



February 14, 2024

Ms. Patti McLaughlin
Administrator, City of Key West
Employees' Retirement Plan
City of Key West
P.O. Box 1409
Key West, Florida 33041

Re: Actuarial Study Engagement Letter

Dear Patti:

As requested, Gabriel, Roeder, Smith & Company (GRS) is pleased to present our engagement letter for professional actuarial and consulting services to provide an Actuarial Study for the City of Key West Employees' Retirement Plan (Plan).

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

Proposed Changes – The Board is interested in analyzing the financial impact of the following proposed change in benefit provisions:

Scenario 1 - 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.

Scenario 2 - Current and future retirees including DROP members and respective beneficiaries, who have twenty (20) or more years of service and retire / retired or enter / entered the DROP on or after attaining their normal retirement date, members retiring due to disability and survivor beneficiaries of members active at time of death will receive an annual automatic 2% COLA increase payable each January 1st commencing at the later of January 1, 2023 or following receipt of benefits (or DROP entry) for three (3) years. DROP members will not receive the COLA while participating in the DROP.

Scenario 3 - Current and future retirees including DROP members and respective beneficiaries, who have twenty (20) or more years of service and retire / retired or enter / entered the DROP on or after attaining their normal retirement date, members retiring due to disability and survivor beneficiaries of members active at time of death

will receive an annual automatic 2% COLA increase payable each January 1st commencing at the later of January 1, 2023 or following receipt of benefits (or DROP entry) for five (5) years. DROP members will not receive the COLA while participating in the DROP.

Scenario 4 - Current and future retirees including DROP members and respective beneficiaries, who have twenty (20) or more years of service and retire / retired or enter / entered the DROP on or after attaining their normal retirement date, members retiring due to disability and survivor beneficiaries of members active at time of death will receive an annual automatic COLA increase payable each January 1st commencing January 1, 2023 or following receipt of benefits (or DROP entry) for one (1) year. DROP members will not receive the COLA while participating in the DROP. COLA increases will follow the below schedule determined by the benefit amount.

<u>Monthly Benefit Amount</u>	<u>COLA Percentage</u>
≤\$4,000	3%
\$4,001 - \$7,000	2%
>\$7,000	1.5%

Scenario 5 - Current and future retirees including DROP members and respective beneficiaries, who retire / retired or enter / entered the DROP on or after attaining their normal retirement date, members retiring due to disability and survivor beneficiaries of members active at time of death will receive an annual automatic 2% COLA increase payable each January 1st commencing at the later of January 1, 2023 or following receipt of benefits (or DROP entry) for three (3) years. DROP members will not receive the COLA while participating in the DROP.

Scenario 6 - Current and future retirees including DROP members and respective beneficiaries, who retire / retired or enter / entered the DROP on or after attaining their normal retirement date, members retiring due to disability and survivor beneficiaries of members active at time of death will receive an annual automatic 2% COLA increase payable each January 1st commencing at the later of January 1, 2023 or following receipt of benefits (or DROP entry) for five (5) years. DROP members will not receive the COLA while participating in the DROP.

Other Considerations

Members who retired under early retirement and deferred retirement and their respective beneficiaries are not considered for any additional benefits under this Study.



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Proposed Fees

Our fees for the project will be based upon our hourly rates. We will agree to a not-to-exceed fee of \$17,000. Our fee includes attendance at a Board Meeting and a Commission Meeting to discuss the key financial results of the Actuarial Study.

Timing

We are prepared to initiate the process immediately and look forward to providing our Actuarial Study within sixty (60) days of authorization to proceed and receipt of any necessary census information.

We trust the above is responsive to your request. Please do not hesitate to contact us should you have any questions or require additional information. We look forward to your approval to proceed and to assisting the Pension Board with this important project.

Sincerest regards,
Gabriel, Roeder, Smith & Company

Michelle Jones

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

Jennifer Borregard

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

