

June 13, 2023

Ms. Susy Pita
Plan Administrator, Key West
Police and Fire Retirement Plan
233 Seaside Landings Dr. S.
Flagler Beach, FL 32136

**Subject: City of Key West Police Officers' & Firefighters' Retirement Plan
Actuarial Impact Statement for Ordinance No. XX-XX**

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, as provided for in Ordinance No. XX-XX. The Actuarial Impact Statement is for the following changes:

Sec. 46-324. - Disability.

* * *

(b) A member shall be eligible for a service-incurred disability retirement from his entry date into the plan. A service-incurred disability retirement shall mean that the disability arose as a result of an act occurring in the performance of service with the city. In determining whether a disability arose in the line of duty, the board may consider evidence that the medical condition giving rise to the disability was a preexisting condition. **The board shall also consider the presumptions incorporated herein:**

(1) Rebuttable Presumption for hypertension and heart disease. Any condition or impairment of health of a member caused by hypertension or heart disease shall be presumed to have been suffered in line of duty unless the contrary is shown by competent evidence, provided that such member shall have successfully passed a physical examination upon entering into such service, including cardiogram, which examination failed to reveal any evidence of such condition; and provided further, that such presumption shall not apply to benefits payable or granted in a policy of life insurance or disability insurance. The provisions of Sections 112.18, 112.181 and 175.231, Fla. Stat., are hereby codified within the Plan and are intended to be incorporated by reference. The Board of Trustees may adopt uniform administrative rules for the conduct of hearings relating to this presumption and for the determination of any disqualifying events as reflected in Chapters 112 and 175, Fla. Stat.

- (2) Additional rebuttable presumption for hepatitis, meningitis and tuberculosis. The presumption provided for in this subparagraph (2) shall apply only to those conditions described in this subparagraph (2) that are diagnosed on or after January 1, 1996.**
- (3) Non-rebuttable conclusive cancer presumption. The provisions of Section 112.1816, Fla. Stat., are hereby codified within the Plan and are intended to be incorporated by reference. The Board of Trustees may adopt uniform administrative rules for the conduct of hearings relating to this presumption and for the determination of any disqualifying events as reflected in the statute.**

* * *

SECTION 2: That section 46-325 of the City of Key West Police Officers' and Firefighters' Retirement Plan is hereby amended and shall read as follows:

Sec. 46-325. – Death Benefits.

* * *

- (c) All benefits provided for in this section shall comply with the provisions of Sections 112.18, 112.181, 112.1816, and 175.231 of the Florida Statutes.**

SECTION 3: That section 46-326 of the City of Key West Police Officers' and Firefighters' Retirement Plan is hereby amended and shall read as follows:

Sec. 46-326. – Compliance with Internal Revenue Code.

* * *

- (d) In no event may a member's retirement benefit be delayed beyond the later of April 1 following the calendar year in which the member attains age ~~72~~ **73**, provided the member had not attained age ~~70½~~ **72** by December 31, ~~2019~~ **2022**, or April 1 of the year following the calendar year in which the member retires. When a distribution of the participant's entire interest is not made in a lump sum, the distribution will be made in one or more of the following ways: over the life of the participant; over the life of the participant and designated beneficiary; over a period certain not extending beyond the life expectancy of the participant; or over a period certain not extending beyond the joint life and last survivor expectancy of the participant and a designated beneficiary. **The Plan will make all future required minimum distributions in compliance with the prevailing age restrictions and additional parameters set out in the Internal Revenue Code as amended from time to time.**
- (e) If the distribution has commenced before the participant's death, the remaining interest will be distributed at least as rapidly as under the method of distribution being

used as of the date of the participant's death. The method of distribution, if the participant dies before distribution is commenced, must satisfy the following requirements:

- (1) Any remaining portion of the participant's interest that is not payable to a beneficiary designated by the participant will be distributed within five years after the participant's death.
- (2) Any portion of the participant's interest that is payable to a beneficiary designated by the participant will be distributed either: (i) within five years after the participant's death; or (ii) over the life of the beneficiary, or over a period certain not extending beyond the life expectancy of the beneficiary, commencing not later than the end of the calendar year following the calendar year in which the participant died, or, if a designated beneficiary is the participant's surviving spouse, commencing not later than the end of the calendar year following the calendar year in which the participant would have attained age ~~72~~ **73, provided the member had not attained age 72 by December 31, 2022. The Plan will make all future required minimum distributions in compliance with the prevailing age restrictions and additional parameters set out in the Internal Revenue Code as amended from time to time.**

* * *

The actuarial impact of these proposed changes would be an estimated increase in the annual funding cost of \$1,981 (0.01% of covered payroll), as shown on page 5, item D.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:

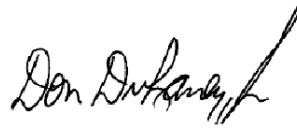
Mr. Douglas Beckendorf, A.S.A, E.A.
Actuary, Bureau of Local
Retirement Systems
Florida Division of Retirement
P.O. Box 9000
Tallahassee, FL 32315-9000

We have prepared this Impact Statement based upon the October 1, 2022 census and financial data that was utilized for the October 1, 2022 Actuarial Valuation. The methods and assumptions used in the calculations are the same as those that were utilized for the October 1, 2022 Actuarial Valuation.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Don DuLaney Jr.", with a stylized flourish at the end.

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

DAD:cp

Enclosures

cc: Chairman Terry Garcia, with enclosures
Stu Kaufman, Esq., with enclosures

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

Actuarial Impact Statement

A. Description of Plan Amendment (see attached)

Sec. 46-324. - Disability.

* * *

(b) A member shall be eligible for a service-incurred disability retirement from his entry date into the plan. A service-incurred disability retirement shall mean that the disability arose as a result of an act occurring in the performance of service with the city. In determining whether a disability arose in the line of duty, the board may consider evidence that the medical condition giving rise to the disability was a preexisting condition. **The board shall also consider the presumptions incorporated herein:**

(1) Rebuttable Presumption for hypertension and heart disease. Any condition or impairment of health of a member caused by hypertension or heart disease shall be presumed to have been suffered in line of duty unless the contrary is shown by competent evidence, provided that such member shall have successfully passed a physical examination upon entering into such service, including cardiogram, which examination failed to reveal any evidence of such condition; and provided further, that such presumption shall not apply to benefits payable or granted in a policy of life insurance or disability insurance. The provisions of Sections 112.18, 112.181 and 175.231, Fla. Stat., are hereby codified within the Plan and are intended to be incorporated by reference. The Board of Trustees may adopt uniform administrative rules for the conduct of hearings relating to this presumption and for the determination of any disqualifying events as reflected in Chapters 112 and 175, Fla. Stat.

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* * *

SECTION 2: That section 46-325 of the City of Key West Police Officers' and Firefighters' Retirement Plan is hereby amended and shall read as follows:

Sec. 46-325. – Death Benefits.

* * *

(c) All benefits provided for in this section shall comply with the provisions of Sections 112.18, 112.181, 112.1816, and 175.231 of the Florida Statutes.

SECTION 3: That section 46-326 of the City of Key West Police Officers' and Firefighters' Retirement Plan is hereby amended and shall read as follows:

Sec. 46-326. – Compliance with Internal Revenue Code.

* * *

(d) In no event may a member's retirement benefit be delayed beyond the later of April 1 following the calendar year in which the member attains age ~~72~~ **73**, provided the member had not attained age ~~70½~~ **72** by December 31, ~~2019~~ **2022**, or April 1 of the year following the calendar year in which the member retires. When a distribution of the participant's entire interest is not made in a lump sum, the distribution will be made in one or more of the following ways: over the life of the participant; over the life of the participant and designated beneficiary; over a period certain not extending beyond the life expectancy of the participant; or over a period certain not extending beyond the joint life and last survivor expectancy of the participant and a designated beneficiary. **The Plan will make all future required minimum distributions in compliance with the prevailing age restrictions and additional parameters set out in the Internal Revenue Code as amended from time to time.**

(e) If the distribution has commenced before the participant's death, the remaining interest will be distributed at least as rapidly as under the method of distribution being used as of the date of the participant's death. The method of distribution, if the participant dies before distribution is commenced, must satisfy the following requirements:

- (1) Any remaining portion of the participant's interest that is not payable to a beneficiary designated by the participant will be distributed within five years after the participant's death.
- (2) Any portion of the participant's interest that is payable to a beneficiary designated by the participant will be distributed either: (i) within five years after the participant's death; or (ii) over the life of the beneficiary, or over a period certain not extending beyond the life expectancy of the beneficiary, commencing not later than the end of the calendar year following the calendar year in which the participant died, or, if a designated beneficiary is the participant's surviving spouse, commencing not later than the end of the calendar year following the calendar year in which the participant would



have attained age ~~72~~ 73, **provided the member had not attained age 72 by December 31, 2022. The Plan will make all future required minimum distributions in compliance with the prevailing age restrictions and additional parameters set out in the Internal Revenue Code as amended from time to time.**

* * *

- B. An estimate of the cost of implementing this amendment – **The actuarial impact of these proposed changes would be an estimated increase in the annual funding cost of \$1,981 (0.01% of covered payroll), as shown on page 5, item D.14.**

- 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

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

	<u>Current</u> <u>10/01/2022</u>	<u>Proposed</u> <u>10/01/2022</u>
A. <u>Participant Data</u>		
1. Active participants	162	162
2. Retired participants and beneficiaries receiving benefits	130	130
3. DROP participants	15	15
4. Disabled participants receiving benefits	4	4
5. Terminated vested participants	9	9
6. Annual payroll of active participants	\$ 15,056,321	\$ 15,056,321
7. Annual benefits payable to those currently receiving benefits	\$ 5,637,077	\$ 5,637,077
8. Annual benefits payable to DROP participants	\$ 1,131,738	\$ 1,131,738
B. <u>Value of Assets</u>		
1. Actuarial Value	\$ 118,975,577	\$ 118,975,577
2. Market Value	\$ 102,513,841	\$ 102,513,841
C. <u>Liabilities</u>		
1. Actuarial present value of future expected benefit payments for active members		
a. Retirement benefits	\$ 77,721,720	\$ 77,721,720
b. Vesting benefits	1,361,143	1,361,143
c. Death benefits	292,925	292,925
d. Disability benefits	1,447,929	1,459,596
e. Total	<u>\$ 80,823,717</u>	<u>\$ 80,835,384</u>
2. Actuarial present value of future expected benefit payments for terminated vested members	\$ 2,409,243	\$ 2,409,243
3. Actuarial present value of future expected benefit payments for those receiving benefits		
a. Service retired	\$ 57,621,850	\$ 57,621,850
b. DROP participants	15,216,010	15,216,010
c. Disability retired	1,450,399	1,450,399
d. Beneficiaries	2,983,115	2,983,115
e. Miscellaneous (refunds payable)	75,248	75,248
f. Total	<u>\$ 77,346,622</u>	<u>\$ 77,346,622</u>
4. Total actuarial present value of future expected benefit payments	\$ 160,579,582	\$ 160,591,249

State Required Exhibit

	<u>Current</u> <u>10/01/2022</u>	<u>Proposed</u> <u>10/01/2022</u>
5. Actuarial accrued liabilities	\$ 138,094,697	\$ 138,085,596
6. Unfunded actuarial liabilities (see footnote 1/ for separation)	\$ 19,119,120	\$ 19,110,019
D. <u>Pension Cost</u>		
1. Total normal cost	\$ 3,659,990	\$ 3,662,693
2. Payment required to amortize unfunded liability	2,165,298	2,164,495
3. Interest	<u>249,719</u>	<u>249,800</u>
4. Total required contributions	\$ 6,075,007	\$ 6,076,988
5. Item 4 as a percentage of payroll	40.3%	40.4%
6. Employee contributions	\$ 1,053,942	\$ 1,053,942
7. Item 6 as a percentage of payroll	7.0%	7.0%
8. Total employer required contributions	\$ 5,021,065	\$ 5,023,046
9. Item 8 as a percentage of payroll	33.4%	33.4%
10. State contributions	\$ 521,161	\$ 521,161
11. Items 10 as a percentage of payroll	3.5%	3.5%
12. Net amount payable by City	\$ 4,499,904	\$ 4,501,885
13. Item 12 as a percentage of payroll	29.89%	29.90%
14. Increase in amount payable by City	N/A	\$ 1,981