

March 25, 2015

Ms. Susy Pita
Plan Administrator, Key West
Police and Fire Retirement Plan
21629 Stirling Pass
Leesburg, FL 34748

**Subject: City of Key West Police Officers' & Firefighters' Retirement Plan
Actuarial Impact Statement for Plan Amendment**

Dear Susy:

We are pleased to enclose an Actuarial Impact Statement in support of the amendment of the City of Key West Police Officers' & Firefighters' Retirement Plan. The Actuarial Impact Statement is for the following changes:

- Increase the supplemental post retirement stipend from \$269 per month to \$300 per month to members in pay status, payable until the month immediately preceding each member's 65th birthday.
- A benefit is created in the form of an ad-hoc thirteenth check which will be paid on June 1st to each beneficiary and retiree of the Plan in pay status as of September 30th of the prior year. This payment shall only be made if the net investment gain is more than 9.0% for the prior fiscal year ended September 30th. The minimum 13th check payable to each beneficiary and retiree shall be \$2,000.00.

The results of our calculations indicate that the changes will increase the annual minimum contribution by \$145,852 (1.4% of covered payroll).

Please note that even with these two (2) proposed benefit changes, the resulting City minimum funding requirement of \$2,947,227 is roughly \$28,000 less than the previous year's minimum funding requirement of \$2,975,423. This is as a result of the actuarial gain experienced by the Plan during the year 10/1/13 – 9/30/14.

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. A copy of the proposed ordinance upon passage at the first reading along with this Actuarial Impact Statement should be submitted to the State at the following addresses:

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Mr. Douglas Beckendorf, A.S.A, E.A.
Actuary, Bureau of Local
Retirement Systems
Florida Division of Retirement
P.O. Box 9000
Tallahassee, FL 32315-9000


Ms. Sarah Carr
Municipal Police Officers' and
Firefighters' Retirement Trust Funds
Florida Division of Retirement
P.O. Box 3010
Tallahassee, FL 32315-3010

Please note that State laws require revised funding no later than the fiscal year following the effective date of the changes provided under the ordinance. Please forward a copy of the ordinance upon passage at second reading to update our files.

We have prepared this Impact Statement based upon the October 1, 2014 census and financial data that will be utilized for the October 1, 2014 Actuarial Valuation. The methods and assumptions used in the calculations are the same as those that were utilized for the October 1, 2013 Actuarial Valuation, with the exception that the assumed long-term funding rate was lowered from 7.50% to 7.40%, net of investment expenses, to provide for pre-funding of the ad-hoc thirteenth check benefit.

If you should have any question concerning the above, please do not hesitate to contact us.

Sincerely,


Donald A. DuLaney Jr., A.S.A.
Senior Consulting Actuary

DAD:l

Enclosures

cc: Tim Fahey, with enclosures
Stu Kaufman, Esq., with enclosures

**CITY OF KEY WEST MUNICIPAL POLICE OFFICERS' &
FIREFIGHTERS' RETIREMENT PLAN**

Actuarial Impact Statement

A. Description of Plan Amendment (see attached)

- Increase the supplemental post retirement stipend from \$269 per month to \$300 per month to members in pay status, payable until the month immediately preceding each member's 65th birthday.
- A benefit is created in the form of an ad-hoc thirteenth check which will be paid on June 1st to each beneficiary and retiree of the Plan in pay status as of September 30th of the prior year. This payment shall only be made if the net investment gain is more than 9.0% for the prior fiscal year ended September 30th. The minimum 13th check payable to each beneficiary and retiree shall be \$2,000.00.

- B. An estimate of the cost of implementing this amendment - see attachment.

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

Chairman, Board of Trustees

Date

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Table I

**THE CITY OF KEY WEST MUNICIPAL POLICE OFFICERS' &
FIREFIGHTERS' RETIREMENT PLAN**

Actuarial Impact Statement as of October 1, 2014

	<u>10/01/2014</u>	<u>Proposed Plan 10/01/2014</u>
A. <u>Participant Data</u>		
1. Active participants	145	145
2. Retired participants and beneficiaries receiving benefits	96	96
3. DROP participants	21	21
4. Disabled participants receiving benefits	4	4
5. Terminated vested participants	4	4
6. Annual payroll of active participants	\$ 9,977,377	\$ 9,977,377
7. Annual benefits payable to those currently receiving benefits	\$ 3,694,796	\$ 3,713,024
8. Annual benefits payable to DROP participants	\$ 1,281,624	\$ 1,281,624
B. <u>Value of Assets</u>		
1. Actuarial Value	\$ 64,601,788	\$ 64,601,788
2. Market Value	\$ 70,878,845	\$ 70,878,845
C. <u>Liabilities</u>		
1. Actuarial present value of future expected benefit payments for active members		
a. Retirement benefits	\$ 44,621,628	\$ 45,295,140
b. Vesting benefits	1,042,158	1,066,843
c. Death benefits	276,420	280,735
d. Disability benefits	632,599	639,766
e. Total	\$ 46,572,805	\$ 47,282,484
2. Actuarial present value of future expected benefit payments for terminated vested members	\$ 619,118	\$ 637,288
3. Actuarial present value of future expected benefit payments for those receiving benefits		
a. Service retired	\$ 33,322,501	\$ 33,685,796
b. DROP participants	14,875,771	15,056,749
c. Disability retired	1,131,998	1,145,250
d. Beneficiaries	2,119,813	2,137,461
e. Miscellaneous (refunds payable)	32,860	32,860
f. Total	\$ 51,482,943	\$ 52,058,116

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Table I
(continued two)

4. Total actuarial present value of future expected benefit payments	\$ 98,674,866	\$ 99,977,888
5. Actuarial accrued liabilities	\$ 87,529,700	\$ 88,728,230
6. Unfunded actuarial liabilities (see footnote 1/ for separation)	\$ 22,927,912	\$ 24,126,442
D. <u>Statement of Accumulated Plan Benefits</u>		
1. Actuarial present value of accumulated vested benefits		
a. Participants currently receiving benefits	\$ 36,574,312	\$ 36,968,507
b. DROP participants	14,875,771	15,056,749
c. Other participants	<u>27,382,760</u>	<u>27,907,589</u>
d. Total	\$ 78,832,843	\$ 79,932,845
2. Actuarial present value of accumulated non-vested plan benefits	<u>1,692,580</u>	<u>1,774,148</u>
3. Total actuarial present value of accumulated plan benefits	\$ 80,525,423	\$ 81,706,993
F. <u>Pension Cost</u>		
1. Total normal cost	\$ 1,914,107	\$ 1,961,083
2. Payment required to amortize unfunded liability	1,926,999	2,021,140
3. Interest	<u>288,083</u>	<u>294,685</u>
4. Total required contributions	\$ 4,129,189	\$ 4,276,908
5. Item 4 as a percentage of payroll	41.4%	42.9%
6. Employee contributions	\$ 698,416	\$ 698,416
7. Item 6 as a percentage of payroll	7.0%	7.0%
8. Total employer required contributions	\$ 3,322,536	\$ 3,468,388
9. Item 8 as a percentage of payroll	33.3%	34.8%
10. State contributions	\$ 521,161	\$ 521,161
11. Items 10 as a percentage of payroll	5.2%	5.2%
12. Net amount payable by City	\$ 2,801,375	\$ 2,947,227
13. Item 12 as a percentage of payroll	28.1%	29.5%

Table I
(continued three)

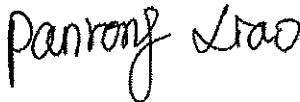
	<u>10/01/2014</u>	<u>Proposed Plan</u> <u>10/01/2014</u>
F. <u>Disclosure of Following Items:</u>		
1. Actuarial present value of future salaries - attained age	\$ 59,875,756	\$ 60,129,266
2. Actuarial present value of future employee contributions - attained age	\$ 4,191,303	\$ 4,209,049
3. Actuarial present value of future contributions from other sources	N/A	N/A
4. Amount of active members' accumulated contributions	\$ 5,468,001	\$ 5,468,001
5. Actuarial present value of future salaries and future benefits at entry age	Not provided by software	
6. Actuarial present value of future employee contributions at entry age	Not provided by software	

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge the results are complete and accurate, and in my 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 otherwise unaccounted for in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.


 Donald A. DuLaney, Jr. A.S.A., F.A.
 Senior Consulting Actuary

3/25/15
 Date

14-04191
 Enrollment Number


 Panrong Xiao, E.A., M.A.A.A.
 Enrolled Actuary

3/25/2015
 Date

14-07551
 Enrollment Number

