Bank Loans	-	-	-	2,622	-	5,405	-	8,027
Commercial Mortgage-Backed Securities	8,380	6,834	2,188	322	-	3,299	-	21,023
Corporate Bonds	769	4,869	33,880	138,432	10,746	3,676	-	192,372
Government-Issued Commercial Mortgage-Backed Securities	20	-	-	-	-	-	265	285
Government Agencies	3,472	308	1,955	259	-	-	915	6,909
Government Bonds	-	943	1	724	-	-	-	1,668
Government Mortgage-Backed Securities	-	-	-	1,090	-	-	73,345	74,435
Guaranteed Fixed Income	1,019	-	-	-	-	-	-	1,019
Municipal / Provincial Bonds	1,280	3,624	5,890	-	-	670	-	11,464
Non-Government-Backed C.M.O.s	4,616	2,149	1,009	2,832	1,215	2,736	-	14,557
Other Fixed Income	-	1,100	-	-	-	-	-	1,100
Collective / Commingled Funds	177,603	235,738	3,333	3,225	-	-	-	419,899
Total	\$ 202,015	\$ 256,892	\$ 48,256	\$ 152,516	\$ 13,626	\$ 16,435	\$ 74,525	\$ 764,265
U.S. Treasuries & Notes								86,245
Total Fixed Income								\$ 850,510

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – DEPOSITS AND INVESTMENTS
(cont.)

Investments (cont.)

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. KCERA does not have a formal policy for limiting custodial credit risk. As of June 30, 2011, there were no investment securities exposed to custodial credit risk.

Concentration of Credit Risk

The KCERA's investment policy limits exposure to any single investment manager or product. The maximum allocation to a single active manager is up to 30% of the aggregate market value of the Fund. The maximum allocation to a single active management product is 15%. This limitation ap-

plies to any non-index investment vehicle. With the exception of any sovereign entity (both U.S. and non-U.S.) U.S. agency-backed and U.S. agency-issued mortgages, portfolios may not invest more than 5% per investment grade issuer. Securities of a single non-investment grade issuer should not represent more than 2% of the market value of the portfolio. KCERA's investment portfolio contained no investments in any one single investment grade issuer greater than 5% of plan net assets as of June 30, 2011 (other than the exceptions listed above).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. KCERA's investment policy requires active managers, with the exception of high yield, to be within 20% of their benchmark. The overall fund duration is expected to be within 20% of the Fund's benchmark duration. At June 30, 2011, the segmented time distribution of the fixed income portfolio, by investment type, was as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years) as of June 30, 2011				
		Less Than 1	1-5	6-10	More Than 10	Maturity Not Determined
Asset-Backed Securities	\$ 11,507	\$ -	\$ 2,760	\$ 307	\$ 8,440	\$ -
Bank Loans	8,027	361	4,680	2,986	-	-
Commercial Mortgage-Backed	21,023	-	-	680	20,343	-
Corporate Bonds	192,372	3,579	65,620	98,217	24,956	-
Government Agencies	6,909	3,377	1,326	1,655	551	-
Government Bonds	77,050	-	43,314	23,839	9,897	-
Government-Issued Commercial Mortgage-Backed	285	-	-	285	-	-
Government Mortgage-Backed	74,435	-	-	4,231	60,609	9,595
Guaranteed Fixed Income	1,019	1,019	-	-	-	-
Index-Linked Government Bonds	10,863	-	1,566	982	8,315	-
Municipal / Provincial Bonds	11,464	101	1,342	1,067	8,954	-
Collective / Commingled Funds	419,899	1,589	155,791	163,334	83,908	15,277
Non-Government-Backed C.M.O.s	14,557	-	-	-	14,557	-
Other Fixed Income	1,100	-	1,100	-	-	-
Total	\$ 850,510	\$ 10,026	\$ 277,499	\$ 297,583	\$ 240,530	\$ 24,872

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 3 – DEPOSITS AND INVESTMENTS
(cont.)**

Investments (cont.)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of an investment.

KCERA's interim investment policy permits a 24% allocation to non-U.S. equities. Non-U.S. bonds may constitute up to 20% of an active core manager's portfolio. Allocations to non-U.S. bonds must be hedged back into U.S. dollars at least 100% to avoid the negative impact of currency volatility.

The following direct holdings represent KCERA's foreign currency risk exposure as of June 30, 2011:

(In thousands)

	Foreign Currency	Fair Value (USD)
Cash	Australian Dollar	\$ (24)
	Canadian Dollar	450
	Euro	29
	British Pound Sterling	17
	Hong Kong Dollar	1
	Japanese Yen	70
	South Korean Won	45
	Swedish Krona	41
Equities	Australian Dollar	17,667
	Canadian Dollar	8,700
	Swiss Franc	24,779
	Danish Krone	643
	Euro	90,411
	British Pound Sterling	64,474
	Hong Kong Dollar	16,732
	New Israeli Shekel	410
	Japanese Yen	45,676
	South Korean Won	3,383
	Norwegian Krone	1,311
	Swedish Krona	3,568
Singapore Dollar	949	
Fixed Income Securities	Mexican Peso	1
	Euro	13
Total Foreign Cash and Investments		\$ 279,346

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – DEPOSITS AND INVESTMENTS
(cont.)

Highly Sensitive Investments

KCERA utilizes investments that are highly sensitive to interest rate changes in its fixed income, separately managed investment accounts. Highly sensitive investments include mortgage-backed securities, asset-backed securities, and collateral-

ized mortgage obligations. Mortgage-backed securities, collateralized mortgage obligations, and asset-backed securities are created from pools of mortgages or other assets (receivables).

Such securities are subject to credit and interest rate risks, including uncollectible mortgages or receivables backing a security, home mortgages that are prepaid at the option of the homeowner, and the duration and maturity of the issues.

Fair Value (In thousands)

	June 30, 2011	June 30, 2010
Mortgage-Backed Securities	\$ 95,744	\$ 128,972
Asset-Backed Securities	11,507	17,287
Collateralized Mortgage Obligation Securities	14,558	46,869
Total	\$ 121,809	\$ 193,128

NOTE 4 – SECURITIES LENDING

Under provisions of state statutes, the KCERA Board of Retirement permits KCERA to participate in a securities lending program, whereby securities are transferred to independent broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities plus a fee in the future. KCERA's custodian, The Northern Trust Company, is the agent for its securities lending program. The Northern Trust Company is authorized to lend U.S. government obligations, U.S. bonds and equities, and international bonds and equities that are being held in custody to various borrowers, such as banks and brokers. All securities loans can be terminated on demand by either the lender or the borrower.

collateral held by the agent will at least equal the market value of the borrowed securities. Collateral received may include cash, irrevocable letters of credit, or securities which are direct obligations or guaranteed by the U.S. government. Cash collateral is invested in a short-term investment pool, or may be invested separately in "term loans," in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. Marking to market is performed every business day subject to de minimis rules of change in value, and the borrower is required to deliver additional collateral when necessary so that the total

At June 30, 2011, KCERA had no credit risk exposure to borrowers due to the nature of the program's collateralization of loans at 102% plus accrued interest. At June 30, 2011 and 2010, the securities lending transactions collateralized by cash had a fair value of \$262,726,507 and \$230,958,696, respectively, and a collateral value of \$268,371,315 and \$237,933,424, respectively. At June 30, 2011 and 2010, the securities lending transactions collateralized by securities or letters of credit had a fair value of \$327,600 and \$106,386, respectively, and a collateral value of \$333,996 and \$112,159, respectively, which was not reported as assets and liabilities in the accompanying Statement of Plan Net Assets.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – SECURITIES LENDING (cont.)

KCERA's loaned securities and collateral as of June 30, 2011 are as follows:

(In thousands)

Security Type	Fair Value of Loaned Securities Securitized by		Fair Value of Loaned Securities Securitized by	
	Cash	Cash Collateral	Non-Cash	Non-Cash Collateral
Global Equities	\$ 21,824	\$ 22,792	\$ 13	\$ 14
U.S. Agencies	1,331	1,352	-	-
U.S. Corporate Fixed	44,286	45,166	115	117
U.S. Equities	127,585	129,914	200	203
U.S. Government Fixed	67,701	69,147	-	-
Total	\$ 262,727	\$ 268,371	\$ 328	\$ 334

NOTE 5 – DERIVATIVES

Description of and Authority for Derivative Investments

KCERA invests in derivative financial investments (derivative instruments) as authorized by the Board of Retirement. Investment managers may use derivatives where guidelines permit. A derivative instrument is defined as a contract that derives its value, usefulness and marketability from an underlying instrument that represents a direct ownership of an asset or a direct obligation of an issuer. Derivative instruments include, but are not limited to, futures, options, forward contracts and interest rate or commodity swap transactions. All derivatives are considered investments by KCERA.

Substitution and risk control are the two derivative strategies permitted. Substitution strategy is when the characteristics of the derivative sufficiently parallel that of the cash market instruments, the derivatives may be substituted on a short-term basis for the cash market instrument. Risk control strategy is when the characteristics of the derivative sufficiently parallel that of the cash instrument, that an opposite position from the cash instrument can be taken in the derivative instrument to alter the exposure to or the risk of the cash instrument.

Portfolios may not sell securities short nor create leverage through the use of financial futures and options. Uncovered futures or options positions are prohibited. Financial futures and options may only be used to hedge currency risk or to manage portfolio duration. Investment in structured notes is prohibited. KCERA may invest in the following:

Futures

Futures contracts are used to hedge against a possible increase in the price of currency. Futures contracts are classified by category of underlying instrument such as equity, fixed income, commodity, or cash equivalent. Derivative positions are tied to the performance of underlying securities. Futures contracts are priced "mark-to-markets," and daily settlements are recorded as investment gains or losses. Accounting for the daily mark-to-markets in this manner, the market value of the futures contract at the reporting period end is the pending mark-to-market. For investment performance, risk and exposure purposes, KCERA's custodian reports the notional market values of futures contracts with corresponding offsets. When a futures contract is closed, futures are removed from record with the final gain/loss equal to the fluctuation in value from the last mark-to-market to the closing value.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – DERIVATIVES (cont.)

**Description of and Authority for
Derivative Investments (cont.)**

Options

Options are used to manage risk exposures in certain accounts as a result of asset allocation requirements or unusual flows of cash to or from such accounts. Purchased put/call options are reported as assets with cost equal to the premium amount paid at inception, and written put/call options are reported as liabilities with cost equal to the premium received at inception. During the term of the option contracts, options are revalued at the end of each reporting period. Unrealized gains and losses are reported as the difference between the premium (cost) and the current market value. At expiration, sale, or exercise, options are removed from record and realized gains and losses are generally recognized. Because of the nature of options transactions, notional values are not included in the Investment Derivatives Summary table on page 36.

Swaps

Swap transactions are used to preserve a return or spread on investments to protect against currency fluctuations, as a duration management technique, or to protect against any increase in the price of securities. Because the market values of swaps can fluctuate, swaps are represented as assets (if market value is greater than zero) and liabilities (if market value is less than zero). If a premium is paid or received at inception of the swap, the premium amount is generally recorded as the cost of the swap. During the term of the swap agreement, the periodic cash flows as either income or expense associated with the swap agreement. At each reporting period, swaps are revalued and unrealized gains or losses are reported. KCERA's custodian generally obtains swap valuations from a pricing vendor, the investment manager or the counterparty. At closing, KCERA's custodian removes the swap assets and liabilities from record. The difference between any closing premium exchanged and cost basis is recognized as realized gain or loss.

Forward Exchange Contracts

Forward exchange contracts are used for the purpose of hedging against adverse movement in currency exchange rates and to facilitate settlement of transactions in foreign securities. KCERA's reporting methodology for foreign exchange (FX) contracts reflects payables and receivables for the currencies to be exchanged while the forward FX contracts are pending, with the two pending cash flows valued separately. The overall cost basis for a pending FX deal is zero (the net of the cost basis for the payable and receivable). Pending forward FX contracts are valued using the closing forward FX rate as of the report date. The difference between the forward rate (base market value) at the reporting date and the contracted rate on trade date (base cost) of the forward FX contract is unrealized gain/loss. The difference between the spot rate applied at settlement date and the contracted rate on trade date is realized gain/loss at settlement of forward FX contract. KCERA does not discount the valuation of the anticipated cash flows associated with pending forward FX contracts.

Summary of Investment Derivatives

Investment derivative instruments are reported as investments (if fair value is greater than zero) or liabilities (if fair value is less than zero) as of fiscal year end on the Statement of Plan Net Assets. Listed market prices are used to report the market values for derivative instruments, if available. If listed market prices are not available for derivative instruments, the price used may be from a vendor, an investment manager or a counterparty. All changes in fair value are reported in the Statement of Changes in Plan Net Assets as a component of investment revenue.

As of June 30, 2011, KCERA has the following instruments outstanding (see Summary table on page 36), whose objective is to earn a rate of return consistent with KCERA's investment policies. Notional values listed on the Summary table that are positive (assets) or negative (liabilities) are aggregated for similar derivative types.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – DERIVATIVES (cont.)

Investment Derivative Credit Risk

The credit risk of using derivative instruments may include the risk that counterparties to contracts will not perform and/or the public exchange will not meet its obligation to assume this counterparty risk. KCERA is exposed to credit risk on investment derivatives traded over the counter and are reported in asset positions.

KCERA's derivative investment policy states that for non-exchange-traded derivative instruments, counterparty credit status shall be of the highest caliber with care taken to avoid credit guarantees

extended through to parties less credit-worthy than the primary counterparty to the transaction. Counterparty exposure is limited to firms with a short-term rating of A1/P1 or with a long-term credit rating of AA or better. Single counterparty exposure should be limited to 10% of the value of the fund.

A summary of counterparty credit ratings relating to non-exchange-traded derivatives in asset positions as of June 30, 2011, in addition to a summary of KCERA's derivatives as of June 30, 2011, are as follows:

Investment Derivatives Summary and Summary of Credit Ratings

(In thousands)

Investment Derivative Type	Changes in Fair Value Gain/(Loss)	Fair Value	Notional Value	S&P Credit Rating		
				AA	A	Not Available
Futures	\$ (1,858)	\$ -	\$ 56,016	\$ -	\$ -	\$ -
Options	43	(249)	-	-	(43)	(176)
Swaps	390	(11)	-	(77)	(214)	274
Foreign Exchange Contracts	(1,339)	-	-	-	-	1
Rights/Warrants Equity Contracts	151	54	-	-	-	54
Total Value	\$ (2,613)	\$ (206)	\$ 56,016			
Total Subject to Credit Risk				\$ (77)	\$ (257)	\$ (153)

Investment Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest will adversely affect the fair value of an investment. KCERA measures derivative interest rate risk using duration. Futures have a notional value

of \$56.0 million with varying maturities of less than three months to five years, which could have positive or negative investment revenue. At June 30, 2011, KCERA had the following investment derivative interest rate risks:

(In thousands)

Derivative Investment Type	Notional Value	Fair Value	< 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	5 to 10 Years	10+ Years
Futures	\$ 56,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Options	-	(249)	(219)	-	(30)	-	-	-
Swaps	(various)	(11)	-	(1)	-	(42)	12	20
Forward Exchange Contracts	-	-	-	-	-	-	-	-
Rights/Warrants, Equity Contracts	-	54	-	-	-	12	42	-
Total	\$ 56,106	\$ (206)	\$ (219)	\$ (1)	\$ (30)	\$ (30)	\$ 54	\$ 20

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – DERIVATIVES (cont.)

Investment Derivative Foreign Currency Risk
Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the

fair value of an investment. At June 30, 2011, KCERA had the derivative foreign currency exposures listed in the table below.

(In thousands)

	Foreign Currency	Fair Value (USD)
Foreign Exchange Contracts	British Pound Sterling	\$ (67)
	Euro	(194)
	Hong Kong Dollar	(29)
	Japanese Yen	268
	Swiss Franc	(92)
Total Foreign Derivatives		\$ (114)

NOTE 6 – CONTRIBUTIONS

Eligible County of Kern employees and their beneficiaries are entitled to pension, disability, and survivors' benefits under the provisions of the CERL with the establishment of KCERA on January 1, 1945. As a condition of participation under the provisions of the CERL, members are required to pay a percentage of their salaries, depending upon their age at date of entry in the Plan, membership type and benefit tier.

The funding objective of the KCERA Board of Retirement is to provide sufficient assets to permit the payment of all regular benefits promised under KCERA and to minimize the volatility of contribution rates (for the participating employers and members) from year to year as a percentage of covered payroll. There are three sources of funding for KCERA retirement benefits: employer contributions, member contributions, and investment earnings of KCERA.

Employer Contributions

Each year, an actuarial valuation is performed for the purpose of determining the funded position of the retirement plan and the employer contributions that are necessary to pay benefits accruing to KCERA members not otherwise funded by member contributions or investment earnings. For fiscal year 2011, the employer contribution rates are actuarially determined by using the Entry Age Funding method, approved by the Board of Retirement and adopted by the Board of Supervisors. Employer contribution rates are made up of two parts:

1. The Normal Cost, or the cost of the portion of the benefit that is allocated to the current year.
2. The payment to amortize the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is the excess of the Plan's accrued liability over its assets. In fiscal year 2011, the UAAL is amortized over 26.5 years.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – CONTRIBUTIONS (cont.)

Special districts did not participate in the funding provided by pension obligation bonds of \$224.5 million and \$285.1 million issued by the County of Kern in November 1995 and May 2003, respectively. Therefore, different employer contribution rates are required to fund the unfunded liabilities for each class of participation.

Member Contributions

Member contributions are made through payroll deductions on a pre-tax basis, per IRS Code Section 414(h)(2). Member contribution rates are applied to the member's base pay plus compensable special pay; they are calculated based on the member's KCERA entry age and actuarially calculated benefits. For certain safety bargaining units, a flat member contribution rate is applied.

As a result of prior negotiations, some members receive an employer "pick up" of their contributions. General members hired prior to Memoranda of Understanding (MOU)-specified dates in 2004

or 2005 are eligible to receive the "five-year stop" upon attaining five years of service. Safety members hired before MOU-specified dates in 2007 are eligible to receive the five-year stop upon attaining five years of service, except for the following bargaining units. Effective January 1, 2010, probation managers hired prior to April 7, 2004 who have not attained five years of service will pay 100% of employee contributions until attaining ten years of service. Effective January 1, 2010, probation officers hired prior to September 18, 2007 who have not attained five years of service will pay 100% of employee contributions until attaining seven years of service. Effective June 5, 2010, all firefighters eligible for the five-year stop will contribute a flat 1% of pensionable earnings.

Interest is credited to member contributions semi-annually on June 30 and December 31, in accordance with the CERL, Article 5.5. Member contributions and credited interest are refundable upon termination of membership.

Contribution Rates

Member Classification	Integrated Employee Rates	Employer Rates
General Members Tier I	6.34% - 11.25%	33.07%
General Members Tier II	4.51% - 8.60%	33.07%
General Members – Courts	6.34% - 11.25%	32.02%
Safety Members	11.14% - 17.42%	46.70%
Safety Members – Firefighters, Probation and Detention Officer Lieutenants (flat rate)	12.30%	46.70%
Special Districts (electing MOU)	6.34% - 11.25%	34.72%
Special Districts (not electing MOU)	6.34% - 11.25%	32.84%
Special Districts (full pickup)	6.34% - 11.25%	35.07%
Special Districts ("3% at 60" prospectively only)	6.34% - 11.25%	31.80%
Special Districts (adopted Tier II)	4.51% - 8.60%	33.64%

Employees of the Kern County Superior Court were required to pay an additional 2.5% contribution of base salary until March 12, 2011, when the rate increased to 3.0%. Finally, employees in spe-

cial districts not electing the 1997 MOU pay 50% of the full rates for the first 30 years of service, regardless of hire date.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – CONTRIBUTIONS (cont.)

Contribution Rates (cont.)

The table on page 38 summarizes the required contribution rates in effect on June 30, 2011. Member (i.e., “employee”) contribution rates range from youngest to oldest age at date of entry. Employer contribution rates are expressed as a percentage of covered payroll.

For members covered by Social Security, the member contribution rates shown above apply to monthly salaries over \$350. (A one-third reduction in the rates applies to the first \$350 of monthly salary.)

Total contributions made during fiscal years 2011 and 2010, respectively, amounted to approximately \$195.7 million and \$169.0 million, of which \$177.4 million and \$151.1 million were contributed by employers, and \$18.3 million and \$17.9 million were contributed by members.

Cost-of-Living Adjustment

On April 1, 1973, an annual cost-of-living adjustment (COLA) of up to 2% for all retirees and continuance beneficiaries was adopted. The 2% COLA was funded entirely from the unreserved fund balance until February 5, 1983. After this date and prior to fiscal year 2003, funding the 2% COLA was included in the employers' contributions. In fiscal year 2002, the County of Kern activated Government Code Section 31617, which provides that COLAs shall be funded first from excess earnings, to the extent of such excess, and thereafter from employer contributions. In fiscal year 2010, the Plan had no excess earnings; \$0 was reserved to fund the employer COLA contributions in fiscal year 2011.

Effective April 1, 2002, provisions of a court settlement agreement granted a permanent increase of a 0.5% cost-of-living adjustment to retirees and their beneficiaries. The cost of the 0.5% COLA increase was initially funded with a \$64.7 million allocation from funds held in the Supplemental Retiree Benefit Reserve. The remaining SRBR funds of this allocation on June 30, 2011 were \$73.7 million.

Supplemental Retirement Benefits

A supplemental benefits program currently provides enhancement to benefits payable to retirees and their beneficiaries in order to bring all eligible recipients up to 80% of dollar purchasing power as of their retirement date. A \$3,000 death benefit is also provided. The program is contingently funded from regular interest and one-half of “excess” earnings (i.e., earnings greater than the assumed actuarial rate of interest).

NOTE 7 – RESERVE ACCOUNTS AND DESIGNATIONS OF PLAN ASSETS

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Member, employer, and retired members' reserves are fully funded. KCERA maintains the following reserve and designation accounts:

Members' Deposit Reserve – member contributions and interest allocation to fund member retirement benefits.

Employers' Advance Reserve – employer contributions and interest allocation to fund member retirement benefits.

Cost-of-Living Reserve – employer contributions and interest allocation to fund annual cost-of-living increases for retirees and the continuance beneficiaries.

Retired Members' Reserve – transfers from members' deposit reserve and employers' advance reserve, and interest allocation for funding of retirees' and their beneficiaries' monthly annuity payments.

Supplemental Retiree Benefit Reserve – monies reserved for enhanced, non-vested benefits to current and future retired members and their beneficiaries.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – RESERVE ACCOUNTS AND DESIGNATIONS OF PLAN ASSETS (cont.)

COLA Contribution Reserve – monies reserved to credit future employer COLA contributions.

Contingency Reserve – excess income to supplement deficient earnings. The contingency reserve satisfies the Government Code Section 31616 requirement for KCERA to reserve at least 1% of

assets, up to a maximum of 3% of assets. At fiscal year ended June 30, 2011, -0.6% of the Plan's net assets were in contingencies, according to the Board of Retirement's Interest Credit Policy.

Balances in these reserve accounts and designations of net assets available for pension and other benefits at June 30, 2011 and 2010 (under the five-year smoothed market asset valuation method for actuarial valuation purposes) are as follows:

(In thousands)

Reserve Account	2011	2010
Members' Deposit Reserve - general	\$ 152,735	\$ 155,657
Members' Deposit Reserve, safety	58,013	59,599
Members' Deposit Reserve, special district	14,901	14,527
Employers' Advance Reserve, general	319,563	381,694
Employers' Advance Reserve, safety	245,314	272,209
Employers' Advance Reserve, special district	23,707	22,619
Cost-of-Living Reserve, general	413,942	390,320
Cost-of-Living Reserve, safety	301,006	288,441
Cost-of-Living Reserve, special district	24,250	21,777
Retired Members' Reserve, general	776,241	684,399
Retired Members' Reserve, safety	452,677	426,247
Supplemental Retiree Benefit Reserve (SRBR)	117,798	121,706
SRBR allocated for 0.5% COLA	73,753	77,155
Contingency Reserve	(16,355)	(16,355)
Total reserves at five-year smoothed market actuarial valuation	\$ 2,957,545	\$ 2,899,995
Market Stabilization Reserve*	(161,619)	(598,561)
Total net assets held in trust for pension benefits	\$ 2,795,926	\$ 2,301,434

* The Market Stabilization Reserve represents the difference between the five-year smoothed market value of the fund and the market value as of the fiscal year end.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Capital Commitments

As of June 30, 2011, KCERA's Board committed \$355 million to nine private equity fund-of-funds managed by Pantheon Ventures, Inc. (\$167.5 million) and Abbott Capital Management (\$187.5 million). Private equity investments have a long life cycle involving commitment, drawdowns, maturation, and stock distribution. For each fund, effective exposure reaches maximum at about four to six years and the effective allocation over the life cycle generally does not exceed 65% of the total commitment. As of June 30, 2011, KCERA's contributions to the private equity funds were \$192.6 million, with a market value of \$209.9 million.

As of June 30, 2011, KCERA's Board committed \$140 million to two Fidelity Real Estate Growth (FREG) commingled funds managed by Pyramis Global Advisors Trust Company. In this relationship, the general partner draws down invested capital from all limited partners, when necessary, to fund investments. The FREG funds can directly invest in property or indirectly invest in property through private companies or partnerships. As of June 30, 2011, KCERA's contributions to the two FREG funds were \$87.8 million, with a market value of \$56.6 million.

NOTE 9 – RELATED PARTY TRANSACTIONS

Office Lease

KCERA, as the sole shareholder, formed a title holding corporation, KCERA Property, Inc. (KPI) for the purpose of accommodating the administrative offices of the Plan. In October 2010, KCERA entered into its Build to Suit Lease agreement with KPI to occupy 14,348 square feet. KCERA is required to pay a monthly rate of \$1.75 per square foot as well as taxes, insurance and operating costs as defined in the agreement. The base rent shall be

subject to an automatic 10.4% increase beginning on the fifth anniversary of the commencement date and on each fifth year anniversary date thereafter during the lease term. The sum of payments due for fiscal year ended June 30, 2011 is \$216,774 for base rent and \$11,756 for insurance and assessment fees. KCERA's base rent and other costs are abated from KPI's rental income.

NOTE 10 – CLAIMS

KCERA is a defendant in various claims arising in the ordinary course of its operations. KCERA's management and legal counsel estimate that the ultimate outcome of such claims will not have a material effect on KCERA's financial statements.

Receivership of WG Trading Company, L.P. (WGTC), Westridge Capital Management, Inc., (Westridge), WG Trading Investors, L.P. (WGTI) and affiliated companies (collectively, "WG").

KCERA invested with Westridge Capital Management and WG Trading Company, L.P. (hereafter "entities"), which were found guilty of fraudulent accounting practices that defrauded investors of significant amounts of money. The United States District Court Southern District of New York appointed for the entities a Receiver, who managed an orderly liquidation of WG Trading Company, L.P. Based on all the information that was available to the Receiver, it appeared there would be a shortfall of approximately 60% of the claims from all investors.

KCERA's market value of the investment with WG Trading Company, L.P. at January 1, 2009 was \$85,540,788. KCERA wrote down this investment over two years to \$24,043,765. KCERA hired an attorney, Manatt, Phelps & Phillips, LLP, to recover its portion of the distributions. In April 2011, KCERA received a \$23,926,253 distribution.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11 – FUNDED STATUS AND FUNDING PROGRESS

KCERA's funded status as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) (3) – (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Annual Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
06/30/10	\$2,794,644	\$4,457,038	\$1,662,394	62.7%	\$559,380	297.2%

(Dollars in thousands)

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. A schedule of employer contributions that provides information about the

annual required contributions of the employer's Annual Required Contribution (ARC) and the percentage of the ARC recognized by the Plan are presented, where available, on the following pages as RSI.

Additional information as of the latest actuarial valuation dated June 30, 2010 is as follows:

Valuation date:	June 30, 2010
Actuarial assumptions:	
<i>Investment rate of return:</i>	7.75% per year
<i>Projected salary increases (individual):</i>	Rates varying by service
<i>Projected salary increases (total payroll):</i>	4.00% per year
<i>Includes inflation at:</i>	3.25% per annum
<i>Annual increase in system benefits cap:</i>	Contingent upon CPI with a 2.5% maximum*
Actuarial cost method:	Entry age actuarial cost method. 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 maximum retirement age.

* Based on changes in the Los Angeles-Riverside-Orange County Area Consumer Price Index for the calendar year prior to the April 1 effective date.

Kern County Employees' Retirement Association
NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 11 – FUNDED STATUS AND
FUNDING PROGRESS (cont.)**

Amortization method:	Level percent of payroll, closed, for total unfunded actuarial accrued liability (UAAL) (4% payroll growth assumed)
Remaining amortization period:	25.5 years as of the June 30, 2010 valuation
Asset valuation method:	The Actuarial Value of Assets is determined by recognizing investment earnings greater than (or less than) the assumed investment return over 10 six-month interest-crediting periods limited by a 50%/150% corridor around market value. For valuation purposes, the Actuarial Value of Assets is reduced by the value of the non-valuation reserves, such as the Supplemental Retiree Benefit Reserve and the Contingency Reserve.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to June 30, 2011, and through November 10, 2011, the date through which management evaluated subsequent events and on which the financial statements were issued, KCERA did not identify any subsequent events that require disclosure.

Kern County Employees' Retirement Association
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

SCHEDULE OF FUNDING PROGRESS
(NET OF SRBR AND \$3,000 DEATH BENEFITS)

(In thousands)

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Annual Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
06/30/10	\$ 2,794,644	\$ 4,457,038	\$ 1,662,394	62.7%	\$ 559,380	297.2%
06/30/09	\$ 2,780,215	\$ 4,205,200	\$ 1,424,985	66.1%	\$ 559,872	254.5%
06/30/08	\$ 2,654,305	\$ 3,671,460	\$ 1,017,155	72.3%	\$ 482,879	210.6%
12/31/07	\$ 2,589,817	\$ 3,355,755	\$ 765,938	77.2%	\$ 453,412	168.9%
12/31/06	\$ 2,352,028	\$ 3,109,038	\$ 757,010	75.7%	\$ 417,351	181.4%
12/31/05	\$ 2,164,304	\$ 2,861,872	\$ 697,568	75.6%	\$ 391,381	178.2%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30,	Annual Required Contributions (In thousands)	Percentage Contributed
2011	\$ 177,444	100%
2010	\$ 151,127	100%
2009	\$ 138,815	100%
2008	\$ 137,264	100%
2007	\$ 128,135	100%
2006	\$ 100,734	100%

* Valuations were performed as of December 31 for 2007 and earlier. They are as of June 30 for 2008 and later. See accompanying notes to required supplementary information and independent auditor's report.

Significant Factors Affecting Trends in Actuarial Information: Demographics

The number of active members included in the valuation decreased by 5.0% from 9,020 in 2009 to 8,567 in 2010. Retired member counts and average retirement benefit amounts continue to increase steadily. For 2010, there were 6,199 retired members and beneficiaries with an average benefit of \$2,438 per month. This represents a 4.6% in-

crease in count and a 5.4% 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 \$318,456 and \$275,233, respectively, while the average present value of future benefits per person for safety actives and retirees were \$592,072 and \$618,503, respectively.

Kern County Employees' Retirement Association
OTHER SUPPLEMENTAL INFORMATION

**SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
<i>Personnel Services:</i>		
Salaries & Wages	\$ 1,242,241	\$ 1,242,682
Employee Benefits	788,359	755,983
Total Personnel Services	<u>2,030,600</u>	<u>1,998,665</u>
<i>Professional Services:</i>		
Legal Counsel	226,977	284,539
Audit	27,182	74,740
Medical/Hearing Officers	102,714	98,686
Other Professional Services	119,557	113,390
Total Professional Services	<u>476,430</u>	<u>571,355</u>
<i>Communication:</i>		
Postage	30,432	35,670
Printing	7,193	12,084
Telephone/Internet	17,358	10,864
Education & Professional Development	34,312	48,056
Marketing & Promotions	22,104	21,850
Total Communication	<u>111,399</u>	<u>128,524</u>
<i>Operating Expenses:</i>		
Equipment Leases	21,265	20,238
Building Lease	26,000	75,600
Office Expense	22,820	17,625
Insurance	112,381	110,396
Equipment Maintenance	12,322	15,072
Memberships	6,633	5,929
Special Departmental Expense	33,856	19,035
Other Services	35,780	13,675
Pension Disbursement Fees	100,000	100,000
Utilities & Maintenance	32,098	12,715
Information Technology	100,503	45,299
Projects	576,167	-
Depreciation	64,542	73,054
Total Operating Expenses	<u>1,144,367</u>	<u>508,638</u>
Total Administrative Expenses	\$ 3,762,796	\$ 3,207,182

See accompanying independent auditor's report.

Kern County Employees' Retirement Association
OTHER SUPPLEMENTAL INFORMATION

**SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
<i>Investment Manager Fees:</i>		
Equity	\$ 3,812,067	\$ 2,438,228
Fixed Income	1,363,160	1,468,509
Real Return	<u>528,743</u>	<u>368,392</u>
Total Investment Manager Fees	5,703,970	4,275,129
<i>Other Investment Expenses:</i>		
Custodian	392,292	406,875
Actuarial Consultant	121,179	212,336
Investment Consultant	297,322	239,210
Legal Fees	999,861	231,142
Due Diligence	8,610	25,930
Real Estate	<u>48,844</u>	<u>31,248</u>
Total Other Investment Expenses	1,868,108	1,146,741
Total Fees and Other Investment Expenses	7,572,078	5,421,870
<i>Security Lending Rebates and Bank Fees</i>	151,693	99,717
Total Investment Expenses	\$ 7,723,771	\$ 5,521,587

See accompanying independent auditor's report.

Kern County Employees' Retirement Association
OTHER SUPPLEMENTAL INFORMATION

**SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

Individual or Firm	Nature of Service	Commission / Fee	
		2011	2010
Brown Armstrong Accountancy Corporation	External Auditors	\$ 27,182	\$ 76,457
Cortex Applied Research, Inc. Linea Solutions, Inc.	Policy Consultants Oversight Project Manager for Pension Admin System	51,642	46,727
Milliman, Inc.	Actuarial Services	273,717	357,212
Kern County Counsel	Legal Counsel	33,794	38,592
Hanson Bridgett	Legal Counsel	181,291	254,873
Manatt, Phelps & Phillips, LLP	Legal Counsel	34,186	10,248
Andrew L. Kjeldgaard, Attorney at Law	Legal Counsel	31,686	16,606
Professional Administrative System	Personnel Consultants	14,045	-
Other Specialized Services	Other	9,456	-
		-	2,813
Total Payments to Consultants		\$ 656,999	\$ 803,528

(These payments were made to outside consultants other than investment professionals. A Schedule of Investment Fees is presented on pages 62 and 63 in the Investment Section.)

See accompanying independent auditor's report.

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Almond Orchard in Bloom

Investment Section

Despite its rapid growth and burgeoning economy, Kern County still enjoys much of the “old world” life known to past generations: farm land, animal husbandry, lifelong friends and living off the land.

Even the most complex investment relies on a basic belief: a healthy seed planted in fertile soil under good conditions can yield an abundant harvest. This belief guides investors throughout Kern County, whether they work behind a desk or in an almond orchard.

Discovering

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PRUDENT INVESTMENT • QUALITY SERVICE

Anne M. Holdren
Executive Director

Gloria Dominguez
Assistant Executive Director

**Kern County Employees' Retirement Association
Board of Retirement**

Norman Briggs, Chairman
Jeff Frapwell, Vice Chairman
Jackie Denney
Lance Horton
Joseph Hughes
Konrad Moore
Mark Ratekin
Zack Scrivner
Michael Turnipseed
Bart Camps, *Alternate*
Phil Franey, *Alternate*

October 20, 2011

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

Dear Board Members:

I am pleased to provide you with the report on the Kern County Employees' Retirement Association ("KCERA") investment portfolio for the fiscal year ending June 30, 2011. KCERA's investment consultant, Wurts & Associates, independently calculated the Fund's fiscal year performance results using data on market valuations and transactions provided by the Fund's custodian bank, the Northern Trust Company. For the fiscal year ended June 30, 2011, the KCERA's retirement fund had an investment gain of 19.4% (gross of fees) and 19.2% (net of fees) and ended the year with total assets of approximately \$2.8 billion.

All of the KCERA's retirement funds are managed according to guidelines codified in the KCERA's Statement of Investment Goals, Objectives, and Policies. This Statement is reviewed periodically to ensure that best practices are employed in all aspects of our work. The KCERA Board adopted the current asset allocation policy in May 2010. An interim asset allocation policy was adopted in June 2010 to facilitate dollar cost averaging in rebalancing to the May 2010 asset allocation policy targets.

At fiscal year end, the KCERA retirement fund's actual asset allocation was within reasonable rebalancing bands of the interim policy target allocations. Real Assets are holdings intended to outperform in inflationary environments and include Treasury Inflation-Protected Securities (TIPS) and Real Estate. Absolute Return focuses on investing in hedged strategies designed to dampen the KCERA's investment return volatility (risk) and lower its correlation with public market returns.

Wurts & Associates and KCERA staff regularly monitor all investment managers it employs to ensure that their portfolios meet KCERA's guidelines for a specific mandate. All KCERA managers were in compliance with their guidelines on June 30, 2011.

<u>Asset Class</u>	<u>Policy Target</u>	<u>Interim Policy</u>	<u>6-30-2011 Allocation</u>
Domestic Equities	22.5%	24.0%	24.9%
International Equities	22.5%	24.0%	24.7%
Private Equities	10.0%	8.0%	7.4%
Fixed Income	13.0%	20.0%	20.3%
High Yield	4.0%	4.0%	3.9%
Real Asset Return	15.0%	12.0%	13.2%
Absolute Return	10.0%	6.0%	5.5%
Cash	3.0%	2.0%	0.1%

11125 River Run Boulevard • Bakersfield, California 93311
Tel (661) 381-7700 • Fax (661) 381-7799 • Toll Free (877) 733-6831 • TTY Relay (800) 735-2929

The total fund's investment performance exceeded its 7.75% actuarial return assumption as financial markets continued to regain the steep losses incurred during the near meltdown of September 2008-March 2009. KCERA's total fund and composite returns are reported net of fees. Return calculations reflect a time-weighted, market weight of return. Investment highlights included:

- The KCERA's total fund returned 19.2% for the fiscal year, versus the policy return of 21.5%. Underperformance versus policy was due primarily to poor relative performance by KCERA's private equity managers (16.1% versus the private equity policy benchmark's 36.2%). Returns across other asset classes either exceeded or were in line with asset class benchmarks and peers.
- KCERA's Domestic Equity composite returned 34.0% versus a return of 32.0% for the benchmark Wilshire 5000 Index. The largest contributor to KCERA's out-performance was the allocation to PIMCO's StocksPlus strategy, which returned 35.0% for the year ended June 30, 2011. StocksPlus' gains were driven by its positions in interest-sensitive securities benefiting from investors' continuing appetite for risk assets.
- KCERA's Core Fixed Income composite returned 6.7% versus 3.9% for the benchmark Barclays Capital U.S. Aggregate Index. Western Asset Management's Active Core Plus portfolio returned 8.1% as it benefited from significant positions in non-index high yield, structured products and emerging market debt. PIMCO's Core Plus strategy delivered returns in line with the benchmark as losses from underweighting U.S. Treasuries largely offset gains from its high yield and emerging market positions.
- KCERA's High Yield Bond composite returned 13.9% versus a return of 15.4% for the benchmark BofA Merrill Lynch High Yield Master II Index. Neuberger Berman underperformed the benchmark due to its relative overweight in lower rated names which sold off sharply in June 2011.
- KCERA's International Equity composite returned 30.9%, out-performing the benchmark Morgan Stanley Capital International All Country World ex-U.S. (MSCI ACWI) benchmark's 30.3% return. Pyramis Global Advisors Select International was KCERA's best performer in the class, returning 34.0%. Pyramis benefitted from overweighting the German and Scandinavian markets relative to its peers as well as the benchmark.
- The allocation to alternative asset classes experienced mixed performance during the year. Private Equity generated 16.1% and the Absolute Return composite returned 7.1%. While KCERA's Private Equity managers underperformed the sector, it has historically provided positive returns and good diversification benefits for the overall fund. The KCERA Real Assets allocation returned 20.0% primarily due to the strong performance of LaSalle Investment Management's U.S. and Global Real Estate Investment Trust (REIT) portfolios, which returned 37.2% and 39.7%, respectively.

During the coming year, Wurts & Associates and KCERA staff will be working closely with the Board and in a continuing effort to strengthen investment performance, risk management and transparency.

Sincerely,



Anne M. Holdren
Executive Director

**OUTLINE OF INVESTMENT POLICIES
ADOPTED BY THE BOARD OF RETIREMENT
APRIL 13, 2011**

General Information

The Board of Retirement (the Board) has exclusive control of the investments of the retirement fund and, therefore, establishes investment policies and implements investment decisions. The overall objective of KCERA's investment program is to prudently invest assets such as to offset some of the costs of the Plan in providing the retirement benefits required by the County Employees' Retirement Law of 1937.

The Board is governed by the Government Code Sections 31594 and 31595 which provides a standard of care commonly known as the "prudent expert rule," a rule which recognizes that special skill and knowledge may be necessary in order to invest the fund prudently. Accordingly, the Board retains a number of professional investment advisers and an investment consultant. The Board is required to diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless it is clearly prudent not to do so.

The Board consists of nine members and two alternate members. Four members of the Board are appointed by the Kern County Board of Supervisors; the County Treasurer-Tax Collector is a statutory member of the Board; and four members are elected by active and retired members of KCERA.

Summary of Investment Guidelines

The Board of Retirement has adopted an Investment Policy Statement to serve as the framework for investment policy making and investment objective setting within the context of applicable California laws. The Statement establishes invest-

ment goals, objectives, and policies and defines the responsibilities of the Board members in regard to KCERA's investments. The guidelines articulated in the Statement are, in outline, as follows:

- To base the investment of assets on a financial plan that takes into consideration various alternative investment mixes, their resulting risk and return levels, and the current and projected liabilities of the Plan.
- To adopt an asset allocation mix with an objective of achieving or maintaining a fully funded status.
- To select and monitor external investment managers and a master custodian.
- To oversee investment services and ensure that they are received at the lowest possible cost without sacrificing quality or performance.
- To establish a proxy voting policy with regard to equity investments.
- To review every aspect of the investment program on a regular basis.

Summary of Proxy Voting Guidelines

The Board has established a set of policies for dealing with proxies, the KCERA Proxy Voting Policy. This policy considers shareholder voting on corporate issues to represent assets of the Plan to be voted in the best interests of the beneficiaries of the Plan. The voting of proxies is delegated to a third party to vote on behalf of the Board according to the guidelines established in the policy. The Board is responsible to monitor proxy voting to see that its policies are implemented effectively.

Kern County Employees' Retirement Association

ASSET ALLOCATION

The Board of Retirement periodically establishes an asset allocation policy aimed at achieving a long-term rate of return on the fund's investments such as to prudently add income to the fund to help provide the benefits promised. The asset allocation statement provides a target allocation or weighting to each of the broad investment classes of assets along with allowable ranges of weightings around each target weight. The target weights are viewed as longer-term objectives to be funded in a manner consistent with efficiency and cost savings. The asset allocation policy provides the target level of diversification among asset classes anticipated for the future. Asset allocation is reviewed on an annual basis to assure that the expectations and assumptions incorporated in the policy remain valid and appropriate. Investment performance is monitored on quarterly, annual and multi-year basis. The asset allocation of the fund is rebalanced, as needed, but in view of the costs of such transactions, as well.

The Board engages external professional investment advisers to invest various portions of the fund. The advisers are, however, constrained to invest as provided in KCERA's investment policies and allocation guidelines. Investment advisers formally notice their compliance with such policies and their portfolios are scrutinized for such compliance at regular intervals. The investment consultant participates in policy formulation and searches for new managers, as well as the termination of existing managers failing to perform or otherwise out of compliance with their investment mandates.

The Board of Retirement adopted the current asset allocation policy in May 2010. An interim asset allocation was adopted in June 2010 to facilitate dollar cost averaging in rebalancing to the May 2010 asset allocation policy targets. The target asset allocation and the actual asset allocation at June 30, 2011 are as follows:

Asset Class	Actual	Interim	Target	Target Ranges	
				Minimum	Maximum
Domestic Equities	24.9%	24.0%	22.5%	17.5%	27.5%
International Equities	24.7%	24.0%	22.5%	17.5%	27.5%
Fixed Income	20.3%	20.0%	13.0%	11.0%	15.0%
High Yield	3.9%	4.0%	4.0%	1.0%	7.0%
Real Assets	13.2%	12.0%	15.0%	12.0%	18.0%
Private Equities	7.4%	8.0%	10.0%	5.0%	15.0%
Absolute Return	5.5%	6.0%	10.0%	8.0%	12.0%
Cash / Other	0.1%	2.0%	3.0%	1.0%	5.0%
Total	100.0%	100.0%	100.0%		

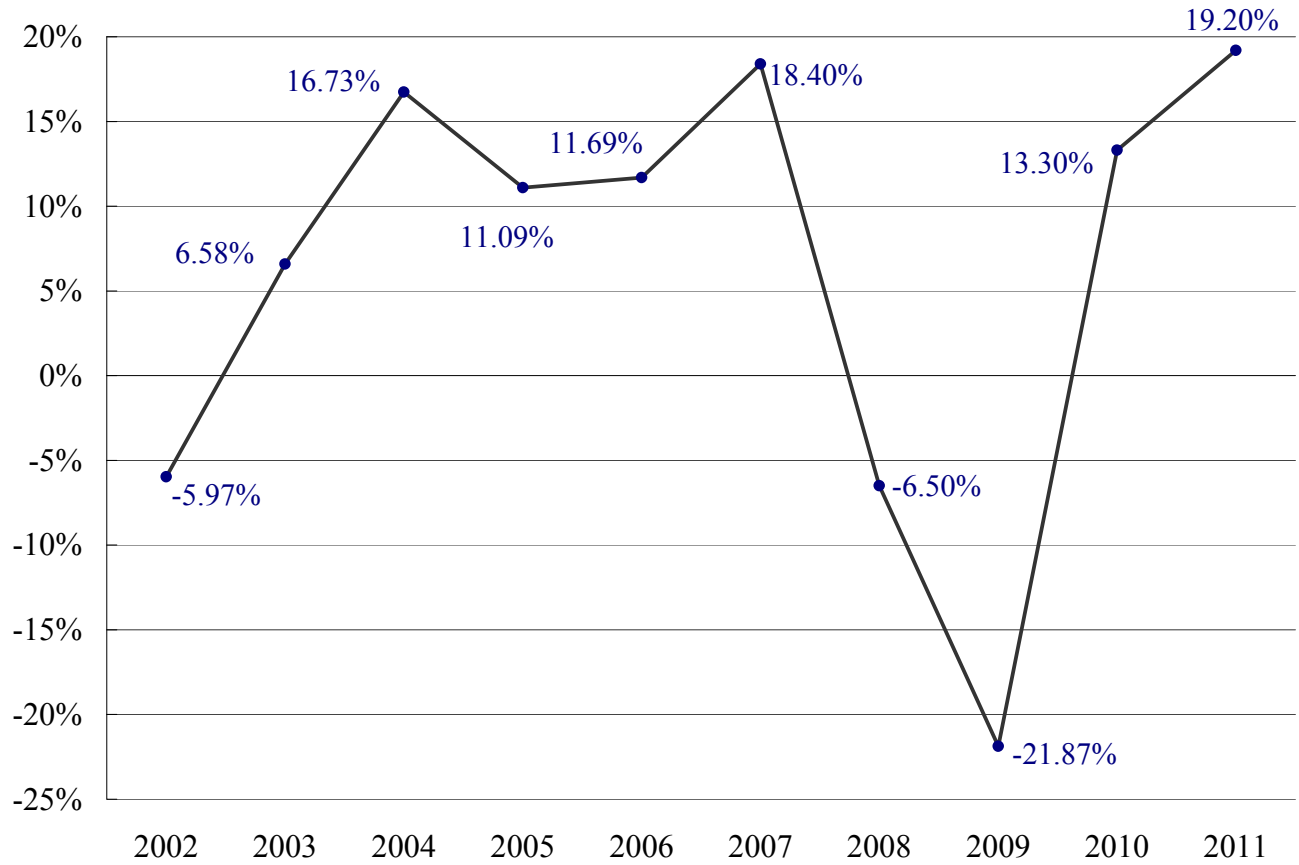
Kern County Employees' Retirement Association

**INVESTMENT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2011**

Type of Investment	Fair Value (In thousands)	% of Total Fair Value
<i>Domestic Equities</i>		
Large Cap Index Fund	\$ 206,303	7.37%
Large Cap Enhanced Index	127,324	4.55%
Large Cap Risk Controlled	231,875	8.28%
Small Cap Growth	67,244	2.40%
Small Cap Value	64,415	2.30%
Total Domestic Equities	697,161	24.90%
<i>International Equities</i>		
EAFE Securities	458,459	16.37%
Small Cap Core	88,214	3.15%
Emerging Markets	144,663	5.16%
Total International Equities	691,336	24.68%
<i>Fixed Income</i>		
Fixed Income Index Fund	227,019	8.11%
Moderate Risk Core-Plus	227,559	8.12%
Aggressive Risk Core-Plus	109,663	3.92%
High Yield	110,898	3.96%
Total Fixed Income	675,139	24.11%
<i>Real Asset Return</i>		
TIPS Index Fund	177,603	6.34%
Private Real Estate Investments	56,591	2.02%
U.S. REITs	107,910	3.85%
Global REITs	23,517	0.84%
Property	5,065	0.18%
Total Real Asset Return	370,686	13.23%
<i>Alternative Investments</i>		
Private Equities	209,942	7.50%
Hedge Funds	154,393	5.51%
Total Alternative Investments	364,335	13.01%
<i>Cash & Cash Equivalents</i>	2,190	0.08%
<i>Assets in Liquidation</i>	19	0.00%
Total Investments	\$ 2,800,866	100.0%
<u>Reconciliation</u>		
KCERA Capital Assets	3,672	
KCERA Receivables / Payables	(8,612)	
KCERA Net Assets Held in Trust for Pension Benefits	\$ 2,795,926	

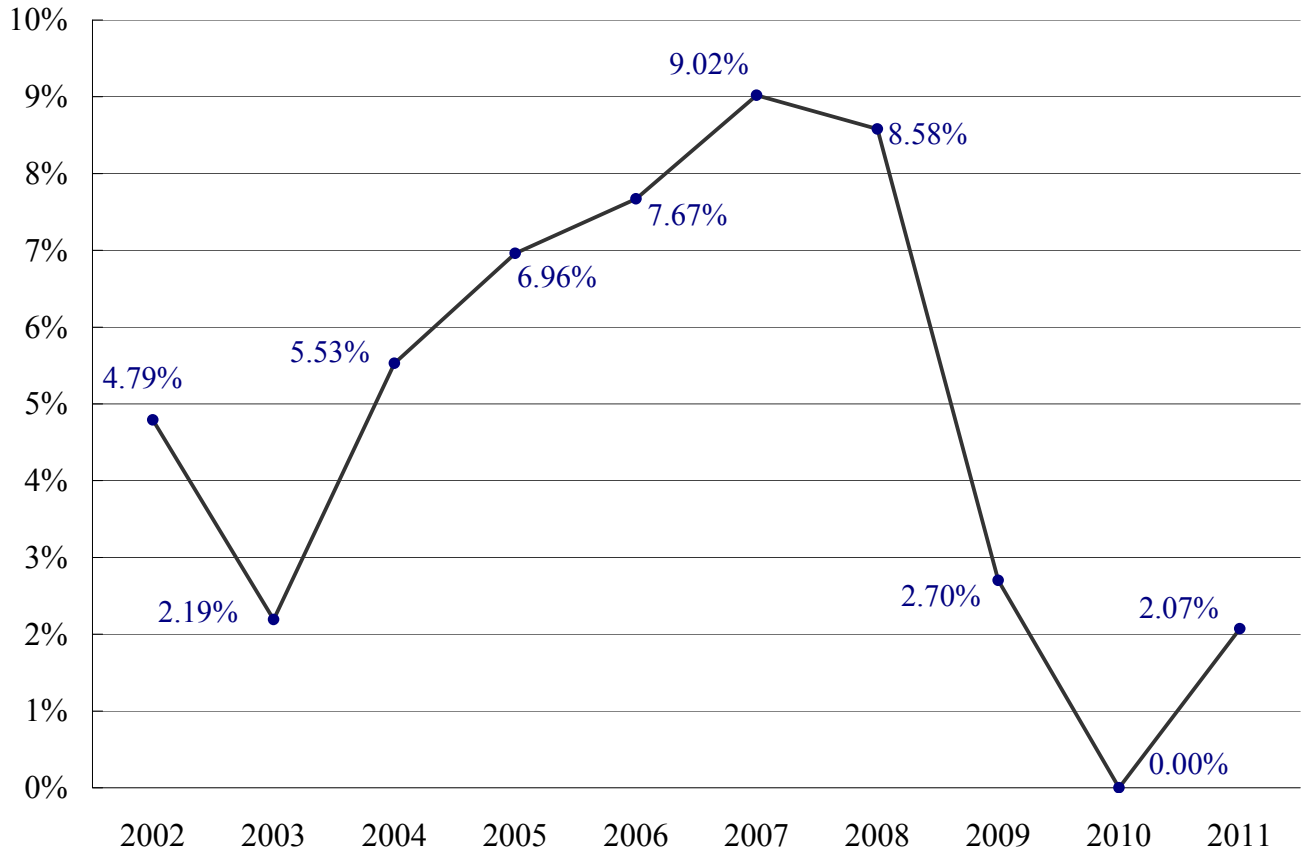
Kern County Employees' Retirement Association

**HISTORY OF PERFORMANCE
ANNUAL RETURNS (NET OF FEES)
FOR PERIODS ENDED JUNE 30**



Kern County Employees' Retirement Association

**HISTORY OF INVESTMENT EARNINGS
FIVE-YEAR SMOOTHED ASSET VALUATION
FOR PERIODS ENDED JUNE 30**



KCERA uses the five-year smoothed spread gain valuation method to allocate investment earnings greater than (or less than) the assumed investment return (actuarial assumption rate minus actual rate). The reserve account balances reflect the five-year smoothed asset valuation method for actuarial purposes. In accordance with KCERA's Interest Crediting Policy, when investment returns would result in a negative five-year smoothed rate, KCERA sets the smoothed rate at 0.00% and credits the Contingency Reserve with the negative balance.

Kern County Employees' Retirement Association

INVESTMENT RESULTS
RETURNS FOR PERIODS ENDED JUNE 30

	Current Year	Annualized		
		3-Year	5-Year	10-Year
Total Fund:	19.2	1.4	2.9	5.2
Benchmark: Composite Policy*	21.5	5.2	5.7	6.3
Domestic Equities:	34.0	3.1	2.7	3.3
Benchmark: Wilshire 5000 Index	32.0	4.0	3.4	3.7
International Equities:	30.9	-0.7	2.9	6.8
Benchmark: MSCI ACWI ex-US	30.3	0.1	4.1	7.9
Fixed Income:	6.7	8.2	6.1	6.1
Benchmark: Barclays Aggregate	3.9	6.5	6.5	5.7
High Yield:	13.9	9.9	7.8	N/A
Benchmark: BofA ML HY Master II	15.4	12.4	9.2	N/A
Real Asset Return:	20.0	-7.6	-5.1	6.4
Benchmark: Composite Policy**	21.1	5.6	5.6	9.6
Absolute Return:	7.2	-0.7	2.3	N/A
Benchmark: 90-Day T-Bill + 3%	3.2	3.4	5.0	N/A
Global Private Equities:	16.1	0.1	6.2	1.6
Benchmark: Russell 3000 Index + 3%	36.2	7.3	6.6	6.6
Cash & Cash Equivalents:	0.6	1.4	2.7	N/A
Benchmark: 90-Day T-Bill	0.2	0.4	2.0	N/A

* Total Fund: 22.5% Wilshire 5000 Index
 22.5% MSCI ACWI x-U.S. IMI Index
 10.0% Wilshire 5000 + 3%
 13.0% Barclays Aggregate
 4.0% Barclays US High Yield 2% Issuer Capped
 15.0% KCERA Custom Weighted Real Asset Return Benchmark
 10.0% 91-Day T-Bill + 4%
 3.0% 90-Day T-Bill

** Real Asset Return: 36% Barclays U.S. TIPS
 34% Wilshire RESI
 7% Wilshire Global RESI
 23% NCREIF

Note: Return calculations were prepared using a time-weighted rate of return based on market (fair) values.

Kern County Employees' Retirement Association

**INVESTMENT PROFESSIONALS
AS OF JUNE 30, 2011**

INVESTMENT MANAGERS
<u>Domestic Equity</u>
Columbia Management Portland, OR
Fisher Investments Institutional Group Woodside, CA
Mellon Capital Management Corporation San Francisco, CA
Pacific Investment Management Company Newport Beach, CA
PanAgora Boston, MA
T. Rowe Price Baltimore, MD
<u>International Equity</u>
BlackRock, Inc. San Francisco, CA
Capital Guardian International, Inc. Los Angeles, CA
JP Morgan Fleming Asset Management London, England
Pyramis Global Advisors Trust Co. Boston, MA
<u>Fixed Income</u>
Mellon Capital Management Corporation San Francisco, CA
Neuberger Berman Chicago, IL
Pacific Investment Management Company Newport Beach, CA
Western Asset Management Co. Pasadena, CA

INVESTMENT MANAGERS (cont.)
<u>Real Asset Return</u>
LaSalle Securities Limited Baltimore, MD
Mellon Capital Management Corporation San Francisco, CA
Pyramis Global Advisors Trust Co. Boston, MA
<u>Alternative Investments</u>
Abbott Capital Management, LLC New York, NY
Blackstone Alternative Asset Management New York, NY
K2 Advisors Stamford, CT
Pantheon Ventures, Inc. San Francisco, CA

CONSULTANTS
Wilshire Associates, Inc. Santa Monica, CA
Wurts & Associates Seattle, WA

ACTUARY
Segal Company, Inc. San Francisco, CA

CUSTODIAN
The Northern Trust Company Chicago, IL

Kern County Employees' Retirement Association

**LARGEST STOCK DIRECT HOLDINGS (BY MARKET VALUE)
AS OF JUNE 30, 2011**

Shares	Stocks	Market Value
20,749	Apple	\$ 6,964,817
82,562	Exxon Mobile	\$ 6,718,896
172,740	Royal Dutch Shell	\$ 6,130,945
233,460	Microsoft	\$ 6,069,960
126,240	BHP Billiton	\$ 5,919,681
49,605	Chevron	\$ 5,101,378
76,722	Nestle	\$ 4,760,955
79,598	Total	\$ 4,602,358
1,720,397	Vodafone Group	\$ 4,565,605
187,792	BG Group	\$ 4,263,078

**LARGEST BOND DIRECT HOLDINGS (BY MARKET VALUE)
AS OF JUNE 30, 2011**

Par	Bonds	Market Value
36,900,000	U.S. Treasury Notes 2.375% due 08-31-2014 Reg	\$ 38,609,503
15,730,000	U.S. Treasury 2.375% due 05-31-2018	\$ 15,646,474
8,900,000	FNMA Single Family Mortgage 4.5% 30 Years Settles July	\$ 9,207,326
7,966,201	FNMA Pool 4% 11-01-2040	\$ 7,977,433
3,860,000	U.S. Treasury Infl Indexed Bonds 2.375% due 01-15-2025	\$ 5,292,405
5,100,000	Federal National Mortgage Assoc Pool 3.5% 07-15-2026	\$ 5,192,438
4,000,001	FNMA Pool 4% 08-01-2025	\$ 4,175,241
4,200,000	U.S. Treasury Notes 2.375% due 06-30-2018 Reg	\$ 4,168,500
4,000,000	FNMA Single Family Mortgage 4% 15 Years Settles July	\$ 4,166,248
3,800,000	GNMA I Single Family Mortgage 4.5% 30 Years Settles July	\$ 4,010,186

A complete list of portfolio holdings is available upon request.

Kern County Employees' Retirement Association

**ASSETS UNDER MANAGEMENT
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

(In thousands)

Asset Classes	2011	2010
Domestic Equity	\$ 695,100	\$ 533,045
International Equity	686,367	530,213
High Yield	106,644	133,893
Fixed Income	568,879	521,114
Real Asset Return	369,652	202,673
Global Private Equities	209,942	173,232
Absolute Return	154,393	125,252
Liquidation Assets	17	24,044
Investments at Fair Value	<u>2,790,994</u>	<u>2,243,466</u>
Cash & Short-Term Investments	33,092	80,370
Investments Sold / Purchased	(30,126)	(24,369)
Investment Income & Other Liabilities	6,906	351
Total Assets Under Management	\$ 2,800,866	\$ 2,299,818
KCERA Capital Assets	3,672	2,759
KCERA Receivables / Payables	(8,612)	(1,143)
Net Assets Held in Trust for Pension Benefits	\$ 2,795,926	\$ 2,301,434

Kern County Employees' Retirement Association

**SCHEDULE OF INVESTMENT FEES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

(Not in thousands)

Investment Managers' Fees*	2011	2010
U.S. Equity Managers:		
AXA Rosenberg Investment Management	\$ 74,444	\$ 164,310
BlackRock	111,192	201,845
Fisher Investments	244,506	0
Mellon Capital Management	25,911	0
PanAgora	35,524	0
State Street Global Advisors	59,828	126,223
T. Rowe Price	184,598	0
Total U.S. Equity Managers	<u>736,003</u>	<u>492,378</u>
Non-U.S. Equity Managers:		
Pyramis Global Advisors	710,830	607,700
BlackRock	1,238,133	332,061
JP Morgan Investment Management	1,127,101	1,006,089
Total Non-U.S. Equity Managers	<u>3,076,064</u>	<u>1,945,850</u>
High Yield Managers:		
Goldman Sachs Asset Management	216,064	459,744
Neuberger Berman	123,679	0
Western Asset Management	129,524	163,808
Total High Yield Managers	<u>469,267</u>	<u>623,552</u>
Fixed Income Managers:		
Goldman Sachs Asset Management	144,495	279,574
Mellon Capital Management	24,788	0
PIMCO	282,726	0
Western Asset Management	441,884	565,383
Total Global Fixed Income Managers	<u>893,893</u>	<u>844,957</u>
Real Asset Return Managers:		
State Street Global Advisors TIPS	25,424	23,406
LaSalle Securities	480,967	344,986
Mellon Capital Management	22,352	0
Total Real Asset Return Managers	<u>528,743</u>	<u>368,392</u>
Total Investment Managers' Fees	\$ 5,703,970	\$ 4,275,129

* Includes fees paid directly to investment managers.

(Schedule of Investment Fees continued on next page)

Kern County Employees' Retirement Association

SCHEDULE OF INVESTMENT FEES (cont.)

Investment Consultant Fees	2011	2010
<i>Custodial Fees</i>		
The Northern Trust Company	\$ 392,292	\$ 406,875
<i>Actuarial Fees</i>		
Milliman, Inc.	121,179	145,821
EFI Actuaries	0	66,515
<i>Consultants</i>		
Alliance	31,875	0
Glass, Lewis & Co.	39,210	39,210
Wilshire Associates, Inc.	200,000	200,000
Cortex Applied Research	23,957	0
Other	2,280	0
<i>Legal Fees</i>		
Kern County Counsel	25,251	25,008
Hanson Bridgett	0	4,937
Manatt, Phelps & Phillips	846,749	189,308
K & L Gates LLP	0	11,889
Foster Pepper PLLC	125,846	0
Kjeldgaard, Andrew L.	2,015	0
<i>Due Diligence</i>		
Trustees / KCERA Management	8,610	25,930
<i>Security Lending Fees</i>		
The Northern Trust Company	151,693	99,717
<i>Real Estate Expenses</i>		
KCERA Property Inc.	48,844	31,248
Total Investment Fees	\$ 7,723,771	\$ 5,521,587

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Tehachapi Wind Farm

Actuarial Section

Far into Kern's eastern hills lies the Tehachapi Wind Farm, filled with about 5,000 wind turbines that represent the second-largest collection of wind generators in the world and the largest in terms of output. Operated by a dozen companies, the Wind Farm has shown that the private sector remains a mighty force of local innovation.

Besides this world-famous destination, Kern County is home to other lesser-known tourist sites, such as the Dryden Flight Research Center, the West Kern Oil Museum, the Cowboy Memorial and much more.

Discovering

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February 2, 2011

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

Members of the Board:

Milliman has performed the June 30, 2010 annual actuarial valuation for the Kern County Employees Retirement Association (KCERA). It is anticipated that future actuarial valuations will be performed annually.

Contribution Rates

The financing objective of KCERA is to amortize any Unfunded Actuarial Accrued Liabilities (UAAL) over a closed 25.5-year period as of June 30, 2010, while maintaining contribution rates that will tend to remain level as percentages of payroll. As of June 30, 2010 there is a UAAL of \$1,662.3 million. The Total Plan calculated contribution rate increased from 36.42% of pay based on the June 30, 2009 valuation to 38.98% of pay based on the June 30, 2010 valuation. This increase was due primarily to a large recognized asset loss. Note: No CCR credit applies for the June 30, 2009 or June 30, 2010 valuation contribution rates.

Funded Status – Regular Pension Benefits

Based on the June 30, 2010 actuarial valuation, the Funded Ratio decreased during the period from June 30, 2009 to June 30, 2010 from 66.1% to 62.7%. The Funded Ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability. It should be noted that, due to five-year asset smoothing, the 2010 valuation results do not entirely reflect the significant market loss on assets that occurred in the fiscal year ending June 30, 2009. The Funded Ratio using the market value of assets on June 30, 2010 was 52%. Thus, the Funded Ratio is expected to continue to decrease as deferred market losses are reflected in upcoming valuations.

Funded Status – Supplemental Retirement Benefit Reserve (SRBR)

Based on the June 30, 2010 actuarial valuation, the Funded Ratio for all SRBR benefits increased during the past year from 144.1% to 155.6% due primarily to lower than expected inflation in 2009. The Funded Ratio is the ratio of the actuarial value of the SRBR assets over the present value of all SRBR benefits.

Assumptions

No assumption changes were made for the June 30, 2010 actuarial valuation. The June 30, 2010 valuation results and assumptions make no provision or expectation for potential losses due to the non-valuation of future excess earnings transfers to the CCR and SRBR, which will reduce the valuation assets available to fund regular pension benefits. A complete investigation of experience was performed as of June 30, 2008. The next investigation of experience is scheduled to be performed as of June 30, 2011.

We assisted in the preparation of several schedules included in the actuarial, statistical and financial sections of KCERA's Comprehensive Annual Financial Report. Data for years before the 2004 valuation were prepared by the prior actuarial firms retained by KCERA. Following are the sections with which we were involved:

1. Schedule of Active Member Valuation Data
2. Schedule of Retirants and Beneficiary Data
3. Solvency Test
4. Analysis of Financial Experience
5. Schedule of Average Benefit Payment Amounts
6. Schedule of Funding Progress
7. Historical Changes in UAAL/(Surplus)

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.

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Certification Statement

In preparing our valuation 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. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

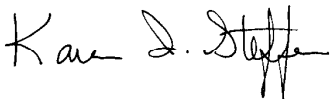
The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Assumptions used in the actuarial valuation were reviewed as part of the Investigation of Experience and approved by the Board. The Retirement Board has the final decision regarding the appropriateness of the assumptions. They represent a reasonable estimate of future conditions affecting KCERA, and we believe they are also reasonably related to the past experience of KCERA. Nevertheless, the emerging costs of KCERA will vary from those presented in our 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 the report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Milliman's work products have been 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 operations, and uses KCERA's data, which Milliman has not audited. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. 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 certify that the June 30, 2010 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries, Fellows of the Society of Actuaries, Enrolled Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Karen I. Steffen, FSA, EA, MAAA
Consulting Actuary
KIS/DRW/nlo
Enclosures



Daniel R. Wade, FSA, EA, MAAA
Consulting Actuary

Kern County Employees' Retirement Association

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Economic Assumptions

<i>Interest Rate:</i>	7.75% per year
<i>Salary Increases - Individual:</i>	Rates vary by service, as shown in Table 1 on page 71.
<i>Salary Increases - Total Payroll:</i>	4.00% per year
<i>Inflation Assumption:</i>	3.25% per year

Actuarial Methods

Funding Method: Entry Age Funding Method, with costs allocated as a level percent of salary.

Actuarial Cost Method: Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each member is allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age).

Amortization Period: The actuarial present value of benefits expected to be paid in the future is the Normal Cost. The difference between the Normal Cost and the actuarial present value of all future benefits for contributing members, former contributing members and their survivors is the Actuarial Accrued Liability (AAL). The sum of all AAL and the actuarial value of the assets is the Unfunded Actuarial Accrued Liability (UAAL).

The UAAL is amortized over 25.5 years, as of June 30, 2010. Beginning July 1, 2009, any liability attributable to golden handshakes is paid by one of two methods, as elected by the employer:

1. Payment in full in the first month of the fiscal year following the fiscal year in which the golden handshake(s) was granted; or
2. According to a five-year amortization to be invoiced to the employer in the first month of the fiscal year following the fiscal year in which the golden handshake(s) was granted. The amortization schedule will be based upon the valuation interest rate used in the most recently completed valuation at the time that the amortization schedule is created. The employer may complete payment of the golden handshake(s) at any time during the five-year amortization period.

Kern County Employees' Retirement Association

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (cont.)

Demographic Assumptions

Post-Retirement Mortality:

- A) General Members and Safety Members: RP-2000 Combined Healthy Annuitant Mortality Table. Rates set back two years for females and one year for males.
- B) Beneficiaries: Rates are the same as a General service retiree of the same gender.
- C) Disability Retirement: RP-2000 Combined Healthy Annuitant Mortality Table. Rates set forward four years for females and two years for males. Rates are not less than 1.00% for both males and females. Safety disability rates are the same as General, except the rates are not less than 0.50% for both males and females.

Proportion of Members with Spouse or Partner at Retirement:

80% of male active members and 55% of female active employees are assumed to have a spouse or qualified domestic partner eligible for the 60% continuance at retirement. Wives are assumed to be three years younger than their husbands.

Rate of Termination of Employment:

Rates vary by years of service, as shown in Table 2 on page 72.

Reciprocal Agency:

For current active members, the probability of joining a reciprocal agency immediately after terminating is 50% for Safety members and General members.

Deferred Retirement Age for Vested Termination:

Age 50 for Safety members.
Age 60 for General members.

Note: The above methods and assumptions were selected by the actuary as being appropriate for the Plan and were used in the latest actuarial valuation dated June 30, 2010. The 2009 pre-release actuarial audit uncovered an understatement in the number of disabilities in the 2008 Experience Study. The disability assumptions were changed back to those used prior to 2008. All other assumptions and methods were adopted by the Board of Retirement on November 19, 2008.

Kern County Employees' Retirement Association

ASSUMED RATE OF SALARY INCREASE

Table 1

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

PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE

Table 2

(Number separating at each age per 10,000 working at that age)

Age Nearest	Ordinary Death	Service Death	Ordinary Disability	Service Retirement	Service Disability	Years of Service	Other Terminations
-------------	----------------	---------------	---------------------	--------------------	--------------------	------------------	--------------------

General Members - Male

Tier I Tier II

20	3	0	2	0	0	3	0	2,000
30	4	0	3	0	0	4	10	318
40	10	0	7	0	0	10	20	140
50	20	0	19	600	300	29	30 & above	100
60	44	0	22	2,000	1,500	32	30 & above	100
70	95	0	0	10,000	10,000	0	30 & above	100

General Members - Female

Tier I Tier II

20	2	0	2	0	0	3	0	2,000
30	2	0	3	0	0	4	10	318
40	6	0	7	0	0	10	20	140
50	14	0	19	600	300	29	30 & above	100
60	33	0	22	2,200	1,200	32	30 & above	100
70	69	0	0	10,000	10,000	0	30 & above	100

Safety Members - All

20	3	2	0	0	3	0	700
30	4	2	0	0	28	10	220
40	10	2	0	0	78	20 & above	0
50	20	2	0	1,200	198	20 & above	0
60	44	2	0	10,000	0	20 & above	0

Kern County Employees' Retirement Association

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date*	Plan Type	Members	Annual Payroll	Annual Average Pay	Increase in Average Pay
12/31/03	General	6,446	\$ 270,440,100	\$ 41,955	3.1%
	Safety	1,658	\$ 84,871,617	\$ 51,189	0.2%
	Total	8,104	\$ 355,311,717	\$ 43,844	2.4%
12/31/04	General	6,389	\$ 287,264,645	\$ 44,962	7.2%
	Safety	1,597	\$ 89,841,674	\$ 56,257	9.9%
	Total	7,986	\$ 377,106,319	\$ 47,221	7.7%
12/31/05	General	6,552	\$ 300,821,384	\$ 45,913	2.1%
	Safety	1,643	\$ 92,679,367	\$ 56,409	0.3%
	Total	8,195	\$ 393,500,751	\$ 48,017	1.7%
12/31/06	General	6,862	\$ 320,078,067	\$ 46,645	1.6%
	Safety	1,685	\$ 100,355,950	\$ 59,558	5.6%
	Total	8,547	\$ 420,434,017	\$ 49,191	2.4%
12/31/07	General	7,127	\$ 345,308,360	\$ 48,451	3.9%
	Safety	1,801	\$ 111,418,703	\$ 61,865	3.9%
	Total	8,928	\$ 456,727,063	\$ 51,157	4.0%
06/30/08	General	7,216	\$ 369,093,653	\$ 51,149	5.6%
	Safety	1,841	\$ 117,947,008	\$ 64,067	3.6%
	Total	9,057	\$ 487,040,661	\$ 53,775	5.1%
06/30/09**	General	7,166	\$ 423,075,334	\$ 59,039	15.4%
	Safety	1,854	\$ 141,829,138	\$ 76,499	19.4%
	Total	9,020	\$ 564,904,472	\$ 62,628	16.5%
06/30/10	General	6,802	\$ 423,551,766	\$ 62,269	5.5%
	Safety	1,765	\$ 141,008,072	\$ 79,891	4.4%
	Total	8,567	\$ 564,559,838	\$ 65,899	5.2%

* Valuations were performed December 31 for 2007 and earlier. Valuations are as of June 30 for 2008 and later.

** Annual payroll data as of June 30, 2009 reflects the inclusion of supplemental pay items with pensionable salary.

Kern County Employees' Retirement Association

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM PAYROLL

Plan Year**	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Allowance Added	Annual Allowance Removed	Retiree Payroll Ending	% Increase in Retiree Allowance	Average Annual Allowance*
2005	4,741	554	163	5,132	\$21,827,425	\$2,317,314	\$114,349,075	20.6%	\$22,282
2006	5,132	408	185	5,355	\$15,910,761	\$2,446,976	\$127,812,860	11.8%	\$23,868
2007	5,355	374	177	5,552	\$13,845,079	\$2,524,520	\$139,133,420	8.9%	\$25,060
2008	5,552	196	97	5,651	\$5,039,591	\$1,610,546	\$145,783,557	4.8%	\$25,798
2009	5,651	458	182	5,927	\$16,056,013	\$2,751,455	\$164,591,026	12.9%	\$27,770
2010	5,927	476	204	6,199	\$13,128,260	\$3,658,618	\$181,377,904	10.2%	\$29,259

* Excludes SRBR amounts.

** Plan year ended December 31 for 2007 and earlier. Plan year ends June 30 for 2008 and later.

SOLVENCY TEST

(Dollars in thousands)

Valuation Date*	Aggregate Accrued Liabilities				Portion of Accrued Liabilities Covered by Reported Assets			
	Active Member Contributions	Retired/Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/Vested Members	Active Members (Employer Financed Portion)
12/31/05	\$ 188,811	\$ 1,437,047	\$ 1,236,014	\$ 2,861,872	\$ 2,164,304	100%	100%	44%
12/31/06	\$ 197,507	\$ 1,629,003	\$ 1,282,527	\$ 3,109,037	\$ 2,352,028	100%	100%	41%
12/31/07	\$ 215,281	\$ 1,773,557	\$ 1,366,917	\$ 3,355,755	\$ 2,589,817	100%	100%	44%
06/30/08	\$ 222,418	\$ 1,913,946	\$ 1,535,096	\$ 3,671,460	\$ 2,654,316	100%	100%	34%
06/30/09	\$ 232,426	\$ 2,159,371	\$ 1,813,403	\$ 4,205,200	\$ 2,780,215	100%	100%	21%
06/30/10	\$ 229,784	\$ 2,380,826	\$ 1,846,429	\$ 4,457,038	\$ 2,794,644	100%	100%	10%

* Valuations were performed December 31 for 2007 and earlier. Valuations are as of June 30 for 2008 and later.

Kern County Employees' Retirement Association

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

(In thousands)

	Gain (or Loss) for Year – UAAL		
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>December 31, 2007 to June 30, 2008</u>
Investment Performance Greater (Less) than Expected	\$ (216,000)	\$ (113,000)	\$ 11,000*
New Entrants into System (Greater) Less than Expected	(1,500)	(3,100)	(900)
Individual Salary Increases (Greater) Less than Expected	16,600	(50,900)	(53,800)
Additional Salary Information Provided**	-	(193,800)	-
Cost-of-Living Adjustment (Greater) Less than Expected	12,200	-	-
Demographic Changes Greater (Less) than Expected	8,400	(35,700)	(17,500)
Change in Benefits	-	-	-
Change in Assumptions/Methodology	-	(600)	(126,600)
Composite Gain (or Loss) During Year	\$ (180,300)	\$ (397,100)	\$ (187,800)

* Includes a transfer from the Contingency Reserve in the amount of \$104,100,000. Asset loss without this transfer is \$217,100,000.

** Special pays were included with pensionable earnings for the first time in the June 30, 2009 valuation.

Kern County Employees' Retirement Association

SUMMARY OF MAJOR PLAN PROVISIONS

Benefit Sections 31676.01, 31676.1, 31676.14, 31676.17, 31664, and 31664.1 of the 1937 Act.

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as adopted by the County of Kern and Special Districts.

Membership

Membership is automatic upon appointment to a permanent position of 50% or more of the regular standard hours required. Retirement entry date is the first day of the first, full bi-weekly payroll period following the date of employment.

Final Average Salary

Final average salary is defined as the highest pensionable pay in one year, including base salary and other pay elements includible as a result of the "Ventura" decision.

Vesting

Members are considered vested in the Plan after they have obtained five years of retirement service credit.

Member Contribution Rates

The basic contribution is computed on the member's base pay plus compensable special pay, with the contribution rate being determined by the member's entry age into the System, the classification of the member, the Plan's economic assumptions and the member's life expectancy at the retirement age specified in the County Employees' Retirement Law of 1937.

The normal rates of contribution are such as to provide, for each year of service, an average annuity at age 55 of 1.0% of final compensation for General Tier I members, an average annuity at age 60 of 0.833% of final compensation for General Tier II members, and an average annuity at age 50 of 1.5% of final compensation for Safety members, according to the tables adopted by the Board of Supervisors, for each year of service rendered after entering the Plan.

Member contributions made through payroll deductions are made on a pre-tax basis, per IRS Code Section 414(h)(2). Interest is credited to contributions semiannually on June 30 and December 31 in accordance with the County Employees' Retirement Law of 1937, Article 5.5.

Withdrawal Benefits

If a member resigns, his or her contributions plus interest will be refunded. Members with less than five years of service may elect to leave contributions on deposit and receive interest. Any vested member may elect to leave his or her contributions on deposit and receive a deferred vested benefit when eligible for retirement.

Service Retirement Benefit

General members with at least 10 years of retirement service credit who are age 50 or older, have 30 years of retirement service credit regardless of age, or are age 70 regardless of service are eligible for service retirement. Benefit Tier I is 3.0% of final compensation for each year of service at age 60, multiplied by Government Code Section 31676.17 factors. Benefit Tier II is 1.62% of final compensation for each year of service at age 65, multiplied by Government Code Section 31676.01 factors.

Berrenda Mesa Water District and Inyokern Community Services District still have Government Code Section 31676.14 for service prior to January 1, 2005. Tier II generally applies to most KCERA general members hired by the County or Kern on or after October 27, 2007, or hired by the following special districts: North of the River Sanitation District on or after October 29, 2007, or Kern County Water Agency on or after January 1, 2010.

Safety members with at least 10 years of retirement service credit who are age 50 or older, or with 20 years of retirement service credit regardless of age, are eligible for service retirement. The benefit is 3.0% of final compensation for each year of service at age 50, multiplied by Government Code Section 31664.1 factors.

For members integrated with Social Security, benefits based on \$350 of monthly final average salary are reduced by one-third.

SUMMARY OF MAJOR PLAN PROVISIONS
(cont.)

Disability Benefit

Members with five years of retirement service credit, regardless of age, are eligible for nonservice-connected disability. The benefit is at least 20% to a maximum of 40% of the member's final average monthly compensation for life.

If the disability is service connected, there is no minimum retirement service credit requirement. The member may retire with a benefit of 50% of his or her final average salary.

Death Benefit (Before Retirement)

An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions plus interest and one month's salary for each full year of service, up to a maximum of six month's salary.

If a member dies while eligible for service retirement or nonservice-connected disability, the spouse, registered domestic partner or minor children receives 60% of the allowance that the member would have received for retirement on the day of his or her death.

If a member dies in the performance of duty, the spouse, registered domestic partner or minor children receives 50% of the member's final average salary.

Death Benefit (After Retirement)

A death benefit of \$3,000 is payable to the designated beneficiary or estate.

If the retirement was for service or nonservice-connected disability and the member chose the unmodified plan, the surviving spouse, registered domestic partner or minor children will receive a monthly allowance equal to 60% of the retirement allowance.

If the retirement was for service-connected disability, the member's spouse, registered domestic partner or minor children will receive a 100% continuance of the retirement allowance.

Post-Retirement Cost-of-Living Benefits

Each April 1, the benefits are adjusted by the percentage change in the Consumer Price Index for the preceding calendar year (capped at 2.5%).

Kern County Employees' Retirement Association

SUMMARY OF MAJOR PLAN PROVISIONS
(cont.)

Supplemental Retiree Benefit Reserve (SRBR) Benefits

The Board of Retirement adopted California Government Code Section 31618 on April 23, 1984, which provides for the establishment of the SRBR.

The SRBR shall be used only for the benefit of retired members and beneficiaries. The distribution of the SRBR shall be determined by the Board of Retirement. The SRBR- approved benefits include all Tier 1, Tier 2 and death benefits as well as Tier 3 benefits approved through the June 30, 2010 Actuarial Valuation.

Eligibility

- | | |
|---------|--|
| Tier 1: | Member on or before July 1, 1994. |
| Tier 2: | Pensioners with at least five years of credited service, and their surviving beneficiaries, whose benefits have reduced by 20% in purchasing power since retirement. |
| Tier 3: | Pensioners and their surviving beneficiaries whose benefits have reduced by 20% in purchasing power since retirement. |

Benefits

- | | |
|----------------|--|
| Tier 1: | \$35.50 monthly, not subject to cost-of-living adjustments. |
| Tier 2: | \$1.372 times years of service, per month, for members who retired prior to 1985, granted July 1, 1994.
\$5.470 times years of service, per month, for members who retired prior to 1985, granted July 1, 1996.
\$10.276 times years of service, per month, for members who retired prior to 1981, 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 member's beneficiary. |
| 0.5% COLA | \$64.7 million allocation of funds to initially pay for a 0.5% cost-of-living allowance, arisen from a litigation judgment entered on January 24, 2002. |

Funding

Crediting of interest and the allocation of undistributed earnings, the amount that remains after net earnings have been used to credit interest to the Plan's reserves.



Sycamore Canyon Golf Course

Statistical Section

Amid the natural diversity found within the boundaries of Kern County, KCERA members have their pick of spectacular locales. Snow-capped mountains, raging rivers, lovely parks, fresh farmland and sandy beaches are never far away.

When our members retire, leaving behind the facts and figures of public service, they are greeted by a new life, full of rich experiences and opportunities. From the simplicity of sewing to the hope of a better golf game, retirement beckons them onward through their careers.

Discovering

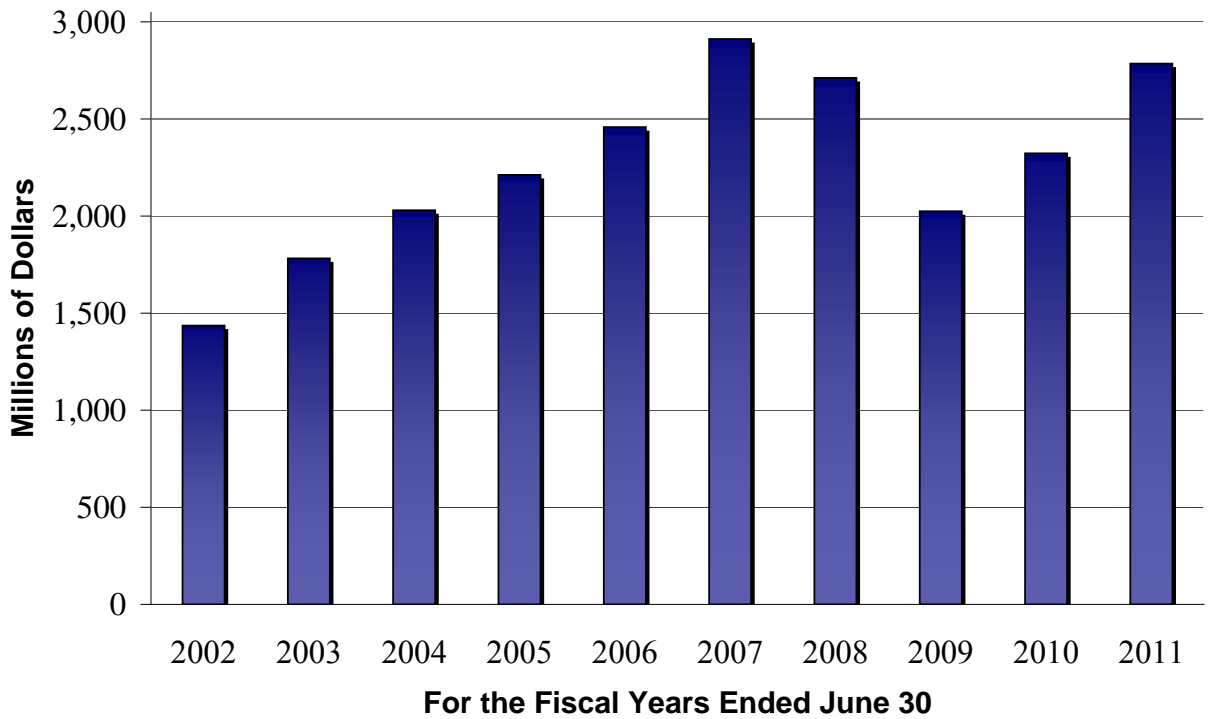
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STATISTICAL SECTION OVERVIEW

This section provides additional historical perspective and detail to proffer a more comprehensive understanding of this year's financial statements, note disclosures and supplementary information that cover the Plan. This section also provides a 10-year trend of financial and operating informa-

tion to facilitate a thorough understanding of how KCERA's financial position and performance have changed over time. More specifically, the financial and operating information provides contextual data for KCERA's changes in net assets, benefit expenses, retirement types, benefit payments and membership data. The financial and operating trend information is located on the following pages.

KCERA Net Asset Value



Kern County Employees' Retirement Association

**SCHEDULE OF CHANGES IN PLAN NET ASSETS
LAST 10 FISCAL YEARS**

(In thousands)

	2002	2003	2004	2005	2006
<u>Additions</u>					
Employer Contributions	\$ 41,881	\$ 343,339*	\$ 48,760	\$ 60,268	\$ 100,734
Member Contributions	11,288	12,749	10,451	10,351	11,775
Net Investment Income (Loss)	<u>(76,248)</u>	<u>87,935</u>	<u>296,074</u>	<u>224,442</u>	<u>259,760</u>
Total Additions	\$ (23,079)	\$ 444,023	\$ 355,285	\$ 295,061	\$ 372,269
<u>Deductions</u>					
Total Benefit Expenses**	\$ 80,613	\$ 94,302	\$ 104,960	\$ 111,006	\$ 123,765
Administrative Expenses	2,168	2,167	2,552	2,501	2,519
Miscellaneous	<u>48</u>	<u>780</u>	<u>-</u>	<u>3</u>	<u>-</u>
Total Deductions	\$ 82,829	\$ 97,249	\$ 107,512	\$ 113,510	\$ 126,284
Change in Plan Net Assets	\$ (105,908)	\$ 346,774	\$ 247,773	\$ 181,551	\$ 245,985

	2007	2008	2009	2010	2011
<u>Additions</u>					
Employer Contributions	\$ 128,134	\$ 137,264	\$ 138,815	\$ 151,127	\$ 177,444
Member Contributions	12,634	15,031	18,191	17,877	18,271
Net Investment Income (Loss)	<u>453,363</u>	<u>(201,562)</u>	<u>(677,336)</u>	<u>291,333</u>	<u>503,553</u>
Total Additions	\$ 594,131	\$ (49,267)	\$ (520,330)	\$ 460,337	\$ 699,268
<u>Deductions</u>					
Total Benefit Expenses**	\$ 137,078	\$ 148,561	\$ 162,489	\$ 180,366	\$ 201,013
Administrative Expenses	3,030	3,341	3,072	3,207	3,763
Miscellaneous	<u>1</u>	<u>-</u>	<u>-</u>	<u>547</u>	<u>-</u>
Total Deductions	\$ 140,109	\$ 151,902	\$ 165,561	\$ 184,120	\$ 204,776
Change in Plan Net Assets	\$ 454,022	\$ (201,169)	\$ (685,891)	\$ 276,217	\$ 494,492

* Includes \$285,092,130 of pension obligation bond proceeds from the County of Kern to pay off the December 31, 2002 Unfunded Actuarial Accrued Liability.

** See Schedule of Benefit Expenses by Type on next page.

Kern County Employees' Retirement Association

**SCHEDULE OF BENEFIT EXPENSES BY TYPE
FOR FISCAL YEARS 2011-2007**

(In thousands)

	2011	2010	2009	2008	2007
<i>Service Retirement Benefits</i>					
General	\$ 101,934	\$ 89,204	\$ 79,546	\$ 71,725	\$ 65,324
Safety	<u>55,886</u>	<u>49,949</u>	<u>43,311</u>	<u>39,650</u>	<u>37,075</u>
Total	157,820	139,153	122,857	111,375	102,399
<i>Disability Benefits</i>					
General	7,924	7,906	7,720	7,547	7,209
Safety	<u>14,656</u>	<u>14,230</u>	<u>13,545</u>	<u>12,516</u>	<u>11,609</u>
Total	22,580	22,136	21,265	20,063	18,818
<i>Beneficiary Benefits</i>					
General	9,533	9,072	8,573	7,962	7,452
Safety	<u>7,580</u>	<u>7,222</u>	<u>6,525</u>	<u>6,297</u>	<u>5,575</u>
Total	17,113	16,294	15,098	14,259	13,027
<i>Retroactive Payments</i>					
General	-	-	-	-	-
Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	-	-	-	-	-
<i>Lump Sum Death Benefits</i>					
	383	466	640	490	320
Total Benefit Payments	\$ 197,896	\$ 178,049	\$ 159,860	\$ 146,186	\$ 134,564
<i>Refunds</i>					
General	2,666	1,998	2,270	2,084	2,206
Safety	<u>451</u>	<u>319</u>	<u>359</u>	<u>290</u>	<u>308</u>
Total	3,117	2,317	2,629	2,374	2,514
Total Benefit Expenses	\$ 201,013	\$ 180,366	\$ 162,489	\$ 148,561	\$ 137,078

Kern County Employees' Retirement Association

**SCHEDULE OF BENEFIT EXPENSES BY TYPE (cont.)
FOR FISCAL YEARS 2006-2002**

(In thousands)

	2006	2005	2004	2003	2002
<i>Service Retirement Benefits</i>					
General	\$ 58,529	\$ 50,436	\$ 44,539	\$ 41,497	\$ 38,542
Safety	<u>33,334</u>	<u>29,594</u>	<u>26,029</u>	<u>22,616</u>	<u>18,436</u>
Total	91,863	80,030	70,568	64,113	56,978
<i>Disability Benefits</i>					
General	6,846	6,295	6,381	5,684	5,482
Safety	<u>10,771</u>	<u>10,051</u>	<u>9,035</u>	<u>8,187</u>	<u>7,508</u>
Total	17,617	16,346	15,416	13,871	12,990
<i>Beneficiary Benefits</i>					
General	6,991	6,671	6,109	5,724	5,394
Safety	<u>5,109</u>	<u>4,904</u>	<u>4,386</u>	<u>3,901</u>	<u>3,630</u>
Total	12,100	11,575	10,495	9,625	9,024
<i>Retroactive Payments</i>					
General	2	347	2,730	2,097	-
Safety	<u>-</u>	<u>517</u>	<u>3,454</u>	<u>2,775</u>	<u>-</u>
Total	2	864	6,184	4,872	-
<i>Lump Sum Death Benefits</i>					
	244	259	382	220	185
Total Benefit Payments	\$ 121,826	\$ 109,074	\$ 103,045	\$ 92,701	\$ 79,177
<i>Refunds</i>					
General	1,770	1,794	1,834	1,503	1,326
Safety	<u>169</u>	<u>138</u>	<u>81</u>	<u>98</u>	<u>110</u>
Total	1,939	1,932	1,915	1,601	1,436
Total Benefit Expenses	\$ 123,765	\$ 111,006	\$ 104,960	\$ 94,302	\$ 80,613

Kern County Employees' Retirement Association

**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
AS OF JUNE 30, 2011**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement								
		1	2	3	4	5	6	7	8	9
\$1-500	401	79	1	0	185	74	14	0	20	28
501-1,000	891	314	51	14	269	128	36	6	43	30
1,001-1,500	927	418	83	88	176	76	27	1	39	19
1,501-2,000	762	395	32	136	78	58	12	3	32	16
2,001-3,000	1,329	728	18	316	63	108	6	17	51	22
3,001-4,000	742	504	6	133	26	40	2	4	18	9
4,001-5,000	512	378	0	90	22	14	0	0	6	2
5,001-6,000	276	252	1	14	3	2	1	1	1	1
Over \$6,000	724	707	4	1	4	6	1	0	1	0
Totals	6,564	3,775	196	792	826	506	99	32	211	127

Amount of Monthly Benefit	Number of Retirants	Option Selected						
		Option 1	Option 2	Option 3	Option 4	Unmodified		
						A	B	C
\$1-500	401	8	10	0	0	150	233	0
501-1,000	891	3	29	1	0	320	530	8
1,001-1,500	927	7	32	3	0	340	498	47
1,501-2,000	762	6	25	1	0	267	378	85
2,001-3,000	1,329	12	29	5	1	485	577	220
3,001-4,000	742	3	34	0	0	317	270	118
4,001-5,000	512	0	18	2	0	273	140	79
5,001-6,000	276	1	10	0	2	201	49	13
Over \$6,000	724	2	25	2	0	583	111	1
Totals	6,564	42	212	14	3	2,936	2,786	571

Type of Retirement

- 1** – Normal retirement for age and service
- 2** – Nonservice-connected disability retirement
- 3** – Service-connected disability retirement
- 4** – Former member with deferred future benefit
- 5** – Beneficiary payment – normal retirement
- 6** – Beneficiary payment – active member who died and was eligible for retirement
- 7** – Beneficiary payment – death in service
- 8** – Beneficiary payment – disability retirement
- 9** – Supplemental and ex-spouses

Option Selected

- Option 1** – Beneficiary receives lump sum of member's unused contributions
- Option 2** – Beneficiary receives 100% of member's reduced monthly allowance
- Option 3** – Beneficiary receives 50% of member's reduced monthly allowance
- Option 4** – More than one beneficiary receives 100% of member's reduced monthly allowance
- A** – Unmodified 60% continuance
- B** – Unmodified no continuance
- C** – Unmodified 100% continuance

Kern County Employees' Retirement Association

**SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS BY YEAR OF RETIREMENT
AS OF FISCAL YEARS ENDED JUNE 30**

	Years of Retirement Service Credit						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<i>Fiscal Year 2002</i>							
Average Annual Benefit	\$ 8,900	\$ 12,193	\$ 18,254	\$ 26,402	\$ 31,968	\$ 55,787	\$ 83,464
Average Monthly Benefit	\$ 742	\$ 1,016	\$ 1,521	\$ 2,200	\$ 2,664	\$ 4,649	\$ 6,955
Average Final Monthly Salary	\$ 6,141	\$ 3,244	\$ 3,732	\$ 4,076	\$ 4,941	\$ 5,533	\$ 7,095
Number of Active Retirants	8	19	33	22	29	46	58
<i>Fiscal Year 2003</i>							
Average Annual Benefit	\$ 9,129	\$ 12,054	\$ 17,167	\$ 23,763	\$ 31,232	\$ 51,105	\$ 67,568
Average Monthly Benefit	\$ 761	\$ 1,005	\$ 1,431	\$ 1,980	\$ 2,603	\$ 4,259	\$ 5,631
Average Final Monthly Salary	\$ 4,750	\$ 3,641	\$ 3,717	\$ 3,905	\$ 4,623	\$ 6,093	\$ 5,615
Number of Active Retirants	8	28	41	29	29	36	48
<i>Fiscal Year 2004</i>							
Average Annual Benefit	\$ 12,437	\$ 13,012	\$ 16,268	\$ 28,056	\$ 36,823	\$ 56,428	\$ 73,137
Average Monthly Benefit	\$ 1,036	\$ 1,084	\$ 1,356	\$ 2,338	\$ 3,069	\$ 4,702	\$ 6,095
Average Final Monthly Salary	\$ 5,326	\$ 3,670	\$ 3,679	\$ 4,208	\$ 5,293	\$ 5,885	\$ 6,962
Number of Active Retirants	13	22	40	28	28	41	42
<i>Fiscal Year 2005</i>							
Average Annual Benefit	\$ 10,755	\$ 16,487	\$ 19,770	\$ 27,505	\$ 33,828	\$ 56,052	\$ 67,780
Average Monthly Benefit	\$ 896	\$ 1,374	\$ 1,648	\$ 2,292	\$ 2,819	\$ 4,671	\$ 5,648
Average Final Monthly Salary	\$ 4,810	\$ 4,232	\$ 4,043	\$ 4,154	\$ 4,297	\$ 6,656	\$ 5,529
Number of Active Retirants	15	28	62	47	55	63	102
<i>Fiscal Year 2006</i>							
Average Annual Benefit	\$ 10,752	\$ 15,036	\$ 20,943	\$ 26,442	\$ 36,836	\$ 56,216	\$ 66,010
Average Monthly Benefit	\$ 896	\$ 1,253	\$ 1,745	\$ 2,203	\$ 3,070	\$ 4,685	\$ 5,501
Average Final Monthly Salary	\$ 5,242	\$ 4,633	\$ 4,312	\$ 4,235	\$ 4,959	\$ 5,821	\$ 5,421
Number of Active Retirants	15	21	54	55	46	64	82

Kern County Employees' Retirement Association

**SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS BY YEAR OF RETIREMENT (cont.)
AS OF FISCAL YEARS ENDED JUNE 30**

	Years of Retirement Service Credit						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<i>Fiscal Year 2007</i>							
Average Annual Benefit	\$ 9,496	\$ 13,599	\$ 19,305	\$ 29,190	\$ 37,285	\$ 48,947	\$ 66,736
Average Monthly Benefit	\$ 791	\$ 1,133	\$ 1,609	\$ 2,433	\$ 3,107	\$ 4,079	\$ 5,561
Average Final Monthly Salary	\$ 5,429	\$ 4,369	\$ 4,541	\$ 4,818	\$ 4,840	\$ 5,100	\$ 6,407
Number of Active Retirants	16	39	45	50	46	65	54
<i>Fiscal Year 2008</i>							
Average Annual Benefit	\$ 8,399	\$ 10,378	\$ 17,875	\$ 24,954	\$ 42,264	\$ 53,168	\$ 73,644
Average Monthly Benefit	\$ 700	\$ 865	\$ 1,490	\$ 2,080	\$ 3,522	\$ 4,431	\$ 6,137
Average Final Monthly Salary	\$ 4,606	\$ 3,468	\$ 4,132	\$ 4,123	\$ 5,443	\$ 5,821	\$ 6,590
Number of Active Retirants	12	25	55	40	37	38	42
<i>Fiscal Year 2009</i>							
Average Annual Benefit	\$ 5,975	\$ 11,481	\$ 20,373	\$ 27,187	\$ 47,313	\$ 57,316	\$ 85,389
Average Monthly Benefit	\$ 498	\$ 957	\$ 1,698	\$ 2,266	\$ 3,943	\$ 4,776	\$ 7,116
Average Final Monthly Salary	\$ 9,785	\$ 4,271	\$ 5,016	\$ 4,752	\$ 6,535	\$ 6,727	\$ 8,184
Number of Active Retirants	12	34	61	49	40	69	95
<i>Fiscal Year 2010</i>							
Average Annual Benefit	\$ 7,587	\$ 15,792	\$ 18,476	\$ 32,041	\$ 38,898	\$ 58,502	\$ 80,554
Average Monthly Benefit	\$ 632	\$ 1,316	\$ 1,540	\$ 2,670	\$ 3,242	\$ 4,875	\$ 6,713
Average Final Monthly Salary	\$ 7,660	\$ 5,610	\$ 4,719	\$ 5,601	\$ 5,254	\$ 6,413	\$ 7,453
Number of Active Retirants	15	34	75	47	69	83	54
<i>Fiscal Year 2011</i>							
Average Annual Benefit	\$ 6,592	\$ 12,552	\$ 21,504	\$ 33,168	\$ 39,525	\$ 56,107	\$ 78,368
Average Monthly Benefit	\$ 549	\$ 1,046	\$ 1,792	\$ 2,764	\$ 3,294	\$ 4,676	\$ 6,531
Average Final Monthly Salary	\$ 6,700	\$ 5,142	\$ 5,460	\$ 5,774	\$ 5,456	\$ 6,194	\$ 7,144
Number of Active Retirants	9	53	77	52	99	102	101

Kern County Employees' Retirement Association

**PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS
LAST 10 FISCAL YEARS, AS OF JUNE 30**

	2002	2003	2004	2005	2006
<i>County of Kern:</i>					
General Members	6,130	6,006	6,011	6,029	6,222
Safety Members	<u>1,630</u>	<u>1,609</u>	<u>1,609</u>	<u>1,632</u>	<u>1,646</u>
Total	7,760	7,615	7,620	7,661	7,868
<i>Participating Agencies (General Membership):</i>					
Berrenda Mesa Water District	12	12	12	14	14
Buttonwillow Recreation and Park District	3	3	3	3	3
East Kern Cemetery District	2	1	1	1	1
Inyokern Community Services District	3	2	2	2	2
Kern County Water Agency	67	66	70	68	67
Kern Mosquito & Vector Control District	20	20	18	19	19
North of the River Sanitation District	9	7	8	7	8
San Joaquin Valley Unified Air Pollution Control District	219	237	250	253	267
Shafter Recreation and Park District	0	0	1	0	0
West Side Cemetery District	6	6	6	6	6
West Side Mosquito Abatement District	8	8	8	8	8
West Side Recreation and Park District	12	12	11	10	11
Kern County Superior Court	-	-	-	-	-
Total	<u>361</u>	<u>374</u>	<u>390</u>	<u>391</u>	<u>406</u>
Total Active Membership:					
General Members	6,491	6,380	6,401	6,420	6,628
Safety Members	1,630	1,609	1,609	1,632	1,646
Total	8,121	7,989	8,010	8,052	8,274

Data retrieved from the Plan's database.

Kern County Employees' Retirement Association

**PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS (cont.)
LAST 10 FISCAL YEARS, AS OF JUNE 30**

	2007	2008	2009	2010	2011
<i>County of Kern:</i>					
General Members	6,537	6,348	6,254	5,920	5,622
Safety Members	<u>1,738</u>	<u>1,842</u>	<u>1,854</u>	<u>1,765</u>	<u>1,703</u>
Total	8,275	8,190	8,108	7,685	7,325
<i>Participating Agencies (General Membership):</i>					
Berrenda Mesa Water District	12	12	12	11	10
Buttonwillow Recreation and Park District	3	3	4	5	6
East Kern Cemetery District	1	1	1	1	1
Inyokern Community Services District	2	2	2	2	1
Kern County Water Agency	72	89	76	72	73
Kern Mosquito & Vector Control District	19	19	19	19	18
North of the River Sanitation District	9	10	9	10	10
San Joaquin Valley Unified Air Pollution Control District	272	280	291	292	287
Shafter Recreation and Park District	0	0	0	0	0
West Side Cemetery District	6	6	6	6	6
West Side Mosquito Abatement District	8	9	8	8	8
West Side Recreation and Park District	11	11	12	12	10
Kern County Superior Court	-	473	472	444	441
Total	<u>415</u>	<u>915</u>	<u>912</u>	<u>882</u>	<u>871</u>
Total Active Membership:					
General Members	6,952	7,263	7,166	6,802	6,493
Safety Members	1,738	1,842	1,854	1,765	1,703
Total	8,690	9,105	9,020	8,567	8,196

Note: Beginning in fiscal year 2007-08, the Kern County Superior Court was reported separately from the general membership of the County of Kern.

*Discovering
Kern County*



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