



PRUDENT INVESTMENT • QUALITY SERVICE

**SCHEDULES OF EMPLOYER ALLOCATIONS
AND PENSION AMOUNTS BY EMPLOYER**

June 30, 2019

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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INDEPENDENT AUDITORS' REPORT

The Board of Retirement
Kern County Employees' Retirement Association
Bakersfield, California

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Kern County Employees' Retirement Association (KCERA) as of and for the year ended June 30, 2019, and the related notes.

We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense as of and for the year ended June 30, 2019, and the net pension liability as of June 30, 2018 (specified row totals), included in the accompanying schedule of pension amounts by employer of KCERA, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified row totals in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified row totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

The Board of Retirement
Kern County Employees' Retirement Association

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified row totals included in the schedule of pension amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and the total net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense for the total of all participating entities for KCERA as of and for the year ended June 30, 2019, and the net pension liability as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Kern County Employees' Retirement Association, as of and for the years ended June 30, 2019 and 2018, and our report thereon, dated December 9, 2019, expressed an unmodified opinion on those statements.

Restriction on Use

Our report is intended solely for the information and use of KCERA's management and Board of Retirement, the County of Kern and KCERA's employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Denver, Colorado
July 8, 2020

Kern County Employees' Retirement Association - Schedule of Employer Allocations
As of and for the year ended June 30, 2019

	Actual Payroll by Employer	Employer Payroll Percentage	Total Allocated Net Pension Liability	Employer Proportionate Share
Kern County	\$ 418,430,675	72.259%	\$ \$1,806,944,701	75.842%
Kern County Hospital Authority	93,857,773	16.208%	322,103,797	13.520%
Kern County Superior Courts	30,791,227	5.317%	105,673,461	4.435%
Berrenda Mesa Water District	161,736	0.028%	3,512,507	0.147%
Buttonwillow Recreation and Park District	53,795	0.009%	217,227	0.009%
East Kern Cemetery District	118,101	0.020%	475,004	0.020%
Inyokern Community Services District	-	0.000%	101,953	0.004%
Kern County Water Agency	6,509,654	1.124%	26,191,823	1.099%
Kern Mosquito and Vector Control District	1,182,856	0.204%	4,760,174	0.200%
North of the River Sanitation District	1,068,758	0.185%	4,299,653	0.181%
San Joaquin Valley Unified Air Pollution Control District	25,384,117	4.384%	102,135,944	4.287%
Shafter Recreation and Park District	126,991	0.022%	511,209	0.022%
West Side Cemetery District	408,157	0.071%	1,642,239	0.069%
West Side Mosquito and Vector Control District	535,694	0.093%	2,154,895	0.090%
West Side Recreation and Park District	442,331	0.076%	1,779,816	0.075%
Total	\$ 579,071,865	100.000%	\$ \$2,382,504,403	100.000%

The accompanying notes are an integral part of this schedule.

Kern County Employees' Retirement Association - Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2019 with Net Pension Liability as of June 30, 2018

	Kern County	Kern County Hospital Authority	Kern County Superior Courts	Berrenda Mesa Water District
NET PENSION LIABILITY (ASSET) as of June 30, 2018	1,785,078,802	307,234,709	101,801,570	975,922
NET PENSION LIABILITY (ASSET) as of June 30, 2019	1,806,944,701	322,103,797	105,673,461	3,512,507
Deferred Outflows of Resources				
Net difference between projected and actual investment earnings on pension plan investments	58,361,975	10,403,535	3,413,116	113,449
Changes of assumptions	61,461,493	10,956,052	3,594,382	119,475
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,669,882	15,473,919	6,642,867	1,749,044
Total Deferred Outflows of Resources	133,493,350	36,833,506	13,650,365	1,981,968
Deferred Inflows of Resources				
Differences between expected and actual experience	120,487,087	21,477,884	7,046,307	234,214
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,875,829	22,323,915	-	191,972
Total Deferred Inflows of Resources	148,362,916	43,801,799	7,046,307	426,186
Pension Expense				
Proportionate share of plan pension expense	219,307,865	39,093,558	12,825,529	426,310
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	1,728,642	(12,593,115)	4,611,338	293,856
Total Employer Pension Expense	\$ 221,036,507	26,500,443	17,436,867	720,166

The accompanying notes are an integral part of this schedule.

Kern County Employees' Retirement Association – Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2019 with Net Pension Liability as of June 30, 2018

	Buttonwillow Recreation and Park District	East Kern Cemetery District	Inyokern Community Services District	Kern County Water Agency
NET PENSION LIABILITY (ASSET) as of June 30, 2018	308,902	452,431	-	25,420,676
NET PENSION LIABILITY (ASSET) as of June 30, 2019	217,227	475,004	101,953	26,191,823
Deferred Outflows of Resources				
Net difference between projected and actual investment earnings on pension plan investments	7,016	15,342	3,293	845,962
Changes of assumptions	7,389	16,157	3,468	890,890
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,978	74,623	72,234	1,520,409
Total Deferred Outflows of Resources	45,383	106,122	78,995	3,257,261
Deferred Inflows of Resources				
Differences between expected and actual experience	14,485	31,673	6,798	1,746,471
Changes in proportion and differences between employer contributions and proportionate share of contributions	192,634	-	86,619	24,185
Total Deferred Inflows of Resources	207,119	31,673	93,417	1,770,656
Pension Expense				
Proportionate share of plan pension expense	26,364	57,651	12,375	3,178,887
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(60,229)	43,569	(23,840)	956,648
Total Employer Pension Expense	(33,865)	101,220	(11,465)	4,135,535

The accompanying notes are an integral part of this schedule.

Kern County Employees' Retirement Association – Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2019 with Net Pension Liability as of June 30, 2018

	Kern Mosquito and Vector Control District	North of the River Sanitation District	San Joaquin Valley Unified Air Pollution Control District	Shafter Recreation and Park District
NET PENSION LIABILITY (ASSET) as of June 30, 2018	4,388,960	3,952,940	95,186,053	393,653
NET PENSION LIABILITY (ASSET) as of June 30, 2019	4,760,174	4,299,653	102,135,944	511,209
Deferred Outflows of Resources				
Net difference between projected and actual investment earnings on pension plan investments	153,747	138,873	3,298,859	16,511
Changes of assumptions	161,913	146,249	3,474,056	17,388
Changes in proportion and differences between employer contributions and proportionate share of contributions	520,728	475,708	10,240,171	290,675
Total Deferred Outflows of Resources	836,388	760,830	17,013,086	324,574
Deferred Inflows of Resources				
Differences between expected and actual experience	317,408	286,701	6,810,425	34,087
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	8,952	-	-
Total Deferred Inflows of Resources	317,408	295,653	6,810,425	34,087
Pension Expense				
Proportionate share of plan pension expense	577,740	521,846	12,396,183	62,045
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	224,462	187,350	4,339,371	138,278
Total Employer Pension Expense	802,202	709,196	16,735,554	200,323

The accompanying notes are an integral part of this schedule.

Kern County Employees' Retirement Association – Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2019 with Net Pension Liability as of June 30, 2018

	West Side Cemetery District	West Side Mosquito and Vector Control District	West Side Recreation and Park District	Total
NET PENSION LIABILITY (ASSET) as of June 30, 2018	1,548,627	2,018,824	2,037,976	2,330,800,045
NET PENSION LIABILITY (ASSET) as of June 30, 2019	1,642,239	2,154,895	1,779,816	2,382,504,403
Deferred Outflows of Resources				
Net difference between projected and actual investment earnings on pension plan investments	53,042	69,600	57,486	76,951,806
Changes of assumptions	55,859	73,297	60,539	81,038,607
Changes in proportion and differences between employer contributions and proportionate share of contributions	170,979	132,105	48,036	51,112,358
Total Deferred Outflows of Resources	279,880	275,002	166,061	209,102,771
Deferred Inflows of Resources				
Differences between expected and actual experience	109,505	143,688	118,678	158,865,411
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	115,549	292,703	51,112,358
Total Deferred Inflows of Resources	109,505	259,237	411,381	209,977,769
Pension Expense				
Proportionate share of plan pension expense	199,318	261,539	216,015	289,163,225
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	78,197	61,758	13,715	-
Total Employer Pension Expense	277,515	323,297	229,730	289,163,225

The accompanying notes are an integral part of this schedule.

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Cost-Sharing, Multiple-Employer Pension Plan

Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2019

Note 1 – DESCRIPTION OF THE ENTITY

Plan Description

The Kern County Employees' Retirement Association (KCERA) was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA (the Plan) is a cost-sharing, multiple-employer defined benefit plan covering all permanent employees of the County of Kern, Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Kern County Hospital Authority, Kern County Superior Court, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, and West Side Recreation and Park District. The Plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members.

Pension Benefits

All regular, full-time employees of the County of Kern or contracting districts who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire. Safety membership includes those in active law enforcement, fire suppression, criminal investigation, detention and probation.

General members (excluding Tier III) are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit.

Safety members are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age.

The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier.

General member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Sections 31676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31676.17 (Tier I), or 1/90th of FAC times years of accrued retirement service credit times an age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the FAC multiplied by years of accrued retirement credit multiplied by an age factor from Section 7522.20(a).

Safety member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Sections 31664.1 and 31664, respectively. The monthly allowance is equal to 3% of FAC times years of accrued retirement service credit times an age factor from Section 31664.1 (Tier I), or 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31664 (Tier II).

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Notes to Schedules of Employer Allocations and Pension Amounts by Employer (Continued)

For members in Tiers I and II, the maximum monthly retirement allowance is 100% of FAC. There is no FAC limit on the maximum retirement benefit for General Tier III members.

The maximum amount of compensation that can be taken into account for 2019 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is \$280,000. For General Tier III members who joined on or after January 1, 2013, the maximum pensionable compensation that can be taken into account for 2019 is \$124,180 for those enrolled in Social Security. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

FAC consists of the highest 12 consecutive months for a General Tier I or Tier IIA member or a Safety Tier I or Tier IIA member, and the highest 36 consecutive months for a General Tier IIB or Tier III member or a Safety Tier IIB member.

The member may elect an unmodified retirement allowance or one of four optional retirement allowances. The unmodified option provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible spouse or partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or partners may also be eligible if marriage or partnership was at least two years prior to the date of death and the surviving spouse or partner is age 55 or older as of the date of death. A member's retirement allowance is irrevocable once elected.

Death Benefits

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

If a member is vested and their death is not the result of a job-caused injury or disease, the spouse or registered domestic partner will be entitled to receive a lifetime monthly allowance equal to 60% of the retirement allowance to which they would have been entitled if they had retired with a nonservice-connected disability on the date of their death. The same choice is given to their minor children under the age of 18 (continuing to age 22 if enrolled full time in an accredited school).

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

If a member dies after retirement, a death benefit of \$5,000 is payable to their designated beneficiary or the estate.

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

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

Disability Benefits

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

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Notes to Schedules of Employer Allocations and Pension Amounts by Employer (Continued)

of and in the course of employment is eligible for a service-connected disability, regardless of service length or age.

Cost-of-Living Adjustments

An annual cost-of-living adjustment (COLA) of up to 2.0% was adopted for all retirees and continuance beneficiaries as of April 1, 1973. An additional 0.5% COLA was granted by the Ventura Settlement as of April 1, 2002, resulting in a maximum COLA of 2.5%, depending on the rate of inflation.

Supplemental Benefits

The Board of Retirement and the Board of Supervisors adopted Government Code Section 31618 on April 23, 1984, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement. SRBR currently provides for 82% purchasing power protection and a \$5,000 death benefit.

Contributions

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

Member contribution rates for fiscal year 2019 ranged from 3.14% to 14.15% and were applied to the member's base pay plus compensable special pay; they were calculated based on the member's KCERA entry age and actuarially calculated benefits. Members are required to contribute depending on the member's tier, employer and bargaining unit.

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

Each year, an actuarial valuation is performed for the purpose of determining the funded ratio of the retirement plan and the employer contributions that are necessary to pay benefits accruing to KCERA members not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Normal Actuarial Cost method. The Plan's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2019 ranged from 31.93% to 68.63% of covered payroll, with a combined average of 45.66% for all employers.

Note 2 - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Employers participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2015, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. In accordance with GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73*, employer-paid member contributions are classified as employee contributions for purposes of GASB Statement 68. Starting with the June 30, 2016 measurement date for the employers, employer-paid member contributions are excluded from employer contributions.

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Notes to Schedules of Employer Allocations and Pension Amounts by Employer (Continued)

The accompanying schedules were prepared by KCERA's independent actuary and were derived from information provided by KCERA in accordance with the standards issued by the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. As prescribed by GASB, they are reported using the economic resources measurement focus and the accrual basis of accounting.

Each individual employer's payroll received by KCERA during the fiscal year ended June 30, 2019 is used as the basis for determining their proportionate share reported in the Schedule of Employer Allocation. The following items are allocated based on the corresponding proportionate share within each membership class:

- Net pension liability
- Service cost
- Interest on the total pension liability
- Expensed portion of the current-period benefit changes
- Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability
- Member contributions
- Projected earnings on plan investments
- Expensed portion of current-period differences between actual and projected earnings on plan investments
- Administrative expense
- Recognition of beginning-of-year deferred outflows of resources as pension expense
- Recognition of beginning-of-year deferred inflows of resources as pension expense

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the fiduciary net position of KCERA and additions to/deductions from KCERA's fiduciary net position have been determined on the same basis as they are reported by KCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The reporting date and measurement date for the plan is June 30, 2019.

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

Note 3 – NET PENSION LIABILITY

The net pension liability of \$2,382,504,403 was measured as of June 30, 2019. The net pension liability (NPL) is the total pension liability reduced by the plan's fiduciary net position. The plan's fiduciary net position was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from the June 30, 2018 actuarial valuation to the measurement date of June 30, 2019. The total pension liability and the plan's fiduciary net position include liabilities and assets held for the Supplemental Retiree Benefit Reserve (SRBR). The employers' proportions of the NPL are based on the employers' share of covered payroll for each membership class.

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Notes to Schedules of Employer Allocations and Pension Amounts by Employer (Continued)

The NPL for each membership class is derived from internal valuation results based on the actual participants in each membership class and allocated as follows:

- The safety membership class has only one employer (Kern County), so all of the NPL for safety is allocated to the County.
- For general and district membership classes, the NPL is allocated based on the covered payroll within their respective classes.
 - Calculate ratio of employer's payroll to the total payroll for the membership class.
 - This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.

Starting with the June 30, 2019 measurement date, the NPL for the Kern County Hospital Authority was separated out from the County of Kern's NPL. This change mainly impacts the historical NPLs for the County of Kern.

- If the employer is in several membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class. Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.
- The Net Pension Asset associated with the SRBR is allocated based on the actual total payroll for each employer within KCERA.

Note 4 – ACTUARIAL ASSUMPTIONS

The total pension liability was measured as of June 30, 2019 by rolling forward the actuarial valuation as of June 30, 2018. The actuarial assumptions used in measuring the total pension liability were based on the results of an experience study for the period from July 1, 2013 through June 30, 2016. They are the same as the assumptions used in the June 30, 2018 funding valuation. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

<i>Inflation:</i>	3.00%
<i>Salary Increases:</i>	General: 4.00% to 9.00%. Safety: 4.00% to 12.50%. Varies by service, including inflation.
<i>Investment Rate of Return:</i>	7.25%, net of pension plan investment expenses, including inflation.
<i>Administrative Expenses:</i>	0.90% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.
<i>Other Assumptions:</i>	Same as those used in the June 30, 2019 funding valuation. These assumptions were developed in the analysis of the actuarial experience for the period from July 1, 2013 to June 30, 2016.

The Entry Age Actuarial Cost Method used in KCERA's annual actuarial valuation has also been applied in measuring the Service Cost and TPL with one exception. For purposes of measuring the Service Cost and TPL, KCERA has reflected the same plan provisions used in determining the member's Actuarial Present Value of Projected Benefits. This is different from the version of this method applied in KCERA's

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Notes to Schedules of Employer Allocations and Pension Amounts by Employer (Continued)

annual funding valuation, where the Normal Cost and Actuarial Accrued Liability are determined as if the current benefit accrual rate had always been in effect.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns net of pension plan investment expenses and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	15%	5.61%
Small Cap U.S. Equity	4%	6.37%
Global Equity	6%	6.50%
Developed International Equity	8%	6.96%
Emerging Market Equity	4%	9.28%
U.S. Core Fixed Income	19%	1.01%
High Yield/Specialty	6%	3.65%
Emerging Market Debt	4%	3.85%
Core Real Estate	5%	4.37%
Value Added Real Estate	5%	6.00%
Commodities	4%	3.76%
Hedge Funds	10%	4.70%
Private Equity	5%	8.70%
Private Credit	5%	5.10%
Total	100%	

Note 5 – DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rates assumed member contributions would be made at the current contribution rate and that employer contributions would be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employee and employer contributions intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplemental Retiree Benefit Reserve SRBR asset pools.

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Notes to Schedules of Employer Allocations and Pension Amounts by Employer (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability as of June 30, 2019, calculated using a discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one point lower (6.25%) or one point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability as of June 30, 2019	\$ 3,269,998,294	\$ 2,382,504,403	\$ 1,652,493,587

Note 6 - AMORTIZATION OF COLLECTIVE DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

There are changes in each employer's proportionate share of the total Net Pension Liability (NPL) during the measurement period ended June 30, 2019. The net effect of the change on the employer's proportionate share of the collective NPL and collective deferred outflows of resources and deferred inflows of resources for the current period are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through KCERA which is 5.05 years determined as of June 30, 2018 (the beginning of the measurement period ending June 30, 2019). Changes in assumptions and differences between expected and actual experience are also amortized over the closed period described above. The net difference between the projected and actual investment earnings on pension plan investments are amortized using a closed five-year period.

Collective Deferred outflows of resources and collective deferred inflows of resources related to pensions will be recognized as follows:

Reporting Date for Employer under GAS 68 Year Ended June 30:	
2021	\$ 16,604,424
2022	(21,275,963)
2023	(2,337,511)
2024	6,617,356
2025	(483,304)
Thereafter	0

Note 7 – ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the Kern County Employees' Retirement Association's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. The supporting actuarial information is included in the Governmental Accounting Standards (GAS) 67 Actuarial Valuation as of June 30, 2019 and Governmental Accounting Standard (GAS) 68 Actuarial Valuation as of June 30, 2019. The additional financial and actuarial information is available at www.kcera.org or by contacting KCERA's office, 11125 River Run Blvd., Bakersfield, CA 93311, or by calling (661) 381-7700.