

Kern County Employees' Retirement Association

**Actuarial Valuation and Review
as of June 30, 2013**



This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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November 27, 2013

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

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2013. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2014-2015 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Plan. The census information on which our calculations were based was prepared by KCERA and the financial information was provided by the Retirement Association. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

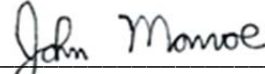
We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By: 
Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President and Actuary

By: 
John Monroe, ASA, EA, MAAA
Vice President and Associate Actuary

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SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

Purpose

This report has been prepared by Segal Consulting to present a valuation of the Kern County Employees' Retirement Association as of June 30, 2013. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, vested terminated members, retired members and beneficiaries as of June 30, 2013, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2013, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the Association's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Association's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the Association's staff. This information has not been audited by us, but it has been reviewed and found to be reasonably consistent, both internally and with prior year's information.

Please note that the Actuarial Standards Board has adopted Actuarial Standard of Practice (ASOP) No. 4 that provides guidelines for actuaries to follow when measuring pension obligations. For a plan such as that offered by the Retirement Association that may use undesignated excess earnings to provide supplemental benefits, the valuation report must indicate that the impact of any such future use of undesignated excess earnings on the future financial condition of the plan has not been explicitly measured or otherwise reflected in the valuation.

Also, the 7.75% investment return assumption used in this valuation has been developed without taking into consideration any impact of the 50/50 excess earnings allocation between the retirement and Supplemental Retiree Benefits (SRBR) Reserve asset pools.

SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

Reference: Pg. 61

The contribution requirements are determined as a percentage of payroll. The Association's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Effective with the June 30, 2012 valuation, the Board of Retirement's funding policy is to amortize the Association's unfunded actuarial accrued liability as of June 30, 2011 over a declining 24.5-year period (22.5 years as of June 30, 2013). Any change in unfunded actuarial accrued liability that arises due to actuarial gains or losses or due to changes in actuarial assumptions or methods at each valuation after June 30, 2011 is amortized over its own declining 18-year period. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with the exception of a change due to retirement incentives, which is amortized over its own declining period of up to 5 years).

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2014 through June 30, 2015.

Significant Issues in This Valuation

The following key findings were the result of this actuarial valuation:

Reference: Pg. 11

➤ The market value of assets earned a return of 11.3% for the July 1, 2012 to June 30, 2013 plan year. The valuation value of assets earned a return of 5.6% for the same period due to the deferral of most of the current year investment gains and the recognition of prior investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 7.75%. This actuarial investment loss increased the average employer contribution rate by 0.89% of payroll.

Reference: Pg. 68
Reference: Pg. 60

➤ The ratio of the valuation value of assets to actuarial accrued liabilities increased from 60.5% to 61.1%. The Association's Unfunded Actuarial Accrued Liability (UAAL) increased from \$1.93 billion as of June 30, 2012 to \$1.99 billion as of June 30, 2013. The increase in the UAAL is mainly due to lower than expected actuarial investment return and actual contributions less than expected, offset to some degree by lower than expected salary increases and other experience gains. A reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit H.

Reference: Pg. 31

➤ The average recommended employer contribution rate decreased from 42.67% of payroll as of June 30, 2012 to 42.00% of payroll in the June 30, 2013 valuation. This decrease was mainly the result of lower than expected individual salary increases, scheduled member contribution rate increases and changes in demographics amongst the tiers, all somewhat offset by lower than expected actuarial investment return, an increase in UAAL rate due to lower than expected increase in total payroll and actual contributions less than expected. A reconciliation of the average recommended employer contribution rate is provided in Section 2, Subsection D (see Chart 16).

SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

Reference: Pg. 32

- The average recommended member contribution rate increased from 4.27% of payroll in the June 30, 2012 valuation to 5.14% of payroll in the June 30, 2013 valuation. This increase was mainly the result of scheduled member contribution rate increases and changes in the demographics amongst the tiers. A reconciliation of the average recommended member contribution rate is provided in Section 2, Subsection D (see Chart 17).

Note that based on our discussions with KCERA, we have reflected the discretion made recently available by AB 1380 to no longer round the member contribution rates to the nearest quarter of one percent as previously required by the California Public Employees' Pension Reform Act of 2013 (CalPEPRA). This is consistent with established practice for the non-CalPEPRA tiers and should allow for exactly one-half of the normal cost for the CalPEPRA tiers to be paid by the employees and one-half by the employers. In addition, AB 1380 also provides that the "one percent" rule under Section 7022.30(d) does not apply. This section formerly limited the circumstances under which the member rate would change.

Reference: Pg. 6

- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment loss as of June 30, 2013 is \$133 million (as compared to an unrecognized loss of \$277 million in the June 30, 2012 valuation). This deferred investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years. This means that if the plan earns the assumed rate of investment return of 7.75% per year (net of expenses) on a **market value** basis then the deferred losses will be recognized over the next few years as shown in the footnote on Chart 7.
- The unrecognized investment losses represent about 4% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$133 million market losses is expected to have an impact on the Association's future funded ratio and the aggregate employer contribution rate. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the valuation value of assets, the funded ratio would decrease from 61.1% to 58.5%.
 - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer contribution rate would increase from 42.00% to 43.97%.

Reference: Pg. 59

- During 2012/2013 there were no "excess earnings" credited to the valuation reserves or the SRBR. Also, at June 30, 2013, the COLA Contribution Reserve was zero and therefore not available to offset the 2% COLA contribution rate. Since the Contingency Reserve is still negative as of June 30, 2013, it is not excluded from the valuation value of assets per the Board's Interest Crediting Policy. A complete presentation of the Association's reserves is in Section 3, Exhibit G.

SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

Reference: Pg. 88

- This valuation reflects the adoption of General Tier IIB, General Tier III and Safety Tier IIB (CalPEPRA plans) for new members hired on or after January 1, 2013. In particular, for the first time we have included the results based on demographics of actual members enrolled and reported in the new General Tier IIB and Safety Tier IIB that became available after January 1, 2013 under CalPEPRA.

The General Tier III contribution rates have been developed based on similar methodology used to estimate the costs in our new tier report dated December 4, 2012. In particular, as the General Tier III formula is only offered to members of West Side Recreation & Park hired on or after January 1, 2013. Since there were no such members as of June 30, 2013, we have assumed in this valuation that their demographic profiles (e.g., entry age, composition of male versus female, etc.) can be approximated by the data profiles of all current active members of West Side Recreation & Park.

- The actuarial valuation report as of June 30, 2013 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the plan, while increases will decrease the actuarial cost of the plan.
- The Governmental Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redefine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. Because these new Statements are not effective until the fiscal year ending June 30, 2014 for plan reporting and the fiscal year ending June 30, 2015 for employer reporting, the financial reporting information in this report continues to be in accordance with Statements 25 and 27.

Impact of Future Experience on Contribution Rates

Future contribution requirements may differ from those determined in the valuation because of:

- Difference between actual experience and anticipated experience;
- Changes in actuarial assumptions or methods;
- Changes in statutory provisions; and
- Difference between the contribution rates determined by the valuation and those adopted by the Board.

SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

Summary of Key Valuation Results (Dollar amounts in thousands)

	June 30, 2013		June 30, 2012	
Funded Status:				
Actuarial accrued liability (AAL)		\$5,108,619		\$4,894,990
Valuation value of assets (VVA)		\$3,120,632		\$2,960,507
Market value of assets (MVA) ⁽¹⁾		\$3,104,770		\$2,800,024
Funded ratio on VVA basis (VVA/AAL)		61.09%		60.48%
Funded ratio on MVA basis (MVA/AAL)		60.78%		57.20%
Unfunded Actuarial Accrued Liability (UAAL) on VVA basis		\$1,987,987		\$1,934,483
Unfunded Actuarial Accrued Liability (UAAL) on MVA basis		\$2,003,849		\$2,094,966
Employer Contribution Rates:⁽³⁾				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
County General without Courts	36.65%	\$131,577	37.38%	\$130,836
Courts	39.41	7,631	38.54	9,032
County Safety	56.28	81,521	57.89	79,603
District Category I	40.13	2,375	38.98	2,505
District Category II	40.42	850	39.51	818
District Category III	38.74	8,812	38.29	8,598
District Category IV	37.40	215	36.45	203
District Category V	31.50	275	30.68	224
District Category VI	43.51	158	42.17	147
All employers combined	42.00	233,414	42.67	231,966

⁽¹⁾ Includes non-valuation reserves.

⁽²⁾ Based on projected annual compensation for each valuation date.

⁽³⁾ In practice, these blended employer contribution rates for combined Tier I, Tier IIA, Tier IIB and Tier III (as applicable) are used for each category. Charts 14 and 15 show the employer contribution rates for each tier separately for these categories.

SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

Summary of Key Valuation Results (Dollar amounts in thousands) - continued

	June 30, 2013		June 30, 2012	
Average Member Contribution Rates:	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
County General Tier I without Courts	4.48%	\$11,363	3.67%	\$9,906
County General Tier IIA without Courts	6.07	5,276	6.11	4,893
County General Tier IIB without Courts	5.82	1,072	6.00	0
Courts Tier I	4.41	783	4.76	1,040
Courts Tier IIA	5.89	83	5.89	94
Courts Tier IIB	5.82	12	6.00	0
County Safety Tier I	5.69	7,608	4.32	5,846
County Safety Tier IIA	8.40	530	8.77	193
County Safety Tier IIB	12.54	606	12.75	0
District Category I Tier I	2.30	126	2.25	132
District Category I Tier IIA	5.68	25	5.65	31
District Category I Tier IIB	5.82	0	6.00	0
District Category II Tier I	3.09	65	2.95	61
District Category II Tier IIB	5.82	0	6.00	0
District Category II Tier III	7.80	0	8.50	0
District Category III Tier I	4.15	899	4.17	936
District Category III Tier IIA	5.78	40	N/A	0
District Category III Tier IIB	5.82	23	6.00	0
District Category IV Tier I	3.14	18	3.05	17
District Category IV Tier IIB	5.82	0	6.00	0
District Category V Tier I	6.12	24	5.64	19
District Category V Tier IIA	5.60	22	5.85	23
District Category V Tier IIB	5.82	5	6.00	0
District Category VI Tier I	0.00	0	0.29	1
District Category VI Tier IIB	5.82	0	6.00	0
All employers combined	5.14	28,580	4.27	23,192

⁽¹⁾ Based on projected annual compensation for each valuation date.

SECTION 1: Valuation Summary for the Kern County Employees' Retirement Association

Summary of Key Valuation Demographic and Financial Data

	June 30, 2013	June 30, 2012	Percentage Change
Active Members:			
Number of members	8,485	8,253	2.8%
Average age	42.9	43.5	N/A
Average service	10.2	10.6	N/A
Projected total compensation	\$555,752,810	\$543,557,475	2.2%
Average projected compensation	\$65,498	\$65,862	-0.6%
Retired Members and Beneficiaries:			
Number of members:			
Service retired	5,163	4,902	5.3%
Disability retired	972	984	-1.2%
Beneficiaries	1,036	1,004	3.2%
Total	7,171	6,890	4.1%
Average age	67.7	67.6	N/A
Average monthly benefit ⁽¹⁾	\$2,827	\$2,721	3.9%
Vested Terminated Members:			
Number of vested terminated members ⁽²⁾	1,855	1,748	6.1%
Average age	43.7	43.8	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets ⁽³⁾	\$3,104,770	\$2,800,024	10.9%
Return on market value of assets	11.29%	0.63%	N/A
Actuarial value of assets ⁽³⁾	\$3,237,784	\$3,077,321	5.2%
Return on actuarial value of assets	5.57%	4.52%	N/A
Valuation value of assets	\$3,120,632	\$2,960,507	5.4%
Return on valuation value of assets	5.57%	4.52%	N/A

⁽¹⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

⁽²⁾ Includes terminated members due a refund of member contributions.

⁽³⁾ Includes non-valuation reserves.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past nine valuations can be seen in this chart.

**CHART 1
Member Population: 2005– 2013**

Year Ended June 30⁽²⁾	Active Members	Vested Terminated Members⁽¹⁾	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2005	8,195	1,279	5,132	0.78
2006	8,547	1,548	5,355	0.81
2007	8,928	1,694	5,552	0.81
2008	9,057	1,747	5,651	0.82
2009	9,020	1,775	5,927	0.85
2010	8,567	1,839	6,170	0.93
2011	8,187	1,700	6,570	1.01
2012	8,253	1,748	6,890	1.05
2013	8,485	1,855	7,171	1.06

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Data for 2005-2007 is as of December 31.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 8,485 active members with an average age of 42.9, average years of service of 10.2 years and average projected compensation of \$65,498. The 8,253 active members in the prior valuation had an average age of 43.5, average service of 10.6 years and average projected compensation of \$65,862.

Among the active members, there were none with unknown age information.

Vested Terminated Members

In this year's valuation, there were 1,855 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 1,748 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2
Distribution of Active Members by Age as of June 30, 2013

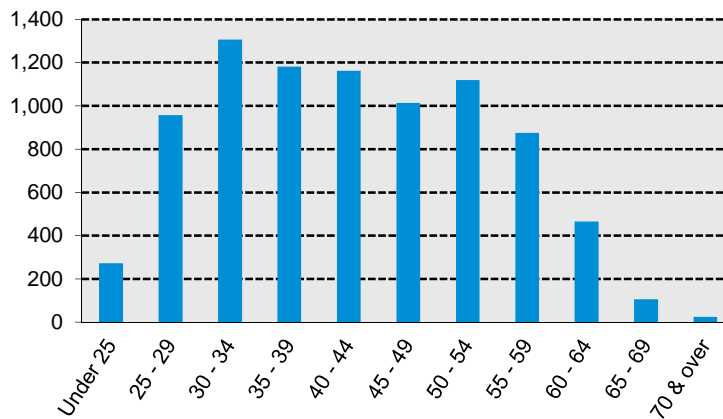
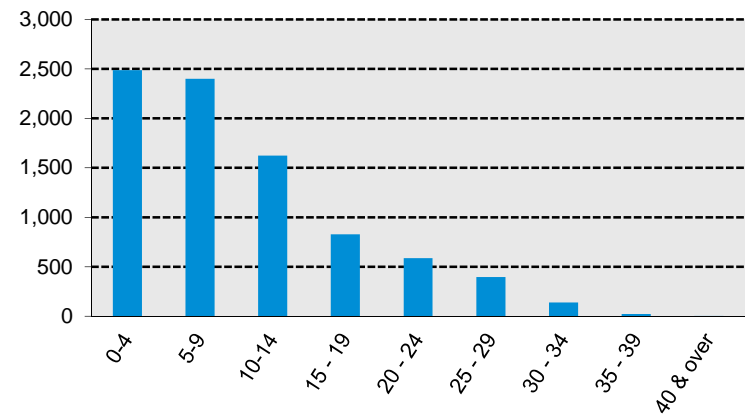


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2013



SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Retired Members and Beneficiaries

As of June 30, 2013, 6,135 retired members and 1,036 beneficiaries were receiving total monthly benefits of \$20,273,404. For comparison, in the previous valuation, there were 5,886 retired members and 1,004 beneficiaries receiving monthly benefits of \$18,744,656. These monthly benefits exclude benefits paid from the Supplemental Retiree Benefit Reserve.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2013

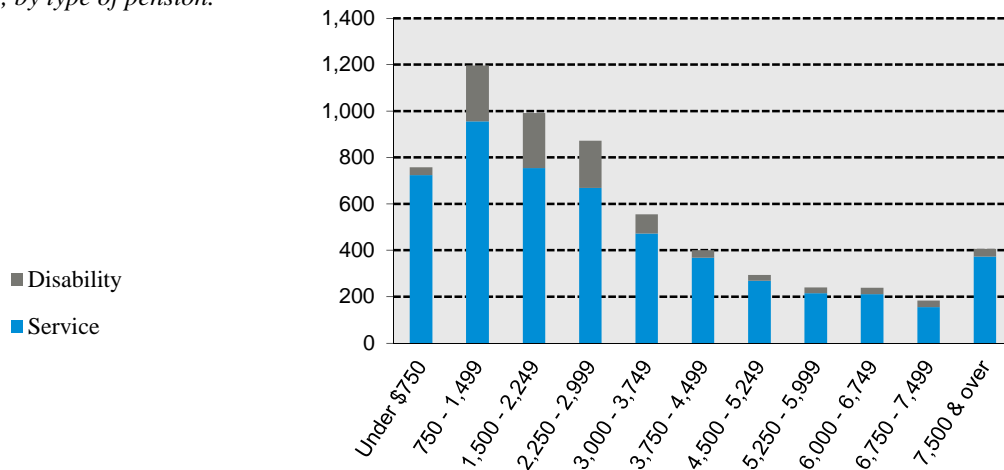
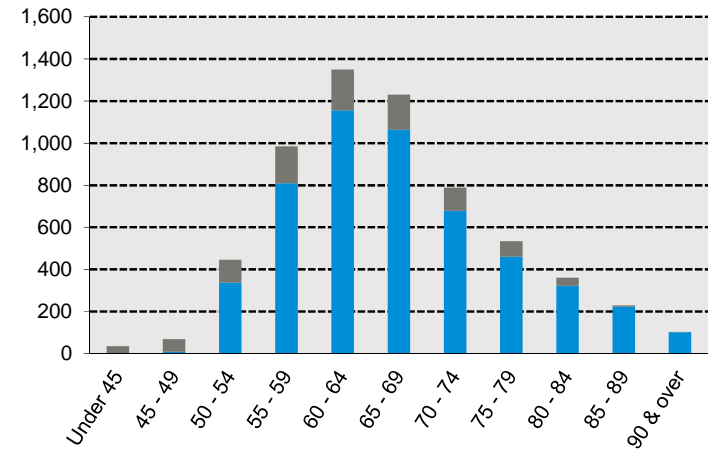


CHART 5
Distribution of Retired Members by Type and by Age as of June 30, 2013



SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

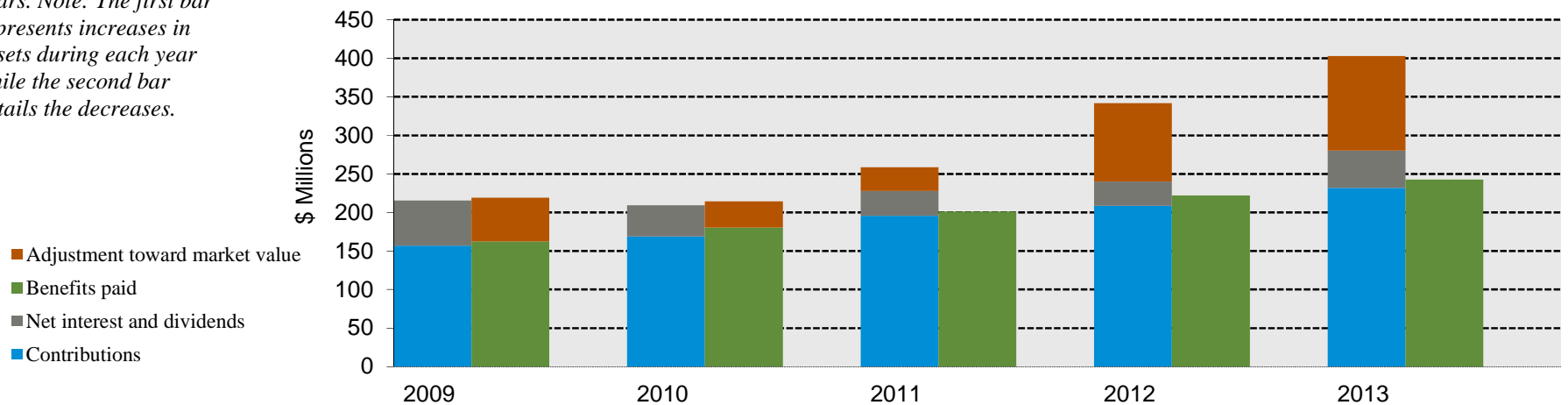
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the “non-cash” earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last five years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2009 – 2013



SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

It is generally considered desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The determination of the actuarial and valuation value of assets is provided on the following page.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 7

Determination of Actuarial and Valuation Value of Assets for Year Ended June 30, 2013

Six Month Period*		Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain (Loss)	Deferred Factor	Deferred Return
From	To					
1/2007	6/2011			\$(161,618,914)	0.5556	\$(89,788,285)
7/2011	12/2011	\$(141,648,758)	\$109,911,118	(251,559,875)	0.6	(150,935,925)
1/2012	6/2012	159,330,623	104,159,050	55,171,573	0.7	38,620,101
7/2012	12/2012	202,039,690	110,423,036	91,616,654	0.8	73,293,323
1/2013	6/2013	113,375,851	118,045,356	(4,669,505)	0.9	<u>(4,202,555)</u>
1.	Total Deferred Return**					\$(133,013,341)
2.	Market Value of Assets					3,104,770,253
3.	Preliminary Actuarial Value of Assets (Item 2 – Item 1)					3,237,783,594
4.	Corridor Around Market Value					
a.	Minimum – 50% of Market Value					1,552,385,126
b.	Maximum – 150% of Market Value					4,657,155,379
5.	a. Final Actuarial Value of Assets					\$3,237,783,594
b.	Ratio of Actuarial Value of Assets to Market Value of Assets (Item 5a / Item 2)					104.3%
6.	Non-valuation reserves***					
a.	Supplemental Retiree Benefit Reserve (SRBR) Unallocated to 0.5% COLA benefits					\$117,151,867
b.	COLA Contribution Reserve					<u>0</u>
c.	Subtotal					\$117,151,867
7.	Valuation Value of Assets (Item 5a – Item 6c)					<u>\$3,120,631,727</u>

* Net deferred loss as of June 30, 2011 was combined and will be recognized over four and a half years in nine level semi-annual amounts.

** Deferred returns as of June 30, 2013 to be recognized in each of the next five years:

(a)	Amount Recognized during 2013/2014	\$(57,803,545)
(b)	Amount Recognized during 2014/2015	(57,803,545)
(c)	Amount Recognized during 2015/2016	(39,845,888)
(d)	Amount Recognized during 2016/2017	22,906,587
(e)	Amount Recognized during 2017/2018	<u>(466,950)</u>
		\$(133,013,341)

***Because the Contingency Reserve is negative as of June 30, 2013, it is not excluded from the valuation value of assets per the Board's Interest Crediting Policy.

Note: Results may not add due to rounding.

The chart shows the determination of the actuarial and valuation value of assets as of the valuation date.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2013

The allocation of the valuation reserves among General, District and Safety is provided below:

	General	District	Safety	Total
Member Deposit Reserves	\$165,463,068	\$16,866,715	\$62,501,931	\$244,831,715
Employer Advance Reserves	310,127,514	26,168,226	255,708,168	592,003,908
Cost-of-Living Reserves – 2%	481,368,228	30,904,920	341,618,067	853,891,215
Cost-of-Living Reserves – 0.5% ⁽¹⁾	38,658,965	2,481,992	27,435,548	68,576,505
Retired Member Reserves	843,711,947 ⁽²⁾	52,661,509 ⁽²⁾	481,309,662	1,377,683,118
Contingency Reserve ⁽³⁾	<u>(9,597,639)</u>	<u>(674,790)</u>	<u>(6,082,305)</u>	<u>(16,354,734)</u>
Total Valuation Value of Assets	\$1,829,732,084	\$128,408,571	\$1,162,491,072	\$3,120,631,727

⁽¹⁾ Allocated in proportion to the 2% Cost-of-Living Reserve.

⁽²⁾ Allocated in proportion to the retired member and beneficiary Actuarial Accrued Liability for these groups.

⁽³⁾ Allocated in proportion to the above valuation reserves (excluding Cost-of-Living Reserves – 0.5%).

Note: Results may not add due to rounding.

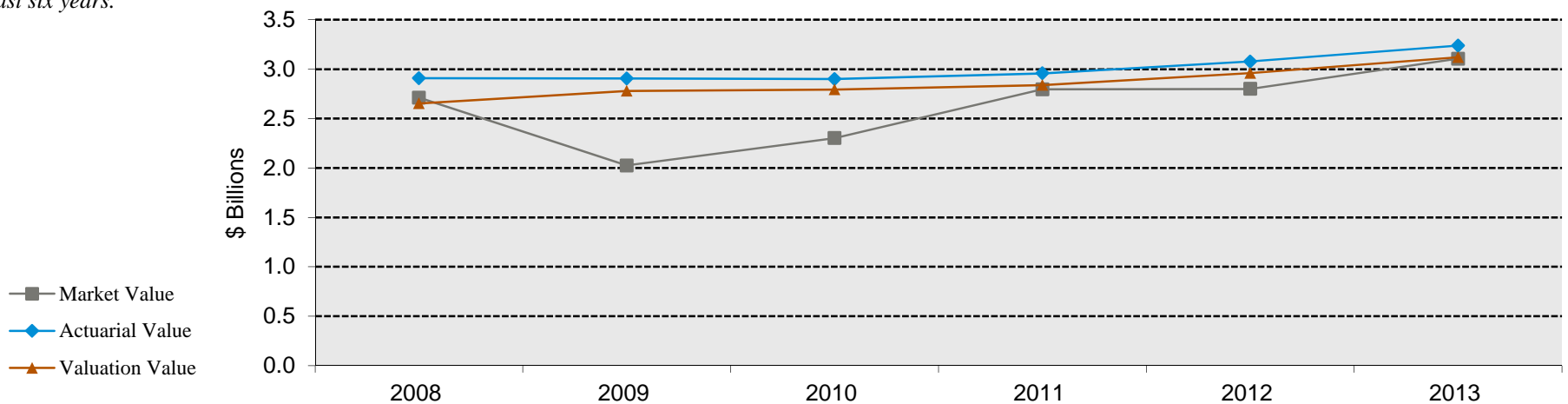
SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

The market value, actuarial value, and valuation value of assets are representations of KCERA's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation asset value is significant because KCERA's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past six years.

CHART 9

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2008 – 2013



SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss was \$33.0 million, a loss of \$64.4 million from investments and a gain of \$31.4 million from all other sources. The gain from all other sources was 0.6% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

**CHART 10
Actuarial Experience for Year Ended June 30, 2013**

1. Net gain/(loss) from investments on valuation value of assets ⁽¹⁾	(\$64,430,000)
2. Net gain/(loss) from other experience ⁽²⁾	<u>31,443,000</u>
3. Net experience gain/(loss): (1) + (2)	(\$32,987,000)

⁽¹⁾ Details in Chart 11

⁽²⁾ See Section 3, Exhibit H. Does not include the effect of plan or assumption changes, if any.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on KCERA's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 7.75% (based on the June 30, 2012 valuation). The actual rate of return on the valuation value of assets for the 2012/2013 plan year was 5.57%.

Since the actual return for the year was less than the assumed return, KCERA experienced an actuarial loss on the valuation value of assets during the year ended June 30, 2013 with regard to its investments.

CHART 11

Investment Experience for Year Ended June 30, 2013 – Market, Actuarial and Valuation Value of Assets

This chart shows the gain/(loss) due to investment experience.

	Market Value	Actuarial Value	Valuation Value
1. Actual return	\$315,415,541	\$171,131,798	\$164,826,838
2. Average value of assets	2,794,689,375	3,071,986,459	2,958,155,761
3. Actual rate of return: (1) ÷ (2)	11.29%	5.57%	5.57%
4. Assumed rate of return	7.75%	7.75%	7.75%
5. Expected return: (2) x (4)	\$216,588,427	\$238,078,951	\$229,257,071
6. Actuarial gain/(loss): (1) – (5)	<u>\$98,827,114</u>	<u>(\$66,947,153)</u>	<u>(\$64,430,233)</u>

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial, valuation and market basis for the last five years.

CHART 12
Investment Return – Market Value, Actuarial Value and Valuation Value: 2009 – 2013

Year Ended June 30	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2009	-\$680,408,313	-25.12%	\$1,904,894	0.07%	-\$3,689,033	-0.14%
2010	287,578,945	14.24%	6,357,420	0.22%	-27,057	0.00%
2011	499,791,014	21.74%	62,849,280	2.17%	43,965,998	1.57%
2012	17,681,865	0.63%	133,360,035	4.52%	128,187,974	4.52%
2013	315,415,541	11.29%	171,131,798	5.57%	164,826,838	5.57%
Five-Year Average Return		3.48%		2.58%		2.38%

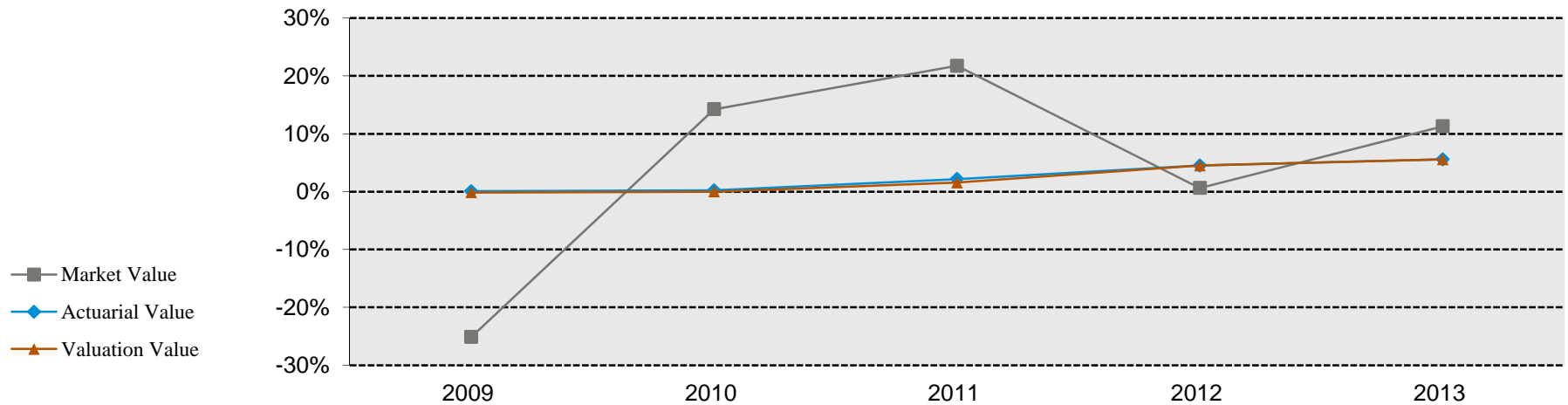
SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2009 - 2013.

CHART 13

Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2009 - 2013



SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation.

These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2013 amounted to \$31.4 million, which was 0.6% of the actuarial accrued liability. This gain is mainly the result of lower individual salary increases than expected. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is determined as a level percentage of the member's compensation.

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain level as a percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase along with expected payroll at the combined annual inflation and "across the board" salary increase rate of 4.00%. Effective with the June 30, 2012 valuation, the June 30, 2011 UAAL is being amortized over a 24.5-year declining period (22.5 years as of June 30, 2013). The change in unfunded liability that arises due to actuarial gains or losses or due to changes in actuarial assumptions or methods at each valuation is amortized over its own declining 18-year period. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with the exception of retirement incentives which are amortized over its own declining period of up to 5 years).

The UAAL contribution rates have been adjusted to account for the one-year delay between the valuation date and the date that the contribution rates become effective.

Employer Contribution Rates

The recommended employer contribution rates are shown in Chart 14. The current employer contribution rates are provided in Chart 15. The rates are shown for each tier/cost group and are separated into Normal Cost and UAAL components into each of these three benefit categories:

- The Basic benefits are the retirement benefits excluding all COLAs.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

- The COLA benefits adopted prior to the Ventura Settlement are referred to as the "2.0% COLA benefits".
- The COLA benefits provided under the Ventura settlement are referred to as the "0.5% COLA benefits".

These breakdowns are used for allocating employer contributions to specific reserves and, in the case of the 2% COLA contributions, providing the amounts that may be offset by the COLA Contribution Reserve.

Member Contributions General Tiers I and IIA, Safety Tiers I and IIA

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General and Safety members, respectively. The basic contribution rate is determined as that percentage of compensation which if paid annually from a member's first year of membership through the prescribed retirement age would accumulate to the amount necessary to fund a prescribed annuity.

The prescribed annuity is equal to:

- 1/100 of one year Final Average Salary per year of service at age 55 for General Tier I members
- 1/120 of one year Final Average Salary per year of service at age 60 for General Tier IIA members
- 1/100 of one year Final Average Salary per year of service at age 50 for Safety Tier I and Safety Tier IIA members

Safety Tier I members also pay a supplemental contribution rate such that the aggregate amount of the supplemental and basic contribution rates will provide an annuity equal to 3/200 of one year Final Average Salary per year of service at age 50.

Members in these non-CalPEPRA tiers do not contribute towards the cost-of-living benefits.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Member Contributions General Tiers IIB and III, Safety Tier IIB

Pursuant to Section 7522.30(a) of the Government Code, General Tier IIB, General Tier III and Safety Tier IIB members are required to contribute at least 50% of the Normal Cost rate. In addition, there are certain additional requirements that would have to be met such as requiring the new employees to pay the contribution rate of “similarly situated employees”, if it is greater. (reference: Section 7522.30(c)). We further understand that different rules may have to be applied for collectively bargained employees, non-represented, managerial or other supervisory employees. (reference: section 7522.30(e)). In preparing the Normal Cost rates in this report, we have assumed that exactly 50% of the Normal Cost would be paid by the new members and we have taken into account in this valuation only the requirements of Section 7522.30(c), but not requirements of Section 7522.30(e). Also of note is that based on our discussions with KCERA, we have used the discretion made recently available by Section 31620.5(a) of AB 1380 to no longer round the member contribution rates to the nearest quarter of one percent as previously required by CalPEPRA. This is consistent with established practice for the non-CalPEPRA tiers and should allow for exactly one-half of the normal cost for the CalPEPRA tiers to be paid by the employees and one-half by the employers. In addition, Section 31620.5(b) of AB 1380 also provides that the “one percent” rule under Section 7022.30(d) does not apply. This section formerly limited the circumstances under which the member rate would change.

Member contributions are accumulated at an annual interest rate adopted annually by the Board.

For some employers, benefits are integrated with Social Security. In those cases, non-General Tier III members pay two-thirds of the full rate on the first \$350 of pay each month. (The General Tier III formula, as valued, is not integrated with Social Security.)

The tables on pages 19 through 22 summarize the specific member contribution rate arrangements for each employer as they have been reflected in this valuation. For valuation purposes, the member contribution levels that are assumed to be in place are those for the subsequent fiscal year. Any future changes in member contribution rates

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Transfers

after that would be reflected in future valuations in determining the allocation of the total costs payable between the employers and the members.

When employees transfer from one participating employer to another KCERA participating employer, recognition needs to be made of the employee's prior service within KCERA on an equitable basis. For each employee that transfers within KCERA the funding for the employee's benefits will be determined as follows:

- The employee will be reported and funded as a vested terminated employee for the former participating employer with reciprocal benefits the same as any other vested terminated employee who moves to a reciprocal retirement system other than KCERA.
- The employee will be reported and funded as an active employee for the new participating employer but with reciprocal service credits for the prior service in KCERA for purposes of benefit eligibility and entry age. Benefit amounts will be funded only for the service provided to the new participating employer.
- Upon retirement from KCERA, the employee's total retirement benefit will be determined based on service with each KCERA participating employer and the employee's Final Average Salary.
- The entire liability for the retired employee's KCERA benefit payments will be allocated to the latest participating employer's cost group. The employee will be reported as a retired employee for the latest participating employer with the full KCERA retirement benefit amount.

Cost Sharing Adjustments

KCERA's Normal Cost is determined separately for each group of members that have the same benefit formula (on a prospective basis). The seven Normal Cost cost sharing groups are as follows:

- General Tier I
- General Tier IIA
- General Tier IIB
- General Tier III
- Safety Tier I

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- Safety Tier IIA
- Safety Tier IIB

KCERA's UAAL is determined separately for each cost sharing group depending on the assets for that cost group. The three UAAL cost sharing groups are as follows:

- General County and Courts
- General Districts
- Safety

The tables on pages 19 through 22 contain more benefit and contribution information for each employer participating in KCERA.

Other Adjustments

There is a further adjustment made to the UAAL contribution rates to account for District Category IV adopting the 3% @ 60 formula on a prospective basis only. The District Category IV rates exclude the fixed portion of the UAAL contribution rates attributable to retroactive adoption of the 3% @ 60 formula as a percentage of compensation, which are as follows:

	General District Members
Basic Benefits	2.31%
2% COLA	0.47%
0.5% COLA	0.13%
Total	2.91%

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Summary of KCERA Employers, Benefit Formulas and Member Contribution Rates – County and Courts

Plan	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution Provides Average Annuity of:	Adopted 1997 MOU	Soc Sec Integration	Pre-Tax	5-yr Contribution Stop
General – County Tier I	County General Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55	Yes	Yes	Yes	Varies ¹
General – County – Court Employees Tier I	Courts Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55 plus supplemental 3.5% ²	Yes	Yes	Yes	3/12/2011 ³
Safety – County Tier I	County Safety Tier I	31664.1 (3% @ 50)	31639.25	3/200 of FAS1 at age 50 ⁴	Yes	Yes	Yes	Varies ¹

Plan	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution Provides Average Annuity of:	Tier Adoption Date	Soc Sec Integration	Pre-Tax
General – County Tier IIA	County General Tier IIA	31676.01 (1.62% @ 65)	31621	1/120 of FAS1 at age 60	10/27/2007 ⁵	Yes	Yes
General – County – Court Employees Tier IIA	Courts Tier IIA	31676.01 (1.62% @ 65)	31621	1/120 of FAS1 at age 60	3/12/2011	Yes	Yes
Safety – County Tier IIA	County Safety Tier IIA	31664 (2% @ 50)	31639.25	1/100 of FAS1 at age 50 ⁴	3/27/2012	Yes	Yes

Plan	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution:	Tier Adoption Date	Soc Sec Integration	Pre-Tax
General – County Tier IIB	County General Tier IIB	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	Yes
General – County – Court Employees Tier IIB	Courts Tier IIB	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	Yes
Safety – County Tier IIB	County Safety Tier IIB	31664 (2% @ 50)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	Yes

FAS1 = 1-Year Final Average Salary

¹ See next page for member contribution rates by employee association and bargaining unit.

² Court employees in Tier I pay an additional 4% of the base salary for their entire career.

³ Court employees in Tier I hired prior to this date pay the full member contribution rates for only the first five years of service as a result of the 2010 Memorandum of Understanding (MOU).

⁴ Safety Tier I and Safety Tier IIA members stop paying contributions upon attaining 30 years of continuous county service.

⁵ KCPA (Prosecutors) employee association adopted Tier IIA effective July 5, 2008.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Summary of KCERA Member Contribution Rates – County Bargaining Units

Plan	Employee Association	Bargaining Unit	5-yr Contribution Stop ¹	1/6 th Rate Start ¹	1/3 rd Rate Start ¹	“Safety 3” Effective Date
County General	SEIU	1 – Supervisory, 2 – Professional, 3 – Technical Services, 4 – Clerical, 5 – Administrative, 6 – Trade/Crafts/Labor	8/7/2004	5/4/2013	5/3/2014	N/A
County General		D – Mid-management, M – Management, X – Confidential	9/4/2004 ²	7/13/2013	7/12/2014	N/A
County General	KCPA	P – Prosecutors	2/8/2005	8/10/2013	8/9/2014	N/A
County Safety	KCFFU	F – Firefighters, 7 – Supervisors	3/31/2007 ³	5/4/2013	5/3/2014	3/31/2007 ⁴
County Safety	KLEA	L – Sheriff Law Enforcement, 8 – Supervisors	11/1/2007	5/4/2013	5/3/2014	N/A
County Safety	KCSCA	N – Sheriff Lieutenants, R – Commanders	3/17/2007	5/4/2013	5/3/2014	N/A
County Safety	SEIU-CJU	J – Criminal Justice, S – Supervisors	12/8/2007	5/4/2013	5/3/2014	N/A
County Safety	KCPMA	O – Probation Management	4/7/2004	5/4/2013	5/3/2014	N/A
County Safety	KCPOA	Q – Probation Officers, Y – Supervisors	9/18/2007	8/10/2013	8/9/2014	9/18/2007 ⁴
County Safety	KCDOA	T – Detention Officers, V – Supervisors	6/23/2007	5/4/2013	5/3/2014	N/A
County Safety	KCSCA II	W – Detention Officers Lieutenants	9/15/2009	5/4/2013	5/3/2014	12/8/2007 to 9/14/2009 ⁵

¹ Tier I members hired prior to this date pay the full member contributions for only the first five years of service. These members will start paying one-sixth of their full member contributions on the “1/6th Rate Start” date, and will start paying one-third of their full member contributions on the “1/3rd Rate Start” date.

² Elected officials hired prior to this date do not pay member contributions. These members will start paying one-third of their full member contributions on the first day of the first biweekly payroll period in January 2015.

³ Firefighters hired prior to this date pay 1% of their base salary after the first five years of service. These members will start paying one-sixth of their full member contributions (not to exceed 2% of base salary) on the “1/6th Rate Start” date, and will start paying one-third of their full member contributions (not to exceed 4% of base salary) on the “1/3rd Rate Start” date.

⁴ Members hired after this date pay a uniform “Safety 3” rate for all entry ages. The uniform rate continues to be integrated with Social Security.

⁵ Effective December 8, 2007 through September 14, 2009, this flat rate applied to KCSCA II employees.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Summary of KCERA Employers, Benefit Formulas and Member Contribution Rates – Districts

Plan (Tier I)	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution Provides Average Annuity of:	Adopted 1997 MOU	Soc Sec Integration	Pre-Tax	5-yr Contribution Stop¹
District – Berrenda Mesa Water Tier I	District Category IV Tier I	31676.17 (3% @ 60) ²	31621.8	1/100 of FAS1 at age 55	Yes	No	Yes	1/1/2004
District – Buttonwillow Recreation & Park Tier I	District Category III Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55 (Member pays 50%) ³	No	No	No	N/A
District – East Kern Cemetery Tier I	District Category II Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55	Yes	Yes	Yes	1/1/2004
District – Inyokern Community Services Tier I	District Category IV Tier I	31676.17 (3% @ 60) ²	31621.8	1/100 of FAS1 at age 55	Yes	No	No	1/1/2004
District – Kern County Water Agency Tier I	District Category I Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55 (100% employer pickup if hired prior to 8/22/2004) ⁴	Yes	Yes	Yes	N/A
District – Kern Mosquito & Vector Control Tier I	District Category II Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55	Yes	Yes	Yes	1/8/2005
District – North of River Sanitation Tier I	District Category V Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55	Yes	Yes	Yes	8/7/2004
District – San Joaquin Valley Unified Air Pollution Control Tier I	District Category III Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55 (Member pays 50%) ³	No	No	Yes	N/A
District – Shafter Recreation & Park Tier I	District Category II Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55	Yes	No	Yes	1/1/2004
District – West Side Cemetery Tier I	District Category VI Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55	Yes	Yes	No	N/A ⁵
District – West Side Mosquito Abatement Tier I	District Category II Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55	Yes	Yes	No	1/1/2004
District – West Side Recreation & Park Tier I	District Category II Tier I	31676.17 (3% @ 60)	31621.8	1/100 of FAS1 at age 55	Yes	Yes	No	1/1/2004

Plan (Tier IIA)	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution Provides Average Annuity of:	Tier Adoption Date	Soc Sec Integration	Pre-Tax
District – Berrenda Mesa Water Tier IIA ⁶	District Category IV Tier IIA	31676.01 (1.62% @ 65)	31621	1/120 of FAS1 at age 60	1/12/2010	No	Yes
District – Kern County Water Agency Tier IIA	District Category I Tier IIA	31676.01 (1.62% @ 65)	31621	1/120 of FAS1 at age 60	1/1/2010	Yes	Yes
District – North of River Sanitation Tier IIA	District Category V Tier IIA	31676.01 (1.62% @ 65)	31621	1/120 of FAS1 at age 60	10/29/2007	Yes	Yes
District – San Joaquin Valley Unified Air Pollution Control Tier IIA	District Category III Tier IIA	31676.01 (1.62% @ 65)	31621	1/120 of FAS1 at age 60	7/31/2012	No	Yes

FAS1 = 1-Year Final Average Salary

¹ Tier I Members hired prior to this date pay the full member contribution rates for only the first five years of service as a result of the 1997 Memorandum of Understanding (MOU).

² District Category IV adopted the 3% @ 60 Formula on a prospective basis only. Member contribution rates are the same as General Tier I.

³ Buttonwillow and San Joaquin Valley Unified Air Pollution Control District Tier I (District Category III) did not adopt the 1997 MOU. Members in those districts pay 50% of the full rates, regardless of hire date.

⁴ For Kern County Water Agency (District Category I) employees hired prior to August 22, 2004, the employer picks up 100% of all member contributions.

⁵ West Side Cemetery (District Category VI) employees pay the full member contribution rates for only the first five years of service, regardless of hire date.

⁶ Berrenda Mesa Water adopted Tier IIA, but had no Tier IIA employees as of the valuation date.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

Summary of KCERA Employers, Benefit Formulas and Member Contribution Rates – Districts (continued)

Plan (Tiers IIB and III)	Valuation Report Label	Benefit Formula	Member Contribution Code Section	Member Contribution:	Tier Adoption Date	Soc Sec Integration	Pre-Tax
District – Berrenda Mesa Water Tier IIB ¹	District Category IV	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	No	Yes
District – Buttonwillow Recreation & Park Tier IIB ¹	District Category III	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	No	No
District – East Kern Cemetery Tier IIB ¹	District Category II	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	Yes
District – Inyokern Community Services Tier IIB ¹	District Category IV	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	No	No
District – Kern County Water Agency Tier IIB ¹	District Category I	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	Yes
District – Kern Mosquito & Vector Control Tier IIB ¹	District Category II	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	Yes
District – North of River Sanitation Tier IIB	District Category V	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	Yes
District – San Joaquin Valley Unified Air Pollution Control Tier IIB	District Category III	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	No	Yes
District – Shafter Recreation & Park Tier IIB ¹	District Category II	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	No	Yes
District – West Side Cemetery Tier IIB ¹	District Category VI	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	No
District – West Side Mosquito Abatement Tier IIB ¹	District Category II	31676.01 (1.62% @ 65)	7522.30(a)	50% of Normal Cost rate	1/1/2013	Yes	No
District – West Side Recreation & Park Tier III ¹	District Category II	7522.20(a) (2.50% @ 67)	7522.30(a)	50% of Normal Cost rate	1/1/2013	No	No

¹ These districts adopted Tier IIB or Tier III, but had no employees in those tiers as of the valuation date.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 14
Recommended Employer Contribution Rates (Current Valuation)

	June 30, 2013 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County General Tier I without Courts								
Normal Cost	14.04%	\$35,610	3.81%	\$9,663	1.17%	\$2,968	19.02%	\$48,241
UAAL	15.95%	40,454	2.87%	7,279	2.55%	6,468	21.37%	54,201
Total Contribution	29.99%	\$76,064	6.68%	\$16,942	3.72%	\$9,436	40.39%	\$102,442
County General Tier IIA without Courts								
Normal Cost	3.96%	\$3,442	1.87%	\$1,625	0.56%	\$487	6.39%	\$5,554
UAAL	15.95%	13,864	2.87%	2,495	2.55%	2,216	21.37%	18,575
Total Contribution	19.91%	\$17,306	4.74%	\$4,120	3.11%	\$2,703	27.76%	\$24,129
County General Tier IIB without Courts								
Normal Cost	4.62%	\$851	0.92%	\$169	0.28%	\$52	5.82%	\$1,072
UAAL	15.95%	2,937	2.87%	528	2.55%	469	21.37%	3,934
Total Contribution	20.57%	\$3,788	3.79%	\$697	2.83%	\$521	27.19%	\$5,006
County General without Courts - Combined								
Normal Cost	11.12%	\$39,903	3.19%	\$11,457	0.97%	\$3,507	15.28%	\$54,867
UAAL	15.95%	57,255	2.87%	10,302	2.55%	9,153	21.37%	76,710
Total Contribution	27.07%	\$97,158	6.06%	\$21,759	3.52%	\$12,660	36.65%	\$131,577
Courts Tier I								
Normal Cost	14.11%	\$2,504	3.81%	\$676	1.17%	\$208	19.09%	\$3,388
UAAL	15.95%	2,830	2.87%	509	2.55%	453	21.37%	3,792
Total Contribution	30.06%	\$5,334	6.68%	\$1,185	3.72%	\$661	40.46%	\$7,180
Courts Tier IIA								
Normal Cost	4.14%	\$58	1.87%	\$26	0.56%	\$9	6.57%	\$93
UAAL	15.95%	225	2.87%	40	2.55%	36	21.37%	301
Total Contribution	20.09%	\$283	4.74%	\$66	3.11%	\$45	27.94%	\$394
Courts Tier IIB								
Normal Cost	4.62%	\$10	0.92%	\$2	0.28%	\$0	5.82%	\$12
UAAL	15.95%	34	2.87%	6	2.55%	5	21.37%	45
Total Contribution	20.57%	\$44	3.79%	\$8	2.83%	\$5	27.19%	\$57
Courts - Combined								
Normal Cost	13.28%	\$2,572	3.63%	\$704	1.13%	\$217	18.04%	\$3,493
UAAL	15.95%	3,089	2.87%	555	2.55%	494	21.37%	4,138
Total Contribution	29.23%	\$5,661	6.50%	\$1,259	3.68%	\$711	39.41%	\$7,631
County Safety Tier I								
Normal Cost	18.28%	\$24,441	5.75%	\$7,688	1.81%	\$2,420	25.84%	\$34,549
UAAL	21.27%	28,439	5.21%	6,966	4.75%	6,350	31.23%	41,755
Total Contribution	39.55%	\$52,880	10.96%	\$14,654	6.56%	\$8,770	57.07%	\$76,304
County Safety Tier IIA								
Normal Cost	11.83%	\$746	4.64%	\$293	1.46%	\$92	17.93%	\$1,131
UAAL	21.27%	1,342	5.21%	329	4.75%	299	31.23%	1,970
Total Contribution	33.10%	\$2,088	9.85%	\$622	6.21%	\$391	49.16%	\$3,101

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 14 (continued)
Recommended Employer Contribution Rates (Current Valuation)

	June 30, 2013 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County Safety Tier IIB								
Normal Cost	9.60%	\$464	2.24%	\$108	0.70%	\$34	12.54%	\$606
UAAL	21.27%	1,028	5.21%	252	4.75%	230	31.23%	1,510
Total Contribution	30.87%	\$1,492	7.45%	\$360	5.45%	\$264	43.77%	\$2,116
County Safety - Combined								
Normal Cost	17.71%	\$25,651	5.58%	\$8,089	1.76%	\$2,546	25.05%	\$36,286
UAAL	21.27%	30,809	5.21%	7,547	4.75%	6,879	31.23%	45,235
Total Contribution	38.98%	\$56,460	10.79%	\$15,636	6.51%	\$9,425	56.28%	\$81,521
All County with Courts - Combined								
Normal Cost	13.02%	\$68,126	3.87%	\$20,250	1.20%	\$6,270	18.09%	\$94,646
UAAL	17.42%	91,153	3.52%	18,404	3.16%	16,526	24.10%	126,083
Total Contribution	30.44%	\$159,279	7.39%	\$38,654	4.36%	\$22,796	42.19%	\$220,729
District Category I Tier I								
Normal Cost	16.22%	\$889	3.81%	\$209	1.17%	\$63	21.20%	\$1,161
UAAL	14.83%	812	2.94%	161	2.24%	123	20.01%	1,096
Total Contribution	31.05%	\$1,701	6.75%	\$370	3.41%	\$186	41.21%	\$2,257
District Category I Tier IIA								
Normal Cost	4.35%	\$19	1.87%	\$8	0.56%	\$3	6.78%	\$30
UAAL	14.83%	65	2.94%	13	2.24%	10	20.01%	88
Total Contribution	19.18%	\$84	4.81%	\$21	2.80%	\$13	26.79%	\$118
District Category I Tier IIB								
Normal Cost	4.62%	\$0	0.92%	\$0	0.28%	\$0	5.82%	\$0
UAAL	14.83%	0	2.94%	0	2.24%	0	20.01%	0
Total Contribution	19.45%	\$0	3.86%	\$0	2.52%	\$0	25.83%	\$0
District Category I - Combined								
Normal Cost	15.33%	\$908	3.67%	\$217	1.12%	\$66	20.12%	\$1,191
UAAL	14.83%	877	2.94%	174	2.24%	133	20.01%	1,184
Total Contribution	30.16%	\$1,785	6.61%	\$391	3.36%	\$199	40.13%	\$2,375
District Category II Tier I								
Normal Cost	15.43%	\$325	3.81%	\$80	1.17%	\$24	20.41%	\$429
UAAL	14.83%	312	2.94%	62	2.24%	47	20.01%	421
Total Contribution	30.26%	\$637	6.75%	\$142	3.41%	\$71	40.42%	\$850
District Category II Tier IIB								
Normal Cost	4.62%	\$0	0.92%	\$0	0.28%	\$0	5.82%	\$0
UAAL	14.83%	0	2.94%	0	2.24%	0	20.01%	0
Total Contribution	19.45%	\$0	3.86%	\$0	2.52%	\$0	25.83%	\$0
District Category II Tier III								
Normal Cost	6.17%	\$0	1.33%	\$0	0.30%	\$0	7.80%	\$0
UAAL	14.83%	0	2.94%	0	2.24%	0	20.01%	0
Total Contribution	21.00%	\$0	4.27%	\$0	2.54%	\$0	27.81%	\$0
District Category II - Combined								
Normal Cost	15.43%	\$325	3.81%	\$80	1.17%	\$24	20.41%	\$429
UAAL	14.83%	312	2.94%	62	2.24%	47	20.01%	421
Total Contribution	30.26%	\$637	6.75%	\$142	3.41%	\$71	40.42%	\$850

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 14 (continued)

Recommended Employer Contribution Rates (Current Valuation)

	June 30, 2013 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
District Category III Tier I								
Normal Cost	14.37%	\$3,113	3.81%	\$825	1.17%	\$254	19.35%	\$4,192
UAAL	14.83%	3,213	2.94%	637	2.24%	485	20.01%	4,335
Total Contribution	29.20%	\$6,326	6.75%	\$1,462	3.41%	\$739	39.36%	\$8,527
District Category III Tier IIA								
Normal Cost	4.25%	\$29	1.87%	\$13	0.56%	\$4	6.68%	\$46
UAAL	14.83%	103	2.94%	20	2.24%	15	20.01%	138
Total Contribution	19.08%	\$132	4.81%	\$33	2.80%	\$19	26.69%	\$184
District Category III Tier IIB								
Normal Cost	4.62%	\$18	0.92%	\$4	0.28%	\$1	5.82%	\$23
UAAL	14.83%	58	2.94%	11	2.24%	9	20.01%	78
Total Contribution	19.45%	\$76	3.86%	\$15	2.52%	\$10	25.83%	\$101
District Category III - Combined								
Normal Cost	13.90%	\$3,160	3.70%	\$842	1.13%	\$259	18.73%	\$4,261
UAAL	14.83%	3,374	2.94%	668	2.24%	509	20.01%	4,551
Total Contribution	28.73%	\$6,534	6.64%	\$1,510	3.37%	\$768	38.74%	\$8,812
District Category IV Tier I								
Normal Cost	15.38%	\$88	3.81%	\$22	1.17%	\$7	20.36%	\$117
UAAL	12.47%	72	2.47%	14	2.10%	12	17.04%	98
Total Contribution	27.85%	\$160	6.28%	\$36	3.27%	\$19	37.40%	\$215
District Category IV Tier IIB								
Normal Cost	4.62%	\$0	0.92%	\$0	0.28%	\$0	5.82%	\$0
UAAL	12.47%	0	2.47%	0	2.10%	0	17.04%	0
Total Contribution	17.09%	\$0	3.39%	\$0	2.38%	\$0	22.86%	\$0
District Category IV - Combined								
Normal Cost	15.38%	\$88	3.81%	\$22	1.17%	\$7	20.36%	\$117
UAAL	12.47%	72	2.47%	14	2.10%	12	17.04%	98
Total Contribution	27.85%	\$160	6.28%	\$36	3.27%	\$19	37.40%	\$215
District Category V Tier I								
Normal Cost	12.40%	\$49	3.81%	\$15	1.17%	\$4	17.38%	\$68
UAAL	14.83%	58	2.94%	12	2.24%	8	20.01%	78
Total Contribution	27.23%	\$107	6.75%	\$27	3.41%	\$12	37.39%	\$146
District Category V Tier IIA								
Normal Cost	4.43%	\$17	1.87%	\$7	0.56%	\$3	6.86%	\$27
UAAL	14.83%	58	2.94%	12	2.24%	9	20.01%	79
Total Contribution	19.26%	\$75	4.81%	\$19	2.80%	\$12	26.87%	\$106
District Category V Tier IIB								
Normal Cost	4.62%	\$4	0.92%	\$1	0.28%	\$0	5.82%	\$5
UAAL	14.83%	13	2.94%	3	2.24%	2	20.01%	18
Total Contribution	19.45%	\$17	3.86%	\$4	2.52%	\$2	25.83%	\$23
District Category V - Combined								
Normal Cost	7.96%	\$70	2.79%	\$23	0.74%	\$7	11.49%	\$100
UAAL	14.83%	129	2.94%	27	2.24%	19	20.01%	175
Total Contribution	22.79%	\$199	5.73%	\$50	2.98%	\$26	31.50%	\$275

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 14 (continued)

Recommended Employer Contribution Rates (Current Valuation)

	June 30, 2013 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
District Category VI Tier I								
Normal Cost	18.52%	\$67	3.81%	\$14	1.17%	\$4	23.50%	\$85
UAAL	14.83%	54	2.94%	11	2.24%	8	20.01%	73
Total Contribution	33.35%	\$121	6.75%	\$25	3.41%	\$12	43.51%	\$158
District Category VI Tier IIB								
Normal Cost	4.62%	\$0	0.92%	\$0	0.28%	\$0	5.82%	\$0
UAAL	14.83%	0	2.94%	0	2.24%	0	20.01%	0
Total Contribution	19.45%	\$0	3.86%	\$0	2.52%	\$0	25.83%	\$0
District Category VI								
Normal Cost	18.52%	\$67	3.81%	\$14	1.17%	\$4	23.50%	\$85
UAAL	14.83%	54	2.94%	11	2.24%	8	20.01%	73
Total Contribution	33.35%	\$121	6.75%	\$25	3.41%	\$12	43.51%	\$158
All Districts – Combined								
Normal Cost	14.18%	\$4,618	3.68%	\$1,198	1.12%	\$367	18.98%	\$6,183
UAAL	14.79%	4,818	2.93%	956	2.24%	728	19.96%	6,502
Total Contribution	28.97%	\$9,436	6.61%	\$2,154	3.36%	\$1,095	38.94%	\$12,685
All Employers - Combined								
Normal Cost	13.09%	\$72,744	3.86%	\$21,448	1.19%	\$6,637	18.14%	\$100,829
UAAL	17.27%	95,971	3.48%	19,360	3.11%	17,254	23.86%	132,585
Total Contribution	30.36%	\$168,715	7.34%	\$40,808	4.30%	\$23,891	42.00%	\$233,414

* Amounts are in thousands and are based on June 30, 2013 projected compensation (also in thousands):

County General Tier I without Courts	\$253,632	District Category I Tier I	\$5,478
County General Tier IIA without Courts	86,919	District Category I Tier IIA	440
County General Tier IIB without Courts	18,411	District Category I Tier IIB	0
Courts Tier I	17,746	District Category II Tier I	2,104
Courts Tier IIA	1,408	District Category II Tier IIB	0
Courts Tier IIB	211	District Category II Tier III	0
County Safety Tier I	133,703	District Category III Tier I	21,664
County Safety Tier IIA	6,309	District Category III Tier IIA	692
County Safety Tier IIB	4,835	District Category III Tier IIB	390
		District Category IV Tier I	574
		District Category IV Tier IIB	0
		District Category V Tier I	392
		District Category V Tier IIA	393
		District Category V Tier IIB	88
		District Category VI Tier I	363
		District Category VI Tier IIB	0
All County with Courts	\$523,174	All Districts	\$32,578
		Total	\$555,752

Note: As of June 30, 2013, the COLA Contribution Reserve was zero and therefore not available to offset the 2% COLA contribution rate.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 15

Current Employer Contribution Rates (Prior Valuation)

	June 30, 2012 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County General Tier I without Courts								
Normal Cost	14.90%	\$40,219	3.83%	\$10,338	1.17%	\$3,158	19.90%	\$53,715
UAAL	15.42%	41,623	2.81%	7,585	2.33%	6,289	20.56%	55,497
Total Contribution	30.32%	\$81,842	6.64%	\$17,923	3.50%	\$9,447	40.46%	\$109,212
County General Tier IIA without Courts								
Normal Cost	4.00%	\$3,204	1.88%	\$1,506	0.56%	\$448	6.44%	\$5,158
UAAL	15.42%	12,350	2.81%	2,250	2.33%	1,866	20.56%	16,466
Total Contribution	19.42%	\$15,554	4.69%	\$3,756	2.89%	\$2,314	27.00%	\$21,624
County General Tier IIB without Courts								
Normal Cost	4.84%	\$0	0.96%	\$0	0.28%	\$0	6.08%	\$0
UAAL	15.42%	0	2.81%	0	2.33%	0	20.56%	0
Total Contribution	20.26%	\$0	3.77%	\$0	2.61%	\$0	26.64%	\$0
County General without Courts - Combined								
Normal Cost	12.41%	\$43,423	3.38%	\$11,844	1.03%	\$3,606	16.82%	\$58,873
UAAL	15.42%	53,973	2.81%	9,835	2.33%	8,155	20.56%	71,963
Total Contribution	27.83%	\$97,396	6.19%	\$21,679	3.36%	\$11,761	37.38%	\$130,836
Courts Tier I								
Normal Cost	13.81%	\$3,016	3.83%	\$836	1.17%	\$256	18.81%	\$4,108
UAAL	15.42%	3,368	2.81%	614	2.33%	508	20.56%	4,490
Total Contribution	29.23%	\$6,384	6.64%	\$1,450	3.50%	\$764	39.37%	\$8,598
Courts Tier IIA								
Normal Cost	4.22%	\$67	1.88%	\$30	0.56%	\$9	6.66%	\$106
UAAL	15.42%	246	2.81%	45	2.33%	37	20.56%	328
Total Contribution	19.64%	\$313	4.69%	\$75	2.89%	\$46	27.22%	\$434
Courts Tier IIB								
Normal Cost	4.84%	\$0	0.96%	\$0	0.28%	\$0	6.08%	\$0
UAAL	15.42%	0	2.81%	0	2.33%	0	20.56%	0
Total Contribution	20.26%	\$0	3.77%	\$0	2.61%	\$0	26.64%	\$0
Courts - Combined								
Normal Cost	13.16%	\$3,083	3.70%	\$866	1.12%	\$265	17.98%	\$4,214
UAAL	15.42%	3,614	2.81%	659	2.33%	545	20.56%	4,818
Total Contribution	28.58%	\$6,697	6.51%	\$1,525	3.45%	\$810	38.54%	\$9,032
County Safety Tier I								
Normal Cost	19.66%	\$26,603	5.77%	\$7,808	1.80%	\$2,436	27.23%	\$36,847
UAAL	21.01%	28,430	5.29%	7,158	4.48%	6,063	30.78%	41,651
Total Contribution	40.67%	\$55,033	11.06%	\$14,966	6.28%	\$8,499	58.01%	\$78,498
County Safety Tier IIA								
Normal Cost	12.86%	\$283	4.99%	\$110	1.59%	\$35	19.44%	\$428
UAAL	21.01%	462	5.29%	116	4.48%	99	30.78%	677
Total Contribution	33.87%	\$745	10.28%	\$226	6.07%	\$134	50.22%	\$1,105

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 15 (continued)
Current Employer Contribution Rates (Prior Valuation)

	June 30, 2012 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County Safety Tier IIB								
Normal Cost	9.58%	\$0	2.26%	\$0	0.71%	\$0	12.55%	\$0
UAAL	21.01%	0	5.29%	0	4.48%	0	30.78%	0
Total Contribution	30.59%	\$0	7.55%	\$0	5.19%	\$0	43.33%	\$0
County Safety - Combined								
Normal Cost	19.55%	\$26,886	5.76%	\$7,918	1.80%	\$2,471	27.11%	\$37,275
UAAL	21.01%	28,892	5.29%	7,274	4.48%	6,162	30.78%	42,328
Total Contribution	40.56%	\$55,778	11.05%	\$15,192	6.28%	\$8,633	57.89%	\$79,603
All County with Courts - Combined								
Normal Cost	14.36%	\$73,392	4.04%	\$20,628	1.24%	\$6,342	19.64%	\$100,362
UAAL	16.92%	86,479	3.48%	17,768	2.91%	14,862	23.31%	119,109
Total Contribution	31.28%	\$159,871	7.52%	\$38,396	4.15%	\$21,204	42.95%	\$219,471
District Category I Tier I								
Normal Cost	16.32%	\$959	3.83%	\$225	1.17%	\$69	21.32%	\$1,253
UAAL	13.62%	801	3.20%	188	2.07%	121	18.89%	1,110
Total Contribution	29.94%	\$1,760	7.03%	\$413	3.24%	\$190	40.21%	\$2,363
District Category I Tier IIA								
Normal Cost	4.46%	\$24	1.88%	\$10	0.56%	\$4	6.90%	\$38
UAAL	13.62%	75	3.20%	18	2.07%	11	18.89%	104
Total Contribution	18.08%	\$99	5.08%	\$28	2.63%	\$15	25.79%	\$142
District Category I Tier IIB								
Normal Cost	4.84%	\$0	0.96%	\$0	0.28%	\$0	6.08%	\$0
UAAL	13.62%	0	3.20%	0	2.07%	0	18.89%	0
Total Contribution	18.46%	\$0	4.16%	\$0	2.35%	\$0	24.97%	\$0
District Category I - Combined								
Normal Cost	15.30%	\$983	3.66%	\$235	1.13%	\$73	20.09%	\$1,291
UAAL	13.62%	876	3.20%	206	2.07%	132	18.89%	1,214
Total Contribution	28.92%	\$1,859	6.86%	\$441	3.20%	\$205	38.98%	\$2,505
District Category II Tier I								
Normal Cost	15.62%	\$323	3.83%	\$79	1.17%	\$25	20.62%	\$427
UAAL	13.62%	282	3.20%	66	2.07%	43	18.89%	391
Total Contribution	29.24%	\$605	7.03%	\$145	3.24%	\$68	39.51%	\$818
District Category II Tier IIB								
Normal Cost	4.84%	\$0	0.96%	\$0	0.28%	\$0	6.08%	\$0
UAAL	13.62%	0	3.20%	0	2.07%	0	18.89%	0
Total Contribution	18.46%	\$0	4.16%	\$0	2.35%	\$0	24.97%	\$0
District Category II Tier III								
Normal Cost	6.69%	\$0	1.33%	\$0	0.40%	\$0	8.42%	\$0
UAAL	13.62%	0	3.20%	0	2.07%	0	18.89%	0
Total Contribution	20.31%	\$0	4.53%	\$0	2.47%	\$0	27.31%	\$0
District Category II - Combined								
Normal Cost	15.62%	\$323	3.83%	\$79	1.17%	\$25	20.62%	\$427
UAAL	13.62%	282	3.20%	66	2.07%	43	18.89%	391
Total Contribution	29.24%	\$605	7.03%	\$145	3.24%	\$68	39.51%	\$818

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 15 (continued)
Current Employer Contribution Rates (Prior Valuation)

	June 30, 2012 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
District Category III Tier I								
Normal Cost	14.40%	\$3,234	3.83%	\$860	1.17%	\$262	19.40%	\$4,356
UAAL	13.62%	3,058	3.20%	719	2.07%	465	18.89%	4,242
Total Contribution	28.02%	\$6,292	7.03%	\$1,579	3.24%	\$727	38.29%	\$8,598
District Category III Tier IIA								
Normal Cost	14.40%	\$0	3.83%	\$0	1.17%	\$0	19.40%	\$0
UAAL	13.62%	0	3.20%	0	2.07%	0	18.89%	0
Total Contribution	28.02%	\$0	7.03%	\$0	3.24%	\$0	38.29%	\$0
District Category III Tier IIB								
Normal Cost	4.84%	\$0	0.96%	\$0	0.28%	\$0	6.08%	\$0
UAAL	13.62%	0	3.20%	0	2.07%	0	18.89%	0
Total Contribution	18.46%	\$0	4.16%	\$0	2.35%	\$0	24.97%	\$0
District Category III - Combined								
Normal Cost	14.40%	\$3,234	3.83%	\$860	1.17%	\$262	19.40%	\$4,356
UAAL	13.62%	3,058	3.20%	719	2.07%	465	18.89%	4,242
Total Contribution	28.02%	\$6,292	7.03%	\$1,579	3.24%	\$727	38.29%	\$8,598
District Category IV Tier I								
Normal Cost	15.52%	\$86	3.83%	\$21	1.17%	\$7	20.52%	\$114
UAAL	11.27%	63	2.72%	15	1.94%	11	15.93%	89
Total Contribution	26.79%	\$149	6.55%	\$36	3.11%	\$18	36.45%	\$203
District Category IV Tier IIB								
Normal Cost	4.84%	\$0	0.96%	\$0	0.28%	\$0	6.08%	\$0
UAAL	11.27%	0	2.72%	0	1.94%	0	15.93%	0
Total Contribution	16.11%	\$0	3.68%	\$0	2.22%	\$0	22.01%	\$0
District Category IV - Combined								
Normal Cost	15.52%	\$86	3.83%	\$21	1.17%	\$7	20.52%	\$114
UAAL	11.27%	63	2.72%	15	1.94%	11	15.93%	89
Total Contribution	26.79%	\$149	6.55%	\$36	3.11%	\$18	36.45%	\$203
District Category V Tier I								
Normal Cost	12.93%	\$44	3.83%	\$13	1.17%	\$3	17.93%	\$60
UAAL	13.62%	46	3.20%	11	2.07%	7	18.89%	64
Total Contribution	26.55%	\$90	7.03%	\$24	3.24%	\$10	36.82%	\$124
District Category V Tier IIA								
Normal Cost	4.26%	\$17	1.88%	\$7	0.56%	\$2	6.70%	\$26
UAAL	13.62%	54	3.20%	13	2.07%	7	18.89%	74
Total Contribution	17.88%	\$71	5.08%	\$20	2.63%	\$9	25.59%	\$100
District Category V Tier IIB								
Normal Cost	4.84%	\$0	0.96%	\$0	0.28%	\$0	6.08%	\$0
UAAL	13.62%	0	3.20%	0	2.07%	0	18.89%	0
Total Contribution	18.46%	\$0	4.16%	\$0	2.35%	\$0	24.97%	\$0
District Category V - Combined								
Normal Cost	8.43%	\$61	2.83%	\$20	0.53%	\$5	11.79%	\$86
UAAL	13.62%	100	3.20%	24	2.07%	14	18.89%	138
Total Contribution	22.05%	\$161	6.03%	\$44	2.60%	\$19	30.68%	\$224

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

CHART 15 (continued)

Current Employer Contribution Rates (Prior Valuation)

	June 30, 2012 Actuarial Valuation							
	Basic		2% COLA		0.5% COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
District Category VI Tier I								
Normal Cost	18.28%	\$64	3.83%	\$13	1.17%	\$4	23.28%	\$81
UAAL	13.62%	48	3.20%	11	2.07%	7	18.89%	66
Total Contribution	31.90%	\$112	7.03%	\$24	3.24%	\$11	42.17%	\$147
District Category VI Tier IIB								
Normal Cost	4.84%	\$0	0.96%	\$0	0.28%	\$0	6.08%	\$0
UAAL	13.62%	0	3.20%	0	2.07%	0	18.89%	0
Total Contribution	18.46%	\$0	4.16%	\$0	2.35%	\$0	24.97%	\$0
District Category VI								
Normal Cost	18.28%	\$64	3.83%	\$13	1.17%	\$4	23.28%	\$81
UAAL	13.62%	48	3.20%	11	2.07%	7	18.89%	66
Total Contribution	31.90%	\$112	7.03%	\$24	3.24%	\$11	42.17%	\$147
All Districts – Combined								
Normal Cost	14.58%	\$4,751	3.77%	\$1,228	1.15%	\$376	19.50%	\$6,355
UAAL	13.58%	4,427	3.19%	1,041	2.07%	672	18.84%	6,140
Total Contribution	28.16%	\$9,178	6.96%	\$2,269	3.22%	\$1,048	38.34%	\$12,495
All Employers - Combined								
Normal Cost	14.38%	\$78,143	4.02%	\$21,856	1.23%	\$6,718	19.63%	\$106,717
UAAL	16.72%	90,906	3.46%	18,809	2.86%	15,534	23.04%	125,249
Total Contribution	31.10%	\$169,049	7.48%	\$40,665	4.09%	\$22,252	42.67%	\$231,966

* Amounts are in thousands and are based on June 30, 2012 projected compensation (also in thousands):

County General Tier I without Courts	\$269,927	District Category I Tier I	\$5,878
County General Tier IIA without Courts	80,088	District Category I Tier IIA	549
Courts Tier I	21,839	District Category II Tier I	2,070
Courts Tier IIA	1,597	District Category III Tier I	22,455
County Safety Tier I	135,317	District Category IV Tier I	557
County Safety Tier IIA	2,201	District Category V Tier I	337
		District Category V Tier IIA	393
		District Category VI Tier I	350
All County with Courts	\$510,969	All Districts	\$32,589
		Total	\$543,558

Note: As of June 30, 2012, the COLA Contribution Reserve was zero and therefore not available to offset the 2% COLA contribution rate.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

The employer contribution rates as of June 30, 2013 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Average Employer Contribution

The chart below details the changes in the recommended average employer contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 16

Reconciliation of Recommended Average Employer Contribution from June 30, 2012 to June 30, 2013 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Employer Contribution Rate in June 30, 2012 Valuation	42.67%	\$231,966
Effect of investment loss ⁽²⁾	0.89%	4,946
Effect of lower than expected individual salary increases for actives	-0.69%	-3,835
Effect of amortizing prior year's UAAL over a smaller than expected projected total payroll	0.31%	1,723
Effect of difference between actual and expected contributions	0.38%	2,112
Effect of scheduled member contribution rate increases	-0.64%	-3,557
Effect of different demographics of members amongst tiers	-0.62%	-3,446
Effect of other experience (gains)/losses ⁽³⁾	<u>-0.30%</u>	<u>3,505</u>
Total change	<u>-0.67%</u>	<u>\$1,448</u>
Recommended Average Employer Contribution Rate in June 30, 2013 Valuation	42.00%	\$233,414

⁽¹⁾ Based on projected compensation for each valuation date shown.

⁽²⁾ Return on the valuation value of assets of 5.57% was less than the 7.75% assumed rate of return.

⁽³⁾ Other differences in actual versus expected experience. Estimated annual dollar cost also reflects the change in total projected compensation from the prior valuation.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

The member contribution rates as of June 30, 2013 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Average Member Contribution Rate

The chart below details the changes in the recommended average member contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.

**CHART 17
Reconciliation of Recommended Average Member Contribution from June 30, 2012 to June 30, 2013 (Dollar Amounts in Thousands)**

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Member Contribution Rate in June 30, 2012 Valuation	4.27%	\$23,192
Effect of scheduled member contribution rate increases	0.64%	3,557
Effect of different demographics of members amongst tiers	0.20%	1,112
Effect of other changes ⁽²⁾	<u>0.03%</u>	<u>719</u>
Total change	<u>0.87%</u>	<u>\$5,388</u>
Recommended Average Member Contribution Rate in June 30, 2013 Valuation	5.14%	\$28,580

⁽¹⁾ Based on projected compensation for each valuation date shown.

⁽²⁾ Other differences in actual versus expected experience. Estimated annual dollar cost also reflects the change in total projected compensation from the prior valuation.

SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

E. INFORMATION REQUIRED BY GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes for governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contribution. This comparison demonstrates whether a plan is being funded within the range of GASB reporting requirements. Chart 18 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB standards. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 18
Required Versus Actual Contributions

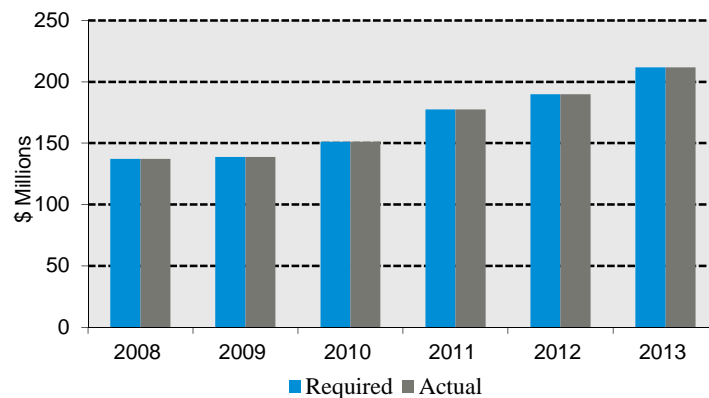
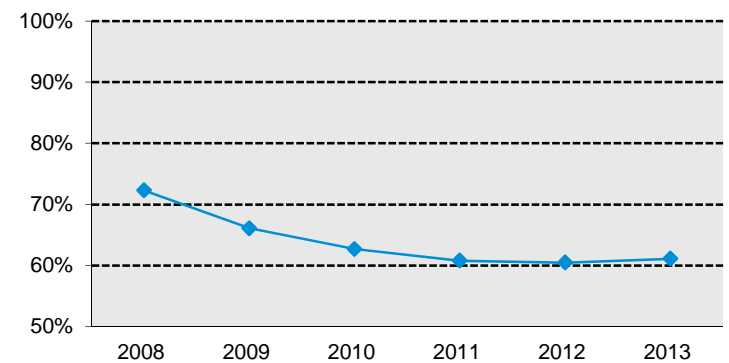


CHART 19
Funded Ratio (Valuation Value of Assets Compared to Actuarial Accrued Liabilities)



SECTION 2: Valuation Results for the Kern County Employees' Retirement Association

F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For KCERA, the current AVR is about 5.6. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 5.6% of one-year's payroll. Since KCERA amortizes actuarial gains and losses over a period of 18 years, there would be a 0.4% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For KCERA, the current LVR is about 9.2. This is about 64% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 20
Volatility Ratios for Years Ended June 30, 2008 – 2013

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2008	5.6	7.4
2009	3.6	7.5
2010	4.1	7.9
2011	5.2	8.7
2012	5.2	9.0
2013	5.6	9.2

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

i. General Tier I County with Courts

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	4,169	4,584	-9.1%
Average age	48.0	47.4	N/A
Average service	14.0	13.2	N/A
Projected total compensation	\$271,378,314	\$291,765,385	-7.0%
Projected average compensation	\$65,094	\$63,649	2.3%
Account balances	\$119,257,345	\$122,094,130	-2.3%
Total active vested members	4,102	4,217	-2.7%
Vested terminated members:⁽¹⁾	1,141	1,143	-0.2%
Retired members:			
Number in pay status	3,975	3,780	5.2%
Average age	68.6	68.7	N/A
Average monthly benefit ⁽²⁾	\$2,547	\$2,439	4.4%
Disabled members:			
Number in pay status	519	522	-0.6%
Average age	63.4	62.6	N/A
Average monthly benefit ⁽²⁾	\$1,690	\$1,645	2.7%
Beneficiaries:			
Number in pay status	697	671	3.9%
Average age	74.2	74.2	N/A
Average monthly benefit ⁽²⁾	\$1,209	\$1,136	6.4%

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

ii. General Tier IIA County with Courts

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	1,626	1,487	9.3%
Average age	38.1	37.9	N/A
Average service	2.9	2.3	N/A
Projected total compensation	\$88,326,167	\$81,685,529	8.1%
Projected average compensation	\$54,321	\$54,933	-1.1%
Account balances	\$15,198,372	\$10,651,788	42.7%
Total active vested members	259	38	581.6%
Vested terminated members:⁽¹⁾			
	321	252	27.4%
Retired members:			
Number in pay status	3	1	200.0%
Average age	62.0	69.9	N/A
Average monthly benefit ⁽²⁾	\$521	\$712	-26.8%
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

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EXHIBIT A

Table of Plan Coverage

iii. General Tier IIB County with Courts

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	406	0	N/A
Average age	34.6	N/A	N/A
Average service	0.3	N/A	N/A
Projected total compensation	\$18,621,790	\$0	N/A
Projected average compensation	\$45,866	N/A	N/A
Account balances	\$308,761	\$0	N/A
Total active vested members	1	0	N/A
Vested terminated members:⁽¹⁾			
	28	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

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EXHIBIT A

Table of Plan Coverage

iv. Districts Tier I

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	382	406	-5.9%
Average age	44.2	43.7	N/A
Average service	11.0	10.1	N/A
Projected total compensation	\$30,576,270	\$31,646,609	-3.4%
Projected average compensation	\$80,043	\$77,947	2.7%
Account balances	\$12,865,089	\$12,249,274	5.0%
Total active vested members	299	286	4.5%
Vested terminated members:⁽¹⁾			
	157	155	1.3%
Retired members:			
Number in pay status	183	169	8.3%
Average age	64.8	64.8	N/A
Average monthly benefit ⁽²⁾	\$3,302	\$3,209	2.9%
Disabled members:			
Number in pay status	12	14	-14.3%
Average age	59.2	61.2	N/A
Average monthly benefit ⁽²⁾	\$2,004	\$2,005	0.0%
Beneficiaries:			
Number in pay status	33	28	17.9%
Average age	74.8	73.2	N/A
Average monthly benefit ⁽²⁾	\$2,049	\$2,069	-1.0%

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

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EXHIBIT A

**Table of Plan Coverage
v. Districts Tier IIA**

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	26	17	52.9%
Average age	33.9	33.3	N/A
Average service	2.1	1.5	N/A
Projected total compensation	\$1,525,017	\$941,891	61.9%
Projected average compensation	\$58,655	\$55,405	5.9%
Account balances	\$119,190	\$51,692	130.6%
Total active vested members	2	0	N/A
Vested terminated members:⁽¹⁾	4	5	-20.0%
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

vi. Districts Tier IIB

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	10	0	N/A
Average age	29.3	N/A	N/A
Average service	0.2	N/A	N/A
Projected total compensation	\$477,922	\$0	N/A
Projected average compensation	\$47,792	N/A	N/A
Account balances	\$7,317	\$0	N/A
Total active vested members	0	0	N/A
Vested terminated members:⁽¹⁾			
	0	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

vii. Districts Tier III

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average service	N/A	N/A	N/A
Projected total compensation	\$0	\$0	N/A
Projected average compensation	N/A	N/A	N/A
Account balances	\$0	\$0	N/A
Total active vested members	0	0	N/A
Vested terminated members:⁽¹⁾			
	0	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

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Table of Plan Coverage

viii. Safety Tier I

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	1,638	1,715	-4.5%
Average age	38.6	38.1	N/A
Average service	11.7	11.1	N/A
Projected total compensation	\$133,703,477	\$135,317,450	-1.2%
Projected average compensation	\$81,626	\$78,902	3.5%
Account balances	\$57,454,137	\$54,228,332	5.9%
Total active vested members	1,370	1,288	6.4%
Vested terminated members:⁽¹⁾			
	190	193	-1.6%
Retired members:			
Number in pay status	1,002	952	5.3%
Average age	64.4	64.2	N/A
Average monthly benefit ⁽²⁾	\$5,380	\$5,255	2.4%
Disabled members:			
Number in pay status	441	448	-1.6%
Average age	62.5	61.9	N/A
Average monthly benefit ⁽²⁾	\$3,860	\$3,709	4.1%
Beneficiaries:			
Number in pay status	306	305	0.3%
Average age	69.4	68.8	N/A
Average monthly benefit ⁽²⁾	\$2,084	\$1,997	4.4%

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

ix. Safety Tier IIA

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	123	44	179.5%
Average age	28.8	29.9	N/A
Average service	1.2	0.4	N/A
Projected total compensation	\$6,309,274	\$2,200,611	186.7%
Projected average compensation	\$51,295	\$50,014	2.6%
Account balances	\$537,191	\$26,427	1932.7%
Total active vested members	3	1	200.0%
Vested terminated members:⁽¹⁾			
	11	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A

⁽¹⁾Includes terminated members due a refund of member contributions.

⁽²⁾Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

x. Safety Tier IIB

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	105	0	N/A
Average age	28.0	N/A	N/A
Average service	0.2	N/A	N/A
Projected total compensation	\$4,834,579	\$0	N/A
Projected average compensation	\$46,044	N/A	N/A
Account balances	\$149,495	\$0	N/A
Total active vested members	0	0	N/A
Vested terminated members:⁽¹⁾			
	3	0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit ⁽²⁾	N/A	N/A	N/A

⁽¹⁾Includes terminated members due a refund of member contributions.

⁽²⁾Excludes monthly benefits paid from the Supplemental Retiree Benefit Reserve.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

i. General Tier I County with Courts

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	2	1	1	--	--	--	--	--	--	--
	\$35,170	\$34,930	\$35,409	--	--	--	--	--	--	--
25 - 29	112	7	105	--	--	--	--	--	--	--
	48,092	39,775	48,647	--	--	--	--	--	--	--
30 - 34	404	12	331	61	--	--	--	--	--	--
	58,117	37,647	58,756	\$58,681	--	--	--	--	--	--
35 - 39	493	12	293	164	23	1	--	--	--	--
	62,678	58,049	60,880	66,974	\$56,628	\$79,891	--	--	--	--
40 - 44	605	13	220	245	99	28	--	--	--	--
	66,149	61,421	59,500	68,764	76,752	60,212	--	--	--	--
45 - 49	636	7	175	190	122	97	44	1	--	--
	63,788	49,934	56,793	65,530	65,593	71,969	\$63,616	\$47,377	--	--
50 - 54	778	11	148	188	129	129	129	43	1	--
	66,306	49,714	60,063	62,549	70,253	67,430	73,677	71,229	\$62,472	--
55 - 59	668	7	137	129	122	126	88	52	7	--
	70,217	38,188	61,625	66,015	70,262	71,406	84,051	81,572	67,446	--
60 - 64	361	--	84	113	72	49	28	9	5	1
	68,781	--	63,369	63,771	63,554	74,170	99,389	79,871	108,531	\$46,220
65 - 69	93	--	26	29	16	11	6	2	2	1
	69,871	--	73,648	59,106	79,104	64,799	63,893	79,536	150,250	47,741
70 & over	17	--	6	4	3	2	--	--	1	1
	66,680	--	64,427	58,644	70,873	70,686	--	--	95,933	62,497
Total	4,169	70	1,526	1,123	586	443	295	107	16	3
	\$65,094	\$48,913	\$59,249	\$65,263	\$69,270	\$69,822	\$77,513	\$76,915	\$92,105	\$52,153

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

ii. General Tier IIA County with Courts

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	85	83	2	--	--	--	--	--	--	--
	\$41,474	\$41,281	\$49,486	--	--	--	--	--	--	--
25 - 29	357	326	31	--	--	--	--	--	--	--
	49,119	49,214	48,117	--	--	--	--	--	--	--
30 - 34	357	293	64	--	--	--	--	--	--	--
	54,885	54,472	56,776	--	--	--	--	--	--	--
35 - 39	217	182	34	1	--	--	--	--	--	--
	55,605	55,739	55,110	\$47,893	--	--	--	--	--	--
40 - 44	194	165	29	--	--	--	--	--	--	--
	57,439	57,065	59,562	--	--	--	--	--	--	--
45 - 49	132	108	23	--	1	--	--	--	--	--
	56,929	55,588	63,890	--	\$41,624	--	--	--	--	--
50 - 54	130	107	21	--	2	--	--	--	--	--
	57,851	57,179	63,310	--	36,492	--	--	--	--	--
55 - 59	94	77	17	--	--	--	--	--	--	--
	59,602	56,784	72,365	--	--	--	--	--	--	--
60 - 64	48	33	14	--	1	--	--	--	--	--
	64,439	58,043	81,854	--	31,687	--	--	--	--	--
65 - 69	9	7	1	1	--	--	--	--	--	--
	61,717	64,223	64,440	41,452	--	--	--	--	--	--
70 & over	3	3	--	--	--	--	--	--	--	--
	58,642	58,642	--	--	--	--	--	--	--	--
Total	1,626	1,384	236	2	4	--	--	--	--	--
	\$54,321	\$53,487	\$59,597	\$44,672	\$36,574	--	--	--	--	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

iii. General Tier IIB County with Courts

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	61	61	--	--	--	--	--	--	--	--
	\$40,115	\$40,115	--	--	--	--	--	--	--	--
25 - 29	119	119	--	--	--	--	--	--	--	--
	46,139	46,139	--	--	--	--	--	--	--	--
30 - 34	75	75	--	--	--	--	--	--	--	--
	44,019	44,019	--	--	--	--	--	--	--	--
35 - 39	45	45	--	--	--	--	--	--	--	--
	44,757	44,757	--	--	--	--	--	--	--	--
40 - 44	37	37	--	--	--	--	--	--	--	--
	46,034	46,034	--	--	--	--	--	--	--	--
45 - 49	23	22	1	--	--	--	--	--	--	--
	46,648	45,848	\$64,234	--	--	--	--	--	--	--
50 - 54	24	24	--	--	--	--	--	--	--	--
	50,563	50,563	--	--	--	--	--	--	--	--
55 - 59	16	16	--	--	--	--	--	--	--	--
	63,855	63,855	--	--	--	--	--	--	--	--
60 - 64	6	6	--	--	--	--	--	--	--	--
	59,567	59,567	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	406	405	1	--	--	--	--	--	--	--
	\$45,866	\$45,821	\$64,234	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

iv. Districts Tier I

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	5	5	--	--	--	--	--	--	--	--
	\$50,828	\$50,828	--	--	--	--	--	--	--	--
25 - 29	30	22	8	--	--	--	--	--	--	--
	58,264	55,834	\$64,946	--	--	--	--	--	--	--
30 - 34	55	23	28	4	--	--	--	--	--	--
	71,430	61,797	75,319	\$99,592	--	--	--	--	--	--
35 - 39	75	12	33	30	--	--	--	--	--	--
	76,727	54,039	75,112	87,579	--	--	--	--	--	--
40 - 44	43	8	19	12	1	3	--	--	--	--
	84,882	64,456	82,074	105,830	\$64,489	\$80,138	--	--	--	--
45 - 49	36	3	8	14	4	7	--	--	--	--
	88,613	78,260	68,189	76,858	117,167	123,588	--	--	--	--
50 - 54	62	5	11	14	11	13	7	1	--	--
	94,703	62,201	81,704	92,340	85,050	126,679	\$105,311	\$49,507	--	--
55 - 59	43	4	7	13	6	11	--	2	--	--
	83,798	59,403	67,331	76,898	97,291	104,998	--	77,996	--	--
60 - 64	27	3	5	4	4	6	3	2	--	--
	81,501	57,092	88,321	80,755	75,595	88,863	85,585	86,163	--	--
65 - 69	3	--	1	1	--	--	--	1	--	--
	64,383	--	78,543	66,819	--	--	--	47,786	--	--
70 & over	3	--	1	1	1	--	--	--	--	--
	60,821	--	78,439	50,815	53,208	--	--	--	--	--
Total	382	85	121	93	27	40	10	6	--	--
	\$80,043	\$59,089	\$75,874	\$87,148	\$89,187	\$111,013	\$99,393	\$70,935	--	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

v. Districts Tier IIA

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	4	4	--	--	--	--	--	--	--	--
	\$57,448	\$57,448	--	--	--	--	--	--	--	--
25 - 29	5	5	--	--	--	--	--	--	--	--
	55,191	55,191	--	--	--	--	--	--	--	--
30 - 34	8	8	--	--	--	--	--	--	--	--
	55,547	55,547	--	--	--	--	--	--	--	--
35 - 39	3	3	--	--	--	--	--	--	--	--
	55,074	55,074	--	--	--	--	--	--	--	--
40 - 44	4	4	--	--	--	--	--	--	--	--
	68,510	68,510	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
50 - 54	2	2	--	--	--	--	--	--	--	--
	67,817	67,817	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	26	26	--	--	--	--	--	--	--	--
	\$58,655	\$58,655	--	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

vi. Districts Tier IIB

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	2	2	--	--	--	--	--	--	--	--
	\$39,898	\$39,898	--	--	--	--	--	--	--	--
25 - 29	6	6	--	--	--	--	--	--	--	--
	49,897	49,897	--	--	--	--	--	--	--	--
30 - 34	1	1	--	--	--	--	--	--	--	--
	48,539	48,539	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
50 - 54	1	1	--	--	--	--	--	--	--	--
	50,204	50,204	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	10	10	--	--	--	--	--	--	--	--
	\$47,792	\$47,792	--	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

vii. Districts Tier III

Age	Total	Years of Service									
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over	
Under 25	--	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--	--
Total	--	--	--	--	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

viii. Safety Tier I

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	47	47	--	--	--	--	--	--	--	--
	\$57,683	\$57,683	--	--	--	--	--	--	--	--
25 - 29	231	127	104	--	--	--	--	--	--	--
	67,606	63,555	\$72,554	--	--	--	--	--	--	--
30 - 34	368	63	226	79	--	--	--	--	--	--
	77,271	64,533	76,714	\$89,022	--	--	--	--	--	--
35 - 39	336	30	107	159	40	--	--	--	--	--
	80,908	65,152	77,695	85,070	\$84,774	--	--	--	--	--
40 - 44	272	12	33	111	90	25	1	--	--	--
	85,913	61,842	77,677	87,375	88,176	\$93,582	\$88,925	--	--	--
45 - 49	185	1	27	36	42	45	34	--	--	--
	92,717	63,168	74,191	90,233	83,671	100,376	111,964	--	--	--
50 - 54	121	1	7	13	25	21	39	15	--	--
	97,499	49,895	76,692	86,922	85,933	99,274	103,673	\$120,285	--	--
55 - 59	52	1	4	4	10	10	13	8	2	--
	98,654	88,913	94,054	78,931	87,082	91,549	102,522	112,654	\$164,419	--
60 - 64	23	--	5	4	2	2	4	3	3	--
	88,983	--	73,905	66,328	60,164	88,530	101,802	116,567	119,156	--
65 - 69	1	--	--	--	1	--	--	--	--	--
	76,533	--	--	--	76,533	--	--	--	--	--
70 & over	2	--	--	1	--	--	1	--	--	--
	91,436	--	--	103,315	--	--	79,557	--	--	--
Total	1,638	282	513	407	210	103	92	26	5	--
	\$81,626	\$62,932	\$76,112	\$86,782	\$85,986	\$97,415	\$106,070	\$117,508	\$137,261	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

ix. Safety Tier IIA

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	34	34	--	--	--	--	--	--	--	--
	\$50,784	\$50,784	--	--	--	--	--	--	--	--
25 - 29	56	55	1	--	--	--	--	--	--	--
	50,398	50,444	\$47,887	--	--	--	--	--	--	--
30 - 34	18	17	1	--	--	--	--	--	--	--
	51,156	51,128	51,632	--	--	--	--	--	--	--
35 - 39	6	6	--	--	--	--	--	--	--	--
	55,693	55,694	--	--	--	--	--	--	--	--
40 - 44	5	5	--	--	--	--	--	--	--	--
	59,061	59,060	--	--	--	--	--	--	--	--
45 - 49	1	1	--	--	--	--	--	--	--	--
	48,112	48,112	--	--	--	--	--	--	--	--
50 - 54	1	1	--	--	--	--	--	--	--	--
	51,598	51,598	--	--	--	--	--	--	--	--
55 - 59	2	2	--	--	--	--	--	--	--	--
	55,175	55,175	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	123	121	2	--	--	--	--	--	--	--
	\$51,295	\$51,320	\$49,759	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2013
By Age and Years of Service**

x. Safety Tier IIB

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	32	32	--	--	--	--	--	--	--	--
	\$46,862	\$46,862	--	--	--	--	--	--	--	--
25 - 29	42	42	--	--	--	--	--	--	--	--
	45,773	45,773	--	--	--	--	--	--	--	--
30 - 34	21	21	--	--	--	--	--	--	--	--
	45,355	45,355	--	--	--	--	--	--	--	--
35 - 39	7	7	--	--	--	--	--	--	--	--
	46,393	46,393	--	--	--	--	--	--	--	--
40 - 44	2	2	--	--	--	--	--	--	--	--
	43,337	43,337	--	--	--	--	--	--	--	--
45 - 49	1	1	--	--	--	--	--	--	--	--
	48,641	48,641	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	105	105	--	--	--	--	--	--	--	--
	\$46,044	\$46,044	--	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT C

Reconciliation of Member Data – June 30, 2012 to June 30, 2013

	Active Members	Vested Terminated Members⁽¹⁾	Retired Members	Disabled Members	Beneficiaries	Total
Number as of June 30, 2012	8,253	1,748	4,902	984	1,004	16,891
New members	1,038	0	N/A	N/A	76	1,114
Terminations – with vested rights	-329	329	0	0	0	0
Contribution refunds	-167	-124	N/A	N/A	N/A	-291
Retirements	-321	-68	389	N/A	N/A	0
New disabilities	-2	0	-9	11	N/A	0
Return to work	29	-28	-1	0	N/A	0
Died with or without beneficiary	-16	-2	-119	-23	-41	-201
Data adjustments	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>-3</u>	<u>-2</u>
Number as of June 30, 2013	8,485	1,855	5,163	972	1,036	17,511

⁽¹⁾ Includes terminated members due a refund of member contributions.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2013	Year Ended June 30, 2012
Contribution income:		
Employer contributions	\$211,677,478	\$189,837,352
Employee contributions	<u>20,282,751</u>	<u>18,719,762</u>
Total contribution income	\$231,960,229	\$208,557,114
Investment income:		
Interest, dividends and other income	\$60,987,491	\$44,128,211
Adjustment toward market value ⁽¹⁾	122,607,239	101,745,495
Less investment and administrative expenses	<u>-12,462,932</u>	<u>-12,513,671</u>
Net investment income	<u>171,131,798</u>	<u>133,360,035</u>
Total income available for benefits	\$403,092,027	\$341,917,149
Less benefit payments:		
Retirement and survivor benefits	\$226,609,534	-\$207,250,395
Supplemental retirement benefits	12,526,151	-11,808,100
Refunds of member contributions	<u>3,493,871</u>	<u>-3,081,989</u>
Net benefit payments	-\$242,629,555	-\$222,140,484
Change in assets held for future benefits	\$160,462,472	\$119,776,665

⁽¹⁾ Equals the "non-cash" earnings on investments implicitly included in the Actuarial Value of Assets.

Note: Results may not add due to rounding.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT E

Summary Statement of Plan Assets

	Year Ended June 30, 2013	Year Ended June 30, 2012
Cash equivalents	\$105,131,016	\$25,722,025
Capital assets	5,742,994	4,185,128
Accounts receivable:		
Investments sold	\$71,335,969	\$102,123,137
Interest and dividends	8,202,559	6,477,823
Contributions and other receivables	<u>2,168,605</u>	<u>2,681,538</u>
Total accounts receivable	\$81,707,134	\$111,282,498
Investments:		
Domestic equities and securities	\$906,045,209	\$851,912,802
International equities and securities	694,397,016	596,786,415
Bonds	1,000,741,600	878,287,266
Collateral held for securities lending	321,372,030	244,429,873
Other investments	<u>424,857,595</u>	<u>444,979,307</u>
Total investments at market value	<u>3,347,413,450</u>	<u>3,016,395,663</u>
Total assets	\$3,539,994,594	\$3,157,585,314
Less accounts payable:		
Securities purchased	-\$110,972,358	-\$110,878,776
Collateral held for securities lent	-321,372,030	-244,429,873
Contributions and other	<u>-2,879,953</u>	<u>-2,252,627</u>
Total accounts payable	-\$435,224,341	-\$357,561,276
Net assets at market value	<u>\$3,104,770,253</u>	<u>\$2,800,024,038</u>
Net assets at actuarial value	<u>\$3,237,783,594</u>	<u>\$3,077,321,122</u>
Net assets at valuation value	<u>\$3,120,631,727</u>	<u>\$2,960,506,633</u>

Note: Results may not add due to rounding.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT F

Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that are anticipated to be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments.

	Total KCERA (\$ in 000s)	
	June 30, 2013	June 30, 2012
<u>Assets</u>		
1 Total valuation value of assets	\$3,120,632	\$2,960,507
2 Present value of future contributions by members	258,196	233,792
3 Present value of future employer contributions for:		
a. entry age normal cost	766,646	784,017
b. unfunded actuarial accrued liability	1,987,987	1,934,483
4 Total current and future assets	<u>\$6,133,461</u>	<u>\$5,912,799</u>
<u>Liabilities</u>		
5 Present value of benefits for retirees and beneficiaries	\$3,009,563	\$2,799,964
6 Present value of benefits for active members	2,979,495	2,978,812
7 Present value of benefits for vested terminated members ⁽¹⁾	144,403	134,023
8 Total liabilities	<u>\$6,133,461</u>	<u>\$5,912,799</u>

⁽¹⁾ *Includes terminated members due a refund of member contributions.*

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT G

Summary of Reported Reserve Information

	Reserves	
	June 30, 2013	June 30, 2012
Member Deposit Reserve – General & Courts ⁽¹⁾	\$165,463,068	\$157,027,673
Member Deposit Reserve – Safety ⁽¹⁾	62,501,931	58,618,073
Member Deposit Reserve – Special Districts ⁽¹⁾	16,866,715	15,980,098
Employers Advance Reserve – General & Courts ⁽¹⁾	310,127,514	299,533,893
Employers Advance Reserve – Safety ⁽¹⁾	255,708,168	236,411,990
Employers Advance Reserve – Special Districts ⁽¹⁾	26,168,226	23,017,331
Cost-of-Living Reserve – General & Courts ⁽¹⁾	481,368,228	444,809,983
Cost-of-Living Reserve – Safety ⁽¹⁾	341,618,067	317,881,859
Cost-of-Living Reserve – Special Districts ⁽¹⁾	30,904,920	27,282,025
Retired Members – General, Courts & Special Districts ⁽¹⁾	896,373,456	847,824,628
Retired Members – Safety ⁽¹⁾	481,309,662	477,150,959
Supplemental Retiree Benefit Reserve (SRBR) – 0.5% COLA ⁽¹⁾	68,576,505	71,322,855
Contingency Reserve ⁽¹⁾⁽³⁾	<u>(16,354,734)</u>	<u>(16,354,734)</u>
Valuation Reserves	\$3,120,631,727	\$2,960,506,633
Supplemental Retiree Benefit Reserve (SRBR) ⁽²⁾	117,151,867	116,814,489
COLA Contribution Reserve ⁽²⁾	<u>0</u>	<u>0</u>
Total Reserves	\$3,237,783,594	\$3,077,321,122
Market Stabilization Reserve ⁽²⁾	<u>(133,013,341)</u>	<u>(277,297,084)</u>
Net Market Value	\$3,104,770,253	\$2,800,024,038

⁽¹⁾ Included in valuation value of assets.

⁽²⁾ Not included in valuation value of assets.

⁽³⁾ Since the Contingency Reserve is negative, it is included as part of (i.e., as an offset to) the valuation value of assets.

Note: Results may not add due to rounding.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT H

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2013

		(Amounts in Thousands)
1	Unfunded actuarial accrued liability at beginning of year	\$1,934,483
2	Total normal cost at middle of year	131,559
3	Expected employer and member contributions	-258,436
4	Interest	<u>147,394</u>
5	Expected unfunded actuarial accrued liability	<u>\$1,955,000</u>
6	Actuarial (gain)/loss due to all changes:	
	(a) Investment return less than expected	\$64,430
	(b) Lower than expected individual salary increases	-49,963
	(c) Actual contributions less than expected	27,502
	(d) Other experience	<u>-8,982</u>
	(e) Total changes	<u>\$32,987</u>
7	Unfunded actuarial accrued liability at end of year	<u>\$1,987,987</u>

Note: The sum of items 6(b), (c) and (d) equals the "net gain/(loss) from other experience" shown in Section 2, Chart 10.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT I

Table of Amortization Bases

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment⁽¹⁾
General County with Courts	December 31, 2005	Restart Amortization	\$1,137,894,000 ⁽²⁾	\$1,165,353,000	22.5	\$76,874,000
	June 30, 2012	Actuarial Loss	36,175,000	36,107,000	17	2,892,000
	June 30, 2013	Actuarial Loss	13,512,000	<u>13,512,000</u>	18	<u>1,039,000</u>
Subtotal				\$1,214,972,000		\$80,805,000
Districts	December 31, 2005	Restart Amortization	\$88,675,000 ⁽²⁾	\$90,826,000	22.5	\$5,991,000
	June 30, 2012	Actuarial Loss	4,561,000	4,557,000	17	365,000
	June 30, 2013	Actuarial Loss	1,667,000	<u>1,667,000</u>	18	<u>128,000</u>
Subtotal				\$97,050,000		\$6,484,000
Safety	December 31, 2005	Restart Amortization	\$606,032,000 ⁽²⁾	\$620,648,000	22.5	\$40,942,000
	June 30, 2012	Actuarial Loss	37,591,000	37,509,000	17	3,005,000
	June 30, 2013	Actuarial Loss	17,808,000	<u>17,808,000</u>	18	<u>1,369,000</u>
Subtotal				\$675,965,000		\$45,316,000
Grand Total				\$1,987,987,000		132,605,000

⁽¹⁾ As of middle of year.

⁽²⁾ As of June 30, 2011.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT J

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar amount indexed for inflation. The amount of that limit is \$205,000 for 2013 and \$210,000 for 2014. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances for such things as age at retirement, form of benefits chosen and after-tax contributions. Limits could also be affected by the "grandfather" election under Section 415(b)(10).

Benefits for members in the legacy tiers in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contributions rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

EXHIBIT K

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the cost allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability:

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan.

SECTION 3: Supplemental Information for the Kern County Employees' Retirement Association

Amortization of the Unfunded Actuarial Accrued Liability:

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired members as of the valuation date (including 1,036 beneficiaries in pay status)	7,171
2. Members inactive during year ended June 30, 2013 with vested rights*	1,855
3. Members active during the year ended June 30, 2013	8,485

The actuarial factors as of the valuation date are as follows (amounts in 000s):

1. Normal cost	\$129,409
2. Present value of future benefits	6,133,461
3. Present value of future normal costs	1,024,842
4. Actuarial accrued liability**	5,108,619
Retired members and beneficiaries	\$3,009,563
Inactive members with vested rights*	144,403
Active members	1,954,653
5. Valuation value of assets*** (\$3,104,770 at market value as reported by Retirement Association)	3,120,632
6. Unfunded actuarial accrued liability	\$1,987,987

* Includes terminated members due a refund of member contributions.

** Excludes liabilities held for SRBR Reserves Unallocated to 0.5% COLA benefits.

***Excludes assets for SRBR Reserves Unallocated to 0.5% COLA benefits and COLA Contribution Reserve. Excludes assets for Contingency Reserve (unless the Contingency Reserve is negative).

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

EXHIBIT I (continued)
Summary of Actuarial Valuation Results

The determination of the recommended average employer contribution is as follows
(amounts in 000s):

	Dollar Amount	% of Payroll
1. Total normal cost	\$129,409	23.28%
2. Expected employee contributions	<u>-28,580</u>	<u>-5.14%</u>
3. Employer normal cost: (1) + (2)	\$100,829	18.14%
4. Amortization of unfunded actuarial accrued liability	<u>132,585</u>	<u>23.86%</u>
5. Total recommended average employer contribution: (3) + (4)	\$233,414	42.00%
6. Projected compensation	\$555,752	

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2008	\$137,264,000	\$137,264,000	100.0%
2009	138,815,000	138,815,000	100.0%
2010	151,127,000	151,127,000	100.0%
2011	177,444,000	177,444,000	100.0%
2012	189,837,000	189,837,000	100.0%
2013	211,677,000	211,677,000	100.0%

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

EXHIBIT III

Supplementary Information Required by GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets⁽¹⁾ (a)	Actuarial Accrued Liability (AAL)⁽²⁾ (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2008	\$2,654,305,000	\$3,671,460,000	\$1,017,155,000	72.3%	\$482,879,000	210.6%
06/30/2009	2,780,215,000	4,205,200,000	1,424,985,000	66.1%	559,872,000	254.5%
06/30/2010	2,794,644,000	4,457,038,000	1,662,395,000	62.7%	559,380,000	297.2%
06/30/2011	2,839,747,000	4,672,348,000	1,832,601,000	60.8%	539,836,000	339.5%
06/30/2012	2,960,507,000	4,894,990,000	1,934,483,000	60.5%	543,558,000	355.9%
06/30/2013	3,120,632,000	5,108,619,000	1,987,987,000	61.1%	555,752,000	357.7%

⁽¹⁾ Excludes assets for SRBR Reserves Unallocated to 0.5% COLA benefits and COLA Contribution Reserve. Excludes assets for Contingency Reserve (unless the Contingency Reserve is negative).

⁽²⁾ Excludes liabilities held for SRBR Reserves Unallocated to 0.5% COLA benefits.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

**EXHIBIT IV
Supplementary Information Required by GASB**

Valuation date	June 30, 2013
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded liability (assuming a 4.00% payroll increase)
Remaining amortization period	22.5 years as of June 30, 2013 for all UAAL as of June 30, 2011. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 18-year closed period effective with each valuation. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in nine equal semi-annual amounts over a period of four and a half years from that date.
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases**	General: 4.50% to 10.00%; Safety: 4.50% to 11.00%
Cost of living adjustments	2.50% (actual increases contingent upon CPI increases with a 2.50% maximum).
Plan membership:	
Retired members and beneficiaries receiving benefits	7,171
Vested terminated members entitled to, but not yet receiving benefits***	1,855
Active members	<u>8,485</u>
Total	17,511

* Includes inflation at 3.25%.

** Includes inflation at 3.25%, "across the board" increases of 0.75%, plus promotional and merit increases. See Exhibit V for these increases.

*** Includes terminated members due a refund of member contributions.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

Actuarial Assumptions

Mortality Rates:

Healthy:

For General Members: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females.

For Safety Members: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females.

Disabled:

For General Members: RP-2000 Combined Healthy Mortality Table set forward six years.

For Safety Members: RP-2000 Combined Healthy Mortality Table set forward one year.

Beneficiaries:

Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the 2011 Actuarial Experience Study.

Member Contribution Rates:

For General Members: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 30% male and 70% female.

For Safety Members: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Termination Rates Before Retirement:

Age	Rate (%) Mortality			
	General		Safety	
	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.06	0.04	0.06	0.04
40	0.10	0.06	0.10	0.06
45	0.13	0.10	0.13	0.10
50	0.19	0.16	0.19	0.16
55	0.29	0.24	0.29	0.24
60	0.53	0.44	0.53	0.44
65	1.00	0.86	1.00	0.86

All pre-retirement deaths are assumed to be non-service connected.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Termination Rates Before Retirement (continued):

Age	Rate (%) Disability	
	General⁽¹⁾	Safety⁽²⁾
25	0.03	0.11
30	0.05	0.21
35	0.11	0.37
40	0.18	0.60
45	0.26	0.94
50	0.36	1.64
55	0.40	2.90
60	0.40	4.40
65	0.40	0.00

⁽¹⁾ 55% of General disabilities are assumed to be service connected (duty) disabilities and the other 45% are assumed to be non-service connected (ordinary) disabilities.

⁽²⁾ 100% of Safety disabilities are assumed to be service connected (duty) disabilities.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Termination Rates Before Retirement (continued):

<u>Years of Service</u>	<u>Rate (%) Withdrawal*</u>	
	<u>General</u>	<u>Safety</u>
0	18.00	9.00
1	13.00	7.00
2	10.00	4.00
3	7.50	3.00
4	6.50	3.00
5	6.00	2.50
6	5.00	2.40
7	4.00	2.30
8	3.75	2.20
9	3.50	2.10
10	3.25	2.00
11	3.00	1.90
12	2.80	1.70
13	2.60	1.50
14	2.40	1.30
15	2.30	1.10
16	2.20	0.90
17	2.10	0.75
18	1.90	0.75
19	1.70	0.75
20	1.50	0.00
21	1.30	0.00
22	1.10	0.00
23	1.00	0.00
24	1.00	0.00
25	1.00	0.00
26	1.00	0.00
27	1.00	0.00
28	1.00	0.00
29	1.00	0.00
30 & Over	0.00	0.00

* Refer to the next table that contains rates for electing a refund of contributions upon withdrawal. No withdrawal is assumed after a member is first assumed to retire.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Termination Rates Before Retirement (continued):

<u>Years of Service</u>	<u>Rate (%)</u> <u>Electing a Refund of Contributions</u> <u>upon Withdrawal</u>	
	<u>General</u>	<u>Safety</u>
0	100	100
1	100	100
2	100	100
3	100	100
4	100	100
5	50	50
6	47	46
7	44	42
8	41	38
9	38	34
10	35	30
11	32	27
12	30	24
13	28	21
14	26	18
15	24	15
16	22	12
17	20	9
18	18	7
19	16	5
20	14	0
21	12	0
22	10	0
23	8	0
24	6	0
25	4	0
26	2	0
27 & Over	0	0

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Retirement Rates:

Age	Rate (%)				
	General Tier I	General Tiers IIA and IIB	General Tier III	Safety Tier I	Safety Tiers IIA and IIB
45	0.00	0.00	0.00	1.00	0.00
46	0.00	0.00	0.00	1.00	0.00
47	0.00	0.00	0.00	1.00	0.00
48	0.00	0.00	0.00	1.00	0.00
49	0.00	0.00	0.00	6.00	0.00
50	6.00	3.00	0.00	16.00	5.00
51	6.00	3.00	0.00	14.00	5.00
52	6.00	3.00	3.00	16.00	5.00
53	6.00	3.00	3.00	18.00	8.00
54	7.00	3.00	3.00	20.00	18.00
55	9.00	5.00	5.00	22.00	20.00
56	11.00	6.00	6.00	25.00	20.00
57	13.00	7.00	7.00	27.00	20.00
58	16.00	10.00	10.00	30.00	20.00
59	18.00	11.00	11.00	25.00	25.00
60	22.00	13.00	13.00	25.00	25.00
61	25.00	17.00	17.00	25.00	25.00
62	30.00	30.00	30.00	100.00	50.00
63	30.00	30.00	30.00	100.00	50.00
64	30.00	30.00	30.00	100.00	50.00
65	30.00	30.00	30.00	100.00	100.00
66	40.00	40.00	40.00	100.00	100.00
67	40.00	40.00	40.00	100.00	100.00
68	40.00	40.00	40.00	100.00	100.00
69	40.00	40.00	40.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

**Retirement Age and Benefit for
Deferred Vested Members:**

For deferred vested members, we make the following retirement assumption:

General Age: 57

Safety Age: 53

We assume that 55% and 60% of future General and Safety deferred vested members, respectively, will continue to work for a reciprocal employer. For reciprocals, we assume 4.75% compensation increases per annum.

Future Benefit Accruals:

1.0 year of service per year.

Unknown Data for Members:

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Definition of Active Members:

All active members of KCERA as of the valuation date.

Percent Married:

75% of male members and 55% of female members are assumed to be married at pre-retirement death or retirement. There is no explicit assumption for children's benefits.

Age of Spouse:

Female (or male) spouses are 3 years younger (or older) than their spouses.

Net Investment Return:

7.75%, net of investment and administration expenses.

**Employee Contribution
Crediting Rate:**

7.75%, compounded semi-annually.

Consumer Price Index:

Increase of 3.25% per year; retiree COLA increases due to CPI are assumed to be 2.50% per year.

**Increase in Internal Revenue Code
Section 401(a)(17) Compensation
Limit:**

Increase of 3.25% per year from the valuation date.

**Increase in Section 7522.10
Compensation Limit:**

Increase of 3.25% per year from the valuation date.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Salary Increases:

Annual Rate of Compensation Increase		
Inflation: 3.25% per year; plus "across the board" salary increases of 0.75% per year; plus the following promotional and merit increases:		
Years of Service	General	Safety
Less than 1	6.00%	7.00%
1	5.00	5.75
2	4.00	4.50
3	3.00	3.50
4	2.50	3.00
5	2.00	2.50
6	1.75	2.25
7	1.50	2.00
8	1.25	1.75
9	1.00	1.25
10	0.90	1.00
11	0.80	0.95
12	0.70	0.90
13	0.60	0.85
14	0.50	0.80
15	0.50	0.75
16	0.50	0.70
17	0.50	0.65
18	0.50	0.60
19	0.50	0.55
20 & Over	0.50	0.50

Note: The promotional and merit increases are added to the sum of the inflationary and "across the board" increases.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Actuarial Methods

Actuarial Cost Method:	Entry Age Actuarial Cost Method. Entry Age is the age at the member's hire date. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formulas have always been in effect (i.e., "replacement life").
Actuarial Value of Assets:	Market value of assets (MVA) less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value, and are recognized semi-annually over a five-year period. The actuarial value of assets (AVA) is limited by a 50% corridor; the AVA cannot be less than 50% of MVA, nor greater than 150% of MVA. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in nine equal semi-annual amounts over a period of four and a half years from that date.
Valuation Value of Assets:	The Actuarial Value of Assets reduced by the value of the non-valuation reserves (excluding the Contingency Reserve if it is negative).
Amortization Policy:	<p>The UAAL, (i.e., the difference between the Actuarial Accrued Liability and the Valuation Value of Assets), as of June 30, 2011 shall be amortized separately from any future changes in UAAL over a period of 24.5 years from June 30, 2011.</p> <p>Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of 18 years.</p> <p>Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 18 years.</p> <p>Unless an alternative amortization period is recommended by the Actuary and accepted by the Board based on the results of an actuarial analysis:</p> <ol style="list-style-type: none">with the exception noted in b., below, the change in UAAL as a result of any plan amendments will be amortized over a period of 15 years or less;

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- b. the increase in UAAL resulting from a temporary retirement incentive, including the impact of benefits resulting from additional service permitted in Section 31641.04 of the 1937 CERL (Golden Handshake), will be funded over a period of up to 5 years. For Golden Handshakes, the employer has the choice of two methods:
 - i. Payment in full for the UAAL attributable to the Golden Handshake in the first month of the fiscal year following the fiscal year in which the Golden Handshake was granted.
 - ii. Payment according to a five-year amortization period which will be invoiced (payable in 30 days) to the employer in the first month of the fiscal year following the fiscal year in which the Golden Handshake was granted. The amortization schedule will be based upon the valuation interest rate used in the most recently completed valuation at the time that the amortization schedule is created. The employer may complete payment of the Golden Handshake at any time during the five-year amortization period.

If the amortization method is used, then the outstanding balance will generally be recorded as a receivable asset to be included with the Actuarial Value of Assets. All Golden Handshakes provided by an employer during any fiscal year will be bundled together and will be invoiced in one transaction in the first month following the fiscal year in which the Golden Handshakes were granted.

UAAL shall be amortized over “closed” amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation.

UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

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If an overfunding or “surplus” exists (i.e., the Valuation Value of Assets exceeds the Actuarial Accrued Liability, so that the total of all UAAL amortization layers becomes negative), such surplus and any subsequent surpluses will be amortized over an “open” amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over 18 years as the first of a new series of amortization layers.

These amortization policy components will apply separately to each of KCERA's UAAL cost sharing groups.

Changes in Actuarial Assumptions and Methods:

New assumptions have been included in this valuation for retirement rates and increases in the Section 7522.10 compensation limit for members with membership dates on or after January 1, 2013.

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EXHIBIT VI
Summary of Plan Provisions

This exhibit summarizes the major provisions of the KCERA included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:	All permanent employees of Kern County or participating Special Districts scheduled to work 50% or more of the required regular standard hours are eligible to become a member of the Retirement Association subject to classification below:
<i>General Tier I</i>	All General members hired by the County prior to October 27, 2007 (prior to July 5, 2008 for Prosecutors), hired by North of the River Sanitation District prior to October 29, 2007, hired by the Kern County Water Agency prior to January 1, 2010, hired by Berrenda Mesa Water District prior to January 12, 2010, hired by San Joaquin Valley Unified Air Pollution Control District prior to July 31, 2012, hired by the Courts prior to March 12, 2011, or hired by all other districts prior to January 1, 2013.
<i>General Tier IIA</i>	All General members hired by the County on or after October 27, 2007, hired by North of the River Sanitation District on or after October 29, 2007, hired by the Kern County Water Agency on or after January 1, 2010, hired by Berrenda Mesa Water District on or after January 12, 2010, hired by San Joaquin Valley Unified Air Pollution Control District on or after July 31, 2012, or hired by the Courts on or after March 12, 2011; and hired prior to January 1, 2013.
<i>General Tier IIB</i>	All General members hired by the County or districts (other than West Side Recreation & Park) on or after January 1, 2013.
<i>General Tier III</i>	All General members hired by West Side Recreation & Park on or after January 1, 2013.
<i>Safety Tier I</i>	All members employed in active law enforcement, active fire suppression, probation, detention or criminal investigation hired prior to March 27, 2012.

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<i>Safety Tier IIA</i>	All members employed in active law enforcement, active fire suppression, probation, detention or criminal investigation hired on or after March 27, 2012 and prior to January 1, 2013.
<i>Safety Tier IIB</i>	All member employee in active law enforcement, active fire suppression, probation, detention or criminal investigation hired on or after January 1, 2013.
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Final Compensation for Benefit Determination:	
<i>General Tiers I and IIA, Safety Tiers I and IIA</i>	Highest consecutive twelve months of compensation earnable (§31462.1) (FAS1).
<i>General Tier IIB, General Tier III and Safety Tier IIB</i>	Highest consecutive thirty-six months of pensionable compensation (§7522.32 and §7522.34) (FAS3).
<hr/>	
Compensation Limit:	
<i>Non-General Tier III</i>	For members with membership dates on or after July 1, 1996, Compensation Earnable is limited to Internal Revenue Code Section 401(a)(17). The limit for the Plan Year beginning July 1, 2013 is \$255,000. The limit is indexed for inflation on an annual basis.
<i>General Tier III</i>	Pensionable Compensation is limited to \$113,700 for 2013 (\$136,440, if not enrolled in Social Security). The limit is indexed for inflation on an annual basis.
<hr/>	
Service:	Years of service. (Yrs)
<hr/>	
Service Retirement Eligibility:	
<i>General Tiers I, IIA and IIB</i>	Age 50 with 10 years of service credit, or age 70 regardless of service credit, or after 30 years of service credit, regardless of age (§31672).
<i>General Tier III</i>	Age 52 with 5 years of service (§7522.20(a)).
<i>Safety Tiers I, IIA and IIB</i>	Age 50 with 10 years of service credit, or age 70 regardless of service credit, or after 20 years of service credit, regardless of age (§31663.25).

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Benefit Formula:

	Retirement Age	Benefit Formula*
<i>General Tier I (§31676.17)</i>	50	$(2.00\% \times \text{FAS1} - 1/3 \times 2.00\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(2.50\% \times \text{FAS1} - 1/3 \times 2.50\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(3.00\% \times \text{FAS1} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	62 and over	$(3.00\% \times \text{FAS1} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	Retirement Age	Benefit Formula
<i>General Tier I** (§31676.14)</i>	50	1.48% x FAS1 x Yrs
	55	1.95% x FAS1 x Yrs
	60	2.44% x FAS1 x Yrs
	62 and over	2.61% x FAS1 x Yrs
	Retirement Age	Benefit Formula*
<i>General Tier IIA (§31676.01)</i>	50	$(0.79\% \times \text{FAS1} - 1/3 \times 0.79\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(0.99\% \times \text{FAS1} - 1/3 \times 1.00\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(1.28\% \times \text{FAS1} - 1/3 \times 1.28\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(1.39\% \times \text{FAS1} - 1/3 \times 1.39\% \times \$350 \times 12) \times \text{Yrs}$
	65 and over	$(1.62\% \times \text{FAS1} - 1/3 \times 1.62\% \times \$350 \times 12) \times \text{Yrs}$
	Retirement Age	Benefit Formula*
<i>General Tier IIB (§31676.01)</i>	50	$(0.79\% \times \text{FAS3} - 1/3 \times 0.79\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(0.99\% \times \text{FAS3} - 1/3 \times 1.00\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(1.28\% \times \text{FAS3} - 1/3 \times 1.28\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(1.39\% \times \text{FAS3} - 1/3 \times 1.39\% \times \$350 \times 12) \times \text{Yrs}$
	65 and over	$(1.62\% \times \text{FAS3} - 1/3 \times 1.62\% \times \$350 \times 12) \times \text{Yrs}$

* Benefits for some District Members are not integrated with Social Security.

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

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

	Retirement Age	Benefit Formula
<i>General Tier III (§7522.20(a))</i>	52	1.00% x FAS3 x Yrs
	55	1.30% x FAS3 x Yrs
	60	1.80% x FAS3 x Yrs
	62	2.00% x FAS3 x Yrs
	65	2.30% x FAS3 x Yrs
	67 and over	2.50% x FAS3 x Yrs
	Retirement Age	Benefit Formula
<i>Safety Tier I (§31664.1)</i>	50	(3.00% x FAS1 - 1/3 x 3.00% x \$350 x 12) x Yrs
	55	(3.00% x FAS1 - 1/3 x 3.00% x \$350 x 12) x Yrs
	60 and over	(3.00% x FAS1 - 1/3 x 3.00% x \$350 x 12) x Yrs
	Retirement Age	Benefit Formula
<i>Safety Tier IIA (§31664)</i>	50	(2.00% x FAS1 - 1/3 x 2.00% x \$350 x 12) x Yrs
	55	(2.62% x FAS1 - 1/3 x 2.62% x \$350 x 12) x Yrs
	60 and over	(2.62% x FAS1 - 1/3 x 2.62% x \$350 x 12) x Yrs
	Retirement Age	Benefit Formula
<i>Safety Tier IIB (§31664)</i>	50	(2.00% x FAS3 - 1/3 x 2.00% x \$350 x 12) x Yrs
	55	(2.62% x FAS3 - 1/3 x 2.62% x \$350 x 12) x Yrs
	60 and over	(2.62% x FAS3 - 1/3 x 2.62% x \$350 x 12) x Yrs
Maximum Benefit:		
<i>Non-General Tier III</i>		100% of final compensation (§31676.14, §31676.17, §31676.01, §31664.1, §31664).
<i>General Tier III</i>		None

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Non-Service Connected Disability:

<i>Eligibility</i>	Five years of service (§31720).
<i>Benefit Formula</i>	20% of Final Compensation plus 2% of Final Compensation for each full year of service in excess of five years, not to exceed 40% of Final Compensation (§31727.7).

Service Connected Disability:

<i>Eligibility</i>	No age or service requirements (§31720).
<i>Benefit Formula</i>	50% of Final Compensation (§31727.4).

Pre-Retirement Death:

Non Service Connected (Not Vested) Before Eligible to Retire

<i>Eligibility</i>	None.
<i>Benefit</i>	Refund of employee contributions with interest plus one month's eligible compensation for each year of service to a maximum of six months' compensation (§31781).

Non Service Connected (Vested)

<i>Eligibility</i>	Five years of service.
<i>Benefit</i>	60% of the greater of Service Retirement or Non Service Connected Disability Retirement benefit payable to surviving eligible spouse or eligible children (§31765.1, §31781.1), in lieu of above. Additionally, the spouse may choose a combined benefit of: <ul style="list-style-type: none">• A lump sum payment of up to six months' compensation (see above), and• A monthly (60%) benefit reduced by actuarial equivalent of the lump sum payment (§31781.3).

<i>Service Connected Death</i>	50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787). In addition, Safety members are entitled to benefits under Sections 31787.5 and 31787.6.
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SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Death After Retirement:

*Service Retirement or Non Service
Connected Disability Retirement*

Unless another option was selected at retirement, 60% of member's unmodified allowance continued to eligible spouse (§31760.1). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the day of retirement (§31760.1), or, at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31760.2).

*Service Connected Disability
Retirement*

Unless another option was selected at retirement, 100% of member's unmodified allowance continued to eligible spouse (§31786).

Withdrawal Benefits:

Refund of accumulated employee contributions with interest (§31628); or if accumulated employee contributions left on deposit, entitled to earned benefits commencing at any time after meeting eligibility criteria to retire (§31629.5 and §31700).

Post-retirement Cost-of-Living Benefits:

Future changes based on changes to the Consumer Price Index to a maximum of 2.50% per year. (§31870.4)

Supplemental Retiree Benefit Reserve:

The Association provides Supplemental Retiree Benefit Reserve benefits for eligible retirees. These benefits have been excluded from this valuation.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Member Contributions:	Please refer to Appendix A for the specific rates. Members in General Tiers I and IIA and Safety Tiers I and IIA do not contribute towards the cost-of-living benefits.
<i>General Tier I</i>	
<i>Basic</i>	Entry age based rates that provide for an average annuity at age 55 equal to 1/100 of FAS. (§31621.8)
<i>General Tier IIA</i>	
<i>Basic</i>	Entry age based rates that provide for an average annuity at age 60 equal to 1/120 of FAS. (§31621)
<i>General Tiers IIB and III</i>	Non-entry age based rates that provide for 50% of total Normal Cost Rate.
<i>Safety Tier I</i>	
<i>Basic</i>	Entry age based rates that provide for an average annuity at age 50 equal to 1/100 of FAS. (§31639.25)
<i>Supplemental</i>	Entry age based rates that provide for an average annuity at age 50 equal to 1/200 of FAS. (Resolution #2004-144)
<i>Safety "3" Tier I</i>	
<i>Basic and Supplemental</i>	At all entry ages, the member contribution rate for the above Safety Tier I members who enter the plan at age 27.
<i>Safety Tier IIA</i>	
<i>Basic</i>	Entry age based rates that provide for an average annuity at age 50 equal to 1/100 of FAS. (§31639.25)
<i>Safety "3" Tier IIA</i>	
<i>Basic</i>	At all entry ages, the member contribution rate for the above Safety Tier IIA members who enter the plan at age 27.
<i>Safety Tier IIB</i>	Non-entry age based rates that provide for 50% of total Normal Cost Rate.
Other Information:	Safety Tier I and Tier IIA members with 30 or more years of service are exempt from paying member contributions. Various other exemptions for member contributions are outlined on pages 19 through 21.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

Plan Changes:

The following changes in plan provisions have been recognized since the prior valuation:

- General members hired on or after January 1, 2013 are classified as Tier IIB or Tier III.
- Safety members hired on or after January 1, 2013 are classified as Tier IIB.

NOTE: *The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the Association should find the plan summary not in accordance with the actual provisions, the Association should alert the actuary so they can both be sure the proper provisions are valued.*

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

**Appendix A
Member Contribution Rates**

**General Tier I Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

Entry Age	Integrated		Non-integrated
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation	All Compensation
16	3.99%	5.98%	5.98%
17	4.06%	6.09%	6.09%
18	4.13%	6.20%	6.20%
19	4.21%	6.32%	6.32%
20	4.29%	6.44%	6.44%
21	4.37%	6.56%	6.56%
22	4.45%	6.68%	6.68%
23	4.54%	6.81%	6.81%
24	4.63%	6.94%	6.94%
25	4.71%	7.06%	7.06%
26	4.80%	7.20%	7.20%
27	4.89%	7.33%	7.33%
28	4.98%	7.47%	7.47%
29	5.07%	7.61%	7.61%
30	5.17%	7.75%	7.75%
31	5.26%	7.89%	7.89%
32	5.36%	8.04%	8.04%
33	5.46%	8.19%	8.19%
34	5.56%	8.34%	8.34%
35	5.67%	8.50%	8.50%
36	5.77%	8.66%	8.66%
37	5.89%	8.83%	8.83%
38	6.00%	9.00%	9.00%
39	6.12%	9.18%	9.18%
40	6.24%	9.36%	9.36%

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**General Tier I Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

Entry Age	Integrated		Non-integrated
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation	All Compensation
41	6.37%	9.55%	9.55%
42	6.49%	9.73%	9.73%
43	6.61%	9.91%	9.91%
44	6.73%	10.09%	10.09%
45	6.85%	10.27%	10.27%
46	6.96%	10.44%	10.44%
47	7.07%	10.60%	10.60%
48	7.17%	10.75%	10.75%
49	7.27%	10.90%	10.90%
50	7.34%	11.01%	11.01%
51	7.40%	11.10%	11.10%
52	7.41%	11.12%	11.12%
53	7.39%	11.08%	11.08%
54 & Over	7.31%	10.96%	10.96%

Interest: 7.75%

COLA: None

Salary Increase: See Exhibit V.

Mortality: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 30% male and 70% female.

Note: These rates are determined before any pickups by the employer.

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**General Tier IIA Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

Entry Age	Integrated		Non-integrated
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation	All Compensation
16	2.83%	4.25%	4.25%
17	2.89%	4.33%	4.33%
18	2.94%	4.41%	4.41%
19	2.99%	4.49%	4.49%
20	3.05%	4.58%	4.58%
21	3.11%	4.67%	4.67%
22	3.17%	4.75%	4.75%
23	3.23%	4.84%	4.84%
24	3.29%	4.94%	4.94%
25	3.35%	5.03%	5.03%
26	3.41%	5.12%	5.12%
27	3.48%	5.22%	5.22%
28	3.55%	5.32%	5.32%
29	3.61%	5.41%	5.41%
30	3.68%	5.52%	5.52%
31	3.75%	5.62%	5.62%
32	3.81%	5.72%	5.72%
33	3.89%	5.83%	5.83%
34	3.96%	5.94%	5.94%
35	4.03%	6.05%	6.05%
36	4.11%	6.16%	6.16%
37	4.19%	6.28%	6.28%
38	4.26%	6.39%	6.39%
39	4.34%	6.51%	6.51%
40	4.43%	6.64%	6.64%
41	4.51%	6.76%	6.76%
42	4.59%	6.89%	6.89%
43	4.69%	7.03%	7.03%
44	4.78%	7.17%	7.17%
45	4.87%	7.31%	7.31%

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**General Tier IIA Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

Entry Age	Integrated		Non-integrated
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation	All Compensation
46	4.97%	7.45%	7.45%
47	5.06%	7.59%	7.59%
48	5.16%	7.74%	7.74%
49	5.25%	7.88%	7.88%
50	5.35%	8.02%	8.02%
51	5.43%	8.15%	8.15%
52	5.52%	8.28%	8.28%
53	5.60%	8.40%	8.40%
54	5.67%	8.51%	8.51%
55	5.73%	8.60%	8.60%
56	5.78%	8.67%	8.67%
57	5.79%	8.68%	8.68%
58	5.77%	8.65%	8.65%
59 & Over	5.71%	8.56%	8.56%

Interest: 7.75%
 COLA: None
 Salary Increase: See Exhibit V.
 Mortality: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 30% male and 70% female.
 Note: These rates are determined before any pickups by the employer.

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**General Tier IIB Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

All Members	Integrated		Non-integrated
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation	All Compensation
Basic	3.18%	4.76%	4.76%
2% COLA	0.63%	0.95%	0.95%
0.5% COLA	<u>0.19%</u>	<u>0.29%</u>	<u>0.29%</u>
Total	4.00%	6.00%	6.00%

The General Tier IIB member contribution rate is 50% of the Normal Cost rate.

**General Tier III Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

All Members	All Compensation⁽¹⁾
Basic	6.17%
2% COLA	1.33%
0.5% COLA	<u>0.30%</u>
Total	7.80%

The General Tier III member contribution rate is 50% of the Normal Cost rate.

⁽¹⁾ It is our understanding that in the determination of pension benefits under the General Tier III formula, the compensation that can be taken into account for 2013 is equal to the Social Security Taxable Wage Base or \$113,700 (reference: Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2013 (reference: Section 7522.10(d)).

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**Safety Tier I Members' (Excluding "Safety 3" Members) Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

Entry Age	Integrated	
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation
16	6.96%	10.44%
17	7.09%	10.64%
18	7.23%	10.84%
19	7.37%	11.05%
20	7.51%	11.26%
21	7.65%	11.47%
22	7.79%	11.69%
23	7.94%	11.91%
24	8.09%	12.14%
25	8.25%	12.38%
26	8.41%	12.62%
27	8.57%	12.86%
28	8.74%	13.11%
29	8.91%	13.37%
30	9.09%	13.63%
31	9.26%	13.89%
32	9.44%	14.16%
33	9.61%	14.42%
34	9.79%	14.69%
35	9.97%	14.96%
36	10.16%	15.24%
37	10.35%	15.52%
38	10.54%	15.81%
39	10.75%	16.12%
40	10.93%	16.40%
41	11.09%	16.64%
42	11.23%	16.85%
43	11.37%	17.05%
44	11.49%	17.24%
45	11.59%	17.38%
46	11.66%	17.49%

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

**Safety Tier I Members' (Excluding "Safety 3" Members) Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

Entry Age	Integrated	
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation
47	11.67%	17.50%
48	11.58%	17.37%
49 & Over	11.41%	17.12%
Interest:	7.75%	
COLA:	None	
Salary Increase:	See Exhibit V.	
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.	
Note:	These rates are determined before any pickups by the employer.	

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

**“Safety 3” Safety Tier I Members’ Contribution Rates
from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

Entry Age	Integrated	
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation
Every	8.57%	12.86%

Interest: 7.75%

COLA: None

Salary Increase: See Exhibit V.

Mortality: RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.

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. Based on the most recent Actuarial Experience Study, the contribution rates shown above are based on an entry age of 27. This is expected to provide for the same value of contributions that would be made based on the specific entry age based rates shown on the previous two pages. These rates are determined before any pickups by the employer.

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

**Safety Tier IIA Members' (Excluding "Safety 3" Members) Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

Entry Age	Integrated	
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation
16	4.64%	6.96%
17	4.73%	7.09%
18	4.82%	7.23%
19	4.91%	7.36%
20	5.00%	7.50%
21	5.10%	7.65%
22	5.19%	7.79%
23	5.29%	7.94%
24	5.40%	8.10%
25	5.50%	8.25%
26	5.61%	8.41%
27	5.71%	8.57%
28	5.83%	8.74%
29	5.94%	8.91%
30	6.06%	9.09%
31	6.17%	9.26%
32	6.29%	9.44%
33	6.41%	9.61%
34	6.53%	9.79%
35	6.65%	9.97%
36	6.77%	10.16%
37	6.90%	10.35%
38	7.03%	10.54%
39	7.16%	10.74%
40	7.29%	10.93%
41	7.39%	11.09%
42	7.49%	11.23%
43	7.58%	11.37%
44	7.66%	11.49%
45	7.73%	11.59%
46	7.77%	11.66%

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

**Safety Tier IIA Members' (Excluding "Safety 3" Members) Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

<u>Entry Age</u>	<u>Integrated</u>	
	<u>First \$350 of Monthly Compensation</u>	<u>Over \$350 of Monthly Compensation</u>
47	7.78%	11.67%
48	7.72%	11.58%
49 & Over	7.61%	11.41%
Interest:	7.75%	
COLA:	None	
Salary Increase:	See Exhibit V.	
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.	
Note:	These rates are determined before any pickups by the employer.	

**"Safety 3" Safety Tier IIA Members' Contribution Rates from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

<u>Entry Age</u>	<u>Integrated</u>	
	<u>First \$350 of Monthly Compensation</u>	<u>Over \$350 of Monthly Compensation</u>
Every	5.71%	8.57%
Interest:	7.75%	
COLA:	None	
Salary Increase:	See Exhibit V.	
Mortality:	RP-2000 Combined Healthy Mortality Table set back two years for males and one year for females weighted 80% male and 20% female.	
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. Based on the most recent Actuarial Experience Study, the contribution rates shown above are based on an entry age of 27. This is expected to provide for the same value of contributions that would be made based on the specific entry age based rates shown on the previous two pages. These rates are determined before any pickups by the employer.	

SECTION 4: Reporting Information for the Kern County Employees' Retirement Association

**Safety Tier IIB Members' Contribution Rates
from the June 30, 2013 Actuarial Valuation
(Expressed as a Percentage of Monthly Compensation)**

All Members	Integrated	
	First \$350 of Monthly Compensation	Over \$350 of Monthly Compensation
Basic	6.60%	9.90%
2% COLA	1.54%	2.31%
0.5% COLA	<u>0.48%</u>	<u>0.72%</u>
Total	8.62%	12.93%

The Safety Tier IIB member contribution rate is 50% of the Normal Cost rate.

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**Kern County Employees'
Retirement Association
Supplemental Retiree Benefit Reserve (SRBR)**

**Actuarial Valuation and Review
as of June 30, 2013**



This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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November 27, 2013

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

Dear Board Members:

We are pleased to submit our Supplemental Retiree Benefit Reserve (SRBR) Actuarial Valuation and Review as of June 30, 2013. It summarizes the actuarial data on members included in the SRBR valuation, determines the funding status of the SRBR benefits and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Retirement Board. The census information on which our calculations were based was prepared by KCERA and the financial information was provided by the Retirement Association. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

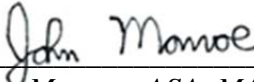
We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By: 
*Paul Angelo, FSA, MAAA, EA, FCA
Senior Vice President and Actuary*


*John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary*

ST/bqb

SECTION 1

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SECTION 1: Valuation Summary for KCERA SRBR Valuation

Purpose and Scope

This report has been prepared by The Segal Company to present a valuation of the Kern County Employees' Retirement Association Supplemental Retiree Benefit Reserve (SRBR) benefits as of June 30, 2013. The valuation was performed to determine the funded status of the SRBR benefits. The funded status information presented in this report is based on:

- The benefit provisions of the SRBR, as administered by the Retirement Association;
- The characteristics of covered active members, vested terminated members, retired members and beneficiaries as of June 30, 2013, provided by the Retirement Association;
- The SRBR value as of June 30, 2013, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the SRBR's liabilities. Our calculations are based upon member data and financial information provided to us by the Association's staff. This information has not been audited by us, but it has been reviewed and found to be reasonably consistent, both internally and with prior year's information.

Note that the investment return assumption of 7.75% used in this report was determined without taking into consideration any impact of the 50/50 excess earnings allocation between the retirement and SRBR asset pools.

SECTION 1: Valuation Summary for KCERA SRBR Valuation

Significant Issues in this Valuation

- The funded status of the SRBR “Approved Benefits” increased from 209% as of June 30, 2012 to 219% as of June 30, 2013. Approved Benefits are those that have already been approved by the Retirement Board. Under the Board’s “20/20” Policy, the goal is to have a 20% reserve for the death benefits, SRBR Tier 1 and SRBR Tier 2 benefits and 20 years of expected SRBR Tier 3 payments. The funded status of this SRBR “Targeted Funding with Reserves” increased from 168% as of June 30, 2012 to 176% as of June 30, 2013.
- The funded status of the total SRBR benefits increased from 168% as of June 30, 2012 to 176% as of June 30, 2013. The total SRBR benefits include all projected benefits expected to be paid to current plan members.
- The increase in the funded status for total SRBR benefits was primarily due to the passage of time (i.e., expected changes in the funded status) and lower inflation as compared to expected. These gains were offset to some extent by an investment loss, since the rate of return on the available SRBR (after smoothing) during 2012/2013 was about 5.5%, which is less than the 7.75% assumption.
- In this valuation, we assume that the CPI will increase by 3.25% per year, based on our long-term assumption for inflation. The Annual Average Consumer Price Index for All Urban Consumers (CPI-U) for the Los Angeles-Riverside-Orange County area increased by 2.0% from 2011 to 2012. Because the CPI increased by less than 2.5% (the maximum COLA possible), COLA bank balances were drawn down to supplement COLAs when available. Current SRBR Tier 3 benefits generally stayed the same because CPI increases in recent years were lower than the COLA increases for most retirees. However, future projected increases in SRBR Tier 3 benefits for current retirees and beneficiaries are expected to occur later than previously expected. This led to the part of the increase in the funded ratio that was due to low inflation described above.
- The following table compares the reserves and liabilities for the total SRBR benefits as of:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
1. Available SRBR Reserves		
a. Total SRBR	\$185,728,000	\$188,137,000
b. 0.5% COLA Account	<u>68,577,000</u>	<u>71,323,000</u>
c. Available SRBR Reserve (1.a. – 1.b.)	\$117,151,000	\$116,814,000
2. Present Value of Total Benefits:		
a. Approved Benefits	53,589,000	55,940,000
b. Future Benefits	<u>12,874,000</u>	<u>13,441,000</u>
c. Total (2.a. + 2.b.)	\$66,463,000	\$69,381,000
3. PVB minus Reserves (2.c.) – (1.c.)	-50,688,000	-47,433,000
4. Funded Ratio (1.c.) ÷ (2.c.)	176.3%	168.4%

SECTION 2: Valuation Results for KCERA SRBR Valuation

A. INTRODUCTION

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 Association 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 1, SRBR Tier 2 and SRBR Death Benefits, as well as the SRBR Tier 3 benefits approved through the valuation date (June 30, 2013).

Future Benefits – These are the SRBR Tier 3 benefits expected to be approved in future years in order to maintain 80% purchasing power.

Article 5.5 governs the crediting of interest to reserves and the allocation of Undistributed Earnings. Undistributed Earnings are the amounts that remain 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 allocated to the SRBR and the remaining 50% are allocated as additional interest credits to all other reserve funds excluding the Contingency Reserve and the SRBR.

A summary of the benefits provided by the SRBR is displayed in Exhibit II. Note that, 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. The assets and liabilities related to this additional 0.5% COLA are included in the regular valuation and are therefore excluded from this SRBR valuation.

SECTION 2: Valuation Results for KCERA SRBR Valuation

B. DEMOGRAPHIC DATA

Chart 1 below provides a summary of the number of members eligible for Approved Benefits as of June 30, 2013. It also contains information on the monthly SRBR benefits in pay status as of June 30, 2013.

Each of the various SRBR benefits and their eligibilities are described in Exhibit II.

CHART 1

Table of Coverage

Members Eligible for Approved Benefits as of June 30, 2013	Death Benefits	SRBR1	SRBR2	SRBR3
1. Active Members	8,485	1,204	-	-
2. Deferred Vested Members	1,855	377	-	-
3. Retirees and Beneficiaries	6,135	6,242	582	501
4. Total	16,475	7,823	582	501
5. Total monthly benefits in pay status as of June 30, 2013		\$205,100	\$94,200	\$150,800
6. Average monthly benefit in pay status as of June 30, 2013		\$33	\$162	\$301

SECTION 2: Valuation Results for KCERA SRBR Valuation

C. FUNDED STATUS

Undistributed Earnings are the only source of funding for the SRBR Benefits. By their very nature, Undistributed Earnings are produced on an inconsistent basis and cannot be relied upon on to appear in any single period. Because of this, the funding of SRBR Benefits is set up differently than funding for Regular Benefits. 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 (PVB) for SRBR Benefits.

The actuarial assumptions and methods used to determine the PVB are shown in Exhibit I. These are generally the same assumptions and methods used in the regular June 30, 2013 KCERA valuation.

The short-term, medium-term and long-term funding position are described as follows:

- Funded status of the SRBR “Approved Benefits”
- Funded status of the Targeted SRBR Liabilities
- Funded status of the Total SRBR Benefits

Approved Benefits are the SRBR benefits that have already been approved by the Retirement Board. They include all Tier 1, Tier 2 and Death Benefits, as well as the Tier 3 benefits approved through the valuation date. The Present Value of Approved Benefits is the short-term funding target for the SRBR.

The chart below shows the funded status of “Approved Benefits.”

CHART 2

Funded Status of Approved Benefits

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
1. Available SRBR Reserves		
a. Total SRBR	\$185,728,000	\$188,137,000
b. 0.5% COLA Account	<u>68,577,000</u>	<u>71,323,000</u>
c. Available SRBR Reserve (1.a. – 1.b.)	\$117,151,000	\$116,814,000
2. Present Value of Approved Benefits		
a. Death Benefits	8,431,000	8,166,000
b. SRBR1	28,123,000	28,518,000
c. SRBR2	6,184,000	7,065,000
d. SRBR3	<u>10,851,000</u>	<u>12,191,000</u>
e. Total	\$53,589,000	\$55,940,000
3. PVB Minus Reserves Available (2.e. – 1.c.)	-\$63,562,000	-\$60,874,000
4. Funded Ratio (1.c./2.e.)	218.6%	208.8%

SECTION 2: Valuation Results for KCERA SRBR Valuation

C. FUNDED STATUS (continued)

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 funding target based on a combination of Approved and Projected SRBR Benefits.

The target liability is the PVB for SRBR Tier 1, SRBR Tier 2 and SRBR Death Benefits. For SRBR Tier 3 Benefits, the target liability is the Present Value of projected payments for the 20-year period beginning with the valuation date.

Under the Board's 20/20 policy, the goal is to have a 20% reserve for the death benefits, SRBR Tier 1 and SRBR Tier 2 benefits and 20 years of expected SRBR Tier 3 payments. This is the Targeted Funding with Reserves. The Present Value of Targeted Funding with Reserves is the medium-term funding target for the SRBR.

Under the Board's 20/20 policy, if the Present Value of the Targeted Funding with Reserves is more than 100% funded, the Board may consider increasing the SRBR approved benefits. As of June 30, 2013, the funded status is over the 100% benchmark, at 175.5%.

The chart below shows the funded status of "Targeted Funding."

CHART 3

Funded Status of Targeted Funding

	Liabilities	Liabilities with Reserves
1. June 30, 2013 Available SRBR Reserves	\$117,151,000	\$117,151,000
2. June 30, 2013 Present Value of Targeted Funding		
a. Death Benefits	8,431,000	10,118,000
b. SRBR1	28,123,000	33,748,000
c. SRBR2	6,184,000	7,420,000
d. SRBR3 (20 years of expected payments)	<u>15,452,000</u>	<u>15,452,000</u>
e. Total	\$58,190,000	\$66,738,000
3. PVB minus Reserves (2.e. – 1.)	-\$58,961,000	-\$50,413,000
4. Funded Ratio (1./2.e.)	201.3%	175.5%

SECTION 2: Valuation Results for KCERA SRBR Valuation

C. FUNDED STATUS (continued)

KCERA's long-term funding target for the SRBR is based on the Present Value of all projected SRBR Benefits.

The chart below shows the funded status of total SRBR Benefits.

CHART 4 Funded Status of Total SRBR Benefits

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
1. Available SRBR Reserves	\$117,151,000	\$116,814,000
2. Present Value of Total Benefits		
a. Approved Benefits	53,589,000	55,940,000
b. Future Benefits	<u>12,874,000</u>	<u>13,441,000</u>
c. Total	\$66,463,000	\$69,381,000
3. PVB minus Reserves (2.c. – 1.)	-\$50,688,000	-\$47,433,000
4. Funded Ratio (1./2.c.)	176.3%	168.4%

SECTION 2: Valuation Results for KCERA SRBR Valuation

C. FUNDED STATUS (continued)

The funded status of Total SRBR Benefits as measured by the funded ratio increased from 168.4% as of June 30, 2012 to 176.3% as of June 30, 2013.

The following chart details the changes in the funded ratio from the prior year's valuation to the current year's valuation.

The increase in the funded status for total SRBR benefits was primarily due to the passage of time (i.e., expected changes in the funded status) and lower inflation as compared to expected. These gains were offset to some extent by an investment loss, since the rate of return on the available SRBR (after smoothing) during 2012/2013 was about 5.5%, which is less than the 7.75% assumption.

CHART 5

Reconciliation of Funded Ratio for Total SRBR Benefits

1. Funded Ratio as of June 30, 2012	168.4%
2. Changes due to:	
a. Passage of Time (Expected Changes)	6.2%
a. Investment Loss	-3.7%
b. Inflation Gain	5.4%
c. Other Liability Gain/Loss	<u>0.0%</u>
d. Total	7.9%
3. Funded Ratio as of June 30, 2013	176.3%

SECTION 3: Supporting Exhibits for KCERA SRBR Valuation

EXHIBIT I

Actuarial Assumptions and Methods

Actuarial Assumptions:	The same actuarial assumptions used in the KCERA June 30, 2013 Actuarial Valuation and Review.
Actuarial Value of Assets:	Supplemental Retiree Benefit Reserve value as of valuation date.
Actuarial Cost Method:	Not applicable, since only the Present Value of Future Benefits (PVB) is determined in this report.

SECTION 3: Supporting Exhibits for KCERA SRBR Valuation

EXHIBIT II

Summary of Plan Provisions

Benefits Provided:	The SRBR currently provides four categories of 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: <ul style="list-style-type: none">• \$1.372 per year of service for members who retired prior to 1985. This was granted July 1, 1994.• \$5.470 per year of service for members who retired prior to 1985. This was granted July 1, 1996.• \$10.276 per year of service for members who retired prior to 1981. This was granted July 1, 1997. Upon death of the retired member, 60% of the Tier 1 and Tier 2 SRBR benefits continue to the retired member's beneficiary.
Tier 3:	Additional benefits to maintain 80% purchasing power protection. Upon death, this benefit continues to be paid to the retired member's beneficiary based on the applicable continuation percentage under the member's form of payment elected at retirement.
Death Benefit:	An additional one-time post-retirement death benefit of \$3,000 is paid to a retired member's beneficiary upon the death of the retired member.
Plan Changes:	There have been no changes in plan provisions since the previous actuarial valuation.

SECTION 3: Supporting Exhibits for KCERA SRBR Valuation

EXHIBIT III

Summary of SRBR Valuation Results

Present Value of Projected Benefits

Approved Benefits

	Death Benefit	SRBR1	SRBR2	SRBR3	Total
Active Members	\$1,919,000	\$3,961,000	\$0	\$0	\$5,880,000
Deferred Vested Members	348,000	1,327,000	0	0	1,675,000
Retirees and Beneficiaries	<u>6,164,000</u>	<u>22,835,000</u>	<u>6,184,000</u>	<u>10,851,000</u>	<u>46,034,000</u>
Total	\$8,431,000	\$28,123,000	\$6,184,000	\$10,851,000	\$53,589,000

Future Benefits

Active Members	\$0	\$0	\$0	\$3,926,000	\$3,926,000
Deferred Vested Members	0	0	0	131,000	131,000
Retirees and Beneficiaries	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,817,000</u>	<u>8,817,000</u>
Total	\$0	\$0	\$0	\$12,874,000	\$12,874,000

Total Approved and Future Benefits

Active Members	\$1,919,000	\$3,961,000	\$0	\$3,926,000	\$9,806,000
Deferred Vested Members	348,000	1,327,000	0	131,000	1,806,000
Retirees and Beneficiaries	<u>6,164,000</u>	<u>22,835,000</u>	<u>6,184,000</u>	<u>19,668,000</u>	<u>54,851,000</u>
Total	\$8,431,000	\$28,123,000	\$6,184,000	\$23,725,000	\$66,463,000

Available SRBR Reserves

Total SRBR	\$185,728,000
Additional 0.5% COLA Account	<u>68,577,000</u>
Available SRBR	\$117,151,000

Funded Ratios

Approved Benefits	218.6%
Total Approved and Future Benefits	176.3%

SECTION 3: Supporting Exhibits for KCERA SRBR Valuation

**EXHIBIT IV
Projected Cash Flow for SRBR Tier 3 Payments**

Year Beginning July 1,	Projected SRBR Tier 3 Payments
2013	\$1,818,000
2014	1,747,000
2015	1,699,000
2016	1,653,000
2017	1,604,000
2018	1,554,000
2019	1,516,000
2020	1,481,000
2021	1,447,000
2022	1,412,000
2023	1,373,000
2024	1,331,000
2025	1,291,000
2026	1,248,000
2027	1,203,000
2028	1,161,000
2029	1,120,000
2030	1,078,000
2031	1,035,000
2032	995,000

Value of Non-Discounted 20-Year Cash Flow: \$27,766,000

Present Value of Projected 20-Year Cash Flow: \$15,452,000

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