



December 3, 2018

Ms. Patti McLaughlin  
Administrator  
City of Key West  
Employees' Retirement Plan  
City of Key West  
1300 White Street  
Key West, Florida 33040

**Re: Experience Study**

Dear Patti:

As requested, Gabriel, Roeder, Smith & Company (GRS) is pleased to present our engagement letter for an Experience Study for the City of Key West Employees' Retirement Plan (Plan).

**Scope**

GRS will review Plan experience for the five-year period ended September 30, 2017 where credible to make recommendations on the actuarial assumptions and methods used in future annual Actuarial Valuations for the Plan.

It is highly recommended that Experience Studies be performed regularly to keep the actuarial assumptions and methods up to date with evolving Plan experience. We note that the last experience study was completed on November 15, 2013 for the five years ended September 30, 2012.

The following assumptions have been identified for analysis:

1. Investment Return – The current investment return assumption is 7.50%, compounded annually net of investment expense (current assumed price inflation of 2.75%).
2. Salary Increase Rates – The current rates vary by service and range from 3.75% to 6.00%, per annum (current assumed wage inflation of 3.75%).
3. Termination Rates – The current rates vary by service and range from 4.0% to 22.0%, per annum.
4. Retirement Rates – Current retirement rates vary by age and range from 5.0% to 100.0%, per annum.

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**Proposed Fees**

We estimate our *not-to-exceed* fee for the Experience Study is \$9,500. Our *not-to-exceed* fee estimate includes attendance at a Board Meeting to discuss the key financial results of the Study.

**Other Considerations**

Upon approval by the Board of any changes in actuarial assumptions, the updated assumptions will be first used in the October 1, 2018 Actuarial Valuation.

**Timing**

We anticipate our Study will be completed within 60 days following direction to proceed.

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We look forward to performing this important work on behalf of the Board. If you should have any question concerning the above, please do not hesitate to contact us.

Sincerest regards,



Lawrence F. Wilson, A.S.A., M.A.A.A., E.A., F.C.A.  
Senior Consultant and Actuary