

KEY WEST GENERAL EMPLOYEES RETIREMENT PLAN



SUMMARY PLAN DESCRIPTION

SEPTEMBER ~~2023~~ **2024**

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INTRODUCTION

This document is intended to be a plain language summary of the administration and benefits provided by the City of Key West General Employees' Retirement Plan ("Plan"). The Plan is a financial program through which you and the City save together to help Plan your retirement. The Plan also provides disability and death benefits prior to retirement under certain circumstances.

On the following pages you will find valuable information describing the main features of the Plan, including:

- When you qualify for retirement;
- How your pension is calculated and how it can be paid;
- How your spouse or other beneficiary is protected in the event of your death; and
- Additional information that will help you plan ahead.

While efforts have been made by the Board of Trustees to provide an accurate summary, this document is not the official plan document and your actual benefits are governed by the appropriate provisions of the actual statutes and ordinances which create this Plan, the Code of the City of Key West, and Chapter 112, Part VII, Florida Statutes. If there is any conflict between those legislative provisions and this summary, the legislative provisions control. **Nothing in this document is intended to nor does it create a contract for benefits greater than that provided by law.** This Summary Plan Description is solely intended as a guide to your benefits and is not intended to create a contract or promise of any specific benefit.

A copy of your Plan is on file with the Plan Administrator and may be read by you, your beneficiaries, or your legal representative at any reasonable time. Any questions you have regarding your rights or benefits under this Plan should be directed to the Plan Administrator:

Patti McLauchlin
City of Key West General Plan Administrator
16073 Thorn Wood Drive
Fort Myers, FL 33908
(305) 797-2624

This summary plan description explains how the Retirement Plan works and what it can mean to you in your overall financial planning. Please read these materials carefully and share them with your family.

DEFINED BENEFIT RETIREMENT PLAN

This is a defined benefit plan. This means the amount of benefits that you receive is a percentage of your salary multiplied by years of service with the City of Key West. Money is contributed to the Plan by you and the City of Key West. Under Florida law, the City of Key West is ultimately responsible for making certain that the Plan is actuarially sound.

BOARD OF TRUSTEES

The Plan is administered by a five member Board of Trustees. Three of the Trustees are active employees and members of the Plan who are elected by active members of the Plan. One of the Trustees is chosen by the Mayor and City Commission and must be either an active or retired member of the Plan, or a non-member of the Plan who is a resident of Monroe County. The fifth trustee is appointed by the other four trustees by majority vote.

The Board of Trustees is responsible for directing the investment of the assets of the Retirement Plan to ensure that there will be adequate monies for future benefits. The Plan's money is invested by professional money managers whose performance is monitored by investment professionals on a quarterly basis to ensure that the Board is receiving a proper return on the investment of Pension assets.

The Plan employs a professional actuary who helps determine the cost of future benefits; accountants who determine the proper allocation of monies; and an attorney with expertise in the area of public pension law to advise the Board of Trustees. With the assistance of these professionals, the Board of Trustees is responsible for interpreting and applying the pension ordinance and for determining eligibility on all benefit claims.

All of the trustees serve four (4) year terms. The Trustees are eligible for re-election or re-appointment. The Trustees receive no compensation for their service, and they only receive reimbursement for travel and for educational activities on behalf of the Plan. In order to keep up on the latest trends in pension management, Trustees are expected to regularly attend schools and seminars pertaining to the management of pension Plans for public employees.

A listing of the current Board of Trustees is included at the end of this Summary Plan Description.

In accordance with Florida law, the Chair is the registered agent for service of process and her business address is:

Cheri Smith
City of Key West
1300 White Street
Key West, Florida 33040

In the absence of the designated Chair, any member of the Board of Trustees is subject to service of process.

PLAN ADMINISTRATION

The Plan is administered by Patti McLauchlin, Administrator, whose address is:

16073 Thorn Wood Drive
Fort Myers, FL 33908
Telephone Number: (305) 797-2624

The day-to-day record-keeping functions of the Plan are the responsibility of Patti McLauchlin.

FISCAL YEAR

The Plan's fiscal year commences on October 1 of each year and concludes on September 30 of each year. The Plan's fiscal records are maintained on this annual basis.

DEFINITIONS

Some of the terms used in the Summary Plan Description have special meaning as applied within the Plan. A few of these terms are defined below:

- Credited Service - The number of years, months and days you work for the City of Key West and for which you receive credit towards your retirement benefit and for which pension contributions are made.
- Final Monthly Compensation - The member's average monthly rate of earnable compensation for his/her best 36 consecutive months out of the last 120 months preceding the date of

retirement. If a member has been employed for less than 36 months, the average is taken over the actual period of employment.

- Member - Member of the Plan who is entitled to receive benefits provided to the City's full-time general employees, excluding police officers and firefighters.

PLAN PARTICIPATION

The Plan is open solely to employees of the City of Key West, other than police officers and firefighters. Participation in the Plan is mandatory for all full time employees of the City of Key West who otherwise meet the requirements for participation in the Plan.

PLAN FUNDING

- Employee Contributions- An active member of the Plan contributes 6% of their earnable compensation to the Plan. This contribution is accomplished through what is known as a "pick up" plan. A pick up plan provides for the withdrawal from an employee's pay of the 6% contribution prior to the time that the pay is subjected to federal income taxation. The money is then placed directly in the Retirement Plan on behalf of the employee by the City. The purpose of the pick up plan is to allow an employee to defer federal income taxation on the contribution until such time as an employee actually receives a pension. The pick up plan is authorized pursuant to City Ordinance and the provisions of Section 414(h)(2) of the Internal Revenue Code.

- City Contributions - The required City contribution is determined each year by an actuarial valuation. The valuation is performed to make sure that the Plan is able to pay benefits to members as is required under the terms of the Plan. The actual amount the City contributes has been negotiated through collective bargaining and is currently 8% of payroll annually.
- Investment Income - The contributions of the members and the City are invested in stocks and bonds. The income generated from these investments help Plan the benefits provided for in the Plan.

PLAN BENEFITS

The following benefits are available from the Plan:

- a. Normal Retirement Date. Members are eligible for normal service retirement on the first day of the month on or next following the date upon which the member has completed 20 years of service, regardless of age; or has reached age 60 with five years of credited service for a half benefit and age 60 with 10 years of service for a full benefit.
- b. Normal Retirement Benefit. Upon reaching their normal retirement date, members who have attained a vested interest in the Plan are entitled to a retirement benefit of 2.50% of final monthly compensation, multiplied by the number of years of credited service. However, the normal retirement benefit for members retiring at age 60 with more than 5 but less than 10 years of credited service is 1.25% of final monthly compensation, multiplied by the number of years of credited service.

- c. Final Monthly Compensation. Final monthly compensation is the average monthly earnings of the member for their best 36 consecutive months out of the last 120 months preceding the date of retirement. If a member has been employed for less than 36 months, the average is taken over the actual period of employment. Salary means the total actual cash compensation paid on a yearly basis. Salary includes base pay and overtime. It does not include unused accumulated leave, bonuses, or expense allowances.
- d. Early Retirement. When a member turns age 55 with 10 years of credited service, the member may elect an early retirement benefit. The early retirement benefit will be payable on the first day of each month on or after the date that the Participant actually retires. The amount of the benefit is the amount the Participant could have received as a normal retirement benefit, actuarially reduced for early payment, so that it is the actuarial equivalent of the normal retirement benefit.
- e. Duty Disability Benefit. If a member becomes permanently and totally disabled from rendering useful and efficient service to the City of Key West as the result of an accident, illness, or injury arising in the line of duty, regardless of the length of service, a member is entitled to a disability pension in the amount which is the greater of:
 - i. 42% of the member's final monthly compensation;

- ii. The benefit supported by the single sum value of the deferred monthly retirement income beginning at the normal retirement date which has accrued to the date of termination due to disability; or
- iii. The benefit supported by 18 times the member's final monthly compensation at the time of disability. However, the benefit, if computed by this calculation may not exceed 60% of the member's anticipated monthly retirement income commencing at the normal retirement date.

A duty disability pension is payable in any of the optional forms of payment allowed under the terms of the Plan (described below in subsection i).

- f. Non-duty disability benefit. If a member has 10 years of service and is injured outside the line of duty, the member is eligible for a non-service connected disability retirement which is equal to the greater of:
 - i. The benefit supported by the single sum value of the deferred monthly retirement income beginning at the normal retirement date which has accrued to the date of termination due to disability; or
 - ii. The benefit supported by 18 times the member's rate of final monthly compensation at the time of disability.

Payments of disability benefits for either duty or non-duty disabilities continue until the recovery from the disability, or conversion to a normal or early retirement benefit under the terms of the Plan. In the event of death of a member retired on a disability who has not received 120

monthly payments, the remaining unpaid benefits are paid to the member's designated beneficiary, If no beneficiary has been named, these payments are made to the member's estate.

- g. Disability procedure. A member seeking a disability retirement should request a disability application from the administrator and is required to submit proof of the disability. **An application must be filed while still a City employee to be considered timely.** After reviewing a disability application, the Board may require the applicant to submit to an independent medical examination conducted by a physician or physicians selected by the Board. A member applying for a disability benefit has the right to request a formal evidentiary hearing at which time medical reports will be considered, and the member will have an opportunity to present his or her own evidence and cross examine all witnesses.

A member who receives a disability pension can be reexamined by the Board at any time prior to the member's normal retirement date, and if found to have recovered, must resume active service with the City. If a member recovers, yet refuses reemployment with the City, the disability pension will be terminated. Disability benefits may not be awarded to a member whose employment terminated prior to the member's becoming disabled, or the member submitting an application for disability, nor may a member receive a disability benefit as the result of a self-inflicted injury or any disability resulting from the habitual use of narcotics or alcoholic beverages.

- h. Payment of Normal Retirement Benefit. The normal form of payment of the retirement benefit is a life annuity. A life annuity payment means that a member's pension will continue for his or her life, but upon death the pension ceases. There is

no minimum payment guaranteed under this option and there is no survivor benefit under this option.

i. Optional forms.

10 year certain and life thereafter- The member may select what is called a 10 year certain and life thereafter payment option. This means that a member's benefit will continue for his or her life, but upon death the benefit ceases. However, if a member dies prior to receiving 120 monthly payments, the remaining unpaid payments up to what is the 120th payment are made to the member's beneficiary.

Joint and survivor option- Members may also choose an option in the form of a joint and survivor annuity. This means that a member may choose to receive a benefit during the member's lifetime and to have the benefit continue after death to the member's spouse or other beneficiary for the remainder of the spouse's or other beneficiary's life. The options for the joint survivor annuity are to leave a 50, 66 2/3, 75, or 100 percent benefit to the surviving beneficiary. The consent of a member's joint annuitant is not required for the selection of any option.

After electing a joint and survivor annuity, a retiree may thereafter change the designated joint pensioner, but only if the Board consents to such change and if the joint pensioner last previously designated is still alive. The consent of a member's joint pensioner to any such change shall not be required. The Board may request evidence of the good health of the joint pensioner that is being removed and the amount of the retirement income payable to the retiree upon the

designation of a new joint pensioner shall be actuarially redetermined taking into account the ages and gender of the former joint pensioner, the new joint pensioner, and the member.

The joint and survivor option automatically contains what is called a “pop-up” option. If a joint pensioner predeceases the member, the pop-up option provides for the automatic conversion of the benefit to a straight life annuity payable to the member. The “pop-up” option is not automatic and must be selected by the member. Electing the pop-up has a small, actuarially determined cost to the member.

- j. Vesting. Any member who completes ten (10) years of credited service and whose contributions remain in the Plan has a fully vested right to accrued benefits from the Plan. A member who has completed five (5) years of credited service shall be fifty (50) percent vested in the Plan and shall receive an additional ten (10) percent vesting each year thereafter. A member who leaves the service of the City prior to eligibility for normal service retirement or early service retirement, but who has completed five (5) years of creditable service is entitled to receive retirement benefits commencing at the regular normal service retirement date based upon their vesting percentage. Such benefits will be based on final monthly compensation and credited service as of the date of termination. Every member shall have the right to elect to receive, in lieu of all benefits under the Plan, a return of the member’s accumulated contributions.

Returned contributions may be paid directly to the member or may be rolled over to another qualified plan, including an individual retirement account (IRA). If contributions are returned to a member, the member will no longer be eligible for a pension benefit from the Plan.

- k. **Military Buyback.** Any member who is employed by the City prior to entry into military service and who takes a leave of absence for the purpose of entering into military service in the Armed Forces of the United States and re-enters the employment of the City, and is vested, may receive credit for a maximum of five (5) years of military service time in the Plan, provided that for each year being purchased the member pays to the Plan the full actuarial cost of the buyback. Additionally, any member who successfully completed his or her probationary period and who has served on active military duty in the Armed Forces of the United States before entry or reentry into the Plan, may receive credit for a maximum of five (5) years of military service time in the Plan, provided that for each year being purchased the member pays to the Plan the full actuarial cost of the buyback. The contribution for military buyback may be made in one lump sum or may be made by payroll deductions in installments over a period of time which cannot exceed the number of years being purchased.

DEFERRED RETIREMENT OPTION PLAN

A Deferred Retirement Option Plan (DROP) exists for the benefit of Plan members. A DROP offers active members an opportunity, prior to separation from service, to keep working and simultaneously accumulate pension benefits. In other words, it is a chance to earn two incomes at the same time, with one of them being saved and invested without current tax liability. From a technical standpoint, a DROP program represents a method of providing for the deferred receipt of retirements from a defined benefit plan.

An active member is eligible to enter the DROP upon eligibility for normal or early retirement under the terms of the Plan. In order to participate in the DROP, the member must submit a timely DROP application. A DROP application will be considered timely if submitted within the first ~~30~~ 33 years of employment. A member who does not submit a written DROP application within this time period will not be eligible to participate in the DROP. Participation in the DROP, when combined with participation in the Plan as an active member, may not exceed ~~30~~ 33 years.

Upon entering the DROP, the member's service pension is calculated by the Plan's actuary as if the member had actually retired and separated from service on the date of entry into the DROP. Furthermore, all rights in the Plan are frozen as of the date the member enters the DROP. The member, however, keeps working for the City. The member may work up to a maximum of 5 8 years from the time of entry into the DROP. However, the member may separate from service with the City at any time during the 5 8 year period.

The pension payments which the member would have received had they actually separated from service are deposited into an account for the member's benefit and shall earn or lose interest based upon the actual earnings of the Plan for the preceding year.

Since a DROP participant is "retired" for pension purposes, the member ceases making regular employee contributions during DROP participation. Because the DROP participant is no longer making contributions into the Plan, the DROP participant's take home pay will generally increase.

Entry into the DROP is irrevocable once made. At the end of participation in the DROP, and not more than 5 8 years after entry into the DROP, the member must actually separate from

service with the City. Upon separation, the member is eligible to receive the proceeds of his or her DROP account together with the interest earnings. The member also begins to receive their monthly service pension on the first day of the month following their actual separation from service.

DROP account balances, at the option of the member, may be paid in a single lump sum, by combination of lump sum and periodic payments, by annuity, or by rollover to another qualified plan.

Employees who are currently in the DROP as of August 8, 2024, may elect in writing to extend their DROP participation time to 8 years total from the date they entered into DROP. Employees currently in the DROP as of August 8, 2024, must elect to participate in the extension before the end of their initial DROP period

FUTURE BENEFIT CHANGES

Members retiring after October 1, 1988 shall be eligible to receive future benefit changes beginning with the date of the change. The Board sets the procedure for this benefit by adopting an administrative rule.

DEATH BENEFITS

If the death of a member occurs prior to the normal retirement date, there shall be payable to the member's designated beneficiary, on a ten year certain and life thereafter basis a monthly income beginning on the first day of the month coincident with or next following the date of death which shall be supported by the greater of:

- (1) The single sum value of the participant's deferred monthly retirement income beginning at his normal retirement date which has accrued to the date of the

member's death, based on the participant's number of years of credited service and final monthly compensation at the date of death; or

- (2) The smaller of eighteen (18) times the member's rate of final monthly compensation at time of death or one hundred (100) times the member's anticipated monthly retirement income commencing at the normal retirement date based upon the participant's number of years of anticipated credited service at normal retirement date and final monthly compensation at anticipated normal retirement date, assuming continuation of current pay until that time.

The amount of the benefit shall be computed as though the member had retired on the date of death and had chosen the 100-percent joint and survivor option. The Board may, in its discretion, pay the benefit in another form if the Board deems it to be in the best interest of the beneficiary. The actuarial value of any other form of benefit may not exceed the actuarial value of the 100-percent joint and last survivor option.

If the death of a member occurs after the normal retirement date, but prior to actual retirement or entry into the DROP, there shall be payable to his beneficiary a monthly income beginning on the first day of the month coincident with or next following the date of death which shall be the actuarial equivalent of the single sum value of the retirement income based upon the final monthly compensation and number of years of credited service at the date of death.

PENSION FORFEITURE

As discussed above, if you separate from service before you vest, you will not receive any benefits from the Plan, although you are entitled to a return of your contributions. In addition,

benefits are forfeitable pursuant to the provisions of Section 112.3173, Florida Statutes, which provides for the forfeiture of retirement benefits of persons convicted of specific offenses, or if your employment is terminated by reason of your admitted commission, aiding or abetting of a specified offense.

ALIMONY, CHILD SUPPORT, AND PROPERTY DISTRIBUTIONS

Under state law and local ordinance, this Plan is exempt from claims of creditors. The only exception is a court award of child support or alimony. Under Florida law, there is a specific exemption permitting these payments to be made from the Plan. Florida law does not permit direct payment of property settlement rights. A former spouse cannot receive a benefit until the member retires and starts receiving benefits from the Plan.

In a divorce proceeding, a court can order a member to pay a portion of his or her benefits to a spouse once that benefit is received. Once pension monies are actually paid to a retiree, the pension money is no longer exempt from attachment or claim by any creditor. If the pension benefit is being divided as an equitable distribution of property, a special order must be entered by the Court with payments made from the Plan to a joint account in the name of the member and former spouse. The bank acts as a trustee of the account and makes the pension payment to the member and former spouse as specified in the order. The Plan is not subject to qualified domestic relations orders (QDRO's).

In order to guarantee that the Board follows the requirements of properly entered divorce decrees, members are required to submit all divorce decrees to the Board of Trustees. Members are encouraged to submit draft copies of divorce orders to the Board for review, prior to the entry of a

final divorce decree. In the event that an order requires correction for failure to comply with the terms of the Plan, fees and costs incurred by the Plan shall be reimbursed by the member.

TAXATION OF PENSION BENEFITS

Service retirement payments and non-duty disability pensions are taxable as ordinary income. The retiree will receive a tax form from the Plan at the end of each January reporting the income received in the prior year. Service-connected disability retirement pensions, coordinated with Worker's Compensation, may be considered to be tax exempt under some circumstances. For specific tax advice you should consult a qualified tax expert.

APPLYING FOR BENEFITS

Application for service retirement benefits is made by submitting a retirement application to the Plan Administrator. Application for disability retirement requires the completion of a disability application form and submission to such medical exams as may be determined by the Board. A disability retirement application, in order to be timely, must be filed while the member is still a City employee. All applications may be obtained from the Administrator.

If a member is dissatisfied with any decision made by the Board, the member has the opportunity to appeal that decision within 30 days of the date of any written decision by the Board by filing a petition for common law certiorari in the Circuit Court of Monroe County, Florida.

PLAN DOCUMENTS/RECORDS

The Board keeps accurate and detailed accounts of all investments, receipts, disbursements, and other transactions pertaining to Plan property. The Plan's Administrator keeps a record of all its proceedings and they are available for public inspection. The Board requires all of its vendors

to maintain cyber liability insurance. The Board's meetings are open to the public, under the Government In Sunshine Law.

COLLECTIVE BARGAINING AGREEMENTS

The Union and the City have negotiated Plan changes. Any contract provision must be made effective by changing the ordinances which govern this Plan.

QUESTIONS REGARDING BENEFITS

All questions should be directed in writing to the Plan Administrator, Patti McLauchlin.

SUMMARY

The foregoing Summary Plan Description has been designed to help answer some of your questions about how your Plan is organized and managed. The final authority on any interpretation of the Plan, however, is the actual legislation which created the Plan. In the event of any conflict between this booklet and those laws, the provisions in law control. The ordinances governing your Plan can be found within the Code of the City of Key West. The City Code may be reviewed in the office of the City Clerk or online at www.municode.com.

BOARD OF TRUSTEES AND ADMINISTRATOR

Trustees

Cheri Smith, Chairperson

Alice Parker, Vice Chairperson

Angela Budde, Trustee

Ben Gibson, Trustee

Christina Bervaldi, Trustee

Plan Administrator

Patti McLauchlin (305) 797-2624