

June 24, 2022

Ms. Susy Pita  
Plan Administrator, Key West  
Police and Fire Retirement Plan  
22233 Drawbridge Drive  
Leesburg, FL 34748

**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:

**Section 1:** That Section 46-246 of the Code of Ordinances is hereby amended to read as follows:

**Section 46-246 Post Retirement Supplement**

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- (a) In addition to the monthly retirement benefits provided by this plan, there shall be a supplemental payment of ~~\$269.00~~\$450.00 per month. This benefit shall commence on the first day of the month following separation from service, providing the retiree is in pay status with the plan, and shall cease ~~in the month immediately preceding the member's 90<sup>th</sup> birthday.~~ upon the retiree's death. This benefit shall apply ~~on a retroactive basis to all retirees. who had attained the age of 62 prior to July 1, 2005.~~
- (b) The board, by uniform rule, shall establish a procedure for the distribution of this benefit. The board may, in its discretion, provide for the direct payment of this benefit to an insurance provider or other tax qualified method of distribution.

**Section 2:** Section 46-328 of the Code of the City of Key West is hereby created to read as follows:

#### **Section 46-328. Ad-hoc Thirteenth Check.**

- (a) Ad-hoc Thirteenth Check. A benefit is hereby created to be provided in the form of an ad-hoc thirteenth check to be paid on or before June 1 to each beneficiary and retiree of the Plan in pay status as of September 30 of the prior year. Payment shall only be made in those years in which the net investment gain is in excess of nine (9%) percent for the prior fiscal year ended September 30. The ad-hoc thirteenth check shall solely be funded by investment returns of the plan in excess of the nine (9%) percent net investment gain. The minimum 13 check payable to each beneficiary and retiree shall be \$2,000.00.
- (b) Distribution of Benefits; Limitations. Once certified by the actuary, the Board shall notify retirees and beneficiaries, in pay status as of September 30 of the prior year, regarding the availability of an ad-hoc thirteenth check distribution for the current year.
- (c) Non-Guarantee of Benefits. By acceptance of an ad-hoc thirteenth check distribution under this Section, each retiree and beneficiary acknowledge that they have no right, title or interest in any such benefit except as may be determined by the Board of Trustees. The payment of an ad-hoc thirteenth check in any year shall not create any right, title or interest in any person to the payment of an ad-hoc thirteenth check in any other year. The Board of Trustees reserves the exclusive right to alter the manner of payment of this benefit or, to decline the payment of such benefit in any year in which the Board, in the exercise of its fiduciary responsibility and its sole discretion, determines it is in the best interest of the Plan to forego such payment.
- (d) Rule-Making Authority. The Board of Trustees shall have authority to make such uniform rules as it deems appropriate to facilitate the payment of benefits under this Section.

The actuarial impact of these proposed changes would be an estimated increase in the annual funding cost of \$1,053,838 (7.5% of covered payroll), as shown on page 4, item D.14.

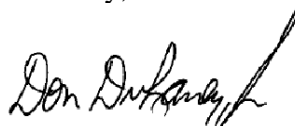
We have prepared the Actuarial Impact Statement for filing with the State of Florida. Please note that this Statement must be signed and dated on behalf of the Board of Trustees. A copy of the proposed ordinance upon passage at the first reading along with this Actuarial Impact Statement should be submitted 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, 2021 census and financial data that was utilized for the October 1, 2021 Actuarial Valuation. The methods and assumptions used in the calculations are the same as those that were utilized for the October 1, 2021 Actuarial Valuation.

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

Sincerely,



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

DAD:cp

Enclosures

cc: Chairman Alfredo Vazquez, 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)

**Section 1:** That Section 46-246 of the Code of Ordinances is hereby amended to read as follows:

**Section 46-246 Post Retirement Supplement**

\*\*\*\*

- (a) In addition to the monthly retirement benefits provided by this plan, there shall be a supplemental payment of ~~\$269.00~~ **\$450.00** per month. This benefit shall commence on the first day of the month following separation from service, providing the retiree is in pay status with the plan, and shall cease ~~in the month immediately preceding the member's 90<sup>th</sup> birthday.~~ upon the retiree's death. This benefit shall apply ~~on a retroactive basis to all retirees. who had attained the age of 62 prior to July 1, 2005.~~
- (b) The board, by uniform rule, shall establish a procedure for the distribution of this benefit. The board may, in its discretion, provide for the direct payment of this benefit to an insurance provider or other tax qualified method of distribution.

**Section 2:** Section 46-328 of the Code of the City of Key West is hereby created to read as follows:

**Section 46-328. Ad-hoc Thirteenth Check.**

- (a) Ad-hoc Thirteenth Check. A benefit is hereby created to be provided in the form of an ad-hoc thirteenth check to be paid on or before June 1 to each beneficiary and retiree of the Plan in pay status as of September 30 of the prior year. Payment shall only be made in those years in which the net investment gain is in excess of nine (9%) percent for the prior fiscal year ended September 30. The ad-hoc thirteenth check shall solely be funded by investment returns of the plan in excess of the nine (9%) percent net investment gain. The minimum 13 check payable to each beneficiary and retiree shall be \$2,000.00.

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- (b) Distribution of Benefits; Limitations. Once certified by the actuary, the Board shall notify retirees and beneficiaries, in pay status as of September 30 of the prior year, regarding the availability of an ad-hoc thirteenth check distribution for the current year.
- (c) Non-Guarantee of Benefits. By acceptance of an ad-hoc thirteenth check distribution under this Section, each retiree and beneficiary acknowledge that they have no right, title or interest in any such benefit except as may be determined by the Board of Trustees. The payment of an ad-hoc thirteenth check in any year shall not create any right, title or interest in any person to the payment of an ad-hoc thirteenth check in any other year. The Board of Trustees reserves the exclusive right to alter the manner of payment of this benefit or, to decline the payment of such benefit in any year in which the Board, in the exercise of its fiduciary responsibility and its sole discretion, determines it is in the best interest of the Plan to forego such payment.
- (d) Rule-Making Authority. The Board of Trustees shall have authority to make such uniform rules as it deems appropriate to facilitate the payment of benefits under this Section.

- 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 \$1,053,838 (7.5% of covered payroll), as shown on page 4, 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.

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Chairman, Board of Trustees

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Date

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

State Required Exhibit

	<u>Current</u> <u>10/01/2021</u>	<u>Proposed</u> <u>10/01/2021</u>
<b>A. <u>Participant Data</u></b>		
1. Active participants	156	156
2. Retired participants and beneficiaries receiving benefits	132	132
3. DROP participants	11	11
4. Disabled participants receiving benefits	4	4
5. Terminated vested participants	9	9
6. Annual payroll of active participants	\$ 13,971,558	\$ 13,971,558
7. Annual benefits payable to those currently receiving benefits	\$ 5,631,338	\$ 5,631,338
8. Annual benefits payable to DROP participants	\$ 824,134	\$ 824,134
<b>B. <u>Value of Assets</u></b>		
1. Actuarial Value	\$ 113,784,096	\$ 113,784,096
2. Market Value	\$ 128,138,641	\$ 128,138,641
<b>C. <u>Liabilities</u></b>		
1. Actuarial present value of future expected benefit payments for active members		
a. Retirement benefits	\$ 72,588,183	\$ 73,816,198
b. Vesting benefits	1,371,788	1,537,669
c. Death benefits	265,726	265,726
d. Disability benefits	1,298,476	1,372,684
e. Total	\$ 75,524,173	\$ 76,992,277
2. Actuarial present value of future expected benefit payments for terminated vested members	\$ 2,649,462	\$ 2,857,611
3. Actuarial present value of future expected benefit payments for those receiving benefits		
a. Service retired	\$ 58,123,691	\$ 62,844,542
b. DROP participants	11,292,939	11,686,202
c. Disability retired	1,475,260	1,622,446
d. Beneficiaries	2,606,469	2,606,469
e. Miscellaneous (refunds payable)	64,388	4,064,198
f. Total	\$ 73,562,747	\$ 82,823,857
4. Total actuarial present value of future expected benefit payments	\$ 151,736,382	\$ 162,673,745

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	Current 10/01/2021	Proposed 10/01/2021
5. Actuarial accrued liabilities	\$ 130,936,046	\$ 141,377,124
6. Unfunded actuarial liabilities (see footnote 1/ for separation)	\$ 17,151,950	\$ 27,593,028

D. Pension Cost

1. Total normal cost	\$ 3,377,405	\$ 3,467,066
2. Payment required to amortize unfunded liability	1,861,919	2,783,007
3. Interest	<u>225,387</u>	<u>268,476</u>
4. Total required contributions	\$ 5,464,711	\$ 6,518,549
5. Item 4 as a percentage of payroll	39.1%	46.7%
6. Employee contributions	\$ 978,009	\$ 978,009
7. Item 6 as a percentage of payroll	7.0%	7.0%
8. Total employer required contributions	\$ 4,486,702	\$ 5,540,540
9. Item 8 as a percentage of payroll	32.1%	39.7%
10. State contributions	\$ 521,161	\$ 521,161
11. Items 10 as a percentage of payroll	3.7%	3.7%
12. Net amount payable by City	\$ 3,965,541	\$ 5,019,379
13. Item 12 as a percentage of payroll	28.4%	35.9%
14. Increase in amount payable by City	N/A	\$ 1,053,838

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