P: 954.527.1616 | F: 954.525.0083 | www.grsconsulting.com

August 29, 2025

Ms. Patti McLauchlin
Administrator
City of Key West Employee's Retirement Plan
16073 Thornwood Dr.
Fort Myers, Florida 33908

**Re: Retirement Plan for Employees of the City of Key West**
**Actuarial Impact Statement**

Dear Patti:

As requested, we are pleased to enclose our Actuarial Impact Statement as of October 1, 2024 for filing the proposed Ordinance (copy enclosed) under the Retirement Plan for Employees of the City of Key West (Plan) with the State of Florida prior to second reading.

***Background*** – Currently, the Plan does not provide automatic annual cost of living adjustments (COLAs). Effective January 1, 2006, members receiving benefits received a 2.0% *ad hoc* (one time) COLA increase.

***Proposed Ordinance*** – The proposed Ordinance provides the following effective January 1, 2026:

- A 2.0% *ad hoc* COLA for the following members currently receiving monthly benefits:
  - Retirees and former DROPs, or their respective beneficiaries, who retired on or after attaining their normal retirement date;
  - Members, or their respective beneficiaries, who retired due to disability;
  - Survivor beneficiaries of members active at time of death currently receiving benefits.
- Current retirees who retired with twenty (20) or more years of service, with a monthly benefit less than $1,000 shall receive a monthly benefit of $1,000 during their lifetime.

***Results*** – The impact of the proposed Ordinance results is an expected increase in the first year Net Minimum Funding Payment from the City of $61,718 (0.3% of projected payroll).

***Filing Requirements*** – We have prepared the Actuarial Impact Statement for filing with the State of Florida. Please note that this Statement must be signed and dated on behalf of the Board of Trustees. Copies of the Ordinance upon passage at first reading along with the signed and dated Actuarial Impact Statement are generally required to be filed with the State at the following address:

Mr. Douglas E. Beckendorf, A.S.A.
Bureau of Local Retirement Services
Division of Retirement
Building 8
Post Office Box 9000
Tallahassee, Florida 32315-9000

We understand the State requires funding any increases in costs no later than the next fiscal year following the effective date of the Ordinance.

Please forward a copy of the Ordinance upon passage at second reading to update our files.

***Actuarial assumptions and methods, financial data, Plan provisions and member census data*** – The actuarial assumptions and methods, financial data and member census data employed for purposes of our Actuarial Impact Statement are the same actuarial assumptions and methods, financial data and member census data utilized for the October 1, 2024 Actuarial Valuation with the following exception:

- The increase in the accrued liability resulting from the proposed Ordinance has been amortized under an accelerated period of 15 years

The Plan provisions employed for purposes of our Actuarial Impact Statement are the same Plan provisions utilized in the October 1, 2024 Actuarial Valuation of the Plan with the exception of the proposed changes described above.

***Other Considerations*** – Under Governmental Accounting Standards Board (GASB) Statement Number 68, we understand the full cost of benefit changes must be recognized immediately in the Pension Expense (for accounting, not for funding).

***Risk Assessment*** – Risk assessment may include scenario tests, sensitivity, or stress tests, stochastic modeling, and a comparison of the present value of benefits at low-risk discount rates. We are prepared to perform such assessment to aid in the decision-making process. Please refer to the October 1, 2024 Actuarial Valuation Report dated August 14, 2025 for additional discussion regarding the risks associated with measuring the accrued liability and the minimum funding payment.

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This Actuarial Impact Statement is intended to describe the estimated future financial effect of the proposed benefit changes on the Plan from a neutral perspective and is not intended as a recommendation in favor of the benefit changes nor in opposition to the benefit changes.

If all actuarial assumptions are met and if all current and future minimum required contributions are paid, Plan assets will be sufficient to pay all Plan benefits, future contributions are expected to remain relatively stable as a percent of payroll and the funded status of the plan is expected to approach 100%. Plan minimum required contributions are determined in compliance with the requirements of the Florida Protection of Public Employee Retirement Benefits Act with normal cost determined as a level percent of covered payroll and a level percent amortization payment of the unfunded actuarial accrued liability using a maximum initial amortization period of 20 years.

We have assessed that the contribution rate calculated under the current funding policy is a reasonable Actuarially Determined Employer Contribution (ADEC) and it is consistent with the plan accumulating adequate assets to make benefit payments when due.

All actuarial assumptions used in this Actuarial Impact Statement are reasonable for the purposes of this statement. The combined effect of the assumptions is expected to have no significant bias (i.e. not significantly optimistic or pessimistic). All actuarial assumptions and methods used in the statement follow the guidance in the applicable Actuarial Standards of Practice.

The Unfunded Actuarial Accrued Liability (UAAL) may not be appropriate for assessing the sufficiency of Plan assets to meet the estimated cost of settling benefit obligations but may be appropriate for assessing the need for or the amount of future contributions. The UAAL would be different if it reflected the market value of assets rather than the smoothed value of assets.

These calculations are based upon assumptions regarding future events. However, the Plan's long term costs will be determined by actual future events, which may differ materially from the assumptions made. These calculations are also based upon present and proposed Plan provisions that are outlined or referenced in this Actuarial Impact Statement.

If you have reason to believe the assumptions used are unreasonable, the Plan provisions are incorrectly described or referenced, important Plan provisions relevant to this Actuarial Impact Statement are not described or that conditions have changed since the calculations were made, you should contact the undersigned prior to relying on information in this Actuarial Impact Statement.

If you have reason to believe that the information provided in this Actuarial Impact Statement is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the undersigned prior to making such decision.

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. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

This Actuarial Impact Statement should not be relied on for any purpose other than the purpose described in the primary communication. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This Actuarial Impact Statement has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

This Actuarial Impact Statement was prepared at the request of the Board and is intended for use by the Board and those designated or approved by the Board. This report may be provided to parties other than the Board only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The signing actuaries are independent of the Plan sponsor.

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you should have any question concerning the above or if we may be of further assistance with this matter, please do not hesitate to contact us.

Sincerest regards,
Gabriel, Roeder, Smith & Company

Michelle Jones

Shelly L. Jones, A.S.A., E.A., M.A.A.A, F.C.A., C.F.A.
Consultant and Actuary

Jennifer Borregard

Jennifer M. Borregard, E.A., M.A.A.A, F.C.A.
Consultant and Actuary

Enclosures

**ORDINANCE NO. _______**

**AN ORDINANCE OF THE CITY OF KEY WEST, FLORIDA, AMENDING CHAPTER 46, SECTION 107 OF THE CODE OF ORDINANCES TO PROVIDE FOR AN AD-HOC 2% COST OF LIVING ADJUSTMENT; TO PROVIDE FOR AN INCREASE IN THE MONTHLY BENEFIT TO $1,000 FOR RETIREES WHO RETIRED WITH MORE THAN 20 YEARS OF SERVICE WHOSE CURRENT MONTHLY BENEFIT IS LESS THAN $1,000; PROVIDING FOR SEVERABILITY; PROVIDING FOR REPEAL OF INCONSISTENT PROVISIONS; PROVIDING FOR AN EFFECTIVE DATE.**

WHEREAS, the Board of Trustees of the Key West Employees' Retirement Fund has recommended providing for a one time, ad-hoc two percent cost of living benefit to the Plan for retirees; and

WHEREAS, the Board of Trustees of the Key West Employees' Retirement Fund has recommended an increase in benefits for retirees currently receiving less than a $1,000 monthly benefit so that the minimum monthly benefit will be $1,000; and

WHEREAS, the City Commission finds that this ordinance will best serve the interests of the citizens of Key West.

NOW, THEREFORE, BE IT ORDAINED by the City of Key West, Florida:

**Section 1:** That Section 46-107 of the Code of Ordinances is hereby amended to read as follows:

**Section 46-107. – Service Retirement Benefits.**

(a) A member of the retirement plan may elect to retire on a service retirement upon the attainment of retirement eligibility as defined in this section. An election to retire shall be made upon a written application, prescribed by the board. Benefits shall be effective on the date the application is approved in accordance with the administrative rules adopted by the board.

(b) A member shall be eligible for a service retirement upon the first day of the month coincident with or next following the earlier of:

(1) The date upon which the member completes 20 years of credited service, regardless of age; or

(2) The date upon which the member attains age 60 with five years of credited service for a half benefit and ten years of service for a full benefit.

(c) There shall be no mandatory retirement age.

(d) A normal retirement benefit shall be determined by multiplying two and thirty-five-hundredths percent of final monthly compensation by the number of years of credited service; except, that the normal retirement benefit for members retiring at age 60 with five years, but less than ten years of service, shall be determined by multiplying one and seventeen [and] one-half hundredths percent of final monthly compensation by the number of years of credited service. Normal retirement benefits for members retiring at age 60 with ten years of service shall be based on a multiplier of two and thirty-five-hundredths percent of final monthly compensation. Effective January 1, 2006, a normal retirement benefit shall be determined by multiplying two and one-half percent of final monthly compensation by the number of years of credited service; except, that the normal retirement benefit for members retiring at age 60 with five years, but less than ten years of service, shall be determined by multiplying one and one-quarter percent of final monthly compensation by the number of years of credited service. Effective January 1, 2006, normal retirement benefits for members retiring at age 60 with ten years of service shall be based on a multiplier of two and one-half percent of final monthly compensation.

(e) A service retirement benefit shall be payable on the first day of each month. The benefit shall commence on the first day of the month coincident with or next following the member's actual retirement and shall continue until the death of the member. In the event that a member shall retire in the middle of the month, the retirement benefit shall commence on the first day of the following month, but the member shall receive credit for the partial month preceding the actual date that payment commenced.

(f) Early retirement shall be available to a member on the first day of the month coincident with or next following attainment of age 55 and the completion of ten years of credited service.

(g) The benefit shall be determined by multiplying two and thirty-five one hundredths percent of final monthly compensation by the number of years of credited service. Effective January 1, 2006, the benefit shall be determined by multiplying two and one-half percent of final monthly compensation by the number of years of credited service. This benefit shall be actuarially reduced for the number of actual years and months at which the starting date of the benefit precedes the normal retirement date. The actuarial factor employed shall be a uniform rate established by the board, with the advice of the actuary.

(h) The payment of the early retirement income shall be subject to the same conditions as normal retirement income.

(i) If a member elects early retirement, the benefit formula in effect on the early retirement date shall be applicable to the member.

(j) A member entitled to a normal or early retirement benefit shall have the right at any time prior to the date upon which the first payment is received to elect to have the benefit payable under one of the options provided in this plan. A member shall be permitted to revoke any such election and to elect a new option at any time prior to the receipt of the first payment. Each retirement option shall be the actuarial equivalent of the other retirement options available. Election of the retirement option shall be on a form prescribed by the board.

(1) *Joint and last survivor option.* A member may elect to receive a reduced benefit for life and to have 100 percent, 75 percent, 66⅔ percent, or 50 percent of such benefit continued after the member's death and during the lifetime of a designated survivor. A designated survivor may be any natural person, but need not be the spouse of the member. In the event that the designated survivor dies before the member's benefit payments begin, this option shall be canceled automatically and a retirement income shall be payable to the member as if the election had never been made.

(2) *Ten-year certain and life thereafter.* A member may elect to receive a reduced life annuity with 120 guaranteed payments. If the member shall die prior to receiving 120 payments, the remaining benefits shall be paid to the beneficiary designated by the member. In the event that no beneficiary has been designated, the member's estate shall be the recipient of the remaining balance of payments.

(k) Effective January 1, 2006, the monthly benefit currently being received by every retiree, including disability retirees, DROP participants, joint pensioners or beneficiaries who were receiving benefits on or before January 1, 2006, is increased by two percent.

(l) Effective January 1, 2026, the monthly benefit currently being received by every retiree, or their respective beneficiaries, who have retired after attaining their normal retirement date; by every retiree, or their respective beneficiaries, who have retired due to disability; or survivor beneficiaries of members active at the time of death who were receiving benefits on or before January 1, 2026, is increased by two percent.

(m) Effective January 1, 2026, all retirees who have retired from the City of Key West with more than 20 years of service and are currently receiving a monthly benefit less than $1,000 per month shall have their monthly benefit increased to $1,000.

Section 2: It is the intention of the City Commission, and it is hereby ordained that the provisions of this Ordinance shall become and be made a part of the Code of the City of Key West, that the sections of the Ordinance may be renumbered or relettered to accomplish such intentions; and that the word "Ordinance" shall be changed to "Section" or other appropriate word.

Section 3: If any clause, section, or other part or application of this Ordinance shall be held in any court of competent jurisdiction to be unconstitutional or invalid, such unconstitutional or invalid part or application shall be considered as eliminated and shall not affect the validity of the remaining portions or applications which shall remain in full force and effect.

Section 4: All ordinances or parts of ordinances, resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

Section 5: This Ordinance shall go into effect immediately Upon its passage and adoption and authentication by the signature of the presiding officer and the Clerk of the Commission.

Read and passed on first reading at a regular meeting held this _____ day of ________________________, 2025.

Read and passed on final reading at a regular meeting held this ______ day of ________________________, 2025.

Authenticated by the presiding officers and the Clerk of this Commission on this ______ day of ________________________, 2025.

Filed with the Clerk on this ______ day of ________________________, 2025.

| | |
|---|---|
| Mayor Danise Henriquez | ________ |
| Vice Mayor Donald “Donie” Lee | ________ |
| Commissioner Aaron Castillo | ________ |
| Commissioner Monica Haskell | ________ |
| Commissioner Mary Lou Hoover | ________ |
| Commissioner Sam Kaufman | ________ |
| Commissioner Lissette Carey | ________ |

____________________________
DANISE HENRIQUEZ, MAYOR

ATTEST:

_________________________________
KERI O’BRIEN, CITY CLERK

## Actuarial Impact Statement as of October 1, 2024

A. Description of Proposed Amendment

Effective January 1, 2026, the following members receiving benefits are eligible for a 2.0% ad hoc COLA.

1. Retirees and former DROPs, or their respective beneficiaries, who retired on or after attaining their normal retirement date.
2. Members, or their respective beneficiaries, who retired due to disability.
3. Survivor beneficiaries of members active at time of death currently receiving benefits.

Additionally, current retirees who retired with twenty (20) or more years of service, with a monthly benefit less than $1,000 shall receive a monthly benefit of $1,000 during their lifetime.

B. The actuary was provided the information necessary to evaluate the proposed amendment.

C. An estimate of the cost implementing this amendment is attached.

D. In my opinion, the proposed changes are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the Statement Constitution.

Chairman, Pension Board

Date

## Actuarial Impact Statement as of October 1, 2024

| | Valuation 10/01/2024 | Proposed Ordinance 10/01/2024 |
|---|---|---|
| A. Member Data | | |
| 1. Active Members | 297 | 297 |
| 2. Retired Members and Beneficiaries receiving benefits (including DROPs) | 188 | 188 |
| 3. Disabled Members receiving benefits | 2 | 2 |
| 4. Terminated vested Members | 12 | 12 |
| 5. Annual payroll of active Members | $ 19,280,878 | $ 19,280,878 |
| 6. Projected annual payroll of active Members | $ 20,572,697 | $ 20,572,697 |
| 7. Annual benefits payable to Members currently receiving benefits | $ 3,794,892 | $ 3,860,883 |
| B. Value of Assets | | |
| 1. Smoothed actuarial value of assets | $ 73,617,739 | $ 73,617,739 |
| 2. Market value of assets | $ 77,723,001 | $ 77,723,001 |
| C. Liabilities | | |
| 1. Actuarial present value of future expected benefit payments for active members | | |
| a. Retirement benefits | $ 50,117,953 | $ 50,117,953 |
| b. Termination benefits | 3,043,883 | 3,043,883 |
| c. Death benefits | 851,561 | 851,561 |
| d. Disability benefits | 1,834,770 | 1,834,770 |
| e. Total | $ 55,848,167 | $ 55,848,167 |
| 2. Actuarial present value of future expected benefit payments for terminated vested members | $ 1,530,601 | $ 1,530,601 |
| 3. Actuarial present value of future expected benefit payments for members currently receiving benefits | | |
| a. Service retired (including DROPs) | $ 36,096,767 | $ 36,697,301 |
| b. Disability retired | 161,926 | 165,164 |
| c. Beneficiaries | 2,222,861 | 2,262,222 |
| d. Miscellaneous | 458,052 | 458,052 |
| e. Total | $ 38,939,606 | $ 39,582,739 |

## Actuarial Impact Statement as of October 1, 2024

| | | Valuation 10/01/2024 | | Proposed Ordinance 10/01/2024 |
|---|---|---|---|---|
| 4. Total actuarial present value of future expected benefit payments | $ | 96,318,374 | $ | 96,961,507 |
| 5. Actuarial accrued liabilities | $ | 79,331,360 | $ | 79,974,493 |
| 6. Unfunded actuarial accrued liabilities | $ | 5,713,621 | $ | 6,356,754 |
| D. Statement of Accumulated Plan Benefits | | | | |
| 1. Actuarial present value of accumulated vested benefits | | | | |
| a. Participants currently receiving benefits including DROPs | $ | 38,481,554 | $ | 39,124,687 |
| b. Other participants | | 26,526,177 | | 26,526,177 |
| c. Total | $ | 65,007,731 | $ | 65,650,864 |
| 2. Actuarial present value of accumulated non-vested plan benefits | | 2,727,252 | | 2,727,252 |
| 3. Total actuarial present value of accumulated plan benefits | $ | 67,734,983 | $ | 68,378,116 |
| E. Pension Cost | | | | |
| 1. Total normal cost | $ | 2,906,585 | $ | 2,906,585 |
| 2. Payment required to amortize unfunded liability | | 285,374 | | 329,810 |
| 3. Interest adjustment | | 111,661 | | 113,215 |
| 4. Total preliminary required contribution | $ | 3,303,620 | $ | 3,349,610 |
| 5. Total required contribution (Greater of E.1. and E.4.) | $ | 3,303,620 | $ | 3,349,610 |
| 6. Item 5 as a percentage of payroll | | 17.1% | | 17.4% |
| 7. Estimated employee contributions | $ | 1,234,362 | $ | 1,234,362 |
| 8. Item 7 as a percentage of projected payroll | | 6.0% | | 6.0% |
| 9. Net amount payable by City | $ | 2,283,569 | $ | 2,345,287 |
| 10. Item 9 as a percentage of projected payroll | | 11.1% | | 11.4% |

## Actuarial Impact Statement as of October 1, 2024

| | Valuation 10/01/2024 | Proposed Ordinance 10/01/2024 |
|---|---|---|
| F. Disclosure of Following Items: | | |
| 1. Actuarial present value of future salaries - attained age | $ 125,110,625 | $ 125,110,625 |
| 2. Actuarial present value of future employee contributions - attained age | $ 7,506,637 | $ 7,506,637 |
| 3. Actuarial present value of future contributions from other sources | N/A | N/A |
| 4. Amount of active members' accumulated contributions | $ 6,365,648 | $ 6,365,648 |
| 5. Actuarial present value of future salaries and future benefits at entry age | N/A | N/A |
| 6. Actuarial present value of future employee contributions at entry age | N/A | N/A |

## Actuarial Impact Statement as of October 1, 2024

| | Unfunded Actuarial Accrued Liabilities | Current Unfunded Liabilities | Amortization Payment | Remaining Funding Period |
|---|---|---|---|---|
| 10/01/2016 | Method Change - Initial Unfunded | $ (107,563) | $ (9,219) | 12 years |
| 10/01/2016 | Assumption Change | (9,779) | (838) | 12 years |
| 10/01/2017 | Actuarial Loss / (Gain) | 94,726 | 7,514 | 13 years |
| 10/01/2018 | Actuarial Loss / (Gain) | (1,456,473) | (107,546) | 14 years |
| 10/01/2018 | Assumption Change | 1,315,549 | 97,140 | 14 years |
| 10/01/2019 | Actuarial Loss / (Gain) | 705,712 | 48,760 | 15 years |
| 10/01/2019 | Assumption Change | (1,020,463) | (70,506) | 15 years |
| 10/01/2020 | Actuarial Loss / (Gain) | (1,226,730) | (79,662) | 16 years |
| 10/01/2020 | Assumption Change | 434,807 | 28,236 | 16 years |
| 10/01/2021 | Actuarial Loss / (Gain) | (4,371,254) | (267,844) | 17 years |
| 10/01/2021 | Assumption Change | 764,290 | 46,831 | 17 years |
| 10/01/2022 | Actuarial Loss / (Gain) | 3,871,729 | 224,625 | 18 years |
| 10/01/2023 | Actuarial Loss / (Gain) | 4,358,333 | 240,154 | 19 years |
| 10/01/2023 | Assumption Change | 1,463,465 | 80,640 | 19 years |
| 10/01/2024 | Actuarial Loss / (Gain) | 897,272 | 47,089 | 20 years |
| 10/01/2024 | Proposed Ordinance | 643,133 | 44,436 | 15 years |
| | TOTAL | $ 6,356,754 | $ 329,810 | |

This actuarial valuation and/or cost determination was prepared and completed by us or under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate, and in our opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the Plan and/or paid from the Plan's assets for which liabilities or current costs have not been established or other wise provided for in the valuation. All known events or trends which may require material increase in Plan costs or required contribution rates have been taken into account in the valuation.

Jennifer Borregard

Jennifer M. Borregard, E.A., M.A.A.A, F.C.A.
Enrollment Number: 23-07624

Michelle Jones

Shelly L. Jones, A.S.A., E.A, M.A.A.A, F.C.A.
Enrollment Number: 23-08684

Dated: August 29, 2025

## Outline of Principal Provisions of the Retirement Plan

A. Effective Date:

January 1, 1973, as amended through Ordinance 24-19.

B. Eligibility Requirements:

Full-time employee, other than police officers and firefighters.

C. Credited Service:

Service in completed calendar months from date of employment to the earlier of date of retirement or termination.

D. Earnable Compensation:

Base salary paid including overtime pay *pick-up* contributions, but excluding bonuses, expense allowances, unused accumulated leave time, etc.

E. Final Monthly Compensation (*FMC)* :

Average monthly rate of earnable compensation during the best thirty-six (36) consecutive months out of the last one hundred twenty (120) months preceding date of retirement (or termination).

F. Employee Contributions:

6% of basic annual compensation.

G. Normal Retirement:

(1) Eligibility: The earlier of attainment of age 60 and completion of 10 years of credited service or completion of 20 years of credited service, irrespective of age. Employees participating in the plan prior to March 1, 1993 may retire fully vested at age 60 with 5 years of credited service. Employees hired on or after March 1, 1993 may retire at age 60 with 5 years of credited service but less than 10 years of credited service with reduced benefits.

(2) Benefit: 2.5% times FMC times credited service. 1.25% times FMC times credited service for employees hired on or after March 1, 1993 with less than 10 years of credited service.

H. Early Retirement:

(1) Eligibility: Attainment of age 55 and completion of 10 years credited service.

(2) Benefit: Benefit accrued to date of retirement, reduced by 1/15$^{th}$ for each year prior to normal retirement to reflect commencement of benefit at an earlier age.

I. Deferred Retirement:

(1) Eligibility: Continued employment beyond normal retirement date.

(2) Benefit: Benefit accrued at deferred retirement date based on credited service and FMC at deferred retirement date.

J. Disability Retirement:

(1) Eligibility: Total and permanent qualifying disability. If non-service incurred, requires completion of ten (10) years of credited service.

(2) Benefit: Benefit (payable for ten (10) years certain and life thereafter or prior recovery)

Incurred in Line-of-Duty: Greatest of (a), (b) or (c), where
(a) is 42% of FMC as of date of disability,
(b) is the benefit supported by the present value of accrued benefit as of date of disability deferred to normal retirement date and
(c) is the benefit supported by eighteen (18) times FMC.
Benefit under (c) shall not exceed 60% of anticipated retirement benefit.

Not Incurred in Line-of-Duty: Greater of (a) or (b), where
(a) is the benefit supported by the present value of accrued benefit as of date of disability deferred to normal retirement date and
(b) is the benefit supported by eighteen (18) times FMC.

K. Survivor Benefit:

Benefit to beneficiary (payable for ten (10) years certain and life thereafter) which can be supported by the greater of A or B, where A is the single-sum value of the accrued benefit at date of death deferred to normal retirement date and B is the lesser of (i) and (ii), where (i) is 18 times FMC at date of death and (ii) is 100 times the anticipated monthly normal retirement benefit.

L. Vested Benefit Upon Termination:

(1) Eligibility:
Vesting schedule with no vesting until completion of 5 years of credited service (50%) increasing by 10% per year until 100% vesting upon completion of 10 years of credited service.

(2) Benefit at payable at Normal Retirement Date:
Benefit equal to accrued benefit based upon credited service and FMC at date of termination times vested percentage.

M. Cash Termination Benefit:

(1) Accumulated employee contributions without interest for non-vested employees.

(2) Accumulated employee contributions without interest in lieu of deferred vested benefit for vested employees.

N. Normal Form of Retirement Income:

Monthly life annuity with guaranteed return of employee contributions.

O. Deferred Retirement Option Plan (DROP):

(1) Eligibility: Upon meeting the eligibility for normal or early retirement.

(2) Participation in the DROP must be exercised within the first thirty three (33) years of employment; provided, however, that participation in the DROP, when combined with participation in the retirement plan as an active member may not exceed thirty three (33) years. The maximum period of participation in the DROP is eight (8) years.

(3) An employee's account in the DROP program shall be credited with interest based upon the actual earnings of the retirement fund.

(4) No payment may be made from the DROP until the employee actually separates from service with the City.

P. Cost of Living Adjustment (COLA):

Effective January 1, 2006, members receiving benefits received a 2.0% *ad hoc* COLA.

Effective January 1, 2026, retirees and former DROPs, or their respective beneficiaries, who retired on or after attaining normal retirement date, members, or their respective beneficiaries, who retired due to disability, and survivor beneficiaries of members active at time of death currently receiving benefits received a 2.0% *ad hoc* COLA.

Effective January 1, 2026, retirees who retired with twenty (20) or more years of service with a monthly benefit less than $1,000 per month shall have their monthly benefit increased to $1,000.

Q. Changes From Previous Actuarial Valuation:

There was no COLA after January 1, 2006.

## Actuarial Assumptions and Actuarial Cost Methods
## Used in the Valuation

A. Mortality

For healthy participants during employment, PUB-2010 Headcount Weighted General Below Median Employee Mortality Table, separate rates for males and females, set back 1 year for males, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018.

For healthy participants post employment, PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table, separate rates for males and females, set back 1 year for males, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018.

For disabled participants, PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table, separate rates for males and females, both set forward 3 years, without projected mortality improvements.

| Sample Ages (2024) | Pre-retirement Future Life Expectancy (Years) | | Post-retirement Future Life Expectancy (Years) | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| 55 | 32.91 | 35.32 | 29.03 | 32.73 |
| 60 | 28.05 | 30.28 | 24.91 | 28.17 |
| 62 | 26.15 | 28.30 | 23.28 | 26.33 |

| Sample Ages (2044) | Pre-retirement Future Life Expectancy (Years) | | Post-retirement Future Life Expectancy (Years) | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| 55 | 34.55 | 36.80 | 31.05 | 34.50 |
| 60 | 29.61 | 31.72 | 26.78 | 29.84 |
| 62 | 27.68 | 29.71 | 25.08 | 27.96 |

B. Investment Return

7.25%, net of investment expenses,compounded annually - includes inflation of 2.5%.

C. Allowances for Expenses or Contingencies

Previous year's actual administrative expenses added to normal cost.

D. Employee Withdrawal Rates

Withdrawal rates for males and for females were used in accordance with the following illustrative example:

| Service | Withdrawal Rates |
|---|---|
| 0-1 | 28.0% |
| 1-2 | 25.0% |
| 2-3 | 18.0% |
| 3-4 | 15.0% |
| 4-7 | 12.0% |
| 7-8 | 8.0% |
| 8-10 | 6.0% |
| 10+ | 2.0% |

E. Disability Rates

Class (01) Inter-Company disability rates were used with separate rates for males and females.

50% of all disablements are assumed to be service related.

F. Marital Assumptions

100% of all active participants are assumed to be married.

Females are assumed to be three years younger than their male spouses.

G. Salary Increase Factors

Current salary was assumed to increase at a rate based on the table below per year until retirement - includes assumed wage inflation of 3.25%.

| Age | Salary Increase |
|---|---|
| < 35 | 6.25% |
| 35 - 59 | 5.75% |
| 60 + | 4.75% |

## Actuarial Assumptions and Actuarial Cost Methods
## Used in the Valuation

H. Assumed Retirement Age

Rates of early retirement were used in accordance with the following table.

| Age | Retirement Rate |
|---|---|
| 55 | 10% |
| 56 - 59 | 6% |

Rates of normal retirement were used in accordance with the following table.

| Age | Retirement Rate |
|---|---|
| 55 or younger | 25% |
| 56 - 64 | 30% |
| 65 - 69 | 50% |
| 70 - 79 | 20% |
| 80 & older | 100% |

However, all active members on the valuation date are assumed to have a minimum of one year of future service.

I. Payroll Growth Assumption

Payroll is assumed to increase at a rate equal to the historical 10-year average (6.7% as of October 1, 2024) · not less than 0.0%.

J. Valuation of Assets

The method used for determining the smoothed actuarial value of assets phases in the deviation between the expected and actual return on assets at the rate of 20% per year. The smoothed actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets.

K. Actuarial Cost Methods

Normal Retirement, Termination, Death and Disability Benefits: Entry Age Normal

Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his age at hire to his assumed retirement age to fund his estimated benefits, assuming the Plan had always been in effect. The normal cost for the Plan is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the Plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the smoothed actuarial value of assets of the Plan.

## Actuarial Assumptions and Actuarial Cost Methods
## Used in the Valuation

K. Actuarial Cost Methods (continued)

Vested Normal Retirement, Termination, Disability, and Death Benefits: Unit Credit Cost Method
Under this method, the actuarial present value of vested accrued benefits is an amount calculated to be the sum of the present values of each individual's vested accrued or earned benefit under the Plan as of the valuation date. Each individual's calculation is based on pay and service as of the valuation date.

The DROP accounts balance is included in the assets and liabilities as of the valuation date.

L. Disclosure of Assumptions

The salary increases, withdrawal and retirement rates were updated based on the most recent experience study performed for the five years ending September 30, 2022. The mortality rates are based upon the July 1, 2023 FRS Actuarial Valuation, as required under F.S., Chapter 2015-157.

M. Changes from Previous Actuarial Valuation

None.