Kern County Employees' Retirement Association

Actuarial Valuation

June 30, 2008

By

Karen I. Steffen

Fellow, Society of Actuaries
Enrolled Actuary
Member, American Academy of Actuaries

and

Daniel R. Wade

Fellow, Society of Actuaries
Enrolled Actuary
Member, American Academy of Actuaries

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

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

milliman.com

February 3, 2009

Retirement Board
Kern County Employees' Retirement Association
1115 Truxtun Avenue, First Floor
Bakersfield, CA 93301

Dear Members of the Board:

In accordance with your request, we have performed an actuarial valuation as of June 30, 2008 of the Kern County Employees' Retirement Association (KCERA). The major findings of the valuation are contained in this report, which reflects the benefit provisions and contribution rates in effect as of June 30, 2008.

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

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

We further certify that all costs, liabilities, rates of interest, and other factors for the programs have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the programs and reasonable expectations). The assumptions used in this report, as summarized in Appendix A, are based on the 2008 Experience Study report adopted by the Board at its November 2008 meeting. The Retirement Board has the final decision regarding the appropriateness of the assumptions.

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

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

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

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

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

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

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

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

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

Respectfully submitted,

Karen I. Steffen

Daniel Wade

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

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

KIS/DRW/nlo

Kern County
Employees' Retirement Association

Table of Contents

		Page
Section 1:	**Summary of Findings**	**1**
Exhibit 1:	Summary of Recommendations	11
Section 2:	**Scope of Report**	**13**
Section 3:	**Assets**	**15**
Exhibit 2:	Statement of Plan Net Assets	20
Exhibit 3:	Statement of Changes in Plan Net Assets	21
Exhibit 4:	5-Year Smoothing of Gains and Losses on Market Value – History	22
Exhibit 5:	5-Year Smoothing – Development of Actuarial Valuation Assets	23
Exhibit 6:	Allocation of Assets by Accounting Reserve Amounts	24
Exhibit 7:	Reconciliation of Assets	25
Exhibit 8:	Allocation of Valuation Assets	26
Exhibit 9:	COLA Contribution Reserve – Allocation and Estimate for December 31, 2008	27
Section 4:	**Actuarial Liabilities**	**29**
Exhibit 10:	Actuarial Value of Benefits – June 30, 2008	30
Exhibit 11:	Unfunded Actuarial Accrued Liability and Funded Ratio	34
Exhibit 12:	Liability by District	35
Section 5:	**Member Contributions**	**37**
Exhibit 13:	Member Contribution Rates	39
Section 6:	**Employer Contributions**	**41**
Exhibit 14:	Total Plan Contributions by UAAL Cost Sharing Group	43
Exhibit 15a:	County General Contributions	44
Exhibit 15b:	County Total Contributions	45
Exhibit 16:	District Contributions	46
Exhibit 17:	Gain and Loss Analysis by Employer Contribution Rates and Funded Ratio	49
Section 7:	**Accounting Information**	**51**
Exhibit 19:	Schedule of Funding Progress	52
Exhibit 20:	Schedule of Contributions from the Employer	53
Exhibit 21:	Solvency Test	54
Section 8:	**SRBR – Supplemental Retirement Benefit Reserve**	**55**
Exhibit 22:	Supplemental Retiree Benefit Reserve	60
Exhibit 23:	Projected Cash Flow for SRBR Tier 3 Payments	61
Section 9:	**Benefit Payment Projections**	**63**

Table of Contents
(continued)

Page

Appendices

Appendix A Actuarial Assumptions **A-1**

Appendix B Benefit Summaries **B-1**

Appendix C Membership Data **C-1**

Appendix D Member Contribution Rates **D-1**

Appendix E Glossary **E-1**

Kern County
Employees' Retirement Association

Section 1: Summary of Findings

The following chart presents a summary of the calculated Employer contribution rates as of last year (the middle two columns) and this year (the far left two columns). The two columns on the far right indicate the net change in contributions. Reasons for the changes are discussed in this report.

Overview

Employer Contribution Rates:

	June 30, 2008 Total Calculated Rates		December 31, 2007 Total Calculated Rates		Increase (Decrease) Total Calculated Rates	
	Before CCR	After CCR	Before CCR	After CCR	Before CCR	After CCR
General - County Tiers I&II	31.30%	27.95%	29.13%	24.35%	2.17%	3.60%
Safety	41.36%	35.60%	37.75%	30.81%	3.61%	4.79%
General - County - Court Employees	29.35%	26.00%	26.40%	21.62%	2.95%	4.38%
General - Districts Category I	35.40%	29.44%	33.57%	27.92%	1.83%	1.52%
General - Districts Category II	34.74%	28.78%	33.40%	27.75%	1.34%	1.03%
General - Districts Category III	32.65%	26.69%	30.91%	25.26%	1.74%	1.43%
General - Districts Category IV	31.83%	26.34%	29.14%	23.97%	2.69%	2.37%
Total Plan	33.73%	29.66%	31.22%	25.88%	2.51%	3.78%

Projected Employer Contribution Dollars:

(all amounts in millions)	June 30, 2008 Total Calculated Rates		December 31, 2007 Total Calculated Rates		Increase (Decrease) Total Calculated Rates	
	Before CCR	After CCR	Before CCR	After CCR	Before CCR	After CCR
General - County Tiers I&II	$ 104.0	$ 92.8	$ 86.5	$ 72.3	$ 17.5	$ 20.5
Safety	$ 49.7	$ 42.7	$ 41.3	$ 33.7	$ 8.4	$ 9.0
Total County excluding Court Employees	$ 153.7	$ 135.5	$ 127.8	$ 106.0	$ 25.8	$ 29.5
General - County - Court Employees	$ 6.7	$ 5.9	$ 5.8	$ 4.7	$ 0.9	$ 1.2
General - Districts Category I	$ 2.1	$ 1.7	$ 1.9	$ 1.5	$ 0.2	$ 0.2
General - Districts Category II	$ 1.1	$ 0.9	$ 0.9	$ 0.8	$ 0.2	$ 0.1
General - Districts Category III	$ 5.7	$ 4.7	$ 4.9	$ 4.0	$ 0.8	$ 0.7
General - Districts Category IV	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ -	$ -
Total Plan	$ 169.4	$ 148.9	$ 141.6	$ 117.3	$ 27.8	$ 31.6

Summary of Changes

The following discusses significant changes since the last valuation. The financial impact of these changes is shown in detail in Exhibit 17 on pages 49 and 50.

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

  Per the updated Funding Policy adopted November 19, 2008, separate total Normal Cost and total member contribution offset calculations are performed for Tier I and Tier II categories.

  It is our understanding that some Special Districts have adopted the new Tier II retirement benefits after June 30, 2008. In accordance with the Funding Policy, these benefits were not reflected.

- **Timing of Valuation:** Prior actuarial valuations were performed as of December 31 of each year, through and including December 31, 2007, to determine the contribution rate for the following fiscal year, beginning July 1. Beginning with this report, the valuations will be performed annually, as of June 30 to determine the contribution rate for the fiscal year beginning one year and one day later.

- **Investigation of Experience:** An investigation of experience was performed for KCERA for the period through January 1, 2006 through June 30, 2008. The recommended assumptions from our November 11, 2008 report were adopted by the Board of Retirement at its November 19, 2008 meeting. In particular, the investment earnings assumption was reduced from 8.00% to 7.75% and accounted for the majority of the contribution rate increases due to the changes in assumptions.

  All actuarial assumptions were reviewed at that time and changes were made to the assumptions for investment return, mortality, and the probabilities for retirement, disability, terminations, refunds, and reciprocity. Please see Appendix A for a summary of all assumptions used for this actuarial valuation.

Summary of Changes (continued)

- **Investment Returns:** KCERA's investment returns were negative since the prior valuation on a Market Value basis. However, due to the asset smoothing method, only 10% of the losses from those six months are recognized with this valuation. Meanwhile, deferred gains from 2004 through 2006 are being recognized, as well as the deferred loss from 2007.

  After applying the asset-smoothing method, the rate of return on the Actuarial Value of Assets was slightly higher than the assumed rate. Note that as of the valuation date, a $197.5 million net investment return loss is being deferred. These deferred losses will be reflected in future valuations.

- **Experience since prior valuation:** Demographic and salary experience during the first half of 2008 led to changes in the employer contribution rates. Some experience gains and losses are to be expected as part of the normal variation between actual and expected experience. The changes due to actual experience were well within a reasonable level of expected fluctuation.

  Total experience, including gains from the assets, resulted in contribution rate decrease of 0.12% for County General members, a 0.60% increase for District General members, and a 0.31% increase for Safety members. Salary increases were the primary reason for the net increases while the weighting of new employees under Tier II contributed to the net gain for the County General group.

- **COLA Contribution Reserve (CCR):** Any funds in the COLA Contribution Reserve (CCR) as of December 31 are used to offset the required 2.0% COLA contributions for the subsequent fiscal year, commencing on July 1. Because the final December 31, 2008 CCR account balance is not known at this time, an estimate is used. Please see Exhibit 9 for an allocation and estimate of the December 31, 2008 CCR.

- **Combined Categories for Member Contribution Offset:** For the District groups, Categories II and IV have been combined for purposes of calculating the member contribution offset. The employer Normal Cost contributions are calculated by taking the Total Normal Cost and subtracting the expected contributions made by the members in the cost sharing group. The formulas for determining member contributions are the same for all members in each category.

Summary of Recommendations

Exhibit 1, found at the end of this Section, summarizes this year's valuation results and compares them to the prior valuation report. The recommended employer contribution rates for the fiscal year commencing July 1, 2009 are shown by contributing employer groups on page 1. Member contributions, also effective July 1, 2009 are shown in Appendix D.

Funding Status

The Funded Ratio for the Regular Benefits decreased from 77% to 72%.

In accordance with the Board's funding policy, the funding status is measured using the Actuarial Value of Valuation Assets. As of June 30, 2008, the Market Value of Assets is 93% of the Actuarial Value of Valuation Assets. Thus, on a market value basis, the Funded Ratio for the Regular Benefits would be about 67%.

The funding status for the Supplemental Retirement Benefit Reserve (SRBR) approved benefits increased from 199% in the 2007 valuation to 203% for this June 30, 2008 valuation. A funded ratio over 100% indicates the SRBR unallocated reserve assets are more than sufficient to meet the expected benefit obligations. The portion of the assets greater than the present value of the approved benefits is referred to as the Funding Excess Amount.

The remainder of this Section and Sections 2-7 discuss KCERA's financial status as of June 30, 2008.

Employer Contribution Rate

Under the Board's current funding objectives, the total calculated Employer contribution rate is 33.73% of payroll, prior to the application of the CCR credits. This is equal to the payment of the normal cost rate plus a 27.5-year amortization of the Unfunded Actuarial Accrued Liability (UAAL). It should be noted that the 33.73% is a weighted average for all KCERA employers and for both General and Safety members. The actual percent of payroll to be contributed by each employer for each member varies by their benefits and member contributions.

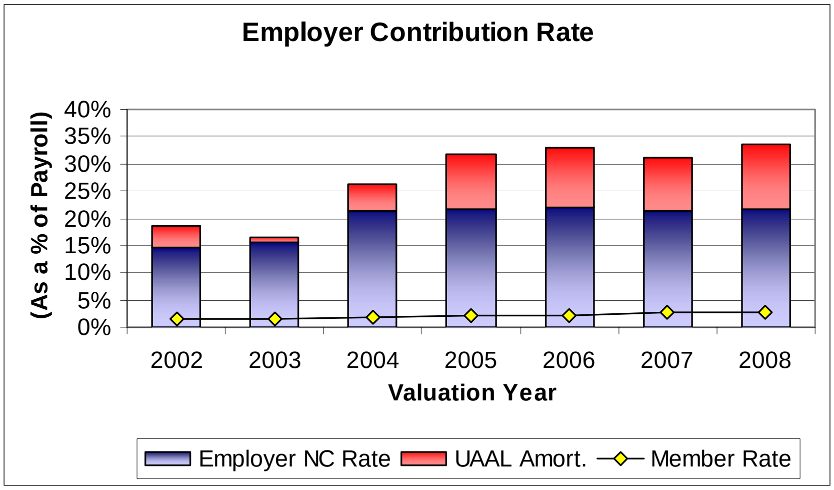
After application of the credit for the CCR, the total weighted employer contribution rate is 29.66%.

The new rates are effective for the fiscal year beginning July 1, 2009. The 33.73% total contribution rate (29.66% employer contributions plus 4.06% for the CCR credits) is adequate to maintain the funding of the retirement system based on the current actuarial methods and assumptions and satisfies the funding policy objectives that call for the UAAL to be paid off by December 31, 2035.

See Exhibits 14-16 for the employer contribution rates by group and class.

Employer Contribution Rate (continued)

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



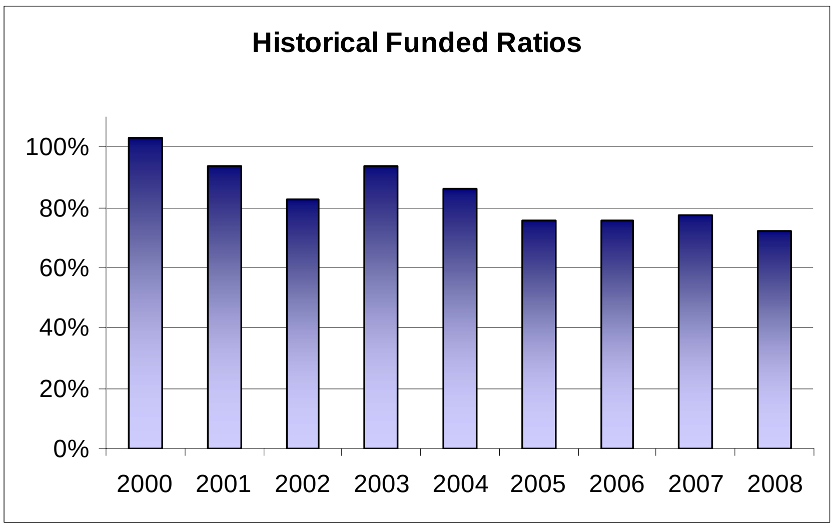
Member Rates

The member contribution rates are projected to average about 2.8% of pay for contributory cost groups. This rate should increase over time as new members contribute at a higher rate and for a longer period of time. See the description of changes in member contribution rates in Section 5. Member contribution rates will change effective July 1, 2009 based on the results of the 2008 Experience Study and changes in the actuarial assumptions.

Funding Progress

One measure of the funding adequacy of the plan is the Funded Ratio which compares the value of the Actuarial Value of Assets (net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL), for all KCERA employers combined. KCERA's Funded Ratio increased rapidly in the last half of the 1990s, reaching 103.3% in 2000. However, due primarily to asset losses and benefit improvements, the Funded Ratio has decreased significantly since then. Currently, the Funded Ratio is 72.3%; that is, the actuarial value of the Valuation Assets of $2.7 billion is about 28% less than the actuarial accrued liabilities of $3.7 billion.

Year	Market Value	Valuation Assets	Accrued Liability	Funded Ratio	Inactive PVB	Active AAL
2000	$ 1,619	$ 1,435	$ 1,389	103.3%		
2001	$ 1,511	$ 1,508	$ 1,612	93.6%		
2002	$ 1,385	$ 1,570	$ 1,899	82.7%	$ 925	$ 974
2003	$ 2,016	$ 1,928	$ 2,059	93.6%	$ 1,067	$ 992
2004	$ 2,225	$ 2,013	$ 2,336	86.1%	$ 1,147	$ 1,189
2005	$ 2,396	$ 2,164	$ 2,862	75.6%	$ 1,437	$ 1,425
2006	$ 2,782	$ 2,352	$ 3,109	75.7%	$ 1,629	$ 1,480
2007	$ 2,955	$ 2,590	$ 3,356	77.2%	$ 1,774	$ 1,582
2008	$ 2,711	$ 2,654	$ 3,672	72.3%	$ 1,914	$ 1,758



Assets

For the six month period ending June 30, 2008, we estimate that KCERA earned -6.74%, net of all expenses, on its market value of assets.

KCERA uses an asset-smoothing method in the determination of valuation assets used in the calculation of UAAL contribution. Under this method, the market value returns are smoothed over a five-year period. Due to the recognition of prior gains, the return on the actuarial valuation assets was higher, returning 4.42%.

Allocation of Assets and Cost Sharing

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

Member contribution rates vary widely between different employer groups. Beginning with the 2005 valuation, the Court employees, formerly reported as part of the larger County General membership, are reported as a separate employer cost group, since they are now paying a higher member rate than the other County General members. Other cost groups use a weighted average of expected member contributions to set the Employer's net Normal Cost rate.

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

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

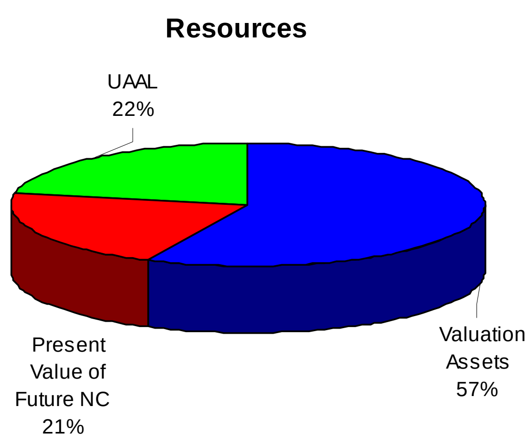
In addition, the portion of the SRBR fund allocated to the 0.5% COLA benefits under the Ventura settlement is not allocated among cost groups. Those funds have also been allocated based on the value of the total actuarial value of the 0.5% benefits for the three major cost groups: County General, District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

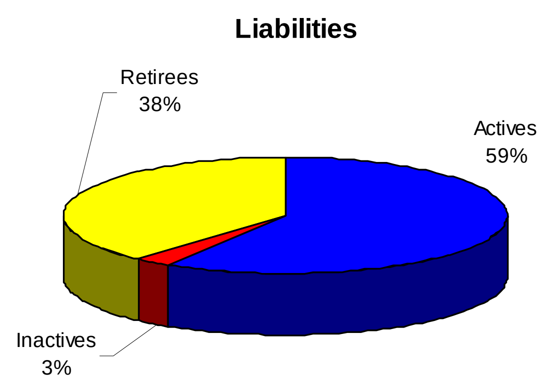
Note that the 0.5% COLA benefits have a current AAL of $229.4 million compared to the allocated SRBR fund for those benefits of $82.4 million. The difference is included in each cost group's UAAL contribution rate.

Actuarial Balance Sheet

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

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





SRBR

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

As part of the Ventura legal settlement in 2001, a portion of the SRBR funds, $64.7 million, was set aside to be used to pay for the additional 0.5% COLA benefits to retired members. The actuarial value of this special allocation of the SRBR fund on June 30, 2008 is $82.5 million. The remaining SRBR funds are equal to $130.3 million.

The Board measures the future SRBR benefits under three scenarios:

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

The following chart indicates the funded ratio of the SRBR benefits under these three measurements as of June 30, 2008:

	Funded Ratio
Approved Benefits	202.5%
Target Benefits, including 20% reserve amounts	155.8%
Future Benefits	151.9%

The SRBR Funded Ratio increased since the 2007 valuation primarily due to lowering the assumed inflation rate from 3.5% to 3.25% and an additional $4.3 million was allocated to the unallocated portion of the SRBR assets.

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

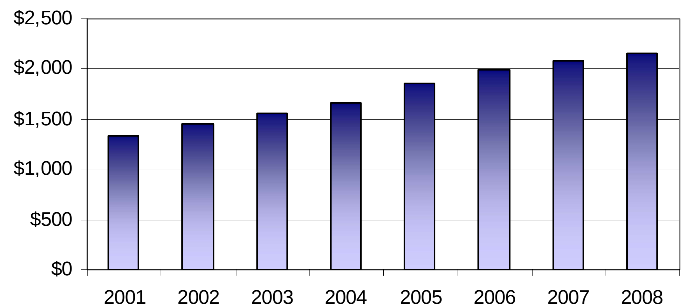
Member Information

The number of active members included in the valuation increased by 1.4% from 8,928 in 2007 to 9,057 in 2008.

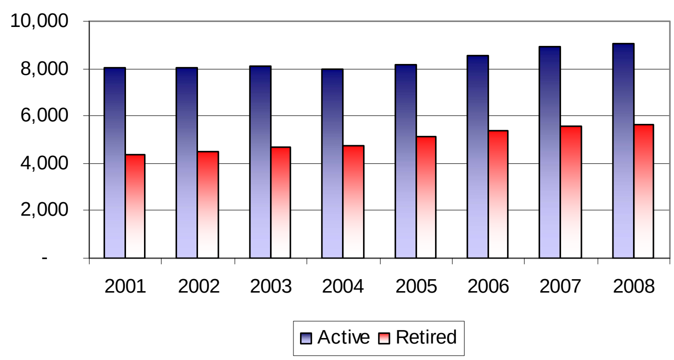
Retired member counts and average retirement benefit amounts continue to increase steadily. For 2008, there were 5,651 retired members and beneficiaries with an average benefit of $2,150 per month. This represents a 1.8% increase in count and a 3.0% increase in the average monthly benefit.

The average actuarial present value of all future benefits per person for General Actives and Retirees (including beneficiaries) were $271,838 and $240,547 respectively while the average present value of future benefits per person for Safety Actives and Retirees were $482,428 and $553,730.

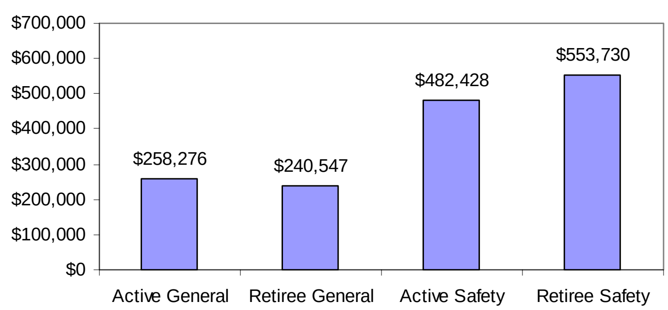
Average Monthly Retirement Benefit



Membership Count



Present Value of Benefits per Person



Kern County
Employees' Retirement Association

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

	December 31, 2007		June 30, 2008		Change
I. Total Membership					
A. Active Members	8,928		9,057		1.44%
B. Retired Members & Beneficiaries	5,552		5,651		1.78%
C. Vested Terminated Members	1,185		1,286		8.52%
D. Terminated Members Pending Refund	509		461		-9.43%
E. Total	16,174		16,455		1.74%
II. Pay Rate as of January 1, 2008					
A. Annual Total Covered Payroll	$456.7		$487.0		6.63%
B. Annual Average ($ not in millions)	$51,157		$53,775		5.12%
III. Average Monthly Benefits Paid to Current Retirees and Beneficiaries					
A. Service Retirement	$2,299		$2,368		3.00%
B. Disability Retirement	$2,169		$2,214		2.07%
C. Surviving Spouse and Dependents	$1,123		$1,158		3.12%
D. Total	$2,088		$2,150		2.97%
IV. Funded Status- Regular Benefits					
A. Actuarial Accrued Liability	$3,356		$3,671		9.40%
B. Valuation Assets	$2,590		$2,654		2.48%
C. Unfunded Actuarial Accrued Liability	$766		$1,017		32.79%
D. Funded Ratio based on Valuation Assets	77.2%		72.3%		-6.35%
E. Market Value of Assets	$2,955		$2,711		-8.25%
F. Funded Ratio on Market Value of Assets	88.1%		73.8%		-16.14%
V. Funded Status- SRBR					
A. Present Value of Approved Benefits	$62.7		$64.3		2.62%
B. SRBR Assets not allocated to 0.5% COLA	$124.5		$130.3		4.68%
C. Unfunded Approved SRBR	($61.8)		($66.0)		6.77%
D. Funded Ratio	199%		203%		1.78%
VI. Required Employer Contribution	**Before CCR**	**After CCR**	**Before CCR**	**After CCR**	
Total Plan	31.22%	25.88%	33.73%	29.66%	
VII. Key Assumptions					
Interest Rate	8.00%		7.75%		
Wage Inflation	4.00%		4.00%		
Price Inflation	3.50%		3.25%		

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Section 2: Scope of Report

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

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of KCERA. The assets and investment income are presented in Exhibits 2-4. Exhibits 5-7 develop the Actuarial Value of Assets as of June 30, 2008.

Section 4 describes the benefit obligations of KCERA. Exhibit 10 presents the actuarial value of projected benefits. We also discuss the normal cost, actuarial accrued liability, and funded ratios.

Section 5 discusses the Member contribution rates.

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

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

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

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

This report includes several appendices:

- Appendix A — A summary of the actuarial procedures, and assumptions used to estimate liabilities and contributions.
- Appendix B — A summary of the current benefit structure, as determined by the provisions of governing law on June 30, 2008.
- Appendix C — Schedules of valuation data classified by various categories of plan members.
- Appendix D — Member contribution rates by plan.
- Appendix E — A glossary of actuarial terms used in this report.

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Section 3: Assets

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is June 30, 2008. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and employers are needed to pay all expected future benefits.

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

All dollar amounts in millions

	Market Value of Total Assets	Actuarial Value			Market Value as Percentage of Actuarial Value
		Non-Valuation Reserves*	Valuation Assets	Total	
December 31					
1999	$ 1,673.4		$ 1,325.9		
2000	1,618.7		1,434.9		
2001	1,511.3	$163.6	1,508.3	$1,671.9	90%
2002	1,384.9	91.6	1,570.3	1,661.9	83%
2003	2,016.2	114.0	1,927.6	2,041.6	99%
2004	2,224.9	119.5	2,012.5	2,132.0	104%
2005	2,395.6	113.5	2,164.3	2,277.8	105%
2006	2,781.8	158.2	2,352.0	2,510.2	111%
2007	2,954.9	240.8	2,589.8	2,830.6	104%
June 30, 2008	2,711.1	254.3	2,654.3	2,908.6	93%

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

On June 30, 2008, the total market value of the fund was $2.71 billion. The actuarial value of the fund was determined to be $2.91 billion, including the non-valuation reserves. The Market Value of Assets includes all plan assets. The Actuarial Value of Valuation Assets of $2.65 billion includes only those assets that are taken into account in determining employer contribution rates for the Regular Benefits. These exclude the unallocated portion of the Supplemental Retiree Benefit Reserve, the Contingency Reserve and the COLA Contribution Reserve.

Financial Exhibits

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

Exhibit 7 has the reconciliation of asset values between the prior actuarial valuation and the current valuation. It has this for market value, actuarial vale of assets, and the valuation asset loss.

Exhibits 8a and 8b are discussed below.

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

Actuarial Asset Method

The actuarial value of assets is calculated every six months. The expected market value of assets is based on the prior period's market value of assets, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return. The assumed rate of return used is one-half of the annual rate. For prior valuations, this was 4.00% (one-half of 8.00%), net of all expenses. The difference between the actual market value and the computed expected market value is smoothed, or recognized over ten six-month periods.

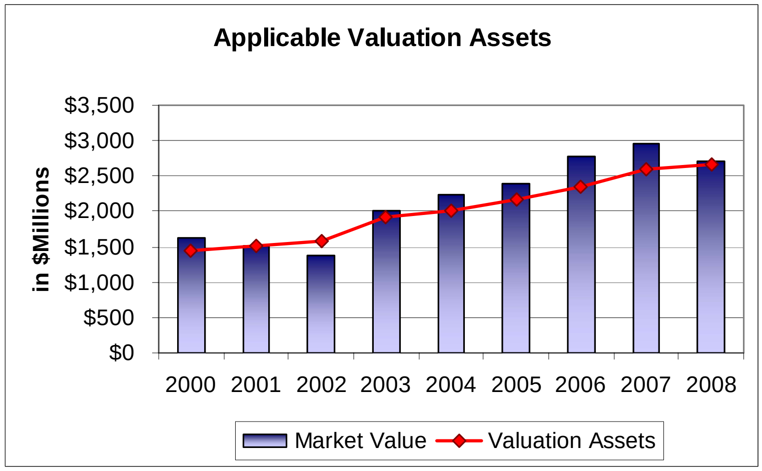
Actuarial Value of Assets

The development of the June 30, 2008 actuarial value of assets is shown in Exhibit 5. The result is an actuarial value of assets that is higher than the market value, indicating past investment losses exceed the past investment gains yet to be recognized.

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

Valuation Reserves

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



Note that for years prior to 2008, the valuation date was December 31.

Allocation of Assets

The allocation of valuation assets by cost group (County General, District General, and Safety) is shown in Exhibit 8. This is done because UAAL contribution rates are determined separately by cost group.

The Member Deposit Reserves, Employer Advance Reserves, and Cost-of-Living -2% Reserves are allocated by Cost Group by KCERA. The SRBR 0.5% COLA reserves are allocated in proportion to the Cost-of-Living reserves. The Retired Member reserves for General and District members are allocated based on the present value of benefits for each group.

Interest Crediting Policy

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

1. Credit the Contingency Reserve until it is equal to 1% of the market value of assets. [31616]

Interest Crediting Policy (continued)

2. Credit the Valuation Reserves (Member Deposit, Employer Advance, COLA and Retired Member reserves) and the SRBR Reserves and the COLA Contribution Reserve (CCR) at a rate up to one-half of the assumed valuation interest rate. [31615]
3. Credit the Contingency Reserve until it is equal to 3% of the market value of assets. [31616]
4. Credit the CCR with a dollar amount equal to the 2% COLA contributions payable by all employers for the six-month period ending on the date of the interest determination. This allocation is made even if CCR funds were used rather than actual contributions made for the six-month period. [31617]
5. 50% of any remaining interest credits are applied to the SRBR (the unallocated portion of the SRBR reserve, not the portion set aside for the 0.5% COLA benefits). [31618]
6. The other 50% of the remaining interest credits are applied to all the Valuation Reserves and the CCR in proportion to the amounts in each of those reserves, on the balance in the fund for at least six full months. The allocated SRBR fund amount does not participate in this allocation of remaining earnings. [31619]

Per Section 31617 of the CERL, the "cost- of-living" *contribution* shall come from excess earnings on the fund. Thus, the CCR results are used as an offset to the employer contributions otherwise payable as a contribution rather than as an offset to the liability for the 2% cost-of living benefits. For purposes of crediting interest, the CCR is treated the same as the Valuation Reserves. For purposes of determining contribution rates, the CCR is excluded from Valuation Assets, since it is used later as contribution credits.

Any funds in the CCR as of the December 31 before the fiscal year will be used to offset the required 2.0% COLA contributions for the subsequent fiscal year, commencing on July 1. Such amounts will be transferred from the CCR to the 2.0% COLA Reserves on July 1. Any interest earned on the CCR after December 31 will remain in the CCR account and used towards the subsequent year's determination of the credits.

Because the December 31, 2008 balance is not known at this time, we have estimated the amount. When the amount is known in the Spring, a revision will be made if necessary. Please see Exhibit 9 for the allocation of the CCR into cost groups and the projection to December 31, 2008.

If, at any time, the interest credits are less than zero, then the Board has in the past established a Negative Contingency Account and all other reserves receive zero interest credits.

The allocation of Excess Earnings for the first six months of 2008 is summarized as follows:

Allocation of Excess Earnings for the first six months of 2008

(amounts in millions)

1. Total Earnings to be allocated after regular interest credits			$ 15.1
2. Decrease Contingency Reserve to 3% of market value			7.3
3. Credits to CCR based on prior six months of 2% COLA contributions			(13.8)
4. Remaining Excess Earnings (1) + (2) + (3)			$ 8.6
5. 50% Allocation to SRBR Unallocated Fund			$ 4.3
6. Allocation to other valuation reserves			
	Member Deposit Reserves	$ 0.4	
	Employer Advance Reserves	1.2	
	2% Cost of Living Reserves	1.1	
	Retired Member Reserves	1.6	
	CCR	0.0	
	Total		$ 4.3

Exhibit 2: Statement of Plan Net Assets As of June 30, 2008 and 2007*

	June 30, 2008	June 30, 2007
Assets		
Cash in County Pool	$6,261,261	$10,677,466
Short-Term Investment Funds	113,780,597	130,843,512
Total Cash and Short-Term Investment Funds	120,041,858	141,520,978
Receivables:		
Investments Sold	66,051,213	78,460,549
Interest and Dividends	9,789,330	8,844,008
Contributions and Other Receivables	1,416,621	1,028,808
Mark to Market Receivables	129,695	0
Total Receivables	77,386,859	88,333,365
Investments at Fair Value:		
U.S. Government Debt Securities and Corporate Bonds	798,263,973	738,163,554
International Bonds	65,662,747	56,425,242
Domestic Stocks	864,318,110	1,068,136,672
International Stocks	687,198,369	753,151,429
Real Estate Investments	53,474,171	36,466,586
Alternative Investments	235,395,053	178,410,319
Collateral Held for Securities Lending	260,650,054	318,117,639
Total Investments	2,964,962,477	3,148,871,441
Capital Assets, net of accumulated depreciation of $117,977 and $78,701, respectively	82,805	82,754
Total Assets	3,162,473,999	3,378,808,538
Liabilities		
Securities Purchased	188,266,824	145,163,594
Collateral Held for Securities Lent	260,650,054	318,117,639
Other Liabilities	2,448,582	3,041,667
Mark to Market Payables	0	207,870
Total Liabilities	451,365,460	466,530,770
Net Assets Held in Trust for Pension Benefits	**$2,711,108,539**	**$2,912,277,768**

**Prior actuarial valuations reported financial data on a calendar year basis.*

Exhibit 3: Statement of Changes in Plan Net Assets For the Years Ended June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
Additions		
Contributions:	$137,263,673	$128,134,672
Employer	15,031,419	12,633,790
Member	152,295,092	140,768,462
Total Contributions		
Investment Income:		
Net Appreciation in Fair Value of Investments	(281,625,951)	390,236,551
Interest	64,315,286	54,265,426
Dividends	19,962,893	13,611,508
Real Estate Investments	3,282,781	2,407,415
Other Investment Income	335	478
Total Investment Income	(194,064,656)	460,521,378
Less: Investment Expenses	8,995,490	7,885,266
Net Investment Income	(203,060,146)	452,636,112
Securities Lending Income:		
Earnings	12,255,345	16,700,929
Less: Rebates & Bank Fees	10,757,676	15,974,295
Net Securities Lending Income	1,497,669	726,634
Total Additions	(49,267,385)	594,131,208
Deductions		
Retirement and Survivor Benefits	136,189,351	125,416,661
Supplemental Retirement Benefits	9,997,296	9,147,994
Refunds of Member Contributions	2,374,071	2,513,648
Administrative Expenses	3,341,021	3,030,488
Miscellaneous Expenses	105	705
Total Deductions	151,901,844	140,109,496
Net Increase (Decrease)	**(201,169,229)**	**454,021,712**
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	**2,912,277,768**	**2,458,256,056**
End of Year	**$2,711,108,539**	**$2,912,277,768**

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

Six-Month Period Ended	Market Value of Assets (Beginning)	Market Value of Assets (End)	Contributions	Benefit Payments	Actual Investment Return (Net of Expenses)	Assumed Annual Rate of Return	Expected Return (Net of Expenses)	Unexpected Gain (Loss)
06/30/2008	$ 2,954,936,919	$ 2,711,108,540	$ 29,447,062	$ 75,611,714	$ (197,663,727)	8.00%	$ 117,274,184	$ (314,937,911)
12/31/2007	$ 2,912,277,768	$ 2,954,936,919	$ 122,848,031	$ 72,949,005	$ (7,239,875)	8.00%	$ 117,489,091	$ (124,728,966)
06/30/2007	$ 2,781,826,664	$ 2,912,277,768	$ 18,197,296	$ 70,540,035	$ 182,793,843	8.00%	$ 110,226,212	$ 72,567,632
12/31/2006	$ 2,458,256,056	$ 2,781,826,664	$ 122,571,166	$ 66,538,268	$ 267,537,710	8.00%	$ 99,450,900	$ 168,086,809
06/30/2006	$ 2,395,625,069	$ 2,458,256,056	$ 14,198,025	$ 63,859,332	$ 112,292,294	8.00%	$ 94,831,777	$ 17,460,517
12/31/2005	$ 2,212,271,078	$ 2,395,625,069	$ 98,310,989	$ 59,906,157	$ 144,949,159	8.00%	$ 89,258,940	$ 55,690,220
06/30/2005	$ 2,224,898,721	$ 2,212,271,078	$ 10,983,739	$ 56,586,530	$ 32,975,149	8.00%	$ 88,083,893	$ (55,108,744)
12/31/2004	$ 2,030,719,406	$ 2,224,898,721	$ 59,635,395	$ 54,419,552	$ 188,963,472	8.00%	$ 81,333,093	$ 107,630,379
06/30/2004	$ 2,016,236,085	$ 2,030,719,406	$ 9,159,416	$ 55,488,271	$ 60,812,177	8.00%	$ 79,722,866	$ (18,910,690)
12/31/2003	$ 1,782,946,667	$ 2,016,236,085	$ 50,051,399	$ 49,472,104	$ 232,710,123	8.00%	$ 71,329,453	$ 161,380,670

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

Calculation of Market Stabilization Reserve

Six-Month Period Ended	Unexpected Gain (Loss)	Percent Not Yet Phased In	Gain (Loss) Excluded
06/30/2008	$ (314,937,911)	90%	$ (283,444,120)
12/31/2007	(124,728,966)	80%	(99,783,173)
06/30/2007	72,567,632	70%	50,797,342
12/31/2006	168,086,809	60%	100,852,086
06/30/2006	17,460,517	50%	8,730,259
12/31/2005	55,690,220	40%	22,276,088
06/30/2005	(55,108,744)	30%	(16,532,623)
12/31/2004	107,630,379	20%	21,526,076
06/30/2004	(18,910,690)	10%	(1,891,069)
Total			$ (197,469,135)

Calculation of Actuarial Value of Assets and Valuation Assets

1. Market Value of Assets	$ 2,711,108,540
2. Unrecognized Gain/Loss (Market Stabilization Reserve)	$ (197,469,135)
3. Preliminary Actuarial Value (1) - (2)	$ 2,908,577,675
4. Corridor Around Market Value	
(a) Minimum - 80% of Market Value	$ 2,168,886,832
(b) Maximum - 120% of Market Value	$ 3,253,330,248
5. Computed Actuarial Value of Assets	$ 2,908,577,675
6. Non-Valuation Reserves and Designations	
(a) SRBR unallocated to 0.5% COLA benefits	$ 130,328,390
(b) Contingency Reserve	81,333,256
(c) COLA Contribution Reserve	42,600,264
(d) Total	$ 254,261,910
7. Total Valuation Reserves (5) - (6)	$ 2,654,315,765

Exhibit 6: Allocation of Assets by Accounting Reserve Amounts For June 30, 2008 and December 31, 2007

	RESERVES	June 30, 2008	December 31, 2007
A	Market Stabilization Reserve	$ (197,469,135)	$ 124,381,767
	Members Deposit Reserve-General & Courts	$ 147,060,917	$ 142,004,563
	Members Deposit Reserve-Safety	61,906,822	60,283,260
	Members Deposit Reserve-Special Districts	13,450,224	12,993,717
	Employers Advance Reserve-General & Courts	389,677,114	400,504,967
	Employers Advance Reserve-Safety	316,679,942	315,938,462
	Employers Advance Reserve-Special Districts	18,289,614	17,349,423
	Cost-of-Living Reserve-General & Courts	355,864,851	346,110,967
	Cost-of-Living Reserve-Safety	271,963,887	263,817,828
	Cost-of-Living Reserve-Special Districts	17,834,264	16,718,819
	Retired Members-General, Courts & Special Districts	605,439,615	573,095,795
	Retired Members-Safety	373,694,673	360,161,259
	SRBR	130,328,390	124,480,825
	SRBR 0.5% COLA	82,453,842	80,838,238
	COLA Contribution Reserve	42,600,264	27,608,922
	Contingency Reserve	81,333,256	88,648,108
	Current Earnings	-	-
B	Total Reserves for Actuarial Value of Assets	$ 2,908,577,675	$ 2,830,555,151
C	**Total Fund Balance = A + B**	$ 2,711,108,540	$ 2,954,936,919
D	**Non-Valuation Reserves and Designations**		
	(a) SRBR unallocated to 0.5% COLA benefits	130,328,390	124,480,825
	(b) Contingency Reserve	81,333,256	88,648,108
	(c) COLA Contribution Reserve	42,600,264	27,608,922
	(d) Total	254,261,910	240,737,855
E	**Valuation Reserves = B - D**	$ 2,654,315,765	$ 2,589,817,297

Exhibit 7: Reconciliation of Assets For the Year Ended June 30, 2008

	Valuation Assets*	Actuarial Assets	Market Value of Assets
1. Total December 31, 2007 valuation	$ 2,589,817,297	$ 2,830,555,151	$ 2,954,936,919
2. Changes Between Valuations			
a. Contributions	29,447,062	29,447,062	29,447,062
b. Benefit Payments	(72,199,007)	(75,611,714)	(75,611,714)
c. Transfer from Contingency Reserves	7,314,851	-	-
d. Transfer to CCR	(13,840,389)	-	-
e. Investment Return, net of expenses	113,775,952	124,187,175	(197,663,727)
f. Total Changes	$ 64,498,468	$ 78,022,523	$ (243,828,379)
3. Total June 30, 2008 valuation	$ 2,654,315,765	$ 2,908,577,675	$ 2,711,108,540
4. Expected Return	$ 102,737,653	$ 112,298,913	$ 117,274,184
5. Gain/(Loss) = 2e. - 4	11,038,299	11,888,262	(314,937,911)
6. Six-Month Return (net of all expenses)	4.43%	4.42%	-6.74%

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

Exhibit 8: Allocation of Valuation Assets

Allocation of Valuation Assets	General Members	District Members	Safety Members	Total
Member Deposit Reserves	$ 147,060,917	$ 13,450,224	$ 61,906,822	$ 222,417,963
Employer Advance Reserves	389,677,114	18,289,614	316,679,942	724,646,670
Cost-of-Living Reserves - 2%	355,864,851	17,834,264	271,963,887	645,663,002
Cost-of-Living Reserves - 0.5%	45,445,417	2,277,509	34,730,916	82,453,842
Retired Member Reserves	575,249,136	30,190,479	373,694,673	979,134,288
Total Valuation Assets	$ 1,513,297,435	$ 82,042,091	$ 1,058,976,239	$ 2,654,315,765

The SRBR Cost-of-Living Reserves - 0.5% are allocated in proportion to the 2.0% COL Reserves.
The Retired Member Reserves for General and District Members are allocated based on the present value of benefit obligations for each group.

Exhibit 9: COLA Contribution Reserve – Allocation and Estimate for December 31, 2008

		General Members	District Members	Safety Members	Total
1.	December 31, 2007 Values	$ 16,441,160	$ 2,370,042	$ 8,797,720	$ 27,608,922
2.	June 30, 2008 Regular Interest Credit	657,646	94,802	351,909	1,104,357
3.	June 30, 2008 Excess Earnings Credit	27,748	4,000	14,848	46,596
4.	2% COLA Contribution Credit(1)	8,501,544	803,564	4,535,281	13,840,389
5.	June 30, 2008 Values (1.+ 2.+ 3.)	$ 25,628,098	$ 3,272,408	$ 13,699,758	$ 42,600,264
6.	COLA Contribution Credit for FY 2008-09(2)	(15,224,807)	(1,411,039)	(7,602,394)	(24,238,240)
7.	Estimated Interest on December 31, 2008(3)	1,025,124	130,896	547,990	1,704,010
8.	Estimated Value as of December 31, 2008(4) (4.+ 5.+ 6.)	$ 11,428,415	$ 1,992,265	$ 6,645,354	$ 20,066,034

(1) Based upon 2% COLA Contributions due January 1, 2008 through June 30, 2008.
(2) Transfer to Employer Advance Reserves on July 1, 2008 based upon December 31, 2007 Actuarial Valuation Report
(3) Estimate based upon one-half of prior actuarial valuation assumption of 8.00% applied to June 30, 2008 values.
(4) This value can only be estimated until the interest allocation is complete for December 31, 2008. This estimate is used in this valuation, but a refinement may be necessary in the Spring of 2009.

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Section 4: Actuarial Liabilities

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of KCERA's assets as of the valuation date, June 30, 2008. In this section, the discussion will focus on the commitments of KCERA for retirement benefits, which are referred to as its actuarial liabilities. The SRBR benefits are determined separately and are discussed in Section 8.

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

Actuarial Balance Sheet – Liabilities

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

Exhibit 10 contains an analysis of the actuarial present value of all future benefits for inactive members, (both retired and terminated vested members), and active members.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All liabilities reflect the benefits effective through June 30, 2008.

Actuarial Resources

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

(a) assets currently available to pay benefits and considered for funding purposes, the Valuation Reserves, and

(b) the present value of future contributions expected to be made by current active Members and the employers.

Exhibit 10: Actuarial Value of Benefits – June 30, 2008

(Dollars in millions)

Resources				
	General - County	General - Districts	Safety	Total
Valuation Assets (Actuarial)	$ 1,513,286,777	$ 82,042,091	$ 1,058,976,239	$ 2,654,305,106
Present Value of Future Member Contributions	86,177,849	7,658,415	20,311,683	114,147,947
Present Value of Future Employer Contributions to the Fund:				
a) Normal Cost	524,747,321	42,072,965	311,942,655	878,762,941
b) Unfunded Actuarial Accrued Liability	670,236,028	61,598,279	285,320,589	1,017,154,897
Total Resources	$ 2,794,447,975	$ 193,371,750	$ 1,676,551,166	$ 4,664,370,891

Liabilities				
	General - County	General - Districts	Safety	Total
Present Value of Future Benefits				
1. Present Retired Members	$ 973,176,249	$ 51,074,666	$ 771,345,966	$ 1,795,596,881
2. Current Inactive Members	89,629,629	10,216,115	18,503,339	118,349,083
3. Current Active Members	1,731,642,097	132,080,969	886,701,861	2,750,424,927
Total Actuarial Liabilities	$ 2,794,447,975	$ 193,371,750	$ 1,676,551,166	$ 4,664,370,891

Actuarial Cost Method

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

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

Due to the adoption of Section 31617 of the CERL, and the Ventura settlement, the normal costs and the UAAL contribution rates need to be valued in total and also into three major cost group subtotals: the Basic benefits, the 2.0% COLA, and the 0.5% COLA benefits. The latter group also uses the portion of the SRBR funds allocated to those benefits.

Normal Cost

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

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

Normal Cost (continued)

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

Under the KCERA funding policy adopted by the Board, separate normal cost rates are determined for different cost sharing groups based on the level of future benefits.

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

Entry Age Total Normal Cost				
(In Dollars)	**Basic**	**COLA - 2%**	**COLA - 0.5%**	**Total**
1. General - Tier I	$ 63,832,620	$ 13,033,772	$ 3,960,152	$ 80,826,545
2. General - Tier II	1,777,527	$ 331,167	$ 99,692	$ 2,208,386
3. Safety	26,356,632	6,289,528	1,965,088	34,611,248
4. All Members	$ 91,966,779	$ 19,654,467	$ 6,024,932	$ 117,646,179
As a Percent of Pay	**Basic**	**COLA - 2%**	**COLA - 0.5%**	**Total**
1. General - Tier I	18.25%	3.73%	1.13%	23.11%
2. General - Tier II	10.03%	1.87%	0.56%	12.47%
3. Safety	22.83%	5.45%	1.70%	29.98%
4. All Members	19.05%	4.07%	1.25%	24.36%

Actuarial Accrued Liability

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

Unfunded Actuarial Accrued Liability/ Surplus Funding

If a UAAL amount exists, it usually results from prior years’ benefit or assumption changes and the net effect of accumulated gains and losses. If the County had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

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

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

Funding Adequacy

A key consideration in determining the adequacy of the funding of KCERA is how the UAAL is being funded. If the UAAL amount is positive, that is, the AAL to be funded is greater than the Valuation Assets, then the UAAL is amortized. Under the current funding method, the UAAL is amortized over a fixed period ending December 31, 2035. Thus, the UAAL contribution rate is funding the UAAL over 27.5 years from the valuation date.

Analysis of Change in UAAL

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

The 2008 actuarial valuation reflects an increase in the UAAL of $251.3 million for the plan year just ended.

The following table reconciles the change in the UAAL since the last valuation.

Sources of UAAL (in millions)

Source of Change	County	District	Safety	Total Plan
December 31, 2007 Actuarial Valuation	$504.6	$49.8	$211.4	$765.8
Experience Study Changes	77.3	6.0	43.1	126.6
Expected Year-to-Year Change	44.6	2.4	16.7	63.5
Expected June 30, 2008 Actuarial Valuation	$626.5	$58.2	$271.2	$955.9
Asset Gain/Loss	(6.2)	(0.4)	(4.4)	(11.0)
Salary and Demographic Changes	50.0	3.7	18.5	72.2
Total Experience Change	$43.8	$3.3	$14.1	$61.2
Actual June 30, 2008 Actuarial Valuation	$670.3	$61.5	$285.3	$1,017.1
Net change since December 31, 2007	$165.7	$11.7	$73.9	$251.3

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

Basic Benefits

	General – County	General – Districts	Safety	Total
1. Actuarial Accrued Liability	$ 1,601.4	$ 107.3	$ 935.0	$ 2,643.7
2. Valuation Assets	1,112.0	61.9	752.3	1,926.2
3. Unfunded Actuarial Accrued Liability	$ 489.4	$ 45.4	$ 182.7	$ 717.5
4. Funded Ratio	69.4%	57.7%	80.5%	72.9%

COLA Benefits - 2%

	General – County	General – Districts	Safety	Total
1. Actuarial Accrued Liability	$ 452.3	$ 27.9	$ 318.1	$ 798.3
2. Valuation Assets	355.9	17.8	272.0	645.7
3. Unfunded Actuarial Accrued Liability	$ 96.4	$ 10.1	$ 46.1	$ 152.6
4. Funded Ratio	78.7%	63.8%	85.5%	80.9%

COLA Benefits - 0.5%

	General – County	General – Districts	Safety	Total
1. Actuarial Accrued Liability	$ 129.9	$ 8.4	$ 91.2	$ 229.5
2. Valuation Assets	45.4	2.3	34.7	82.4
3. Unfunded Actuarial Accrued Liability	$ 84.5	$ 6.1	$ 56.5	$ 147.1
4. Funded Ratio	34.9%	27.4%	38.0%	35.9%

Total Regular Benefits

	General – County	General – Districts	Safety	Totals
1. Actuarial Accrued Liability	$ 2,183.5	$ 143.6	$ 1,344.3	$ 3,671.4
2. Valuation Assets	1,513.3	82.0	1,059.0	2,654.3
3. Unfunded Actuarial Accrued Liability	$ 670.2	$ 61.6	$ 285.3	$ 1,017.1
a. Regular Benefits	$ 670.2	$ 61.6	$ 285.3	$ 1,017.1
b. Golden Handshakes	-	0.0	-	0.0
c. Total	$ 670.2	$ 61.6	$ 285.3	$ 1,017.1
4. Funded Ratio	69.3%	57.1%	78.8%	72.3%

Exhibit 12: Liability by District

Category	District Name	Member Count*	Present Value of Projected Benefits	Present Value of Future Normal Cost **	Actuarial Accrued Liability (AAL) (A-B)	Actuarial Value of Assets (AVA) (Pro-rated by AAL)	Unfunded Actuarial Accrued Liability (UAAL) (C-D)
IV	Berrenda Mesa Water	18	$ 6,086,720	$ 1,152,274	$ 4,934,446	$ 2,818,374	$ 2,116,072
III	Buttonwillow Recreation & Park	3	352,052	188,858	163,194	93,210	69,984
II	East Kern Cemetery	2	458,962	128,004	330,958	189,031	141,927
IV	Inyokern Community Services	3	405,994	117,726	288,268	164,648	123,620
I	Kern County Water Agency	136	56,048,331	10,066,018	45,982,313	26,263,404	19,718,909
II	Kern Mosquito & Vector Control	31	11,153,096	1,376,258	9,776,838	5,584,170	4,192,668
II	North of the River Sanitation	18	6,721,384	1,040,191	5,681,193	3,244,888	2,436,305
III	San Joaquin Valley Unified Air Pollution Control	446	98,328,521	33,483,574	64,844,947	37,037,046	27,807,900
II	Shafter Recreation & Park	4	380,009	-	380,009	217,047	162,962
II	West Side Cemetery	15	3,786,468	647,113	3,139,355	1,793,084	1,346,271
II	West Side Mosquito Abatement	19	6,240,582	648,139	5,592,443	3,194,198	2,398,245
II	West Side Recreation & Park	33	3,409,631	883,225	2,526,406	1,442,990	1,083,416
	Total District	728	$ 193,371,750	$ 49,731,380	$ 143,640,370	$ 82,042,091	$ 61,598,279

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

** Includes both active and inactive members.*
*** Includes both employer and employee contributions.*

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Section 5: Member Contributions

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

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

Basic Contributions

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

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

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

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

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

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

General Members

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

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

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

General Members (continued)	Two districts, Buttonwillow Recreation and Park District and San Joaquin Valley Unified Air Pollution Control District, did not adopt the 1997 MOU. Members in those districts pay 50% of the full rates for the first 30 years of service, regardless of hire date. For Kern County Water Agency employees hired prior to August 22, 2004, the employer picks up 100% of all member contributions. For Tier II members (County members hired on or after October 27, 2007), the contribution rates are designed to provide an average annuity, payable at age 60, equal to 1/120 of the final average salary, in compliance with CERL 31621.
Safety Members	The Basic contribution rates are designed to provide an average annuity, payable at age 50, equal to 1/100 of the final average salary for Safety members, in compliance with CERL 31639.25. Effective July 10, 2004, all Safety employees began paying a supplemental contribution rate: a) If hired after July 10, 2004, an additional rate equal to the total employee rate sufficient to provide an average annuity payable at age 50, equal to 3/200 of final compensation. This amount is equal to 150% of the rate specified in Section 31639.25 of the CERL. b) If hired before July 10, 2004, the supplemental rate will increase 1% each fiscal year until the full rate as described in a) is reached. Safety members hired prior to 2007 pay contributions for the first five years of service. Those hired after 2007 will contribute for 30 years of service. For those hired in 2007, the length of contribution depends upon hire date and bargaining unit. For members in certain bargaining units hired after collectively bargained dates in 2007, the rates described above have been replaced by one uniform rate for all entry ages. That rate is designed to result in average contribution rates comparable to the rates based upon the 3/200 described above. The new rates effective July 1, 2009 will be 12.30% for salary above \$350/month and 8.20% for the first \$350.

Exhibit 13: Member Contribution Rates

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

FAS = Final Average Salary

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

Notes:

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

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Section 6: Employer Contributions

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

Calculated Contribution Rate

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

The total calculated employer contribution rates for each cost sharing group can be found in Exhibits 14-16. These results are expressed as a percentage of payroll and annual contribution dollars.

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

a) The Basic benefits are the retirement benefits excluding all COLA.

b) The COLA benefits adopted prior to the Ventura settlement are referred to as the "2.0% COLA benefits".

c) The COLA benefits provided under the Ventura settlement are referred to as the "0.5% COLA benefits".

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

Exhibit 14 shows the contribution rates for the County, District, and Safety groups. Exhibit 15 further breaks down the County rates between Tier I, Tier II, and the Courts. Exhibit 16 further breaks down the District rates between the four District categories.

Contribution Rate (continued)

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

The UAAL contributions are split between those attributable to the 3% at 60 benefits and all other UAAL amounts starting with the 2005 valuation. The fixed portion of the UAAL rates attributable to the 3% @ 60 benefit enhancements are:

	County General members	District General members
Basic Benefits	2.43%	2.31%
2% COLA	0.51%	0.47%
0.5% COLA	0.13%	0.13%
Total	3.07%	2.91%

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

Court Employees

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

Exhibit 14: Total Plan Contributions by UAAL Cost Sharing Group

	General County with Courts	General District	Safety	Total
A. Basic Benefits				
1. Total Normal Cost	17.83%	18.25%	22.83%	19.05%
2. Projected Employee Contributions	2.71%	3.22%	2.92%	2.79%
3. Employer Normal Cost (1-2)	15.12%	15.04%	19.91%	16.26%
4. Amortization of Unfunded Actuarial Accrued Liability	8.27%	9.99%	9.15%	8.57%
5. Employer Contribution (3+4)	23.38%	25.03%	29.07%	24.83%
B. COLA Benefits 2%				
1. Employer Normal Cost	3.63%	3.73%	5.45%	4.07%
2. Amortization of Unfunded Actuarial Accrued Liability	1.63%	2.22%	2.31%	1.82%
3. Employer Contribution (1+2)	5.26%	5.95%	7.76%	5.89%
C. COLA Benefits 0.5%				
1. Employer Normal Cost	1.10%	1.13%	1.70%	1.25%
2. Amortization of Unfunded Actuarial Accrued Liability	1.43%	1.34%	2.83%	1.76%
3. Employer Contribution (1+2)	2.53%	2.47%	4.53%	3.00%
D. Total Benefits				
1. Total Normal Cost	22.56%	23.11%	29.98%	24.36%
2. Projected Employee Contributions	2.71%	3.22%	2.92%	2.79%
3. Employer Normal Cost (1-2)	19.85%	19.90%	27.06%	21.58%
4. Amortization of Unfunded Actuarial Accrued Liability	11.32%	13.56%	14.30%	12.15%
5. Total Employer Contribution (3+4)	31.17%	33.45%	41.36%	33.73%
6. COLA Contribution Reserve Adjustments				
a.) CCR Credits*	3.35%	7.63%	5.76%	
b.) Max CCR Credits (B.3)	5.26%	5.95%	7.76%	
c.) CCR Adjustments (Minimum of a. and b.)	3.35%	5.95%	5.76%	4.06%
7. Adjusted Employer Contribution (5-6c.)	27.82%	27.50%	35.60%	29.66%
Estimated Payroll for Fiscal Year beginning July 1, 2009	$ 354,992,455	$ 27,144,840	$ 120,056,612	$ 502,193,907

Estimated Dollar Amounts	General County with Courts	District	Safety	Total
A. Basic Benefits				
Projected Employee Contributions	$ 9,616,159	$ 872,902	$ 3,505,653	$ 13,994,714
Employer Contribution	83,013,326	6,794,697	34,900,457	124,708,480
B. COLA Benefits 2%				
Employer Contribution	18,651,239	1,614,337	9,316,393	29,581,969
C. COLA Benefits 0.5%				
Employer Contribution	8,982,786	672,225	5,438,565	15,093,576
D. Total Benefits				
Projected Employee Contributions	9,616,159	872,902	3,505,653	13,994,714
Total Employer Contribution	110,647,350	9,081,259	49,655,415	169,384,024
COLA Contribution Reserve Adjustments				
a.) CCR Credits*			$ 6,915,261	
b.) Max CCR Credits (B.)			9,316,393	
c.) CCR Adjustments (Minimum of a. and b.)	$ 11,892,247	$ 1,614,337	$ 6,915,261	$ 20,421,845 **
Adjusted Employer Contribution	$ 98,755,103	$ 7,466,922	$ 42,740,154	$ 148,962,179

** Based upon the estimated COLA Contribution Reserve as of December 31, 2008. This estimate may need to be refined in Spring 2009.*

*** CCR Adjustments are based on the individual Category. The Total column is the sum of General County, General District, and Safety.*

Exhibit 15a: County General Contributions

	Tier I w/o Courts	Tier II w/o Courts	Total General County w/o Courts	Courts	Total General County with Courts
A. Basic Benefits					
1. Total Normal Cost	18.25%	10.03%	17.80%	18.25%	17.83%
2. Projected Employee Contributions	2.36%	5.72%	2.55%	5.08%	2.71%
3. Employer Normal Cost (1-2)	15.89%	4.31%	15.25%	13.17%	15.12%
4. Amortization of Unfunded Actuarial Accrued Liability	8.27%	8.27%	8.27%	8.27%	8.27%
5. Employer Contribution (3+4)	24.16%	12.58%	23.52%	21.44%	23.38%
B. COLA Benefits 2%					
1. Employer Normal Cost	3.73%	1.87%	3.62%	3.73%	3.63%
2. Amortization of Unfunded Actuarial Accrued Liability	1.63%	1.63%	1.63%	1.63%	1.63%
3. Employer Contribution (1+2)	5.35%	3.50%	5.25%	5.35%	5.26%
C. COLA Benefits 0.5%					
1. Employer Normal Cost	1.13%	0.56%	1.10%	1.13%	1.10%
2. Amortization of Unfunded Actuarial Accrued Liability	1.43%	1.43%	1.43%	1.43%	1.43%
3. Employer Contribution (1+2)	2.56%	1.99%	2.53%	2.56%	2.53%
D. Total Benefits					
1. Total Normal Cost	23.11%	12.47%	22.52%	23.11%	22.56%
2. Projected Employee Contributions	2.36%	5.72%	2.55%	5.08%	2.71%
3. Employer Normal Cost (1-2)	20.75%	6.74%	19.98%	18.03%	19.85%
4. Amortization of Unfunded Actuarial Accrued Liability	11.32%	11.32%	11.32%	11.32%	11.32%
5. Total Employer Contribution (3+4)	32.07%	18.06%	31.30%	29.35%	31.17%
6. COLA Contribution Reserve Adjustments					
a.) CCR Credits*	3.35%	3.35%	3.35%	3.35%	3.35%
b.) Max CCR Credits (B.3)	5.35%	3.50%	5.25%	5.35%	5.26%
c.) CCR Adjustments (Minimum of a. and b.)	3.35%	3.35%	3.35%	3.35%	3.35%
7. Adjusted Employer Contribution (5-6c.)	28.72%	14.71%	27.95%	26.00%	27.82%
Estimated Payroll for Fiscal Year beginning July 1, 2009	$ 313,800,579	$ 18,424,744	$ 332,225,323	$ 22,767,132	$ 354,992,455

Estimated Dollar Amounts	Tier I w/o Courts	Tier II w/o Courts	Total General County w/o Courts	Courts	Total General County with Courts
A. Basic Benefits					
Projected Employee Contributions	$ 7,405,694	$ 1,053,895	$ 8,459,589	$ 1,156,570	$ 9,616,159
Employer Contribution	75,814,220	2,317,833	78,132,053	4,881,273	83,013,326
B. COLA Benefits 2%					
Employer Contribution	16,788,331	644,866	17,433,197	1,218,042	18,651,239
C. COLA Benefits 0.5%					
Employer Contribution	8,033,295	366,652	8,399,947	582,839	8,982,786
D. Total Benefits					
Projected Employee Contributions	7,405,694	1,053,895	8,459,589	1,156,570	9,616,159
Total Employer Contribution	100,635,846	3,329,351	103,965,197	6,682,153	110,647,350
COLA Contribution Reserve Adjustments					
a.) CCR Credits*	$ 10,512,319	$ 617,229		$ 762,699	
b.) Max CCR Credits (B.)	16,788,331	644,866		1,218,042	
c.) CCR Adjustments (Minimum of a. and b.)	$ 10,512,319	$ 617,229	$ 11,129,548	$ 762,699	$ 11,892,247
Adjusted Employer Contribution	$ 90,123,526	$ 2,712,122	$ 92,835,649	$ 5,919,454	$ 98,755,103

** Based upon the estimated COLA Contribution Reserve as of December 31, 2008. This estimate may need to be refined in Spring 2009.*
*** CCR Adjustments are based on the individual Category.*

Exhibit 15b: County Total Contributions

	General County w/o Courts	Safety	Total County w/o Courts
A. Basic Benefits			
1. Total Normal Cost	17.80%	22.83%	19.13%
2. Projected Employee Contributions	2.55%	2.92%	2.64%
3. Employer Normal Cost (1-2)	15.25%	19.91%	16.49%
4. Amortization of Unfunded Actuarial Accrued Liability	8.27%	9.15%	8.50%
5. Employer Contribution (3+4)	23.52%	29.07%	24.99%
B. COLA Benefits 2%			
1. Employer Normal Cost	3.62%	5.45%	4.11%
2. Amortization of Unfunded Actuarial Accrued Liability	1.63%	2.31%	1.81%
3. Employer Contribution (1+2)	5.25%	7.76%	5.92%
C. COLA Benefits 0.5%			
1. Employer Normal Cost	1.10%	1.70%	1.26%
2. Amortization of Unfunded Actuarial Accrued Liability	1.43%	2.83%	1.80%
3. Employer Contribution (1+2)	2.53%	4.53%	3.06%
D. Total Benefits			
1. Total Normal Cost	22.52%	29.98%	24.50%
2. Projected Employee Contributions	2.55%	2.92%	2.64%
3. Employer Normal Cost (1-2)	19.98%	27.06%	21.86%
4. Amortization of Unfunded Actuarial Accrued Liability	11.32%	14.30%	12.11%
5. Total Employer Contribution (3+4)	31.30%	41.36%	33.97%
6. COLA Contribution Reserve Adjustments			
a.) CCR Credits*	3.35%	5.76%	
b.) Max CCR Credits (B.3)	5.25%	7.76%	
c.) CCR Adjustments (Minimum of a. and b.)	3.35%	5.76%	3.99%
7. Adjusted Employer Contribution (5-6c.)	27.95%	35.60%	29.98%
Estimated Payroll for Fiscal Year beginning July 1, 2009	$ 332,225,323	$ 120,056,612	$ 452,281,935

Estimated Dollar Amounts	General County w/o Courts	Safety	Total w/o Courts
A. Basic Benefits			
Projected Employee Contributions	$ 8,459,589	$ 3,505,653	$ 11,965,242
Employer Contribution	78,132,053	34,900,457	113,032,510
B. COLA Benefits 2%			
Employer Contribution	17,433,197	9,316,393	26,749,590
C. COLA Benefits 0.5%			
Employer Contribution	8,399,947	5,438,565	13,838,512
D. Total Benefits			
Projected Employee Contributions	8,459,589	3,505,653	11,965,242
Total Employer Contribution	103,965,197	49,655,415	153,620,612
COLA Contribution Reserve Adjustments			
a.) CCR Credits*		$ 6,915,261	
b.) Max CCR Credits (B.)		9,316,393	
c.) CCR Adjustments (Minimum of a. and b.)	$ 11,129,548	$ 6,915,261	$ 18,044,809 **
Adjusted Employer Contribution	$ 92,835,649	$ 42,740,154	$ 135,575,802

** Based upon the estimated COLA Contribution Reserve as of December 31, 2008. This estimate may need to be refined in Spring 2009.*
*** CCR Adjustments are based on the individual Category.*

Exhibit 16: District Contributions

	Category I	Category II	Category III	Category IV**	Total
A. Basic Benefits					
1. Total Normal Cost	18.25%	18.25%	18.25%	18.25%	18.25%
2. Projected Employee Contributions	1.35%	2.01%	4.10%	2.01%	3.22%
3. Employer Normal Cost (1-2)	16.90%	16.25%	14.15%	16.25%	15.04%
4. Amortization of Unfunded Actuarial Accrued Liability	10.06%	10.06%	10.06%	7.75%	9.99%
5. Employer Contribution (3+4)	26.96%	26.30%	24.21%	24.00%	25.03%
B. COLA Benefits 2%					
1. Employer Normal Cost	3.73%	3.73%	3.73%	3.73%	3.73%
2. Amortization of Unfunded Actuarial Accrued Liability	2.23%	2.23%	2.23%	1.76%	2.22%
3. Employer Contribution (1+2)	5.96%	5.96%	5.96%	5.49%	5.95%
C. COLA Benefits 0.5%					
1. Employer Normal Cost	1.13%	1.13%	1.13%	1.13%	1.13%
2. Amortization of Unfunded Actuarial Accrued Liability	1.34%	1.34%	1.34%	1.21%	1.34%
3. Employer Contribution (1+2)	2.48%	2.48%	2.48%	2.35%	2.47%
D. Total Benefits					
1. Total Normal Cost	23.11%	23.11%	23.11%	23.11%	23.11%
2. Projected Employee Contributions	1.35%	2.01%	4.10%	2.01%	3.22%
3. Employer Normal Cost (1-2)	21.76%	21.10%	19.01%	21.10%	19.90%
4. Amortization of Unfunded Actuarial Accrued Liability	13.64%	13.64%	13.64%	10.73%	13.56%
5. Total Employer Contribution (3+4)	35.40%	34.74%	32.65%	31.83%	33.45%
6. COLA Contribution Reserve Adjustments					
a.) CCR Credits*	7.63%	7.63%	7.63%	7.63%	7.63%
b.) Max CCR Credits (B.3)	5.96%	5.96%	5.96%	5.49%	5.95%
c.) CCR Adjustments (Minimum of a. and b.)	5.96%	5.96%	5.96%	5.49%	5.95%
7. Adjusted Employer Contribution (5-6c.)	29.44%	28.78%	26.69%	26.34%	27.50%
Estimated Payroll for Fiscal Year beginning July 1, 2009	$ 5,823,852	$ 3,078,313	$ 17,498,957	$ 743,719	$ 27,144,840

Estimated Dollar Amounts	Category I	Category II	Category III	Category IV**	Total	
A. Basic Benefits						
Projected Employee Contributions	$ 78,622	$ 61,874	$ 717,457	$ 14,949	$ 872,902	
Employer Contribution	1,570,110	809,596	4,236,497	178,493	6,794,697	
B. COLA Benefits 2%						
Employer Contribution	347,102	183,467	1,042,938	40,830	1,614,337	
C. COLA Benefits 0.5%						
Employer Contribution	144,432	76,342	433,974	17,477	672,225	
D. Total Benefits						
Projected Employee Contributions	78,622	61,874	717,457	14,949	872,902	
Total Employer Contribution	2,061,644	1,069,406	5,713,409	236,800	9,081,259	
COLA Contribution Reserve Adjustments						
a.) CCR Credits*	$ 444,360	$ 234,875	$ 1,335,170	$ 40,830		***
b.) Max CCR Credits (B.)	347,102	183,467	1,042,938	40,830		***
c.) CCR Adjustments (Minimum of a. and b.)	$ 347,102	$ 183,467	$ 1,042,938	$ 40,830	$ 1,614,337	
Adjusted Employer Contribution	$ 1,714,542	$ 885,938	$ 4,670,472	$ 195,970	$ 7,466,922	

** Based upon the estimated COLA Contribution Reserve as of December 31, 2008. This estimate may need to be refined in Spring 2009.*
*** District Category IV adopted the 3% at 60 benefit formula prospectively only, reducing their share of the UAAL.*
**** CCR Adjustments are based on the individual Category. The Total column is the sum of the four categories.*

Changes in the Contribution Rates

The following Exhibit 17 illustrates the various sources of changes that impacted both the employer contribution rates and the funded ratio. It shows the analysis of change both in aggregate for all of KCERA, as well as for the County General, District General and Safety cost sharing groups.

Experience during the 2008 year resulted in an overall 2.51% increase in the employer contribution rate. Some experience gains and losses are to be expected as part of the normal variation between actual and expected experience. The changes due to actual experience were well within a reasonable level of fluctuation. The primary reasons for the changes are summarized as follows:

- **Experience Study Changes:** The Investigation of Experience that covered the period January 1, 2006 to June 30, 2008 indicated that certain actuarial assumptions needed to be changed. The major changes included a decrease in the underlying cost of living assumption which in turn reduced the expected investment return rate from 8.00% to 7.75%. This was expected to increase the overall total contribution rate by 2.38%. The second major assumption change was to strengthen the mortality assumption and this was expected to increase the overall contribution rate by 0.70%. Offsetting these increases, other changes in demographic assumptions were expected to decrease the contribution rates by 1.20% for a net impact of a 1.89% increase due to the change in assumptions.
- **Expected Year to Year Change:** Normally we would expect a slight increase or decrease in the contribution rates based on the expected experience, depending on whether or not a significant decrease in the UAAL amount occurred based on the current amortization schedule. However for this short six-month period between the December 31, 2007 and the June 30, 2008 valuations, the normal expected pattern of employer contributions did not materialize. This is because the County normally makes a substantially large payment at the beginning of the fiscal year and then 'trues' up the required dollar contributions at the end of the fiscal year period. During this short valuation cycle, no significant employer contributions were paid and thus an expected increase in contribution rates occurred.
- **Asset Gain/Loss:** Under the actuarial asset valuation method, gains and losses are recognized over a five year period. For this valuation, there was a recognition of deferred gains that resulted in small experience gains over the returns expected.

Changes in the Contribution Rates (continued)

- **Change in Member Contribution Rates:** The County is phasing in higher contribution rates for Safety members. In addition, more Safety and General members are now required to make contributions after five years of service. As a result, the total expected member contributions are increasing. This resulted in a decrease to the employer contribution rate.
- **Effect of Tier II:** The County adopted a less costly benefit level under Tier II. As more employees are covered under Tier II rather than Tier I, the required aggregate County General employer contribution rate will decline.
- **Salary and Demographic Changes:** When the salary, termination, retirement, death, and disability experience does not match expectations, gains and losses occur. The 2008 salary and demographic experience resulted in small changes to the employer contribution rates and decreased the funded ratio.
- **Adjustment for contribution change timing:** The actuarial valuation date is 12 months before the employer contribution rates determined by the valuation are implemented. Therefore either an experience gain or loss will occur as the actual contributions already budgeted to be paid in the current fiscal year are higher or lower than those computed in the new valuation.

Exhibit 17: Gain and Loss Analysis by Employer Contribution Rates and Funded Ratio

Total Plan

Sources of Change	Employer Contribution Rate	Funded Ratio
December 31, 2007 Actuarial Valuation	31.22%	77.18%
Experience Study Changes	1.89%	-2.80%
Expected Year-to-Year Change	0.63%	-0.93%
Expected June 30, 2008 Actuarial Valuation	33.74%	73.44%
Asset Gain/Loss	-0.14%	0.31%
Change in Member Contribution Rates	-0.03%	0.00%
Effect of Tier II	-0.36%	0.00%
Salary and Demographic Changes	0.39%	-1.45%
Adjustment for contribution change timing	0.13%	0.00%
Total Experience Change	-0.01%	-1.14%
Actual June 30, 2008 Actuarial Valuation	33.73%	72.30%
Net change since December 31, 2007	2.51%	-4.88%

General - County

Sources of Change	Employer Contribution Rate	Funded Ratio
December 31, 2007 Actuarial Valuation	28.94%	74.54%
Experience Study Changes	1.68%	-2.80%
Expected Year-to-Year Change	0.67%	-1.11%
Expected June 30, 2008 Actuarial Valuation	31.29%	70.63%
Asset Gain/Loss	-0.11%	0.29%
Change in Member Contribution Rates	-0.02%	0.00%
Effect of Tier II	-0.44%	0.00%
Salary and Demographic Changes	0.34%	-1.62%
Adjustment for contribution change timing	0.11%	0.00%
Total Experience Change	-0.12%	-1.33%
Actual June 30, 2008 Actuarial Valuation	31.17%	69.30%
Net change since December 31, 2007	2.23%	-5.23%

Exhibit 17: Gain and Loss Analysis by Employer Contribution Rates and Funded Ratio (continued)

General - District

Sources of Change	Employer Contribution Rate	Funded Ratio
December 31, 2007 Actuarial Valuation	31.73%	61.04%
Experience Study Changes	1.57%	-2.75%
Expected Year-to-Year Change	-0.45%	0.09%
Expected June 30, 2008 Actuarial Valuation	32.85%	58.38%
Asset Gain/Loss	-0.08%	0.24%
Change in Member Contribution Rates	-0.07%	0.00%
Effect of Tier II	0.00%	0.00%
Salary and Demographic Changes	0.66%	-1.51%
Adjustment for contribution change timing	0.09%	0.00%
Total Experience Change	0.60%	-1.26%
Actual June 30, 2008 Actuarial Valuation	33.45%	57.12%
Net change since December 31, 2007	1.72%	-3.92%

Safety

Sources of Change	Employer Contribution Rate	Funded Ratio
December 31, 2007 Actuarial Valuation	37.75%	83.03%
Experience Study Changes	2.58%	-2.78%
Expected Year-to-Year Change	0.72%	-0.70%
Expected June 30, 2008 Actuarial Valuation	41.05%	79.55%
Asset Gain/Loss	-0.22%	0.33%
Change in Member Contribution Rates	-0.04%	0.00%
Effect of Tier II	0.00%	0.00%
Salary and Demographic Changes	0.39%	-1.10%
Adjustment for contribution change timing	0.18%	0.00%
Total Experience Change	0.31%	-0.77%
Actual June 30, 2008 Actuarial Valuation	41.36%	78.78%
Net change since December 31, 2007	3.61%	-4.25%

Section 7: Accounting Information

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

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

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

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

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

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

Please refer to Section 6 of this report which discloses the financial impact of any benefit changes or assumption changes that may have occurred in 2008.

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

Exhibit 19: Schedule of Funding Progress

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Valuation Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as a % of Annual Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
12/31/1996	$ 1,003,076	$ 1,029,574	$ 26,498	97.4%	$ 273,351	9.7%
12/31/1997	1,113,914	1,140,019	26,105	97.7%	266,640	9.8%
12/31/1998	1,203,670	1,179,753	(23,917)	102.0%	282,251	-8.5%
12/31/1999	1,325,928	1,324,662	(1,266)	100.1%	297,738	-0.4%
12/31/2000	1,434,873	1,388,984	(45,889)	103.3%	283,283	-16.2%
12/31/2001 *	1,508,291	1,611,960	103,669	93.6%	333,791	31.1%
12/31/2002	1,570,278	1,899,031	328,753	82.7%	344,871	95.3%
12/31/2003	1,927,585	2,059,286	131,701	93.6%	353,444	37.3%
12/31/2004	2,012,521	2,336,406	323,885	86.1%	374,951	86.4%
12/31/2005 **	2,164,304	2,861,872	697,568	75.6%	391,381	178.2%
12/31/2006	2,352,028	3,109,038	757,010	75.7%	417,351	181.4%
12/31/2007	2,589,817	3,355,755	765,938	77.2%	453,412	168.9%
06/30/2008	2,654,305	3,671,460	1,017,155	72.3%	482,879	210.6%

** Reflects Safety member benefit increases*
*** Reflects General member benefit increases*

Exhibit 20: Schedule of Contributions from the Employer

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
06/30/1998	$35,421,000	100%
06/30/1999	40,159,000	100%
06/30/2000	37,576,000	100%
06/30/2001	41,067,000	100%
06/30/2002	41,882,000	100%
06/30/2003	58,247,000	682% *
06/30/2004	48,760,000	100%
06/30/2005	60,286,000	100%
06/30/2006	100,734,000	100%
06/30/2007	128,135,000	100%
06/30/2008	137,264,000	100%

* Reflects pension obligation bond proceeds.

Exhibit 21: Solvency Test

(dollars in thousands)

	Actuarial Accrued Liabilities for				Portion of AAL Covered by Valuation Assets			
Valuation Date	**Active Member Contributions**	**Retired/Vested Members**	**Active Members (Employer-Financed Portion)**	**Total**	**Actuarial Value of Valuation Assets**	**Active Member**	**Retired/Vested Members**	**Active Members (Employer-Financed Portion)**
December 31, 2003	$ 182,161	$ 1,067,016	$ 810,109	$ 2,059,286	$ 1,927,585	100%	100%	84%
December 31, 2004	191,485	1,147,206	997,715	2,336,406	2,012,521	100%	100%	68%
December 31, 2005	188,811	1,437,047	1,236,014	2,861,872	2,164,304	100%	100%	44%
December 31, 2006	197,507	1,629,003	1,282,527	3,109,037	2,352,028	100%	100%	41%
December 31, 2007	215,281	1,773,557	1,366,917	3,355,755	2,589,817	100%	100%	44%
June 30, 2008	222,418	1,913,946	1,535,096	3,671,460	2,654,316	100%	100%	34%

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Section 8: SRBR – Supplemental Retirement Benefit Reserve

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

- **Approved Benefits** – These are the SRBR benefits that have already been approved by the Retirement Board. They include all SRBR Tier I, SRBR Tier II and SRBR Death Benefits, as well as the SRBR Tier III benefits approved through June 30, 2008.
- **Future Benefits** – These are the SRBR Tier III benefits expected to be approved in future years in order to maintain the 80% purchasing power goal.

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

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

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

Determination of SRBR Benefits

The SRBR currently provides four categories of supplemental retiree benefits:

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

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

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

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

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

------ then -----

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

Approved Benefits

Approved Benefits are the SRBR benefits that have already been approved by the Retirement Board. They include all Tier I, Tier II and Death Benefits, as well as the Tier III benefits approved through June 30, 2008. The Present Value of Approved Benefits is the short-term funding target for the SRBR.

The Plan's funded ratio for Approved SRBR Benefits is 202.5%. It is calculated by dividing the Actuarial Value of Assets ($130.3 million) by the Present Value of Approved SRBR Benefits ($64.3 million).

The funded ratio is developed in the following table:

Approved Benefits

1. Present Value of Approved Benefits		
a. Death Benefits	$	7,175,966
b. SRBR1		29,237,329
c. SRBR2		11,586,989
d. SRBR3		16,345,229
e. Total	$	64,345,513
2. Available SRBR Reserves		
a. Total SRBR	$	212,782,232
b. 0.5% COLA Account		82,453,842
c. Available SRBR Reserve	$	130,328,390
3. Funded Ratio		202.5%

Targeted Funding

In 2001, KCERA did an extensive review of the benefits provided through the SRBR and the financial strength of the SRBR. The Board decided to use a target based on a combination of Approved and Projected SRBR Benefits. The target liability is the Present Value of Benefits for SRBR Tier I, SRBR Tier II and SRBR Death Benefits. For SRBR Tier III Benefits, the target liability is the Present Value of projected payments for the 20-year period beginning with the valuation date.

On this basis, the Plan's funded ratio for Target SRBR Liabilities is 167.4%. It is calculated by dividing the Actuarial Value of Assets ($130.3 million) by the Present Value of SRBR Target Liabilities ($77.9 million).

Targeted Funding (continued)

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

Target Liabilities Under "20/20" Policy

1. Present Value of Targeted Funding		**Liabilities**		**With Reserves**
a. Death Benefits	$	7,175,966	$	8,611,159
b. SRBR1		29,237,329		35,084,795
c. SRBR2		11,586,989		13,904,387
d. SRBR3 (20 years)		26,068,958		26,068,958
e. Total	$	74,069,242	$	83,669,299
2. Available SRBR Reserves				
a. Total SRBR	$	212,782,232	$	212,782,232
b. 0.5% COLA Account		82,453,842		82,453,842
c. Available SRBR Reserve	$	130,328,390	$	130,328,390
3. Funded Ratio		176.0%		155.8%

Under the Board's "20/20" policy, if the liabilities of the targeted benefits with a 20% reserve on all but the SRBR3 20-year projection of benefits are more than 100% funded, the Board may consider increasing the SRBR approved benefits. As of June 30, 2008, the funded ratio is over the 100% benchmark, at 149.0%.

Total SRBR Benefits

KCERA's long-term funding target for the SRBR is based on the Present Value of all SRBR Benefits. The Plan's funded ratio for all SRBR Benefits is 151.9%. It is calculated by dividing the Actuarial Value of Assets ($130.3 million) by the Present Value of all SRBR Benefits ($85.8 million).

The funded ratio is developed in the following table:

Total Benefits

1. Present Value of SRBR		
a. Approved Benefits	$	64,345,513
b. Future Benefits		21,447,647
c. Total	$	85,793,160
2. Available SRBR Reserves		
a. Total SRBR	$	212,782,232
b. 0.5% COLA Account		82,453,842
c. Available SRBR Reserve	$	130,328,390
3. Funded Ratio		151.9%

Total SRBR Benefits (continued)

The funded ratio increased to 151.9% from 110.7% in our last valuation. The following table quantifies the impact of various changes.

	Funded Status	Change
Prior Year	110.7%	
Passage of Time		0.3%
Asset Gain (Transfer from Excess Earnings)		4.0%
Inflation higher than expected		-0.8%
Assumption Change		43.3%
Liability Gain		-5.5%
Total Change:		41.2%
Current Year	151.9%	

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

Exhibit 22: Supplemental Retiree Benefit Reserve

Present Value of Projected Benefits

Approved Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members	$ 2,061,917	$ 8,045,633	$	$	$ 10,107,550
Deferred Vested Members	332,593	1,565,933			1,898,526
Retirees and Beneficiaries	4,781,456	19,625,763	11,586,989	16,345,229	52,339,437
Total	**$** 7,175,966	$ 29,237,329	$ 11,586,989	$ 16,345,229	$ 64,345,513

Future Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members				$ 3,573,480	$ 3,573,480
Deferred Vested Members				125,000	125,000
Retirees and Beneficiaries				17,724,167	17,724,167
Total	0	0	0	$ 21,422,647	$ 21,422,647

Total Approved and Future Benefits

	Death Ben	SRBR1	SRBR2	SRBR3	Total
Active Members	$ 2,061,917	$ 8,045,633	$ 0	$ 3,573,480	$ 13,681,030
Deferred Vested Members	332,593	1,565,933	0	125,000	2,023,526
Retirees and Beneficiaries	4,781,456	19,625,763	11,586,989	34,069,396	70,063,604
Total	**$** 7,175,966	$ 29,237,329	$ 11,586,989	$ 37,767,876	$ 85,768,160

Available Reserves

Total SRBR	$ 212,782,232
Additional 0.5% COLA Account	82,453,842
Available SRBR	$ 130,328,390

Funded Ratios

Approved Benefits	202.5%
Total Approved and Future Benefits	152.0%

Members Eligible for Approved Benefits

	Death Ben	SRBR1	SRBR2	SRBR3
Active Members	9,054	2,726		
Deferred Vested Members	1,226	606		
Retirees and Beneficiaries	4,738	5,316	871	644
Total	15,018	8,648	871	644

Exhibit 23: Projected Cash Flow for SRBR Tier 3 Payments

Calendar Year	Projected SRBR 3 Payments
2008	$ 2,371,179
2009	2,448,824
2010	2,516,680
2011	2,551,453
2012	2,583,156
2013	2,609,851
2014	2,626,608
2015	2,669,656
2016	2,669,076
2017	2,659,317
2018	2,638,834
2019	2,610,465
2020	2,574,561
2021	2,528,868
2022	2,473,842
2023	2,413,568
2024	2,348,757
2025	2,278,426
2026	2,202,927
2027	2,125,152

Value of Non-Discounted 20-Year Cash Flow: $49,901,200

Present Value of Projected 20-Year Cash Flow: $26,068,958

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Section 9: Benefit Payment Projections

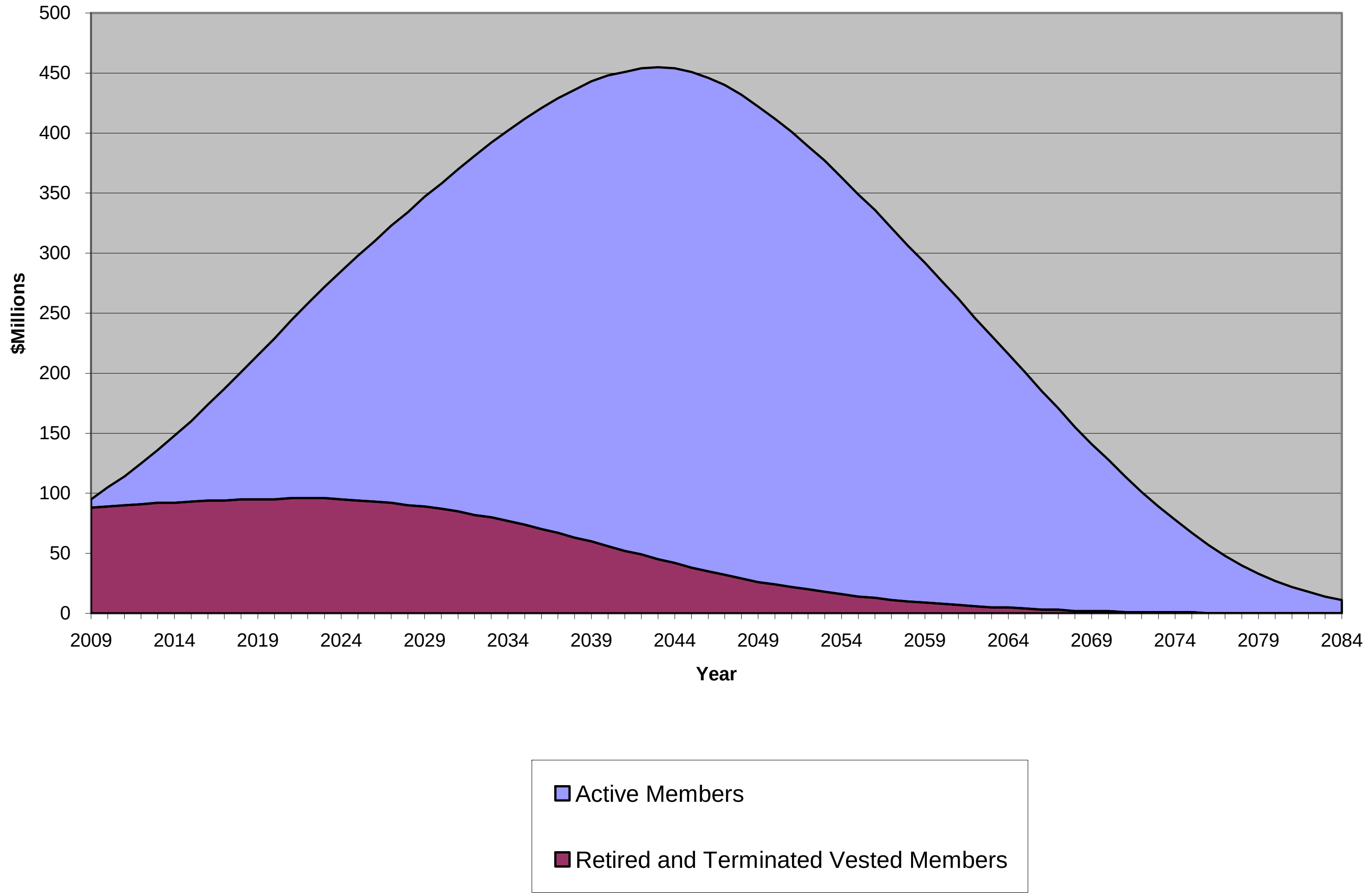
Cash Flow Projection

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

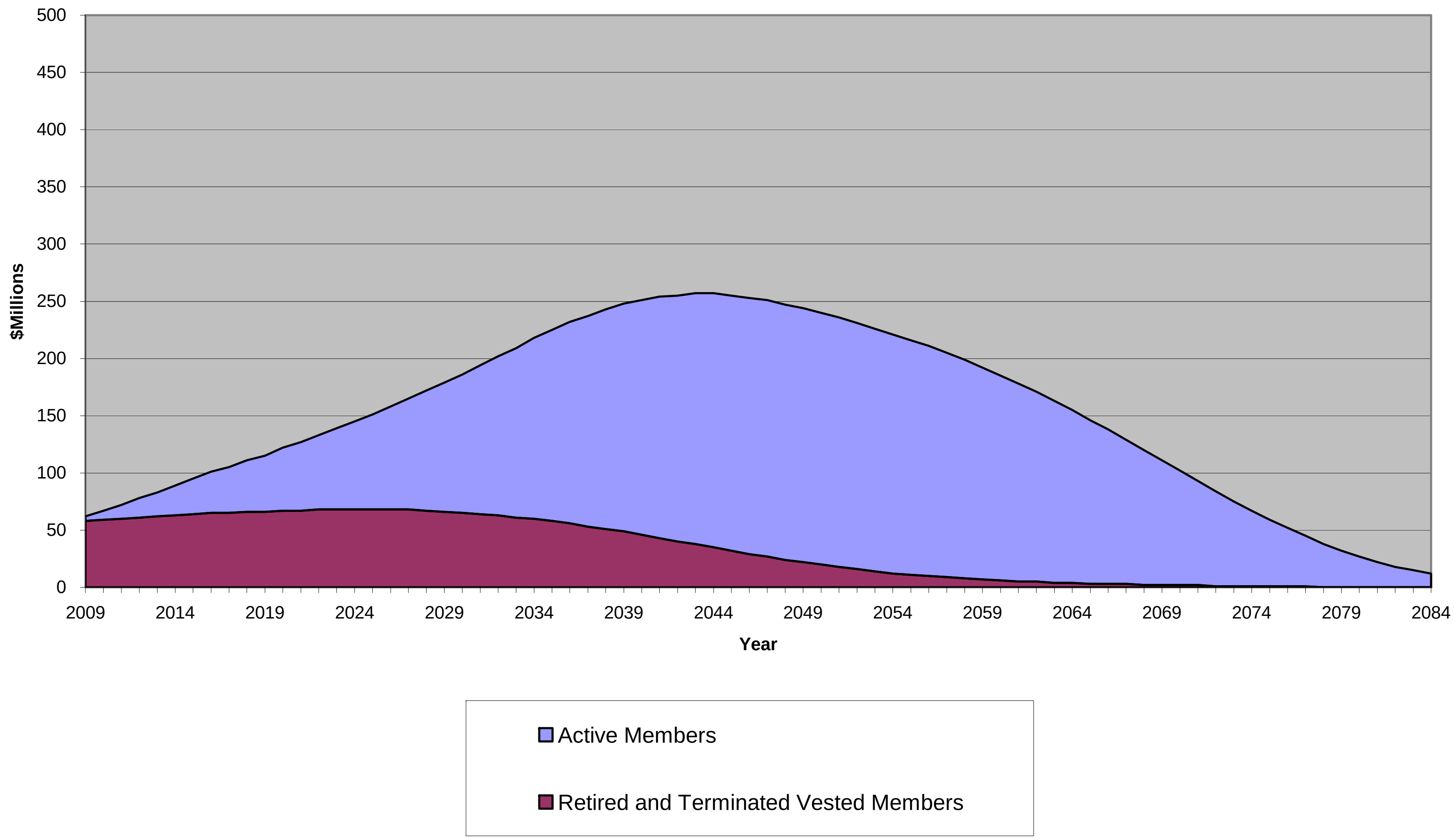
1. Current members, both active and inactive; no new members are included in these projections.
2. Current actuarial assumptions regarding the demographic changes in the membership; future salary increases and future COLA benefit increases based on price inflation.
3. The assumption that no additional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

Kern County
Employees' Retirement Association

General Members- Projected Benefit Payments



Safety Members- Projected Benefit Payments



Appendix A

Actuarial Assumptions

The actuarial procedures and assumptions recommended to be used in the June 30, 2008 valuation are described in this section. The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of KCERA in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of KCERA's benefits. All assumptions were reviewed during the 2008 Investigation of Experience study. The next study is expected as of June 30, 2011.

Table A-1 summarizes the assumptions. The mortality rates are taken from the sources listed.

Schedule 1 presents the expected annual percentage increase in salaries.

Schedules 2 and 3 show how members are expected to leave retired status due to death.

Schedules 4, 5 and 6 present the probabilities a member will leave the system for various reasons.

Schedule 7 presents the probability of refund of contributions upon termination of employment while vested.

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

ECONOMIC ASSUMPTIONS

Investment Earnings and Expenses:	The future investment earnings of the assets of KCERA are assumed to accrue at an annual rate of 7.75%, compounded annually, net of both investment and administrative expenses.
Postretirement Benefit Increases:	Postretirement increases are assumed for the valuation in accordance with the benefits provided as described in Appendix B of the valuation report. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.5% per year.
Salary Increase – Total Payroll:	4.0% per year.
Salary Increase – Individual:	Rates varying by service, as shown in Schedule 1.
Inflation (CPI):	3.25% per year.

Interest on Member Contributions:	The annual credited interest rate on member contributions is assumed to be 7.75% compounded semi-annually.

DEMOGRAPHIC ASSUMPTIONS

Mortality:

• Service Retirement – General:	RP-2000 Combined Healthy Mortality. Rates are set back two years for females and one year for males. Mortality rates for the adjusted table are shown in Schedule 2.
• Service Retirement – Safety:	Rates are the same as General.
• Disability Retirement – General:	RP-2000 Combined Healthy Mortality. Rates set forward four years for females and two years for males. Rates are not less than 1.00% for both males and females. Mortality rates for the adjusted table are shown in Schedule 3.
• Disability Retirement – Safety:	RP-2000 Combined Healthy Mortality. Rates are not less than 0.50% for both males and females. Mortality rates for the adjusted table are shown in Schedule 3.
• Beneficiary:	Rates are the same as a service retiree of the same gender.
Unisex Mortality	For optional benefit forms and member contribution rate calculations, a unisex mortality assumption must be used to calculate annuity factors. For General members, the annuity factors are based on a one-third/two-thirds blend of the male and female mortality tables using current valuation assumptions. For Safety members, the annuity factors are based upon a five-sixths/one-sixth blend of the male and female mortality tables using current valuation assumptions.
Other Termination:	Rates varying by years of service, as shown in Schedule 4 (for General males), 5 (for General females) and 6 (for Safety). Note that these decrements are not applied after eligibility for retirement.

Probability of Refund:	Rates varying by years of service, as shown in Schedule 7.
Reciprocal Agency:	For current active members, the probability of joining a reciprocal agency immediately after termination is 50% for Safety members and 50% for General members. For members who have already terminated vested with a deferred commencement, we use the code provided by the KCERA to determine if the person has joined a reciprocal agency. All terminating members are assumed to not be rehired.
Deferred Retirement Age for Vested Termination:	Age 50 for Safety members. Age 60 for General members.
Salary Projection for Vested Termination with Reciprocity:	Salaries are assumed to increase with wage inflation from termination with KCERA to benefit commencement. The assumed annual increase after termination of employment is 4.52% for General members and 4.78% for Safety members.
Service Disability:	Rates varying by age, as shown in Schedule 4 (for General males), 5 (for General females) and 6 (for Safety).
Ordinary Disability:	Rates varying by age, as shown in Schedule 4 (for General males), 5 (for General females) and 6 (for Safety).
Service Retirement:	Rates varying by age, as shown in Schedule 4 (for General males), 5 (for General females) and 6 (for Safety). All General members who attain or who have attained age 70 in active service and all Safety members who have attained age 60 in active service are assumed to retire immediately. The assumptions regarding termination of employment and service retirement are treated as a single set of decrements in regards to a particular member. For example, a General member hired at age 30 has a probability to withdraw from KCERA due to death, disability or other termination of employment until age 50. After age 50, the member could still withdraw due to death, disability or retirement. Thus, in no year during the member's projected employment would they be eligible for both a probability of other termination of employment and a probability of retirement.

Form of Payment:	Life annuity for single members. 60% contingent annuity for married members (100% contingent annuity if receiving service-related disability). SRBR benefits for married members are all assumed to be paid as a 60% contingent annuity.
Percentage Married at Retirement:	80% of male active members and 55% of female active members are assumed to have a spouse or qualified domestic partner eligible for the 60% continuance at retirement. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this marriage assumption are sufficient to cover children's benefits as they occur.
Spouse Ages:	For active members reaching retirement, wives are assumed to be three years younger than husbands. Where spousal information was included for retirees, that information was used. If the age of the spouse was not provided, we have assumed that all spouses are still alive, and that female spouses are four years younger than their husbands.

ACTUARIAL METHODS

Actuarial Cost Method:	The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL).

Amortization Period:	The UAAL due to the change to the benefit formula for General members is amortized as a level percentage of payroll over a 30-year period beginning with the December 31, 2005 valuation, or 27.5 years as of June 30, 2008. The UAAL due to all other sources is amortized as a level percentage of payroll over a 27.5-year period beginning with the June 30, 2008 valuation. Beginning January 1, 2006, any liability attributable to Golden Handshakes is paid by the employer at the time the handshake is granted.
Actuarial Value of Assets:	The market value of assets is adjusted to recognize, over a five-year period, investment earnings greater than (or less than) the assumed investment return. Details are shown in Section 2, Assets, of this report. The actuarial value, market value and book value are net of amounts allocated to the Supplemental Retiree Benefit Reserve and the Contingency Reserve.
Replacement of Terminated Members:	The ages and relative salaries at entry of future members are assumed to follow a new entrant distribution based on the pattern of current members. Under this assumption, the normal cost rates for active members will remain fairly stable in future years unless there are changes in the governing law, the actuarial assumptions or the pattern of the new entrants.
Growth in Membership:	For benefit determination purposes, no growth in the membership of KCERA is assumed. For funding purposes, if amortization is required, the total payroll of covered members is assumed to grow due to the combined effects of future wage increases of current active members and the replacement of the current active members by new employees. No growth in the total number of active members is assumed.
Internal Revenue Code Section 415 Limit:	The Internal Revenue Code Section 415 maximum benefit limitations are not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement.

Employer Contributions:

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

The rates will be effective for the fiscal year commencing one year after the actuarial valuation date. The rates are adjusted to reflect the expected changes in the UAAL between the valuation date and implementation date.

Member Contributions:

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

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

Member Contribution Rate Assumptions:

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

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

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

   Example: For a General member who enters at age 59 or earlier, the Final Compensation at retirement (age 60) will be the monthly average of the annual salaries during age 59.
D. Member Rates are assumed to increase with entry age. There are a few exceptions at the higher entry ages where the calculated rate is less than the previous entry age. In these cases the member contribution rate is adjusted so that it is no less than the value for the previous entry age. Also, the new Safety 3 rates do not vary by entry age.

DATA SOURCES

Asset Data:	The asset information is taken directly from statements furnished by the Retirement Office and used without audit.
Member Data:	The member data is supplied by the Retirement Office. It is reviewed for reasonableness and consistency, but no audit was performed. Milliman is not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Table A-1
Summary of Valuation Assumptions as of June 30, 2008

I. Economic assumptions

A. General wage increases	4.00%
B. Investment earnings	7.75%
C. Growth in active membership	0.00%
D. CPI inflation assumption	3.25%

II. Demographic assumptions

A. Salary increases due to service	Schedule 1
B. Retirement	Schedules 4-6
C. Disablement	Schedules 4-6
D. Mortality for active members after termination and service retired members	Schedule 2

Basis – RP-2000 Combined Healthy Mortality:

Class of Members	Age Adjustment
General – Males	-1 years
General – Females	-2 years
Safety – Males	-1 years
Safety – Females	-2 years

E. Mortality among disabled members	Schedule 3

Basis – RP-2000 Combined Healthy Mortality:

Class of Members	Age Adjustment	Minimum Rate
General – Males	+2 years	1.00%
General – Females	+4 years	1.00%
Safety – Males	none	0.50%
Safety – Females	none	0.50%

F. Mortality for beneficiaries	Schedule 3

Basis – Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members.

G. Other terminations of employment	Schedules 4-6
H. Refund of contributions on vested termination	Schedule 7

Schedule 1
Assumed Rate of Salary Increase

Annual Increase in Salary (before wage inflation)

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

Annual Increase in Salary (with wage inflation)

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

Schedule 2
Mortality for Members Retired for Service

Age	General/Safety Male	General/Safety Female
20	0.033%	0.019%
25	0.038%	0.020%
30	0.041%	0.024%
35	0.070%	0.039%
40	0.102%	0.060%
45	0.140%	0.094%
50	0.200%	0.143%
55	0.320%	0.221%
60	0.595%	0.392%
65	1.128%	0.765%
70	1.980%	1.345%
75	3.390%	2.297%
80	5.793%	3.760%
85	9.978%	6.251%
90	16.642%	10.730%

Schedule 3
Mortality for Members Retired for Disability

Age	General Male	General Female	Safety Male	Safety Female
20	1.000%	1.000%	0.500%	0.500%
25	1.000%	1.000%	0.500%	0.500%
30	1.000%	1.000%	0.500%	0.500%
35	1.000%	1.000%	0.500%	0.500%
40	1.000%	1.000%	0.500%	0.500%
45	1.000%	1.000%	0.500%	0.500%
50	1.000%	1.000%	0.500%	0.500%
55	1.000%	1.000%	0.500%	0.500%
60	1.000%	1.000%	0.675%	0.506%
65	1.608%	1.486%	1.274%	0.971%
70	2.728%	2.546%	2.221%	1.674%
75	4.691%	4.151%	3.783%	2.811%
80	8.049%	6.952%	6.437%	4.588%
85	13.604%	11.915%	11.076%	7.745%
90	21.660%	18.280%	18.341%	13.168%

Schedule 4
Probability of Separation from Active Service
General Members – Male

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

Age	Ordinary Death	Service Death	Ordinary Disability	Service Disability	Service Retirement Tier I	Service Retirement Tier II
20	3	0	2	3	0	0
21	3	0	2	3	0	0
22	4	0	2	3	0	0
23	4	0	2	3	0	0
24	4	0	2	3	0	0
25	4	0	2	3	0	0
26	4	0	2	3	0	0
27	4	0	2	3	0	0
28	4	0	2	3	0	0
29	4	0	2	4	0	0
30	4	0	3	4	0	0
31	4	0	3	4	0	0
32	5	0	3	5	0	0
33	6	0	3	5	0	0
34	6	0	4	6	0	0
35	7	0	4	6	0	0
36	8	0	5	7	0	0
37	8	0	5	8	0	0
38	9	0	6	8	0	0
39	10	0	6	9	0	0
40	10	0	7	10	0	0
41	11	0	7	11	0	0
42	11	0	8	12	0	0
43	12	0	8	13	0	0
44	13	0	9	13	0	0
45	14	0	9	14	0	0
46	15	0	10	14	0	0
47	16	0	10	15	0	0
48	17	0	11	16	0	0
49	19	0	12	17	0	0
50	20	0	12	19	600	300
51	21	0	13	20	300	300
52	23	0	14	21	400	300
53	24	0	15	22	500	300
54	26	0	16	23	500	300
55	28	0	16	25	1000	800
56	30	0	17	26	1100	600
57	33	0	18	27	1400	800
58	36	0	19	28	1700	1200
59	40	0	20	29	1800	1300
60	44	0	20	31	2000	1500
61	49	0	21	32	2600	2000
62	54	0	22	33	3200	3200
63	59	0	23	34	3000	3000
64	65	0	24	35	3000	3000
65	70	0	24	37	3000	3000
66	76	0	25	38	3000	3000
67	81	0	26	39	3000	3000
68	86	0	27	40	3000	3000
69	91	0	28	41	3000	3000
70	95	0	0	0	10000	10000

Years of Service	Other Terminations
0	2,000
1	1,400
2	1,000
3	700
4	620
5	553
6	487
7	420
8	386
9	352
10	318
11	284
12	250
13	240
14	230
15	220
16	210
17	200
18	180
19	160
20	140
21	120
22	100
23	100
24	100
25	100
26	100
27	100
28	100
29	100
30 & Above	100

Schedule 5
Probability of Separation from Active Service
General Members – Female

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

Age	Ordinary Death	Service Death	Ordinary Disability	Service Disability	Service Retirement	Service Retirement
20	2	0	2	3	0	0
21	2	0	2	3	0	0
22	2	0	2	3	0	0
23	2	0	2	3	0	0
24	2	0	2	3	0	0
25	2	0	2	3	0	0
26	2	0	2	3	0	0
27	2	0	2	3	0	0
28	2	0	2	3	0	0
29	2	0	2	4	0	0
30	2	0	3	4	0	0
31	2	0	3	4	0	0
32	3	0	3	5	0	0
33	3	0	3	5	0	0
34	4	0	3	5	0	0
35	4	0	4	5	0	0
36	4	0	4	6	0	0
37	5	0	4	6	0	0
38	5	0	4	7	0	0
39	6	0	5	7	0	0
40	6	0	5	8	0	0
41	6	0	6	8	0	0
42	7	0	6	9	0	0
43	8	0	6	10	0	0
44	9	0	7	10	0	0
45	9	0	7	11	0	0
46	10	0	8	11	0	0
47	11	0	8	12	0	0
48	12	0	8	13	0	0
49	13	0	9	13	0	0
50	14	0	9	14	600	300
51	16	0	10	14	600	300
52	17	0	10	15	600	300
53	18	0	10	16	600	300
54	20	0	11	16	600	300
55	21	0	11	17	800	400
56	23	0	12	17	1000	600
57	25	0	12	18	1200	700
58	28	0	13	20	1500	900
59	30	0	14	22	1800	1000
60	33	0	16	23	2200	1200
61	36	0	17	25	2000	1400
62	39	0	18	27	3000	3000
63	43	0	19	29	3000	3000
64	47	0	20	31	3000	3000
65	50	0	22	32	3000	3000
66	54	0	23	34	3000	3000
67	58	0	24	36	3000	3000
68	62	0	25	38	3000	3000
69	66	0	26	40	3000	3000
70	69	0	0	0	10000	10000

Years of Service	Other Terminations
0	2,000
1	1,400
2	1,000
3	700
4	620
5	553
6	487
7	420
8	386
9	352
10	318
11	284
12	250
13	240
14	230
15	220
16	210
17	200
18	180
19	160
20	140
21	120
22	100
23	100
24	100
25	100
26	100
27	100
28	100
29	100
30 & Above	100

Schedule 6
Probability of Separation from Active Service
Safety Members

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

Age	Ordinary Death*	Service Death	Ordinary Disability	Service Disability	Service Retirement
20	3	2	0	10	0
21	3	2	0	10	0
22	4	2	0	10	0
23	4	2	0	10	0
24	4	2	0	10	0
25	4	2	0	10	0
26	4	2	0	10	0
27	4	2	0	10	0
28	4	2	0	12	0
29	4	2	0	14	0
30	4	2	0	16	0
31	4	2	0	18	0
32	5	2	0	20	0
33	6	2	0	24	0
34	6	2	0	28	0
35	7	2	0	32	0
36	8	2	0	36	0
37	8	2	0	40	0
38	9	2	0	44	0
39	10	2	0	48	0
40	10	2	0	52	0
41	11	2	0	56	0
42	11	2	0	60	0
43	12	2	0	66	0
44	13	2	0	72	0
45	14	2	0	78	100
46	15	2	0	84	50
47	16	2	0	90	50
48	17	2	0	108	100
49	19	2	0	126	200
50	20	2	0	144	1200
51	21	2	0	162	1200
52	23	2	0	180	1200
53	24	2	0	204	1200
54	26	2	0	228	1500
55	28	2	0	252	1700
56	30	2	0	276	2000
57	33	2	0	300	2300
58	36	2	0	300	2500
59	40	2	0	300	2500
60	44	2	0	300	10000

Years of Service	Other Terminations
0	700
1	500
2	400
3	300
4	300
5	283
6	267
7	250
8	240
9	230
10	220
11	210
12	200
13	170
14	140
15	110
16	80
17	50
18	50
19	50
20 & Above	0

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

Schedule 7
Immediate Refund of Contributions upon Termination of Employment

Years of Service	General	Safety
0	100%	100%
1	100%	100%
2	100%	100%
3	100%	100%
4	100%	100%
5	45%	40%
6	45%	40%
7	45%	40%
8	42%	36%
9	39%	32%
10	36%	28%
11	33%	24%
12	30%	20%
13	28%	17%
14	26%	14%
15	24%	11%
16	22%	8%
17	20%	5%
18	18%	4%
19	16%	3%
20	14%	0%
21	12%	0%
22	10%	0%
23	8%	0%
24	6%	0%
25	4%	0%
26	2%	0%
27	0%	0%
28	0%	0%
29	0%	0%
30 & Up	0%	0%

Appendix B

Benefit Summaries

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

SERVICE RETIREMENT SPECIFIC TO GENERAL TIER I MEMBERS	
Code Section:	31676.17 (3% at 60).* 31676.14 (1.667% at 52).**
Eligibility:	Tier I generally applies to KCERA General members hired by the County prior to October 27, 2007 and all district employees.
Retirement Eligibility:	10 years of service and age 50, or 30 years of service regardless of age, or age 70 regardless of service.
Benefit:	2.0%, or one-fiftieth (1/50) of FAS per year of service times Retirement Adjustment Factor (RAF).
Retirement Age Factor (RAF):	Adjustment factor for benefit commencing at age other than 60. Sample factors:

Age	Factor
50	1.0000
55	1.2500
60 and older	1.5000

Integration with Social Security:	Benefits based on first $350 of monthly FAS are reduced by 1/3. Benefits for some District members are not integrated with Social Security.
Maximum Benefit:	100% of FAS.
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.

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

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

SERVICE RETIREMENT SPECIFIC TO GENERAL TIER II MEMBERS

Code Section:	31676.01 (1.62% at 65).*
Eligibility:	Tier II generally applies to most KCERA General members hired by the County on or after October 27, 2007. This tier does not apply for any district employees.
Retirement Eligibility:	Retirement eligibility with 10 years of service and age 50, or 30 years of service regardless of age, or age 70 regardless of service.
Benefit:	1.11%, or one-ninetieth (1/90) of FAS per year of service times Retirement Adjustment Factor (RAF).
Retirement Age Factor (RAF):	Adjustment factor for benefit commencing at age other than 65. Sample factors:

Age	**Factor**
55	0.8954
60	1.1500
65 and older	1.4593

Integration with Social Security:	Benefits based on first $350 of monthly FAS are reduced by 1/3. Benefits for some District members are not integrated with Social Security.
Maximum Benefit:	100% of FAS.
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.

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

SERVICE RETIREMENT SPECIFIC TO SAFETY MEMBERS

Code Section:	31664.1 effective January 1, 2001.
Retirement Eligibility:	10 years of service and age 50, or 20 years of service regardless of age.
Benefit:	3.000% of FAS per year of service times Retirement Adjustment Factor (RAF).
Retirement Age Factor (RAF):	Adjustment factor for benefit commencing prior to age 50. Sample factors:

Age	Factor
41	0.6258
45	0.7805
50 and above	1.0000

Integration with Social Security:	Benefits based on first $350 of monthly FAS are reduced by 1/3.
Maximum Benefit:	100% of FAS.
Normal Form of Benefit:	Life annuity; 60% continuance to spouse after death of retiree. If there is no surviving spouse, the benefit is paid to eligible children.

GENERAL TIER I, GENERAL TIER II, AND SAFETY MEMBERS

NONSERVICE-CONNECTED DISABILITY

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

SERVICE-CONNECTED DISABILITY

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

NONSERVICE-CONNECTED DEATH

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

SERVICE-CONNECTED DEATH

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

DEFERRED SERVICE RETIREMENT	
Eligibility:	Five years of service.
Additional requirement:	Must leave contributions on deposit.
Benefit:	Same as service retirement benefit.
FAS:	If reciprocity provisions apply, includes compensation earned at reciprocal agency.
Normal Form of Benefit:	Same as service retirement benefit.
WITHDRAWAL	
Eligibility:	First day of work.
Other Requirement:	Forfeits right to receive other benefit from retirement system.
Benefit:	Accumulated contributions with interest.
Form of Benefit:	Lump sum.
COST-OF-LIVING BENEFITS	
Timing:	Annually, effective April 1 based on change in Consumer Price Index for the preceding calendar year.
Maximum:	2.5% per year.
SUPPLEMENTAL RETIREE BENEFIT RESERVE	
	See Section 8 of this report for a description of the SRBR benefits.

Kern County
Employees' Retirement Association

Appendix C

Membership Data

Active Participants

	December 31, 2007	June 30, 2008	Change
General Members			
County Tier I			
Number	6,577	6,358	-3.33%
Average Age	44.6	45.1	1.00%
Average Service	9.9	10.4	4.67%
Percent Male	28.52%	28.69%	0.58%
Average Annual Pay	$ 47,911	$ 51,160	6.78%
Total Covered Payroll	$ 315,111,815	$ 325,276,730	3.23%
Valuation Payroll	$ 313,724,774	$ 323,622,799	
County Tier II			
Number	$ 136	$ 435	219.85%
Average Age	36.0	$ 36.3	0.84%
Average Service	0.1	0.4	273.06%
Percent Male	36.76%	31.26%	-14.96%
Average Annual Pay	$ 37,891	$ 40,727	7.48%
Total Covered Payroll	$ 5,153,231	$ 17,716,112	243.79%
Valuation Payroll	$ 5,153,231	$ 17,716,100	
Districts Electing 1997 MOU			
Number	141	140	-0.71%
Average Age	45.2	45.1	-0.30%
Average Service	11.1	11.9	6.99%
Percent Male	73.76%	75.71%	2.65%
Average Annual Pay	$ 64,123	$ 66,249	3.32%
Total Covered Payroll	$ 9,041,361	$ 9,274,885	2.58%
Valuation Payroll	$ 9,041,361	$ 9,274,888	2.58%
Districts Not Electing 1997 MOU			
Number	273	283	3.66%
Average Age	42.3	42.0	-0.57%
Average Service	7.0	7.3	3.67%
Percent Male	61.90%	61.13%	-1.25%
Average Annual Pay	$ 58,615	$ 59,456	1.43%
Total Covered Payroll	$ 16,001,953	$ 16,825,926	5.15%
Valuation Payroll	$ 16,001,953	$ 16,825,920	5.15%
Total General			
Number	7,127	7,216	1.25%
Average Age	44.4	44.4	0.10%
Average Service	9.6	9.7	0.46%
Percent Male	30.85%	31.03%	0.56%
Average Annual Pay	$ 48,451	$ 51,149	5.57%
Total Covered Payroll	$ 345,308,360	$ 369,093,653	6.89%
Valuation Payroll	$ 343,921,319	$ 367,439,707	6.84%
Safety Members*			
Number	1,801	1,841	2.22%
Average Age	39.0	38.7	-0.69%
Average Service	11.5	11.3	-1.91%
Percent Male	82.29%	81.53%	-0.92%
Average Annual Pay	$ 61,865	$ 64,067	3.56%
Total Covered Payroll	$ 111,418,703	$ 117,947,008	5.86%
Valuation Payroll	$ 109,490,298	$ 115,439,050	5.43%
Total Active Members			
Number	8,928	9,057	1.44%
Average Age	43.3	43.3	-0.07%
Average Service	10.0	10.0	-0.07%
Percent Male	41.23%	41.29%	0.16%
Average Annual Pay	$ 51,157	$ 53,775	5.12%
Total Covered Payroll	$ 456,727,063	$ 487,040,661	6.64%
Valuation Payroll	$ 453,411,617	$ 482,878,757	6.50%

**Includes 3 Suspended members.*

Kern County
Employees' Retirement Association

Terminated Participants with Pending Refunds

	December 31, 2007	June 30, 2008	Change
General Members - Tier I			
Number	474	386	-18.57%
Average Age	37.0	23.5	-36.35%
Percent Male	29.96%	27.98%	-6.60%
General Members - Tier II			
Number	N/A	39	N/A
Average Age	N/A	14.5	N/A
Percent Male	N/A	41.03%	N/A
Safety Members			
Number	35	36	2.86%
Average Age	31.4	17.8	-43.35%
Percent Male	82.86%	86.11%	3.93%
All Members			
Number	509	461	-9.43%
Average Age	36.6	22.3	-38.99%
Percent Male	33.60%	33.62%	0.08%

Terminated Vested Participants

	December 31, 2007	June 30, 2008	Change
General Members - Tier I			
Number	1,053	1,136	7.88%
Average Age	47.2	46.8	-0.76%
Average Service	15.6	15.3	-1.59%
Percent Male	40.74%	39.61%	-2.77%
General Members - Tier II			
Number	N/A	1	N/A
Average Age	N/A	23.0	N/A
Average Service	N/A	0.1	N/A
Percent Male	N/A	0.09%	N/A
Safety Members			
Number	132	149	12.88%
Average Age	41.1	40.7	-0.77%
Average Service	14.1	14.4	2.05%
Percent Male	78.79%	79.87%	1.37%
All Members			
Number	1,185	1,286	8.52%
Average Age	46.5	46.1	-0.86%
Average Service	15.4	15.2	-1.32%
Percent Male	44.98%	44.25%	-1.63%

Kern County
Employees' Retirement Association

Retired Participants

	December 31, 2007	June 30, 2008	Change
General Members			
Service Retirements			
Number	3,000	3,069	2.30%
Average Age	69.6	69.5	-0.06%
Percent Male	37.43%	37.47%	0.10%
Average Monthly Benefit*	$ 1,863	$ 1,923	3.20%
Beneficiaries			
Number	637	642	0.78%
Average Age	74.1	73.9	-0.20%
Percent Male	20.72%	21.81%	5.23%
Average Monthly Benefit*	$ 896	$ 924	3.17%
Disabled			
Number	541	547	1.11%
Average Age	60.2	60.5	0.40%
Percent Male	36.60%	36.38%	-0.60%
Average Monthly Benefit*	$ 1,443	$ 1,468	1.73%
Total General			
Number	4,178	4,258	1.91%
Average Age	69.0	69.0	-0.03%
Percent Male	34.78%	34.97%	0.55%
Average Monthly Benefit*	$ 1,661	$ 1,714	3.16%
Safety Members			
Service Retirements			
Number	698	713	2.15%
Average Age	64.8	64.9	0.17%
Percent Male	90.69%	90.32%	-0.40%
Average Monthly Benefit*	$ 4,173	$ 4,285	2.69%
Beneficiaries			
Number	251	253	0.80%
Average Age	67.8	67.8	0.05%
Percent Male	5.18%	5.14%	-0.79%
Average Monthly Benefit*	$ 1,702	$ 1,753	3.00%
Disabled			
Number	425	427	0.47%
Average Age	58.8	59.3	0.87%
Percent Male	81.65%	81.97%	0.39%
Average Monthly Benefit*	$ 3,092	$ 3,169	2.48%
Total Safety			
Number	1,374	1,393	1.38%
Average Age	63.5	63.7	0.37%
Percent Male	72.27%	72.29%	0.03%
Average Monthly Benefit*	$ 3,387	$ 3,483	2.83%

**Excludes SRBR amounts.*

Kern County
Employees' Retirement Association

Retired Participants (continued)

Total Members

		December 31, 2007		June 30, 2008	Change
Service Retirements					
Number		3,698		3,782	2.27%
Average Age		68.7		68.6	-0.02%
Percent Male		47.49%		47.44%	-0.11%
Average Monthly Benefit*	$	2,299	$	2,368	3.00%
Beneficiaries					
Number		888		895	0.79%
Average Age		72.3		72.2	-0.13%
Percent Male		16.33%		17.09%	4.69%
Average Monthly Benefit*	$	1,123	$	1,158	3.10%
Disabled					
Number		966		974	0.83%
Average Age		59.6		59.9	0.61%
Percent Male		56.42%		56.37%	-0.09%
Average Monthly Benefit*	$	2,169	$	2,214	2.08%
Total Retirees					
Number		5,552		5,651	1.78%
Average Age		67.7		67.7	0.07%
Percent Male		44.06%		44.17%	0.26%
Average Monthly Benefit*	$	2,088	$	2,150	2.94%

**Excludes SRBR amounts.*

SRBR Approved Benefits

Total Members

		December 31, 2007		June 30, 2008	Change
SRBR Death Benefits					
Retirees Eligible		4,664		4,756	1.97%
Total Benefits	$	13,992,000	$	14,268,000	1.97%
Average Benefit	$	3,000	$	3,000	0.00%
SRBR 1					
Retirees and Beneficiaries Eligible		5,254		5,316	1.18%
Total Monthly Benefits	$	173,032	$	174,937	1.10%
Average Monthly Benefit	$	32.93	$	32.91	-0.08%
SRBR 2					
Retirees and Beneficiaries Eligible		912		871	-4.50%
Total Monthly Benefits	$	167,866	$	159,420	-5.03%
Average Monthly Benefit	$	184.06	$	183.03	-0.56%
SRBR 3					
Retirees and Beneficiaries Eligible		635		644	1.42%
Total Monthly Benefits	$	200,519	$	208,458	3.96%
Average Monthly Benefit	$	315.78	$	323.69	2.51%

Kern County
Employees' Retirement Association

General Members

	Actives	Terminated Vested	Terminated Pending Refund	Service Retirees	Disability Retirees	Beneficiaries
As of December 31, 2007	7,127	1,053	474	3,000	541	637
New Hires/Rehires	377	(9)	24	-	-	-
Net Transfers (to)/from Safety	1	-	-	-	-	-
Terminated - Contributions Refunded	(58)	(11)	(76)	-	-	-
Terminated - Pending Refund	(93)	-	93	-	-	-
Vested Terminations	(38)	130	(92)	(1)	-	-
Suspended	-	-	-	-	-	-
Service Retirements	(90)	(26)	-	116	-	-
Disability Retirements	(5)	(5)	-	(3)	13	-
Active Deaths	(5)	-	-	-	-	-
Deaths Or Ceased Payments	-	-	-	(45)	(7)	(27)
Beneficiaries of Retirees Who Died	-	-	-	-	-	29
Data Corrections	-	5	2	2	-	3
As of June 30, 2008	7,216	1,137	425	3,069	547	642

Kern County
Employees' Retirement Association

Safety Members

	Actives		Terminated Vested	Terminated Pending Refund	Service Retirees	Disability Retirees	Beneficiaries
As of December 31, 2007	1,798	*	132	35	698	425	251
New Hires/Rehires	98		(1)	2	-	-	-
Net Transfers (to)/from General	(1)		-	-	-	-	-
Terminated - Contributions Refunded	(5)		(2)	(5)	-	-	-
Terminated - Pending Refund	(13)		-	13	-	-	-
Vested Terminations	(14)		23	(9)	-	-	-
Suspended	-		-	-	-	-	-
Service Retirements	(22)		(2)	-	24	-	-
Disability Retirements	(2)		-	-	(3)	5	-
Active Deaths	(1)		-	-	-	-	-
Deaths Or Ceased Payments	-		-	-	(6)	(3)	(6)
Beneficiaries of Retirees Who Died	-		-	-	-	-	8
Data Corrections	-		(1)	-	-	-	-
As of June 30, 2008	1,838	*	149	36	713	427	253

** Liabilities for three suspended members were also valued.*
total actives =1801 with extra three

Kern County
Employees' Retirement Association

Summary of Active General Members
by Age and Service

Number of Members by Age and Service Groups

	Years of Service										
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	108	104	-	-	-	-	-	-	-	-	212
25-29	225	419	61	-	-	-	-	-	-	-	705
30-34	137	415	229	23	-	-	-	-	-	-	804
35-39	104	294	311	104	26	-	-	-	-	-	839
40-44	82	206	233	146	106	34	-	-	-	-	807
45-49	76	203	247	174	193	160	58	2	-	-	1,113
50-54	80	141	188	180	219	170	142	41	1	-	1,162
55-59	34	111	203	144	156	123	113	61	11	-	956
60-64	17	47	112	88	87	60	40	16	5	-	472
65-69	-	8	37	24	21	16	9	3	-	3	121
70&Up	-	2	7	2	7	3	1	3	-	-	25
Total	863	1,950	1,628	885	815	566	363	126	17	3	7,216

Average Annual Compensation for General Members
by Age and Service at June 30, 2008

Average Compensation by Age and Service Groups

	Years of Service										
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	31,606	33,876	-	-	-	-	-	-	-	-	32,720
25-29	38,220	42,211	40,436	-	-	-	-	-	-	-	40,784
30-34	40,164	44,180	53,637	46,966	-	-	-	-	-	-	46,269
35-39	40,159	46,120	56,690	57,521	46,795	-	-	-	-	-	50,733
40-44	42,027	45,306	51,395	55,322	55,988	51,195	-	-	-	-	50,194
45-49	41,354	46,262	51,632	56,424	57,292	58,387	51,116	51,463	-	-	52,625
50-54	47,518	47,756	51,244	57,591	57,983	62,581	61,183	59,834	38,822	-	55,983
55-59	49,945	51,361	55,981	50,510	55,738	65,006	63,086	68,802	46,371	-	57,075
60-64	49,105	52,680	53,663	56,190	56,243	57,779	66,104	79,572	47,520	-	56,738
65-69	-	60,378	50,475	56,578	45,039	63,582	51,846	40,473	-	83,652	53,807
70&Up	-	56,831	71,668	51,203	43,430	88,745	28,503	112,444	-	-	66,153
Total	40,110	44,787	53,124	55,370	56,129	60,896	60,388	67,341	46,265	83,652	51,149

Note that the compensation in this chart is the Final Average Salary as of June 30, 2008.

Kern County
Employees' Retirement Association

Summary of Active Safety Members
by Age and Service

Number of Members by Age and Service Groups

					Years of Service						
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	65	39	-	-	-	-	-	-	-	-	104
25-29	70	182	73	-	-	-	-	-	-	-	325
30-34	20	97	164	47	-	-	-	-	-	-	328
35-39	12	43	118	106	21	-	-	-	-	-	300
40-44	5	20	32	53	59	24	-	-	-	-	193
45-49	1	9	18	34	57	89	40	-	-	-	248
50-54	1	3	5	18	25	43	72	32	-	-	199
55-59	2	1	5	10	6	27	24	32	1	-	108
60-64	-	1	3	6	6	8	3	2	1	-	30
65-69	-	-	2	2	2	-	-	-	-	-	6
Total	176	395	420	276	176	191	139	66	2	-	1,841

Average Annual Compensation for Safety Members
by Age and Service at June 30, 2008

Average Compensation by Age and Service Groups

					Years of Service						
Age	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	Total
0-24	41,161	49,547	-	-	-	-	-	-	-	-	44,306
25-29	40,783	51,394	63,259	-	-	-	-	-	-	-	51,774
30-34	41,553	52,208	62,079	64,942	-	-	-	-	-	-	58,319
35-39	41,515	51,530	65,426	64,918	67,362	-	-	-	-	-	62,434
40-44	40,579	52,640	68,212	65,115	73,543	84,662	-	-	-	-	68,707
45-49	36,139	55,793	60,991	62,957	72,219	80,114	83,069	-	-	-	73,976
50-54	71,213	61,699	64,582	64,256	73,962	79,054	81,504	98,678	-	-	80,453
55-59	52,491	50,816	47,512	57,584	60,405	77,691	87,419	91,012	183,746	-	79,847
60-64	-	41,721	53,003	58,355	66,133	69,964	73,095	89,932	130,234	-	67,892
65-69	-	-	72,811	62,693	53,155	-	-	-	-	-	62,886
Total	41,334	51,642	63,488	64,250	71,504	79,679	82,794	94,696	156,990	-	64,067

Note that the compensation in this chart is the Final Average Salary as of June 30, 2008.

Appendix D

Member Contribution Rates

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

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

Kern County
Employees' Retirement Association

General Tier I Member Contribution Rates

Member Rates as a Percentage of Salary
Contribution Rates (Fiscal Year 2009-2010)
1/100th @ 55

	Integrated		Non-Integrated
Entry Age	First $350 of Monthly Comp.	Excess of $350 Monthly Comp.	All Compensation
18	4.23%	6.34%	6.34%
19	4.31%	6.46%	6.46%
20	4.39%	6.58%	6.58%
21	4.47%	6.70%	6.70%
22	4.55%	6.83%	6.83%
23	4.63%	6.95%	6.95%
24	4.72%	7.08%	7.08%
25	4.81%	7.21%	7.21%
26	4.90%	7.35%	7.35%
27	4.99%	7.48%	7.48%
28	5.08%	7.62%	7.62%
29	5.17%	7.76%	7.76%
30	5.27%	7.91%	7.91%
31	5.37%	8.06%	8.06%
32	5.47%	8.21%	8.21%
33	5.57%	8.36%	8.36%
34	5.68%	8.52%	8.52%
35	5.79%	8.68%	8.68%
36	5.90%	8.85%	8.85%
37	6.01%	9.02%	9.02%
38	6.13%	9.19%	9.19%
39	6.25%	9.38%	9.38%
40	6.37%	9.56%	9.56%
41	6.50%	9.75%	9.75%
42	6.62%	9.93%	9.93%
43	6.74%	10.11%	10.11%
44	6.85%	10.28%	10.28%
45	6.97%	10.45%	10.45%
46	7.07%	10.61%	10.61%
47	7.17%	10.75%	10.75%
48	7.26%	10.89%	10.89%
49	7.34%	11.01%	11.01%
50	7.41%	11.12%	11.12%
51	7.47%	11.21%	11.21%
52	7.50%	11.25%	11.25%
53	7.50%	11.25%	11.25%
54	7.50%	11.25%	11.25%

General Tier II Member Contribution Rates

Member Rates as a Percentage of Salary
Contribution Rates (Fiscal Year 2009-2010)
1/120th @ 60

	Integrated		Non-Integrated
Entry Age	First $350 of Monthly Comp.	Excess of $350 Monthly Comp.	All Compensation
18	3.01%	4.51%	4.51%
19	3.06%	4.59%	4.59%
20	3.12%	4.68%	4.68%
21	3.18%	4.77%	4.77%
22	3.24%	4.86%	4.86%
23	3.30%	4.95%	4.95%
24	3.36%	5.04%	5.04%
25	3.43%	5.14%	5.14%
26	3.49%	5.23%	5.23%
27	3.55%	5.33%	5.33%
28	3.62%	5.43%	5.43%
29	3.69%	5.53%	5.53%
30	3.75%	5.63%	5.63%
31	3.83%	5.74%	5.74%
32	3.90%	5.85%	5.85%
33	3.97%	5.95%	5.95%
34	4.04%	6.06%	6.06%
35	4.12%	6.18%	6.18%
36	4.19%	6.29%	6.29%
37	4.27%	6.41%	6.41%
38	4.35%	6.53%	6.53%
39	4.43%	6.65%	6.65%
40	4.52%	6.78%	6.78%
41	4.61%	6.91%	6.91%
42	4.69%	7.04%	7.04%
43	4.79%	7.18%	7.18%
44	4.88%	7.32%	7.32%
45	4.98%	7.47%	7.47%
46	5.07%	7.61%	7.61%
47	5.17%	7.75%	7.75%
48	5.27%	7.90%	7.90%
49	5.35%	8.03%	8.03%
50	5.44%	8.16%	8.16%
51	5.53%	8.29%	8.29%
52	5.60%	8.40%	8.40%
53	5.67%	8.50%	8.50%
54	5.73%	8.60%	8.60%

Member Contribution Rates – Excluding "Safety 3" Members

Member Rates as a Percentage of Pensionable Earnings
Contribution Rates (Fiscal Year 2009-2010)

	Integrated	
Entry Age	First $350 of Monthly Comp.	Excess of $350 Monthly Comp.
18	7.42%	11.14%
19	7.55%	11.32%
20	7.68%	11.51%
21	7.80%	11.71%
22	7.93%	11.90%
23	8.07%	12.10%
24	8.20%	12.30%
25	8.34%	12.51%
26	8.48%	12.72%
27	8.62%	12.93%
28	8.77%	13.15%
29	8.91%	13.37%
30	9.07%	13.60%
31	9.22%	13.83%
32	9.38%	14.07%
33	9.54%	14.31%
34	9.71%	14.57%
35	9.88%	14.83%
36	10.06%	15.10%
37	10.25%	15.38%
38	10.44%	15.66%
39	10.62%	15.93%
40	10.79%	16.19%
41	10.95%	16.43%
42	11.10%	16.66%
43	11.24%	16.86%
44	11.36%	17.04%
45	11.48%	17.22%
46	11.57%	17.36%
47	11.62%	17.42%
48	11.62%	17.42%
49 and Older	11.62%	17.42%

Note: Beginning at various dates throughout 2007, certain Safety bargaining units converted to a new schedule of contribution rates, referred to as "Safety 3" contribution rates. For employees falling under this category and hired after the appropriate date (which varies by bargaining unit), the contribution rate will be a flat percentage of pay regardless of entry age.

Member Contribution Rates – "Safety 3" Members

Member Rates as a Percentage of Pensionable Earnings
Contribution Rates (Fiscal Year 2009-2010)

	Integrated	
Entry Age	First $350 of Monthly Comp.	Excess of $350 Monthly Comp.
Every Entry Age	8.20%	12.30%

Note: Beginning at various dates throughout 2007, certain Safety bargaining units converted to a new schedule of contribution rates, referred to as "Safety 3" contribution rates. For employees falling under this category and hired after the appropriate date (which varies by bargaining unit), the contribution rate will be a flat percentage of pay regardless of entry age.

Appendix E

Glossary

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

Accrued Benefit	The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.
Actuarial Accrued Liability	That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.
Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.
Actuarial Gain (Loss)	A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.
Actuarial Present Value	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.
Actuarial Value of Assets	Market Value of Assets, adjusted to defer unexpected assets gains and losses over 10 six-month periods.
Actuarially Equivalent	Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.
Amortization Payment	That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
Approved SRBR Benefits	These are the SRBR benefits that have already been approved by the Retirement Board. They include all Tier I, Tier II and Death Benefits, as well as the Tier III benefits approved through the valuation date.

Basic Benefits	All formula benefits provided under the Regular portion of KCERA. These include service retirement benefits, survivor continuance, disability benefits, and refunds of member contributions. Basic Benefits do not include cost-of-living adjustments.
COLA Benefits	These are the cost-of-living adjustments provided under the Regular portion of KCERA. They include cost-of-living increases paid on service retirement benefits, disability benefits and survivor benefits. The funding of the permanent additional 0.5% COLA benefit that was granted as part of the Ventura court settlement is included in the regular benefits, for a total COLA benefit of 2.5%. For funding purposes and to determine the COLA Contributions Reserve, the COLA benefits are split between the "2.0%" COLA benefits and the "0.50%" COLA benefits.
Contingency Reserve	The Contingency Reserve is used to satisfy the California Government Code requirement for Section 31616 requirement for KCERA to reserve at least 1% of assets, up to a maximum of 3% of assets. KCERA has adopted a goal to reserve 3.0% of the assets against earning deficiencies, investment losses, and other contingencies, if available.
Cost-of-Living Reserve	The accumulation of employer contributions for future annual cost-of – living increases for retirees and continuance beneficiaries. Additions include contributions from employers and related earnings and deductions include monthly cost-of-living benefit payments.
COLA Contribution Reserve	This CCR refers to the amount of excess investment earnings that have been set aside to reduce future employer COLA contributions as provided under Section 31617 of Article 5.5 under the CERL. If no earnings are allocated under 31617 or they have already been allocated as a credit for future employer COLA contributions, the CCR value is zero.
Employers' Advance Reserve	The accumulation of employer contributions for future retirement benefit payments. Additions include contributions from employers and related earnings and deductions include transfers to the Retired Members' Reserve.
Entry Age Actuarial Cost Method	A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.
Funded Ratio	A measurement of the funded status of the system. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. For example, a Funded Ratio of 90% indicates assets are 10% less than liabilities.

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