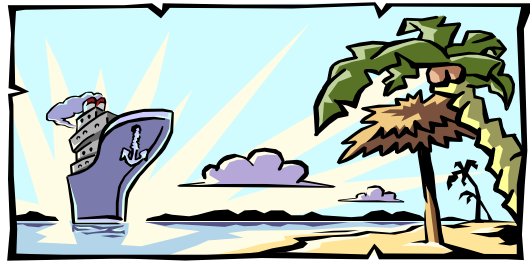


**CITY OF KEY WEST
POLICE & FIRE PENSION
BOARD OF TRUSTEES**

*Susy Pita, Plan Administrator
Post Office Box 490837
Leesburg, FL 34749-0837
Phone 352-787-9795*



Hand Delivered

March 6, 2015

Commissioner Anthony (Tony) Yaniz

Dear Commissioner Yaniz:

Attached for your consideration please find a drafted Ordinance, and the accompanying Actuarial Impact Statement, that the Pension Board of Trustees would like you to place on the agenda for consideration by the City Commission.

This Ordinance would provide for an increase in the post retirement supplement from \$269 a month to \$300 a month. The benefit is only payable to retirees until they reach the age of 65 and was intended to serve as a supplement for health insurance costs until the member is eligible for Medicare. The Pension Board has provided this benefit for the retirees since 2003, but it has not been increased since 2008. The approximate cost of the increased benefit would be \$40,000 per year.

The second benefit included in the Ordinance would be the payment of a "13th check" only in years in which the Plan's net investment performance exceeds 9%. The minimum 13th check payable per retiree would be \$2,000. However, the cost would be coming from the investment returns. The ordinance would authorize the payment of a 13th check for the fiscal year ended September 30, 2014.

In the prior three fiscal years, due to the Trustee's stewardship, the Plan's investment return has been 12.6% (2014), 16.3% (2013), and 20.2% (2012). These returns are near or at the top of all public plan investment returns in the state of Florida over this time period.

Additionally, the Pension Board made the following three assumption changes in their last actuarial valuation: 1) the assumed funding rate was changed from 7.90% to 7.50%, compounded annually, net of investment expenses; 2) annual increases in pensionable earnings was changed from 5.0% to 4.5% per year; and 3) the assumed annual member withdrawal rates were reduced by 10% at each age.

The net effect of these assumption changes was a reduction in the annual City minimum required contribution of \$28,017 (0.3% of covered payroll). Additionally, lowering the assumed rate of return from 7.9% to 7.5% will be extremely beneficial to the City going forward.

The positive plan results over the past few years justifies a modest increase in benefits for the retirees of the City, some of which are living at or near the poverty level after many years of public service. The Pension Board of Trustee and our service providers are available to answer any questions that you may have with regard to the Ordinance and we respectfully request that this Ordinance be placed on a City Commission agenda as soon as possible.

Sincerely,

Tim Fahey
Pension Board Chairman

cc:
File
Attachments