



November 28, 2023

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

**Re: Experience Study**

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 Experience Study for the City of Key West Employees' Retirement Plan (Plan).

We are enthusiastic about extending our existing relationship with the Board. We have a long-standing commitment and experience with working on behalf of public sector benefit programs. Our philosophy of developing a partnership with our clients emphasizes the collaborative nature of the GRS working relationship. We strive to earn your trust as your advisor. We will continue to work together with you in the best interest of the interested parties.

**Description of Services**

GRS will review Plan experience for the five-year period ended September 30, 2022 where credible to make recommendations on the actuarial assumptions and methods used for funding and accounting for the Plan.

It is highly recommended that Experience Studies be performed regularly to keep the actuarial assumptions and methods up to date with evolving Plan experience. The Government Finance Officers Association (GFOA) recommends every five years as a *best practice*. We note that the last experience study was completed on March 12, 2019 for the five years ended September 30, 2017.

The following assumptions have been identified for analysis:

1. **Investment Return** – The current investment return assumption is 7.25%, compounded annually net of investment expense (current assumed price inflation of 2.50%).

Ms. Patti McLaughlin  
November 28, 2023  
Page Two

2. Salary Increase Rates – The current rates vary by age and range from 4.0% to 6.0%, per annum (current assumed wage inflation of 3.25%).
3. Termination Rates – The current rates vary by service and range from 2.0% to 25.0%, per annum.
4. Retirement Rates – Current retirement rates vary by age and range from 10.0% to 100.0%, per annum.

**Proposed Fees**

We propose a *not-to-exceed* fee for the Experience Study of \$11,525. Our *not-to-exceed* fee includes attendance at a Board Meeting to discuss the key financial results of the Study.

**Other Considerations**

Any assumption updates recommended and approved by the Board will be first implemented in the October 1, 2023 Actuarial Valuation.

Please provide a copy of the most recent Investment Policy Statement.

**Timing**

We are prepared to initiate the process immediately and anticipate completing our Experience Study to present at the March 2024 Board Meeting following direction to proceed and receipt of the latest Investment Policy Statement.

---

We look forward to performing this important work on behalf of the Board. If you should have any question concerning the above, please do not hesitate to contact us.

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

