



RETIREMENT PLAN FOR EMPLOYEES OF THE CITY OF KEY WEST

ACTUARIAL VALUATION AS OF OCTOBER 1, 2013

This Valuation Determines the Annual Contribution for the Plan Year October 1, 2013 through September 30, 2014 to be Paid in the Fiscal Year October 1, 2013 to September 30, 2014

September 26, 2014

**Retirement Plan for Employees
of the City of Key West**

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September 26, 2014

General Employees' Retirement Committee
c/o Ms. Patti McLaughlin
Administrator – General Employees' Pension Fund
City of Key West
3102 Flagler Avenue
Key West, Florida 33040

Dear Committee Members:

October 1, 2013 Actuarial Valuation

We are pleased to present our October 1, 2013 Actuarial Valuation for the Retirement Plan for Employees of the City of Key West. The purpose of this report is to indicate appropriate contribution levels, comment on the actuarial stability of the Plan and to satisfy State requirements. The Retirement Committee has retained Gabriel, Roeder, Smith & Company (GRS) to prepare an annual actuarial valuation under Section 46.72(a) of the Plan.

This report consists of this commentary, detailed Tables I through XVI, and the State Required Exhibit on Table XVII. The Tables contain basic Plan cost figures plus significant details on the benefits, liabilities and experience of the Plan. We suggest that you thoroughly review the report at your convenience and contact us with any questions that may arise.

Retirement Plan Costs

Our Actuarial Valuation develops the required minimum Retirement Plan payment under the Florida Protection of Public Employee Retirement Benefits Act. The minimum payment consists of payment of the annual normal costs including expenses as prescribed by law. The minimum payment for the fiscal year ending September 30, 2014 is **\$1,231,872 (12.4%)**. The figure in parentheses is the Plan cost expressed as a percentage of covered annual payroll as of October 1, 2013 (\$9,932,184).

This total cost is to be met by member and City contributions. We anticipate that member contributions will be **595,931 (6.0%)**. The resulting minimum required City contribution is **\$635,941 (6.4%)**.

Changes in Actuarial Assumptions, Methods and Plan Benefits

Plan benefits remain unchanged from the previous valuation. Plan benefits are summarized on Table VIII.

As a result of an Experience Study dated November 15, 2013, several actuarial assumptions have been updated. Assumed investment return has been updated to 7.5%, net of investment expenses. Employee withdrawal rates, salary increase rates and retirement rates have also been updated. DROP account balances are included in the assets and liabilities. Inclusion of DROP account balances in the assets and liabilities does not affect contribution requirements. The remaining actuarial assumptions and methods remain unchanged from the previous valuation and are outlined on Table IX.

Projected Government Accounting Standards Board Statement Number 67 (GASB 67) disclosures are included. GASB 67 requires inclusion of DROP account balances in assets and liabilities for accounting purposes.

Comparison of October 1, 2012 and October 1, 2013 Valuation Results

Table II of our report provides information of a comparative nature. The left columns of the Table indicate the costs as calculated for October 1, 2012. The center columns indicate the costs as calculated for October 1, 2013, prior to the update in actuarial assumptions. The right columns indicate the costs as calculated for October 1, 2013, after the update in actuarial assumptions.

Comparing the left and center columns of Table II shows the effect of Plan experience during the year. The number of active participants decreased by approximately 1%. Covered payroll decreased by less than 1%. Total Plan membership also decreased by approximately 1%. Total normal cost decreased both as a dollar amount and as a percentage of covered payroll. The net City minimum funding requirement also decreased both as a dollar amount and as a percentage of covered payroll.

Comparing the right and center columns of Table II shows the effect of the update of the actuarial assumptions. The total normal cost decreased both as a dollar amount and as a percentage of covered payroll. The net City minimum funding requirement also decreased both as a dollar amount and as a percentage of covered payroll.

Your Plan continues to have assets in excess of the value of vested accrued benefits, resulting in a Vested Benefit Security Ratio of 123.0% (130.2% prior to the update in actuarial assumption), which is an increase from 121.4% as of October 1, 2012. The Vested Benefit Security Ratio is measured on a market value of assets basis.

Plan Experience

Table VI indicates that the Plan experienced an actuarial gain of \$1,152,628. This suggests actual overall Plan experience was more favorable than expected.

Table XIV (salary, turnover and investment yield) provides figures on recent plan experience. The salary experience indicates actual salary increases this year averaged approximately 3.3%. Salary experience was generally a source of actuarial gain when compared to the assumed 7.6% average

annual increase under the prior assumptions. Three, five and ten year average salary increases are 3.8%, 1.8% and 4.4%, respectively.

Employee turnover this year was 110% of the assumed under the prior assumptions and was generally an additional source of actuarial gain. Three, five and ten year turnover has averaged 110%, 110% and 130% of assumed turnover, respectively.

Smoothed actuarial value investment return of 8.8% was more than the prior assumption of 8.0%. Smoothed investment return was the primary source of actuarial gain during the previous year. The three, five and ten year average annual smoothed actuarial value investment returns are 5.3%, 5.4% and 6.7%, respectively. The one, three, five and ten year average market value returns are 13.3%, 8.9%, 8.6% and 8.0%, respectively.

Member Census and Financial Data

The Board submitted the Member census data as of October 1, 2013 used for this valuation to us. This information contains name, Social Security number, date of birth, date of hire, October 1, 2013 rate of pay, actual salary paid and member contributions for the previous year. Dates of termination and retirement are provided where applicable. The Board updated information on inactive participants including retirees, beneficiaries and vested terminees.

We received financial information concerning Plan assets as of September 30, 2013 from the Comprehensive Annual Financial Report (CAFR) including the investment manager's schedules and the Plan's financial statements. We were provided with adjustments in the amount of City and Member contributions by the City and the Auditors. These adjustments did not impact the total market value of assets as of September 30, 2013. We do not audit the Member census data and asset information that is provided to us. However, we perform certain reasonableness checks and on this basis we believe that the information that we received with adjustments is reliable.

Summary

In our opinion the benefits provided for under the current Plan will be sufficiently funded through the payment of the amount as indicated in this and future Actuarial Valuation reports. We will continue to update you on the future payment requirements for the Plan through our actuarial reports. These reports will also continue to monitor the future experience of the Plan.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: Plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in Plan provisions or applicable law. Due to

General Employees' Retirement Committee
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the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This report should not be relied on for any purpose other than the purpose described in the primary communication. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement plans. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

This report may be provided to parties other than the Board only in its entirety and only with the permission of an approved representative of the Board.

The signing actuaries are independent of the Plan sponsor.

The undersigned are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. We are available to respond to any questions with regards to matters covered in this report.

Very truly yours,



Lawrence F. Wilson, A.S.A.
Senior Consultant and Actuary



Kelly L. Adams, A.S.A.
Consultant and Actuary

Table I

**Retirement Plan for Employees
of the City of Key West**

Summary of Retirement Plan Costs as of October 1, 2013

	<u>Prior Assumptions</u>		<u>Current Assumptions</u>	
	<u>Cost Data</u>	<u>% of Payroll</u>	<u>Cost Data</u>	<u>% of Payroll</u>
A. Participant Data Summary (Table III)				
1. Active Employees	240	N/A	240	N/A
2. Terminated Vested	14	N/A	14	N/A
3. Receiving Benefits (including DROPs)	129	N/A	129	N/A
4. Annual Payroll of Active Employees	\$ 9,932,184	100.0%	\$ 9,932,184	100.0%
B. Total Actuarial Present Value of Future Benefits				
1. Age Retirement Benefits Active Employees	\$ 23,080,874	232.4%	\$ 20,533,716	206.7%
2. Termination Benefits Active Employees	2,101,591	21.2%	2,312,488	23.3%
3. Death Benefits Active Employees	604,968	6.1%	556,656	5.6%
4. Disability Benefits Active Employees	1,132,322	11.4%	883,716	8.9%
5. Retired or Terminated Vested Participants Receiving Benefits (including DROPs)	21,579,057	217.3%	22,459,326	226.1%
6. Terminated Vested Participants Entitled to Future Benefits	609,060	6.1%	648,923	6.5%
7. Deceased Participants Whose Beneficiaries are Receiving Benefits	1,374,203	13.8%	1,433,012	14.4%
8. Disabled Participants Receiving Benefits	28,803	0.3%	29,732	0.3%
9. Miscellaneous Liability	160,728	1.6%	160,728	1.6%
10. Total Present Value of Future Benefits	\$ 50,671,606	510.2%	\$ 49,018,297	493.5%
C. Assets (Table V)				
1. Smoothed Actuarial Value of Assets	\$ 42,290,953	425.8%	\$ 42,290,953	425.8%
2. Market Value of Assets	\$ 44,281,241	445.8%	\$ 44,281,241	445.8%
D. Actuarial Present Value of Future Normal Costs (B. - C.1.)				
	\$ 8,380,653	84.4%	\$ 6,727,344	67.7%
E. Actuarial Present Value of Future Salaries				
	\$ 75,335,152	758.5%	\$ 62,723,754	631.5%
F. Normal Cost Accrual Rate (D. / E.)				
	11.12%	N/A	10.73%	N/A
G. Normal Cost (A.4. x F., but not less than 0)				
	\$ 1,104,459	11.1%	\$ 1,065,723	10.7%

**Table I
(Cont'd)**

**Retirement Plan for Employees
of the City of Key West**

Summary of Retirement Plan Costs as of October 1, 2013

	<u>Prior Assumptions</u>		<u>Current Assumptions</u>	
	<u>Cost Data</u>	<u>% of Payroll</u>	<u>Cost Data</u>	<u>% of Payroll</u>
H. Minimum Required Contribution				
1. Normal Cost	\$ 1,104,459	11.1%	\$ 1,065,723	10.7%
2. Expected Expenses	240,579	2.4%	123,177	1.2%
3. Interest Adjustment	51,732	0.5%	42,972	0.4%
4. Total Minimum Required Contribution	<u>\$ 1,396,770</u>	14.1%	<u>\$ 1,231,872</u>	12.4%
I. Contribution Sources				
1. City	\$ 800,839	8.1%	\$ 635,941	6.4%
2. Member	\$ 595,931	6.0%	\$ 595,931	6.0%
J. Actuarial Present Value of Vested Accrued Benefits				
1. Retired, Terminated Vested, Beneficiaries and Disabled Receiving Benefits (including DROPs)	\$ 22,982,063	231.4%	\$ 23,922,070	240.9%
2. Terminated Vested Participants Entitled to Future Benefits and Miscellaneous	769,788	7.8%	809,651	8.2%
3. Active Participants Entitled to Future Benefits	<u>10,246,324</u>	103.2%	<u>11,256,761</u>	113.3%
4. Total Actuarial Present Value of Vested Accrued Benefits	\$ 33,998,175	342.3%	\$ 35,988,482	362.3%
K. Unfunded Actuarial Present Value of Vested Accrued Benefits (J.4. - C.2., not less than zero)	\$ 0	0.0%	\$ 0	0.0%
L. Vested Benefit Security Ratio (C.2. ÷ J.4.)	130.2%	N/A	123.0%	N/A

Retirement Plan for Employees
of the City of Key West

Comparison of Cost Data of October 1, 2012 and October 1, 2013 Valuations

	October 1, 2012		Prior Assumptions October 1, 2013		Current Assumptions October 1, 2013	
	Cost Data	% of Annual Compensation	Cost Data	% of Annual Compensation	Cost Data	% of Annual Compensation
A. Participants						
1. Active employees	242	N/A	240	N/A	240	N/A
2. Terminated vested	15	N/A	14	N/A	14	N/A
3. Receiving benefits	128	N/A	129	N/A	129	N/A
4. Annual payroll of active employees	\$ 9,945,221	100.0%	\$ 9,932,184	100.0%	\$ 9,932,184	100.0%
B. Present Value of Future Benefits	\$ 49,826,067	501.0%	\$ 50,671,606	510.2%	\$ 49,018,297	493.5%
C. Total Entry Age Normal Actuarial Actuarial Accrued Liability *	\$ 39,500,077	397.2%	\$ 40,514,920	407.9%	\$ 41,994,258	422.8%
D. Smoothed Actuarial Value of Assets	\$ 40,148,171	403.7%	\$ 42,290,953	425.8%	\$ 42,290,953	425.8%
E. Unfunded Entry Age Normal Actuarial Accrued Liability *	\$ (648,094)	(6.5%)	\$ (1,776,033)	(17.9%)	\$ (296,695)	(3.0%)
F. Total Normal Costs (including expenses)						
1. Aggregate Cost Method	\$ 1,525,289	15.3%	\$ 1,345,038	13.5%	\$ 1,188,900	12.0%
2. Entry Age Normal (GASB 67)	N/A	N/A	\$ 1,482,277	14.9%	\$ 1,257,285	12.7%
G. City Minimum Funding Payment	\$ 987,241	9.9%	\$ 800,839	8.1%	\$ 635,941	6.4%
H. Actuarial Gain / (Loss)	\$ (1,201,188)	(12.1%)	\$ 1,152,628	11.6%	\$ 1,152,628	11.6%
I. Unfunded Actuarial Present Value of Vested Accrued Benefits	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%
J. Vested Benefit Security Ratio	121.4%	N/A	130.2%	N/A	123.0%	N/A

* For purposes of GASB 27 and 67 only

Table III

**Retirement Plan for Employees
of the City of Key West**

**Characteristics of Participants in
Actuarial Valuation as of October 1, 2013**

A. Active Plan Participants Summary

1. Active participants fully vested	61
2. Active participants partially vested	74
3. Active participants non-vested	105
4. Total active participants	240
5. Annual rate of pay of active participants	\$ 9,932,184

B. Retired and Terminated Vested Participant Summary

1. Retired or terminated vested participants receiving benefits (including DROPs)	100
2. Terminated vested participants entitled to future benefits	14
3. Deceased participants whose beneficiaries are receiving benefits	28
4. Disabled participants receiving benefits	1

C. Projected Annual Retirement Benefits

1. Retired or terminated vested receiving benefits (including DROPs)	\$ 2,109,596
2. Terminated vested entitled to future benefits	\$ 99,876
3. Beneficiaries of deceased participants receiving benefits	\$ 140,425
4. Disabled participants receiving benefits	\$ 3,633

Table IV

**Retirement Plan for Employees
of the City of Key West**

Statement of Assets as of October 1, 2013

<u>Assets</u>	<u>Market Value</u>
A. <u>Cash</u>	\$ 1,802,506
B. <u>General Investments</u>	
1. Corporate bonds	7,535,255
2. U.S. Government Securities	2,750,971
3. Equities	25,841,601
4. Mutual Funds	
- iShares MSCI Emerging Markets Index	85,588
- Templeton Global Bond Mutual Fund	2,211,923
5. American Core Realty Fund LLC	4,400,709
C. <u>Accrued Interest</u>	127,060
D. <u>Accounts Payable</u>	10,420
E. <u>Benefits / Distributions Payable</u>	463,952
F. <u>Pending Trades</u>	0
G. <u>Total Plan Assets</u> (A. + B. + C. + D. - E. - F.)	\$ 44,281,241

Table V

**Retirement Plan for Employees
of the City of Key West**

Reconciliation of Plan Assets¹

A.	<u>Market Value of Assets as of October 1, 2012</u>	\$ 40,333,862
	Adjustment to Market Value as of October 1, 2012	23,056
	<u>Adjusted Market Value of Assets as of October 1, 2012</u>	\$ 40,356,918
B.	<u>Receipts During Period</u>	
1.	Contributions	
(a)	Employee ²	\$ 629,220
(b)	City ²	987,241
(c)	Total	\$ 1,616,461
2.	Investment income	
(a)	Dividends, interest and other	\$ 1,200,108
(b)	Investment expenses	(117,402)
(c)	Net investment income	\$ 1,082,706
3.	Realized appreciation	3,630,490
4.	Unrealized appreciation	454,113
5.	Total receipts during period	\$ 6,783,770
C.	<u>Disbursements During Period</u>	
1.	Pension benefit payments and contribution refunds	\$ 2,249,914
2.	DROP distributions	486,356
3.	Administrative expenses	123,177
4.	Total disbursements during period	\$ 2,859,447
D.	<u>Market Value of Assets as of September 30, 2013</u>	\$ 44,281,241
E.	<u>Reconciliation of DROP Account Balances</u>	
1.	DROP account balances as of October 1, 2012	\$ 587,194
2.	Benefit payments into DROP accounts during year	265,138
3.	Investment gains (losses) during year ³	77,659
4.	Distributions from DROP accounts during year	(486,356)
5.	DROP account balances as of October 1, 2013	\$ 443,635

¹ As reported in the Comprehensive Annual Financial Report (CAFR) including the investment manager's schedules and Plan financial statements.

² Reflects adjustments in the amount of City and Member contributions reported by City and Auditors.

³ Based on actual fund performance.

**Retirement Plan for Employees
of the City of Key West**
Development of Smoothed Actuarial Value of Assets as of September 30

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Preliminary smoothed actuarial value from prior year	39,801,355	40,148,171	42,290,953			
B. Market value end of year	40,333,862	44,281,241				
C. Market value beginning of year	35,968,958	40,333,862	44,281,241			
D. Non-investment net cash flow	(1,047,973)	(1,337,332)				
E. Investment return						
1. Total market value return: B. - C. - D.	5,412,877	5,284,711				
2. Amount for immediate recognition (8.0%)	2,835,598	3,173,216				
3. Amount for phased-in recognition: E.1. - E.2.	2,577,279	2,111,495				
F. Phased-in recognition of investment return						
1. Current year: 20% of E.3.	515,456	422,299				
2. First prior year	(664,593)	515,456	422,299			
3. Second prior year	83,911	(664,593)	515,456	422,299		
4. Third prior year	(50,174)	83,911	(664,593)	515,456	422,299	
5. Fourth prior year	(1,325,409)	(50,175)	83,913	(664,595)	515,455	422,299
6. Total phased-in recognition of investment return	(1,440,809)	306,898	357,075	273,160	937,754	422,299
G. Total smoothed actuarial value end of year						
1. Preliminary total smoothed actuarial value end of year:						
A. + D. + E.2. + F.6.	40,148,171	42,290,953				
2. Upper corridor limit: 120% of B.	48,400,634	53,137,489				
3. Lower corridor limit: 80% of B.	32,267,090	35,424,993				
4. Total smoothed actuarial value end of year:						
G.1., not more than G.2., nor less than G.3.	40,148,171	42,290,953				
H. Difference between smoothed market value and actuarial value	185,691	1,990,288				
I. Smoothed actuarial value rate of return	3.6%	8.8%				
J. Market value rate of return	15.3%	13.3%				

Table VI

**Retirement Plan for Employees
of the City of Key West**

**Actuarial Gain / (Loss) for
Plan Year Ended September 30, 2013**

A. Derivation of Actuarial Gain (Loss)

1. Actuarial present value of projected payroll (prior to change in assumptions)	\$	75,335,152
2. Normal cost for benefits as a percentage of payroll		
(a) Prior valuation		12.65%
(b) Current valuation (prior to change in assumptions)		11.12%
(c) Difference (a) - (b)		<u>1.53%</u>
3. Actuarial gain / (loss): (1. x 2.c)	\$	1,152,628

**B. Approximate Portion of Gain / (Loss)
due to Investments**

1. Smoothed actuarial value of assets previous year	\$	40,148,171
2. Contributions during year		1,616,461
3. Benefits and expenses during year		2,976,849
4. Expected net appreciation for period		<u>3,157,438</u>
5. Expected smoothed actuarial value of assets current year: (1. + 2. - 3. + 4.)	\$	41,945,221
6. Smoothed actual actuarial value of assets current year	\$	42,290,953
7. Approximate gain / (loss) due to investments: (6. - 5.)	\$	345,732

**C. Approximate Portion of Gain / (Loss)
Due to Liabilities: A. - B.**

\$ 806,896

Table VII

**Retirement Plan for Employees
of the City of Key West**

Accounting Disclosure Exhibit

	<u>10/01/2012</u>	Prior Assumptions <u>10/01/2013</u>	Current Assumptions <u>10/01/2013</u>
I. <u>Number of Plan Members</u>			
1. Retirees and beneficiaries receiving benefits	128	129	129
2. Terminated plan members due deferred benefits	15	14	14
3. Active plan members	242	240	240
4. Total plan members	385	383	383
II. <u>Financial Accounting Standards Board Allocation</u>			
<u>As of October 1, 2013</u>			
A. <u>Statement of Accumulated Plan Benefits</u>			
1. Actuarial present value of accumulated vested plan benefits			
a. Participants currently receiving benefits	\$ 22,739,004	\$ 22,982,063	\$ 23,922,070
b. Other participants	10,476,658	11,016,112	12,066,412
c. Total	\$ 33,215,662	\$ 33,998,175	\$ 35,988,482
2. Actuarial present value of accumulated non-vested plan benefits	\$ 1,375,056	\$ 1,390,478	\$ 1,526,584
3. Total actuarial present value of accumulated plan benefits	\$ 34,590,718	\$ 35,388,653	\$ 37,515,066
B. <u>Statement of Change in Accumulated Plan Benefits</u>			
1. Actuarial present value of accumulated plan benefits as of October 1, 2012			\$ 34,590,718
2. Increase (decrease) during year attributable to:			
a. Plan amendment			\$ 0
b. Change in actuarial assumptions			2,126,413
c. Benefits paid including contribution refunds			(2,736,270)
d. Other, including benefits accumulated, increase for interest due to decrease in the discount period			3,534,205
e. Net increase			\$ 2,924,348
3. Actuarial present value of accumulated plan benefits as of October 1, 2013			\$ 37,515,066
C. <u>Significant Matters Affecting Calculations</u>			
1. Assumed rate of return used in determining actuarial present values			7.5%
2. Change in plan provisions			None
3. Change in actuarial assumptions			See Table IX, Item K.

**Table VII
(Cont'd)**

**Retirement Plan for Employees
of the City of Key West**

Accounting Disclosure Exhibit

III. Actuarial Assumptions and Methods:

Actuarial valuation date	October 1, 2013
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return *	7.50%
Projected salary increases *	3.75% - 6.00%
Cost-of-living adjustments	None
* Includes inflation at	3.00%

**Table VII
(Cont'd)**

**Retirement Plan for Employees
of the City of Key West**

Accounting Disclosure Exhibit

IV. Historical Trend Information (thousands)

Schedule of Employer Costs (GASB No. 27)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
09/30/2008	\$ 905	147%	\$ (1,702)
09/30/2009	\$ 760	167%	\$ (2,208)
09/30/2010	\$ 660	176%	\$ (2,712)
09/30/2011	\$ 708	160%	\$ (3,137)
09/30/2012	\$ 870	101%	\$ (3,146)
09/30/2013	\$ 1,015	97%	\$ (3,118)

V. Annual Pension Cost and Net Pension Asset (NPA) (GASB No. 27)

<u>Fiscal Year Ending</u>	<u>9/30/2013</u>	<u>Projected 9/30/2014</u>
Annual Required Contribution (ARC)	\$ 987,241	\$ 635,941
Interest on NPA	(251,651)	(233,844)
Adjustment to ARC	279,364	266,489
APC	<u>\$ 1,014,954</u>	<u>\$ 668,586</u>
City Contribution	<u>\$ (987,241)</u>	
(Increase) Decrease in (NPA)	\$ 27,713	
(NPA) (beginning of year)	(3,145,635)	
(NPA) (end of year)	\$ (3,117,922)	

Table VII
(Cont'd)

Retirement Plan for Employees
of the City of Key West

Schedule of Funding Progress

VI. Schedule of Funding Progress (thousands) (GASB No. 27)

Actuarial Valuation Date	Smoothed Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) * (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
10/01/2008	\$ 35,149	\$ 32,085	\$ (3,064)	109.5%	\$ 10,982	(27.9%)
10/01/2009	\$ 37,065	\$ 33,088	\$ (3,977)	112.0%	\$ 10,277	(38.7%)
10/01/2010	\$ 38,582	\$ 34,789	\$ (3,793)	110.9%	\$ 9,939	(38.2%)
10/01/2011	\$ 39,352	\$ 37,474	\$ (1,878)	105.0%	\$ 9,609	(19.5%)
10/01/2012	\$ 39,561	\$ 38,913	\$ (648)	101.7%	\$ 9,945	(6.5%)
10/01/2013 ^{1,3}	\$ 42,291	\$ 40,515	\$ (1,776)	104.4%	\$ 9,932	(17.9%)
10/01/2013 ^{2,3}	\$ 42,291	\$ 41,994	\$ (297)	100.7%	\$ 9,932	(3.0%)

* Entry Age Normal

¹ Prior to update in actuarial assumptions

² After update in actuarial assumptions

³ Includes DROP accounts in assets and liabilities

**Table VII
(Cont'd)**

**Retirement Plan for Employees
of the City of Key West**

Accounting Disclosure Exhibit

VII. Net Pension Liability and Related Ratios (GASB No. 67)

	<u>Projected 9/30/2014*</u>
Measurement date	
A. <u>Total Pension Liability</u>	
Service Cost	\$ 1,134,108
Interest	3,136,236
Benefit Changes	0
Difference Between Actual and Expected Experience	(808,433)
Assumption Changes	1,479,338
Benefit Payments, including Refunds of Member Contributions	<u>(2,623,768)</u>
Net Change in Total Pension Liability	2,317,481
Total Pension Liability (TPL) - (beginning of year)	41,323,353
Total Pension Liability (TPL) - (end of year)	<u><u>\$ 43,640,834</u></u>
B. <u>Plan Fiduciary Net Position</u>	
Contributions - City	\$ 635,941
Contributions - Member	595,931
Net Investment Income	3,264,278
Benefit Payments, including Refunds of Member Contributions	(2,623,768)
Administrative Expenses	(123,177)
Other	0
Net Change in Plan Fiduciary Net Position	<u>1,749,205</u>
Plan Fiduciary Net Position - (beginning of year)	<u>44,281,241</u>
Plan Fiduciary Net Position - (end of year)	<u><u>\$ 46,030,446</u></u>
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	(2,389,612)
D. <u>Plan Fiduciary Net Position as a Percentage of TPL: (B) / (A)</u>	105.48 %
E. <u>Covered Employee Payroll</u>	\$ 9,932,184
F. <u>NPL as a Percentage of Covered Employee Payroll: (C) / (E)</u>	(24.06)%
G. <u>Notes to Schedule:</u>	
Valuation Date	10/01/2013
Update procedures were used to roll forward the total pension liability to the measurement date	
See Table IX, Item K. for assumption changes during the year.	
No benefit changes affecting calculations during the year.	

* Projected - actual amounts will be available after fiscal year end

**Table VII
(Cont'd)**

**Retirement Plan for Employees
of the City of Key West**

Accounting Disclosure Exhibit

VIII. Schedule of the Employer's Net Pension Liability (GASB No. 67)

Measurement Date	Total Pension Liability		Plan Fiduciary Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
	\$						
9/30/2014*	\$ 43,640,834	\$ 46,030,446	\$ (2,389,612)	105.48%	\$ 9,932,184	(24.06%)	

* Projected - actual amounts will be available after fiscal year end

**Table VII
(Cont'd)**

**Retirement Plan for Employees
of the City of Key West**

Accounting Disclosure Exhibit

IX. Schedule of Employer Contributions (GASB No. 67)

<u>Fiscal Year End</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
9/30/2014*	\$ 635,941	\$ 635,941	\$ 0	\$ 9,932,184	6.40%

* Projected - actual amounts will be available after fiscal year end

X. Notes to Schedule of Contributions (GASB No. 67)

Valuation Date: Actuarially determined contributions are calculated as of the beginning of the plan year.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Aggregate
Amortization Method	N/A
Amortization Period	N/A
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	3.75% - 6.00%
Investment Rate of Return	7.50%
Payroll Growth Assumption	None.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	<p>Healthy Members: RP-2000 Combined Mortality Table was used with separate rates for males and females and fully generational mortality improvements projected with Scale BB to each future decrement date.</p> <p>Disabled Members: RP-2000 Combined Disabled Mortality Table was used with separate rates for males and females and fully generational mortality improvements projected with Scale BB to each future decrement date.</p>
Cost-of-Living Increases	None.

Other Information:

Notes See Table IX., Item K. for assumption changes during the year.
No benefit changes affecting calculations during the year.

**Retirement Plan for Employees
of the City of Key West**

Accounting Disclosure Exhibit

XI. Discount Rate (GASB No. 67)

A discount rate of 7.5% was used to measure the total pension liability. This discount rate was based on the expected rate of return on Plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

XII. Sensitivity of the Net Pension Liability to the Discount Rate Assumption (GASB No. 67)

Measurement date: 9/30/2014 *

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.5%	7.5%	8.5%
Net Pension Liability	\$ 2,562,012	\$ (2,389,612)	\$ (6,532,337)

* Projected - actual amounts will be available after fiscal year end

**Retirement Plan for Employees
of the City of Key West**

Outline of Principal Provisions of the Retirement Plan

A. Effective Date:

January 1, 1973, as amended through Ordinance 09-04.

B. Eligibility Requirements:

Full-time employee, other than police officers and firefighters.

C. Credited Service:

Service in completed calendar months from date of employment to the earlier of date of retirement or termination.

D. Earnable Compensation:

Base salary paid including overtime pay *pick-up* contributions, but excluding bonuses, expense allowances, unused accumulated leave time, etc.

E. Final Monthly Compensation (FMC) :

Average monthly rate of earnable compensation during the best thirty-six (36) consecutive months out of the last one hundred twenty (120) months preceding date of retirement (or termination).

F. Employee Contributions:

6% of basic annual compensation.

G. Normal Retirement:

(1) Eligibility: The earlier of attainment of age 60 and completion of 10 years of credited service or completion of 20 years of credited service, irrespective of age. Employees participating in the plan prior to March 1, 1993 may retire fully vested at age 60 with 5 years of credited service. Employees hired on or after March 1, 1993 may retire at age 60 with 5 years of credited service but less than 10 years of credited service with reduced benefits.

(2) Benefit: 2.5% times FMC times credited service. 1.25% times FMC times credited service for employees hired on or after March 1, 1993 with less than 10 years of credited service.

Retirement Plan for Employees
of the City of Key West

Outline of Principal Provisions of the Retirement Plan

H. Early Retirement:

- (1) Eligibility: Attainment of age 55 and completion of 10 years credited service.
- (2) Benefit: Benefit accrued to date of retirement, reduced by 1/15th for each year prior to normal retirement to reflect commencement of benefit at an earlier age.

I. Deferred Retirement:

- (1) Eligibility: Continued employment beyond normal retirement date.
- (2) Benefit: Benefit accrued at deferred retirement date based on credited service and FMC at deferred retirement date.

J. Disability Retirement:

- (1) Eligibility: Total and permanent qualifying disability. If non-service incurred, requires completion of ten (10) years of credited service.
- (2) Benefit: Benefit (payable for ten (10) years certain and life thereafter or prior recovery)

Incurred in Line-of-Duty: Greatest of (a), (b) or (c), where

- (a) is 42% of FMC as of date of disability,
 - (b) is the benefit supported by the present value of accrued benefit as of date of disability deferred to normal retirement date and
 - (c) is the benefit supported by eighteen (18) times FMC.
- Benefit under (c) shall not exceed 60% of anticipated retirement benefit.

Not Incurred in Line-of-Duty: Greater of (a) or (b), where

- (a) is the benefit supported by the present value of accrued benefit as of date of disability deferred to normal retirement date and
- (b) is the benefit supported by eighteen (18) times FMC.

**Retirement Plan for Employees
of the City of Key West**

Outline of Principal Provisions of the Retirement Plan

K. Death Benefit:

Benefit to beneficiary (payable for ten (10) years certain and life thereafter) which can be supported by the greater of A or B, where A is the single-sum value of the accrued benefit at date of death deferred to normal retirement date and B is the lesser of (i) and (ii), where (i) is 18 times FMC at date of death and (ii) is 100 times the anticipated monthly normal retirement benefit.

L. Vested Benefit Upon Termination:

(1) Eligibility:

Vesting schedule with no vesting until completion of 5 years of credited service (50%) increasing by 10% per year until 100% vesting upon completion of 10 years of credited service.

(2) Benefit at payable at Normal Retirement Date:

Benefit equal to accrued benefit based upon credited service and FMC at date of termination times vested percentage.

M. Cash Termination Benefit:

(1) Accumulated employee contributions without interest for non-vested employees.

(2) Accumulated employee contributions without interest in lieu of deferred vested benefit for vested employees.

N. Normal Form of Retirement Income:

Monthly life annuity with guaranteed return of employee contributions.

**Retirement Plan for Employees
of the City of Key West**

Outline of Principal Provisions of the Retirement Plan

O. Deferred Retirement Option Plan (DROP):

- (1) Eligibility: Upon meeting the eligibility for normal or early retirement.
- (2) Participation in the DROP must be exercised within the first thirty (30) years of employment; provided, however, that participation in the DROP, when combined with participation in the retirement plan as an active member may not exceed thirty (30) years. The maximum period of participation in the DROP is five (5) years.
- (3) An employee's account in the DROP program shall be credited with interest based upon the actual earnings of the retirement fund.
- (4) No payment may be made from the DROP until the employee actually separates from service with the City.

P. Cost of Living Adjustment (COLA):

Effective January 1, 2006, members receiving benefits received a 2.0% *ad hoc* COLA.

Q. Changes From Previous Valuation:

None.

**Retirement Plan for Employees
of the City of Key West**

**Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation**

A. Mortality

For healthy participants, the RP-2000 Combined Mortality Table was used with separate rates for males and females and fully generational mortality improvements projected with Scale BB to each future decrement date.

For disabled participants, the RP-2000 Combined Disabled Mortality Table was used with separate rates for males and females and fully generational mortality improvements projected with Scale BB to each future decrement date.

B. Investment Return

7.5%, compounded annually, net of investment expenses.

C. Allowances for Expenses or Contingencies

Previous year's actual administrative expenses added to normal cost.

D. Employee Withdrawal Rates

Withdrawal rates for males and for females were used in accordance with the following illustrative example:

<u>Service</u>	<u>Withdrawal Rates</u>
0-1	22.0%
1-2	22.0%
2-3	16.0%
3-4	16.0%
4-5	10.0%
5-6	10.0%
6-7	9.0%
7-8	9.0%
8-9	8.0%
9-10	8.0%
10+	4.0%

E. Disability Rates

Class (01) Inter-Company disability rates were used with separate rates for males and females.

50% of all disablements are assumed to be service related.

**Retirement Plan for Employees
of the City of Key West**

**Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation**

F. Marital Assumptions

100% of all active participants are assumed to be married.

Females are assumed to be three years younger than their male spouses.

G. Salary Increase Factors

Current salary was assumed to increase at a rate based on the table below per year until retirement.

<u>Service</u>	<u>Salary Increase</u>
0-1	6.00%
1-2	6.00%
2-3	5.00%
3-4	5.00%
4-5	5.00%
5-6	4.75%
6-7	4.75%
7-8	4.50%
8-9	4.25%
9-10	4.00%
10+	3.75%

H. Assumed Retirement Age

Rates of early retirement were used in accordance with the following table.

<u>Age</u>	<u>Retirement Rate</u>
55	15%
56 - 59	5%

Rates of normal retirement were used in accordance with the following table.

<u>Age</u>	<u>Retirement Rate</u>
Less than 55	15%
55 - 59	40%
60 - 61	25%
62 - 64	35%
65 - 74	50%
75 & older	100%

However, all active members on the valuation date are assumed to have a minimum of one year of future service.

Retirement Plan for Employees
of the City of Key West

Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation

I. Valuation of Assets

The method used for determining the smoothed actuarial value of assets phases in the deviation between the expected and actual return on assets at the rate of 20% per year. The smoothed actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets.

J. Actuarial Cost Methods

Normal Retirement, Termination, Death and Disability Benefits: Aggregate

Under this method the excess of the Actuarial Present Value of Projected Benefits of the group included in the valuation, over the sum of the Smoothed Actuarial Value of Assets is allocated as a level percentage of earnings of the group between the valuation date and the assumed retirement age. This allocation is performed for the group as a whole, not as a sum of individual allocations. The portion of this Actuarial Present Value allocated to a specific year is called the Normal Cost. Under this method, actuarial gains (losses) reduce (increase) future Normal Costs.

K. Changes from Previous Valuation

1. Investment Return was:

8.0%, compounded annually.

2. Employee Withdrawal Rates were:

Withdrawal rates for males and for females were used in accordance with the following illustrative example:

<u>Service</u>	<u>Withdrawal Rates</u>
0-1	20.0%
1-2	18.0%
2-3	16.0%
3-4	14.0%
4-5	12.0%
5-6	10.0%
6-7	8.0%
7-8	6.0%
8-9	6.0%
9-10	5.0%
10+	4.0%

Retirement Plan for Employees
of the City of Key West

Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation

K. Changes from Previous Valuation (cont'd)

3. Salary Increase Factors were:

Current salary was assumed to increase at a rate based on the table below per year until retirement.

<u>Service</u>	<u>Salary Increase</u>
0-1	25.0%
1-2	12.0%
2-3	9.0%
3-4	8.5%
4-5	8.0%
5-6	8.0%
6-7	8.0%
7-8	8.0%
8-9	7.0%
9-10	6.5%
10+	6.0%

4. Assumed Retirement Age was:

Rates of early retirement were used in accordance with the following table.

<u>Age</u>	<u>Retirement Rate</u>
55	20%
56 - 59	5%

Rates of normal retirement were used in accordance with the following table.

<u>Age</u>	<u>Retirement Rate</u>
Less than 55	10%
55	25%
56 - 59	10%
60 - 61	25%
62 - 64	50%
65 & older	100%

However, all active members on the valuation date are assumed to have a minimum of one year of future service.

Table X

Retirement Plan for Employees
of the City of Key West

Distribution by Attained Age Groups
and Service Groups as of October 1, 2013

<u>Attained</u> <u>Age Group</u>	<u>COMPLETED YEARS OF SERVICE</u>							<u>Total</u>
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30 & Over</u>	
Under 25	12	-	-	-	-	-	-	12
25-29	12	6	-	-	-	-	-	18
30-34	13	4	-	-	-	-	-	17
35-39	9	8	3	-	-	-	-	20
40-44	17	14	7	4	-	-	-	42
45-49	10	10	5	5	-	1	-	31
50-54	15	9	5	2	1	-	-	32
55-59	8	11	3	4	2	1	-	29
60-64	7	4	5	2	1	-	-	19
65 & Over	2	8	3	5	1	-	1	20
TOTAL	105	74	31	22	5	2	1	240
				<u>10/01/2012</u>		<u>10/01/2013</u>		
Average Attained Age				46.66 years		46.35 years		
Average Hire Age				39.87 years		39.29 years		
Average Pay				\$ 41,096		\$ 41,384		
Percent Female				38.8%		36.3%		

Table XI

**Retirement Plan for Employees
of the City of Key West**

**Statistics for Participants Entitled to Deferred Benefits
and Participants Receiving Benefits**

A. Entitled to Deferred Benefits

<u>Current Age Group</u>	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
Less than 50	6	\$ 47,246	\$ 7,874
50-54	-	-	-
55-59	3	27,538	9,179
60-64	3	17,495	5,832
65-69	2	7,597	3,799
70 & Over	-	-	-
TOTAL	14	\$ 99,876	\$ 7,134

B. Receiving Benefits

<u>Current Age Group</u>	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
Less than 50	14	\$ 126,014	\$ 9,001
50-54	12	374,098	31,175
55-59	11	275,122	25,011
60-64	16	375,542	23,471
65-69	27	499,191	18,489
70-74	20	322,746	16,137
75-79	13	118,542	9,119
80 & Over	16	162,399	10,150
TOTAL	129	\$ 2,253,654	\$ 17,470

Table XII

**Retirement Plan for Employees
of the City of Key West
Reconciliation of Employee Data**

A. <u>Active Participants</u>	
1. Active participants previous year	242
2. Retired during year	(2)
3. Entered DROP during year	(2)
4. Died during year	0
5. Disabled during year	0
6. Terminated refunded during year	(26)
7. Terminated not refunded	(3)
8. Terminated vested	(1)
9. Transferred	0
10. New active participants	32
11. Active participants current year	<u>240</u>
B. <u>Participants Receiving Benefits</u>	
1. Participants receiving benefits previous year	120
2. New retired participants	5
3. New terminated vested receiving benefits	1
4. New disabled receiving benefits	0
5. New beneficiaries receiving benefits	1
6. Died or ceased payment during year	(5)
7. Retired or terminated vested receiving benefits current year	122
C. <u>DROP Participants</u>	
1. DROP participants previous year	8
2. Died during year	0
3. Became disabled during year	0
4. Employment terminated and retired during year	(3)
5. Entered DROP during year	2
6. DROP participants current year	<u>7</u>
D. <u>Terminated Vested Participants Entitled to Future Benefits</u>	
1. Terminated vested entitled previous year	15
2. Died during year	0
3. Commenced receiving benefits during year	(1)
4. New terminated vested	1
5. Refunded member contributions	(1)
6. Terminated vested entitled current year	<u>14</u>

Table XIII

**Retirement Plan for Employees
of the City of Key West**

Projected Retirement Benefits

<u>Fiscal Year</u>	<u>Projected Total Annual Payout</u>
2014	2,623,768
2015	2,651,894
2016	2,814,097
2017	2,953,491
2018	3,077,633
2019	3,205,751
2020	3,327,880
2021	3,454,963
2022	3,601,219
2023	3,742,919

The above projected payout of plan benefits during the next ten years is based on assumptions involving all decrements. The actual payout may differ from the above estimated depending upon death, salary and retirement experience of the plan. However, since the projected payment is recomputed each valuation date, there is an automatic correction to the extent that actual experience varies from expected experience.

Table XIV

Retirement Plan for Employees
of the City of Key West

Recent Compensation, Termination and Investment Return Experience

Fiscal Year	Compensation		Termination		Investment Return	
	% Increase (Decrease)	Assumed Increase	Ratio of Actual to Expected	Smoothed Actuarial Value	Market Value	Assumed Rate
2013	3.3%	7.6%	1.1	8.8%	13.3%	8.0%
2012	5.0%	7.7%	0.9	3.6%	15.3%	8.0%
2011	3.0%	7.6%	1.4	3.7%	(1.1%)	8.0%
2010	0.9%	7.9%	0.9	5.4%	9.2%	8.0%
2009	(2.8%)	7.9%	1.1	5.5%	7.2%	8.0%
2008	1.0%	7.9%	1.2	7.5%	(10.7%)	8.0%
2007	4.0%	7.7%	1.2	12.6%	15.8%	8.0%
2006	9.1%	7.0%	2.5	8.9%	10.1%	8.0%
2005	15.6%	7.0%	2.2	6.0%	12.2%	8.0%
2004	6.2%	7.0%	1.6	4.9%	11.8%	8.0%
Last 3 Years	3.8%	7.6%	1.1	5.3%	8.9%	8.0%
Last 5 Years	1.8%	7.7%	1.1	5.4%	8.6%	8.0%
Last 10 Years	4.4%	7.5%	1.3	6.7%	8.0%	8.0%

Table XV

**Retirement Plan for Employees
of the City of Key West**

Summary of Transaction Information¹

Year Ending	Benefits Paid ²	Expenses	Employee Contributions	City Contributions	Net Market Value ³
09/30/2013	\$ 2,736,270	\$ 240,579	\$ 629,220	\$ 987,241	\$ 44,281,241
09/30/2012	\$ 2,324,314	\$ 267,219	\$ 610,375	\$ 879,008	\$ 39,746,668
09/30/2011	\$ 2,123,714	\$ 301,844	\$ 601,769	\$ 1,133,177	\$ 35,519,181
09/30/2010	\$ 1,933,345	\$ 312,100	\$ 612,574	\$ 1,163,828	\$ 36,586,205
09/30/2009	\$ 1,710,341	\$ 208,043	\$ 632,457	\$ 1,265,870	\$ 33,939,905
09/30/2008	\$ 1,450,151	\$ 212,667	\$ 713,251	\$ 1,331,364	\$ 31,679,524
09/30/2007	\$ 1,316,275	\$ 205,055	\$ 710,429	\$ 1,250,735	\$ 35,050,475
09/30/2006	\$ 1,380,767	\$ 185,896	\$ 661,533	\$ 1,199,176	\$ 29,866,340
09/30/2005	\$ 1,235,748	\$ 163,673	\$ 633,086	\$ 1,147,792	\$ 26,857,011
09/30/2004	\$ 1,060,839	\$ 176,274	\$ 575,902	\$ 995,293	\$ 23,582,251
09/30/2003	\$ 811,942	\$ 158,084	\$ 531,715	\$ 967,755	\$ 20,778,117
09/30/2002	\$ 772,089	\$ 165,553	\$ 511,158	\$ 860,526	\$ 17,619,387
09/30/2001	\$ 993,003	\$ 178,606	\$ 473,658	\$ 779,043	\$ 18,534,124
09/30/2000	\$ 750,178	\$ 128,816	\$ 472,597	\$ 782,111	\$ 19,303,795
09/30/1999	\$ 806,251	\$ 155,394	\$ 450,523	\$ 746,460	\$ 17,137,828
09/30/1998	\$ 608,403	\$ 120,276	\$ 422,195	\$ 1,326,594	\$ 14,411,390
09/30/1997	\$ 443,102	\$ 90,986	\$ 403,334	\$ 675,729	\$ 13,308,000
09/30/1996	\$ 402,987	\$ 87,094	\$ 377,636	\$ 631,346	\$ 10,649,000
09/30/1995	\$ 300,345	\$ 77,881	\$ 349,544	\$ 607,151	\$ 9,279,000
09/30/1994	\$ 234,960	\$ 76,288	\$ 299,289	\$ 535,230	\$ 7,568,000
09/30/1993	\$ 197,031	\$ 73,915	\$ 283,713	\$ 501,617	\$ 6,855,000
09/30/1992	\$ 177,419	\$ 98,730	\$ 255,096	\$ 446,212	\$ 5,666,000

¹ Information prior to October 1, 2000 as reported by prior actuaries

² Effective for year ending September 30, 2013, includes DROP distributions (previously included DROP benefit payments)

³ Effective for year ending September 30, 2013, includes DROP account balances

Table XVI**Retirement Plan for Employees
of the City of Key West****City Contribution Information**

<u>Valuation Date</u>	<u>Contribution Fiscal Year End</u>	<u>Minimum Required Employer Contributions</u>	<u>Actual Employer Contributions Made</u>
10/01/2013	09/30/2014	\$ 635,941	N/A
10/01/2012	09/30/2013	\$ 987,241	\$ 987,241
10/01/2011	09/30/2012	\$ 842,538	\$ 879,008
10/01/2010	09/30/2011	\$ 684,153	\$ 1,133,177
10/01/2009	09/30/2010	\$ 640,444	\$ 1,163,828
10/01/2008	09/30/2009	\$ 745,087	\$ 1,265,870
10/01/2007	09/30/2008	\$ 893,546	\$ 1,331,364
10/01/2006	09/30/2007	\$ 961,724	\$ 1,250,735
10/01/2005	09/30/2006	\$ 1,136,922	\$ 1,199,176
10/01/2004	09/30/2005	\$ 999,852	\$ 1,147,792
10/01/2003	09/30/2004	\$ 760,180	\$ 995,293
10/01/2002	09/30/2003	\$ 967,755	\$ 967,755

**Retirement Plan for Employees
of the City of Key West**

Actuarial Valuation as of October 1, 2013

State Required Exhibit

	<u>10/01/2012</u>	<u>Prior Assumptions 10/01/2013</u>	<u>Current Assumptions 10/01/2013</u>
A. <u>Participant Data</u>			
1. Active participants	242	240	240
2. Retired participants and beneficiaries receiving benefits (including DROPs)	126	128	128
3. Disabled participants receiving benefits	2	1	1
4. Terminated vested participants	15	14	14
5. Annual payroll of active participants	\$ 9,945,221	\$ 9,932,184	\$ 9,932,184
6. Annual benefits payable to those currently receiving benefits	\$ 2,203,897	\$ 2,253,654	\$ 2,253,654
B. <u>Value of Assets</u>			
1. Smoothed actuarial value of assets	\$ 40,148,171	\$ 42,290,953	\$ 42,290,953
2. Market value of assets	\$ 40,333,862	\$ 44,281,241	\$ 44,281,241
C. <u>Liabilities</u>			
1. Actuarial present value of future expected benefit payments for active members			
a. Retirement benefits	\$ 22,184,457	\$ 23,080,874	\$ 20,533,716
b. Termination benefits	2,255,255	2,101,591	2,312,488
c. Death benefits	601,055	604,968	556,656
d. Disability benefits	1,127,465	1,132,322	883,716
e. Total	<u>\$ 26,168,232</u>	<u>\$ 26,919,755</u>	<u>\$ 24,286,576</u>
2. Actuarial present value of future expected benefit payments for terminated vested members	\$ 647,643	\$ 609,060	\$ 648,923
3. Actuarial present value of future expected benefit payments for members currently receiving benefits			
a. Service retired (including DROPs)	\$ 21,283,442	\$ 21,579,057	\$ 22,459,326
b. Disability retired	66,487	28,803	29,732
c. Beneficiaries	1,389,075	1,374,203	1,433,012
d. Miscellaneous	271,188	160,728	160,728
e. Total	<u>\$ 23,010,192</u>	<u>\$ 23,142,791</u>	<u>\$ 24,082,798</u>

**Table XVII
(Cont'd)**

**Retirement Plan for Employees
of the City of Key West**

Actuarial Valuation as of October 1, 2013

State Required Exhibit

	<u>10/01/2012</u>	Prior Assumptions <u>10/01/2013</u>	Current Assumptions <u>10/01/2013</u>
4. Total actuarial present value of future expected benefit payments	\$ 49,826,067	\$ 50,671,606	\$ 49,018,297
5. Actuarial accrued liabilities (Entry Age Normal)	\$ 39,500,077	\$ 40,514,920	\$ 41,994,258
6. Unfunded actuarial liabilities (Entry Age Normal)	\$ (648,094)	\$ (1,776,033)	\$ (296,695)

D. Statement of Accumulated Plan Benefits

1. Actuarial present value of accumulated vested benefits			
a. Participants currently receiving benefits including DROPs	\$ 22,739,004	\$ 22,982,063	\$ 23,922,070
b. Other participants	10,476,658	11,016,112	12,066,412
c. Total	<u>\$ 33,215,662</u>	<u>\$ 33,998,175</u>	<u>\$ 35,988,482</u>
2. Actuarial present value of accumulated non-vested plan benefits	<u>1,375,056</u>	<u>1,390,478</u>	<u>1,526,584</u>
3. Total actuarial present value of accumulated plan benefits	\$ 34,590,718	\$ 35,388,653	\$ 37,515,066

E. Statement of Change in Accumulated Plan Benefits

1. Actuarial present value of accumulated plan benefits as of October 1, 2012	\$ 34,590,718
2. Increase (decrease) during year attributable to:	
a. Plan amendment	\$ 0
b. Change in actuarial assumptions	2,126,413
c. Benefits paid including contribution refunds	(2,736,270)
d. Other, including benefits accumulated and increase for interest due to decrease in the discount period	3,534,205
e. Net increase	<u>\$ 2,924,348</u>
3. Actuarial present value of accumulated plan benefits as of October 1, 2013	\$ 37,515,066

Table XVII
(Cont'd)

Retirement Plan for Employees
of the City of Key West

Actuarial Valuation as of October 1, 2013

State Required Exhibit

	<u>10/01/2012</u>	<u>Prior Assumptions 10/01/2013</u>	<u>Current Assumptions 10/01/2013</u>
F. <u>Pension Cost</u>			
1. Total normal cost	\$ 1,525,289	\$ 1,345,038	\$ 1,188,900
2. Interest adjustment	58,665	51,732	42,972
3. Total required contribution	\$ 1,583,954	\$ 1,396,770	\$ 1,231,872
4. Item 3 as a percentage of payroll	15.9%	14.1%	12.4%
5. Estimated employee contributions	\$ 596,713	\$ 595,931	\$ 595,931
6. Item 5 as a percentage of payroll	6.0%	6.0%	6.0%
7. Net amount payable by City	\$ 987,241	\$ 800,839	\$ 635,941
8. Item 7 as a percentage of payroll	9.9%	8.1%	6.4%
G. <u>Past Contributions</u>			
1. Total contribution required	\$ 1,583,954	\$ 1,396,770	\$ 1,231,872
2. Actual contributions made:			
a. Employees	\$ 629,220	N/A	N/A
b. City	987,241	N/A	N/A
c. Total	\$ 1,616,461	N/A	N/A
H. <u>Net Actuarial Gain (Loss)</u>	\$ (1,201,188)	\$ 1,152,628	\$ 1,152,628
I. <u>Disclosure of Following Items:</u>			
1. Actuarial present value of future salaries - attained age	\$ 76,508,765	\$ 75,335,152	\$ 62,723,754
2. Actuarial present value of future employee contributions - attained age	\$ 4,590,526	\$ 4,520,109	\$ 3,763,425
3. Actuarial present value of future contributions from other sources	N/A	N/A	N/A
4. Amount of active members' accumulated contributions	\$ 3,779,555	\$ 3,968,723	\$ 3,968,723
5. Actuarial present value of future salaries and future benefits at entry age	N/A	N/A	N/A
6. Actuarial present value of future employee contributions at entry age	N/A	N/A	N/A

**Retirement Plan for Employees
of the City of Key West**

State Required Exhibit

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or other wise provided for in the valuation. All known events or trends which may require material increase in plan costs or required contribution rates have been taken into account in the valuation.

Enrollment Number: 14-02802

Dated: September 26, 2014



Lawrence F. Wilson, A.S.A.

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