



June 21, 2016

Ms. Patti McLauchlin, Administrator
City of Key West Employees' Retirement Plan
City of Key West
3102 Flagler Avenue
Key West, Florida 33040

Re: Engagement Letter – Actuarial Study

Dear Patti:

As requested, Gabriel, Roeder, Smith & Company (GRS) is pleased to present this engagement letter for professional actuarial and consulting services to provide an Actuarial Study as of October 1, 2014 to the City of Key West Employees' Retirement Plan (Plan).

We are enthusiastic about extending our existing relationship with you and your colleagues. We have a long-standing commitment and experience with working on behalf of public sector benefit programs. Our philosophy of developing a partnership with our clients emphasizes the collaborative nature of the GRS working relationship. We strive to earn your trust as your advisor. We will continue to work together with you in the best interest of the interested parties.

Description of Services

The professional services will be provided under the supervision of Larry Wilson, A.S.A., a Senior Consultant and Actuary with over 25 years of experience in employee benefit plans, Kelly Adams, A.S.A., a Consultant and Actuary with over 15 years of experience with employee benefit plans and Jen Borregard, E.A., a Consultant and Actuary with over 15 years of experience with retirement systems.

Background

The Plan does not currently provide an automatic annual cost of living adjustment (COLA). Effective January 1, 2006, members receiving benefits received a 2.0% *ad hoc* (one time) COLA.

Proposed Changes

We understand the Board is interested in analyzing the impact of the following proposed change in benefit provisions:

Scenario 1: Current retirees who retired on or after attaining their normal retirement date, with a monthly benefit less than \$1,000 shall receive a monthly benefit of \$1,000 during their lifetime – upon death, any beneficiary benefit shall be based upon the original monthly benefit amount.

Scenario 2: In addition to Scenario 1, **current** retirees including DROP members and respective beneficiaries, who retired or entered the DROP on or after attaining their normal retirement date will receive an *ad hoc* (one-time) cost of living adjustment (COLA) increase in the amount of 1.5% for each full year the member has been receiving benefits since January 1, 2006 effective January 1, 2017. This increase will be applied to the original monthly benefit prior to applying the \$1,000 minimum monthly benefit.

Scenario 3: In addition to Scenario 1, **current** and **future** retirees including DROP members and respective beneficiaries, who retired or enter the DROP or will retire on or after attaining their normal retirement date will receive an annual automatic **1% COLA** increase payable each January 1st commencing January 1, 2017.

Scenario 4: In addition to Scenario 1, **current** and **future** retirees including DROP members and respective beneficiaries, who retired or enter the DROP or will retire on or after attaining their normal retirement date will receive an annual automatic **2% COLA** increase payable each January 1st commencing January 1, 2017.

Scenario 5: In addition to Scenario 1, **current** and **future** retirees including DROP members and respective beneficiaries, who retired or enter the DROP or will retire on or after attaining their normal retirement date will receive an annual automatic **3% COLA** increase payable each January 1st commencing January 1, 2017.

Scenario 6: In addition to Scenario 1, **current** and **future** retirees including DROP members and respective beneficiaries, who retired or enter the DROP or will retire on or after attaining their normal retirement date will receive an annual automatic **1% COLA** increase payable each January 1st commencing at the later of January 1, 2017 or following receipt of benefits for **five (5) years**.

Scenario 7: In addition to Scenario 1, **current** and **future** retirees including DROP members and respective beneficiaries, who retired or enter the DROP or will retire on or after attaining their normal retirement date will receive an annual automatic **2% COLA** increase payable each January 1st commencing at the later of January 1, 2017 or following receipt of benefits for **five (5) years**.

Scenario 8: In addition to Scenario 1, **current** and **future** retirees including DROP members and respective beneficiaries, who retired or enter the DROP or will retire on or after attaining their normal retirement date will receive an annual automatic **3% COLA** increase payable each January 1st commencing at the later of January 1, 2017 or following receipt of benefits for **five (5) years**.

Data Requirements

Please find enclosed an Excel© file with census information needed to perform this Study.

Other Considerations

Members who retired under disability, early retirement and deferred retirement and their respective beneficiaries are not considered for any additional benefits under this Study.

Proposed Fees

Our fees for the project will be based upon our hourly rates.

<u>Title</u>	<u>Hourly Rate</u>
Senior Consultant and Actuary	\$ 300 - \$ 395
Consultant and Actuary	\$ 225 - \$ 295
Senior Analyst	\$ 175 - \$ 225
Analyst	\$ 125 - \$ 170
Administrative Assistant	\$ 75 - \$ 95

Our hourly rates include the cost of our overhead including computer charges, telephone and the like.

We will agree to a not-to-exceed fee of \$14,862.

Timing

We are prepared to initiate the process immediately and anticipate completing our Actuarial Study within sixty (60) days following direction to proceed and receipt of necessary census information.

We trust the above is responsive to your request. Please do not hesitate to contact us should you have any questions or require additional information.

Ms. Patti McLauchlin
June 21, 2016
Page 4

We look forward to assisting the Board with this important project.

Sincerest regards,

A handwritten signature in black ink, appearing to read "L. F. Wilson". The signature is fluid and cursive, with the first name "L." and middle initial "F." being more distinct than the last name "Wilson".

Lawrence F. Wilson, A.S.A.
Senior Consultant and Actuary

Enclosure