



MEMORANDUM

Date: August 6, 2025

To: Honorable Mayor and Commissioners

Via: Brian L. Barroso
City Manager

From: Christina Bernaldi
Director of Finance

Subject: **25-4194 Proposed Ordinance to Implement Changes to the City of Key West General Employees' Retirement Plan**

Introduction

The City Commission has been asked to approve an Ordinance amending Chapter 46, Section 107 of the Code of Ordinances for members of the General Employees' Retirement Plan to provide for an increase in the monthly benefit to \$1,000 for all retirees' who retired with 20 or more years of service and do not currently receive a monthly benefit of \$1,000, as well as a 2% annual cost of living adjustment (COLA) for retirees who have received benefits for five (5) years beginning January 1, 2026.

Background

The City of Key West has a defined benefit plan which is administered by a five-member Board of Trustees. The benefits that an employee receives after retirement are calculated to be a percentage of the employee's salary multiplied by the years of service with the City of Key West. The funding required for this Plan are contributed to the Plan by employees and the City of Key West. Currently, active employees contribute 6% of their earnable compensation to the Plan. The City's contribution is determined each year by an actuarial valuation; however, the current City contribution equates to 10% of employees' total payroll. These funds are then invested to ensure that there will be adequate funding in the Plan to pay out future benefits.

A request has been made to implement changes to the General Employees' Retirement Plan by the City of Key West Employees' Retirement Plan Board. These changes consist of the following:

- The implementation of a provision which would identify current retirees who have retired with twenty (20) or more years of credited service, who are currently receiving a monthly benefit less than \$1,000, with an increase of their monthly benefit to equal \$1,000.

- Providing current and future retirees' annual automatic 2% COLA payable each January 1st, beginning January 1, 2026, or following the receipt of benefits for five (5) years.

This request provides for an automatic COLA increase for retirees, regardless of the financial position of the City. This could potentially be a financial burden for the City to sustain in the future given the current and future economic environment and administration.

I suggest that the Board and the City work together to find an acceptable alternative. Several suggestions include:

- A 13th Check Option for supplemental benefit when the financial performance of the plan has reached a specific level with minimum additional funding required from the City.
- A COLA Option which is considered a supplemental benefit when the financial performance of the plan has reached a specific level with minimal additional funding required from the City.
- An ad-hoc COLA option which is based on the financial performance of the City and available funding.

Procurement

The approval of the proposed Ordinance as presented will increase the City's contribution to the General Employees' Pension Plan by 4.7% of total payroll for year one, or **an increase of \$895,030**. The City is currently contributing 10% of total payroll to the General Employees' Pension Plan, the approval of this item will increase the City contribution to 14.7% of total payroll to the General Employees' Pension Plan.

This amount will fluctuate annually based on the total payroll and actuarial determination of the required contribution.

The City is currently in budget preparations for Fiscal Year 2025-2026. The approval of this item would require an increase in revenue in the amount of \$895,030, which is the equivalent of a 4% increase to ad valorem or 4 days of fund balance.

Recommendation

City Staff recommends the City Commission disapprove or postpone the approval of the Ordinance changes requested to the General Employees' Retirement Plan and to have City staff and the City of Key West General Employees' Retirement Plan Board explore options to possibly provide supplemental benefits which could be offered to retirees' contingent to the financial health and performance of the Plan on an annual basis.