

January 25, 2016

Ms. Patti McLauchlin
Administrator, City of Key West
Employee's Retirement Plan
City of Key West
3102 Flagler Avenue
Key West, Florida 33040

Re: Retirement Plan for Employees of the City of Key West

Dear Patti:

As requested, we are pleased to enclose ten (10) copies of the October 1, 2014 Chapter 112.664 Compliance Report for the Retirement Plan for Employees of the City of Key West.

We will upload the required data to the State's online portal no later than the February 2nd filing deadline.

Please note we understand the following items must be posted on the Plan's website and must be posted on any website containing budget information relating to the City or actuarial or performance information relating to the Plan:

- this compliance report
- most recent financial statement
- most recent actuarial valuation report
- a link to the Division of Retirement Actuarial Summary Fact Sheet
http://www.dms.myflorida.com/workforce_operations/retirement/local_retirement_plans/local_retirement_section/actuarial_summary_fact_sheets
- for the previous five years - a side-by-side comparison of the Plan's assumed rate of return compared to the actual rate of return as well as the percentages of cash, equity, bond and alternative investments in the Plan portfolio
- the Plan's funded ratio as determined in the most recent actuarial valuation – 109.1% on a market value of assets basis as of October 1, 2014 under the Entry Age Normal Actuarial Cost Method

We appreciate the opportunity to work with the Board on this important assignment.

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

Sincerest regards,



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

Enclosures

RETIREMENT PLAN FOR EMPLOYEES OF THE CITY OF KEY WEST

CHAPTER 112.664, F.S. COMPLIANCE REPORT

In Connection with the October 1, 2014 Funding Actuarial Valuation Report
and the Plan's Financial Reporting for the Year Ended September 30, 2014



January 25, 2016

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

Re: October 1, 2014 Chapter 112.664 Compliance Report

Dear Committee Members:

Gabriel, Roeder, Smith & Company (GRS) has been engaged by the Retirement Committee (Committee) of the Retirement Plan for Employees of the City of Key West (Plan) to prepare a disclosure report to satisfy the requirements set forth in Chapter 112.664, F.S. and as further required pursuant to Chapter 60T-1.0035, F.A.C.

This report was prepared at the request of the Committee and is intended for use by the Committee and those designated or approved by the Committee. This report may be provided to parties other than the Committee only in its entirety and only with the permission of the Committee.

The purpose of the report is to provide the required information specified in Chapter 112.664, F.S. and to supplement this information with additional exhibits. This report should not be relied on for any purpose other than the purpose described above.

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 additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of this engagement does not include an analysis of the potential range of such measurements.

This report was based upon information furnished by the City and the Committee concerning Plan benefits, Plan provisions and Plan members as used in the corresponding Actuarial Valuation Reports for the Valuation Dates indicated. Financial information was provided by the City and Committee as of September 30, 2014. We reviewed the information provided for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the City and Committee.

Except where specific assumptions are required by Chapter 112.664, F.S, this report was prepared using actuarial assumptions adopted by the Committee as described in Section C. The Committee's assumptions are based on the results of an actuarial experience study for the period October 1, 2007 – September 30, 2012 and represent an estimate of future Plan experience. The

investment return assumption of 2% higher than the investment return assumption utilized in the Actuarial Valuation Report does not represent an estimate of future Plan experience nor observation of the estimates inherent in market data. This assumption is provided as a counterpart to the Chapter 112.664, F.S. requirement to utilize an investment return assumption of 2% lower than the investment return assumption utilized in the Actuarial Valuation Report. Inclusion of an investment return 2% higher than the investment return assumption utilized in the Actuarial Valuation Report shows a more complete assessment of the range of results as opposed to the one-sided range required by Statute.

If all actuarial assumptions are met and if all current and future minimum required contributions are paid Plan assets will be sufficient to pay all Plan benefits. Plan minimum required contributions are determined in compliance with the requirements of the Florida Protection of Public Employee Retirement Benefits Act with normal cost determined as a level percent of covered payroll.

The Plan's funded ratio as of October 1, 2014 is 109.1% defined as the ratio of the market value of Plan assets to the actuarial accrued liability under the Entry Age Normal Actuarial Cost Method.

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 herein. The signing actuaries are independent of the Plan sponsor.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and presents the actuarial position of the Plan as of the valuation date as required by statute. 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.

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were 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, meet the requirements of Section 112.664(1), F.S., and Section 60T-1.0035, F.A.C.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY

By 
Lawrence F. Wilson, A.S.A., M.A.A.A.
Enrolled Actuary No. 14-02802
Senior Consultant & Actuary
Date: January 25, 2016

By 
Jennifer M. Borregard, M.A.A.A.
Enrolled Actuary No. 14-07624
Consultant & Actuary

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
A	Chapter 112.664, F.S. Results	
	Net Pension Liability	
	1. Using financial reporting assumptions per GASB Statement No. 67 and No. 68	1
	2. Using assumptions required under Section 112.664(1)(a), F.S.	2
	3. Using assumptions required under Section 112.664(1)(b), F.S.	3
	4. Using assumptions required under Section 112.664(1)(a), F.S. plus 2%	4
	Asset and Benefit Payments Projection	
	1. Using financial reporting assumptions per GASB Statement No. 67 and No. 68	5
	2. Using assumptions required under Section 112.664(1)(a), F.S.	6
	3. Using assumptions required under Section 112.664(1)(b), F.S.	7
	4. Using assumptions required under Section 112.664(1)(a), F.S. plus 2%	8
	Actuarially Determined Contribution	9
B	Summary of Plan Provisions	10
C	Actuarial Assumptions and Cost Methods Used for Funding	14
	Glossary	17

SECTION A

CHAPTER 112.664, F.S. RESULTS

Net Pension Liability
Using Financial Reporting Assumptions per GASB Statements No. 67 and No. 68

Measurement Date	9/30/2014
A. <u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 1,134,108
Interest	3,149,825
Benefit Changes	0
Difference Between Actual and Expected Experience	(795,460)
Assumption Changes	1,479,338
Benefit Payments	(2,261,393)
Contribution Refunds	0
Other	0
Net Change in Total Pension Liability	\$ 2,706,418
Total Pension Liability - (beginning of year)	41,323,353
Total Pension Liability - (end of year)	\$ 44,029,771
B. <u>Plan Fiduciary Net Position</u>	
Contributions - Employer	\$ 919,864
Contributions - Member	655,206
Net Investment Income	4,431,002
Benefit Payments	(2,261,393)
Contribution Refunds	0
Administrative Expenses	(142,131)
Other	0
Net Change in Plan Fiduciary Net Position	\$ 3,602,548
Plan Fiduciary Net Position - (beginning of year)	44,281,241
Plan Fiduciary Net Position - (end of year)	\$ 47,883,789
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ (3,854,018)
Valuation Date	10/1/2013

Certain Key Assumptions

Investment Return Assumption 7.5%

Mortality Table:

Healthy Members: RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected with Scale BB to each future decrement date. Disabled Members: RP-2000 Disabled Mortality Tables, with separate rates for males and females, with fully generational mortality improvements projected with Scale BB to each future decrement date.

Net Pension Liability
Using Assumptions Required Under 112.664(1)(a), F.S.

Measurement Date	9/30/2014
A. <u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 1,128,979
Interest	3,097,565
Benefit Changes	0
Difference Between Actual and Expected Experience	(806,416)
Assumption Changes	1,413,598
Benefit Payments	(2,261,393)
Contribution Refunds	0
Other	0
Net Change in Total Pension Liability	\$ 2,572,333
Total Pension Liability - (beginning of year)	40,708,369
Total Pension Liability - (end of year)	\$ 43,280,702
B. <u>Plan Fiduciary Net Position</u>	
Contributions - Employer	\$ 919,864
Contributions - Member	655,206
Net Investment Income	4,431,002
Benefit Payments	(2,261,393)
Contribution Refunds	0
Administrative Expenses	(142,131)
Other	0
Net Change in Plan Fiduciary Net Position	\$ 3,602,548
Plan Fiduciary Net Position - (beginning of year)	44,281,241
Plan Fiduciary Net Position - (end of year)	\$ 47,883,789
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ (4,603,087)

Valuation Date 10/1/2013

Certain Key Assumptions

Investment Return Assumption 7.5%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Net Pension Liability
Using Assumptions Required Under 112.664(1)(b), F.S.

Measurement Date	9/30/2014
A. <u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 1,681,074
Interest	2,858,410
Benefit Changes	0
Difference Between Actual and Expected Experience	(1,065,332)
Assumption Changes	2,109,153
Benefit Payments	(2,261,393)
Contribution Refunds	0
Other	0
Net Change in Total Pension Liability	\$ 3,321,912
Total Pension Liability - (beginning of year)	50,401,158
Total Pension Liability - (end of year)	\$ 53,723,070
 B. <u>Plan Fiduciary Net Position</u>	
Contributions - Employer	\$ 919,864
Contributions - Member	655,206
Net Investment Income	4,431,002
Benefit Payments	(2,261,393)
Contribution Refunds	0
Administrative Expenses	(142,131)
Other	0
Net Change in Plan Fiduciary Net Position	\$ 3,602,548
Plan Fiduciary Net Position - (beginning of year)	44,281,241
Plan Fiduciary Net Position - (end of year)	\$ 47,883,789
 C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	 \$ 5,839,281
 Valuation Date	 10/1/2013

Certain Key Assumptions

Investment Return Assumption 5.5%
Mortality Table:
RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Net Pension Liability

Using Assumptions Required Under 112.664(1)(a), F.S. Plus 2% on Investment Return Assumption

Measurement Date	9/30/2014
A. <u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 796,614
Interest	3,213,080
Benefit Changes	0
Difference Between Actual and Expected Experience	(652,484)
Assumption Changes	1,018,759
Benefit Payments	(2,261,393)
Contribution Refunds	0
Other	0
Net Change in Total Pension Liability	\$ 2,114,576
Total Pension Liability - (beginning of year)	33,791,374
Total Pension Liability - (end of year)	\$ 35,905,950
B. <u>Plan Fiduciary Net Position</u>	
Contributions - Employer	\$ 919,864
Contributions - Member	655,206
Net Investment Income	4,431,002
Benefit Payments	(2,261,393)
Contribution Refunds	0
Administrative Expenses	(142,131)
Other	0
Net Change in Plan Fiduciary Net Position	\$ 3,602,548
Plan Fiduciary Net Position - (beginning of year)	44,281,241
Plan Fiduciary Net Position - (end of year)	\$ 47,883,789
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ (11,977,839)

Valuation Date 10/1/2013

Certain Key Assumptions

Investment Return Assumption 9.5%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Asset and Benefit Payment Projection
Not Reflecting Any Future Contributions
Using Financial Reporting Assumptions per GASB Statements No. 67 and No. 68

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2015	47,142,187	3,434,149	2,526,759	48,049,577
2016	48,049,577	3,492,491	2,768,482	48,773,586
2017	48,773,586	3,541,871	2,890,971	49,424,486
2018	49,424,486	3,587,119	2,979,807	50,031,798
2019	50,031,798	3,630,135	3,042,835	50,619,098
2020	50,619,098	3,672,540	3,083,719	51,207,919
2021	51,207,919	3,714,927	3,127,902	51,794,944
2022	51,794,944	3,757,055	3,175,152	52,376,848
2023	52,376,848	3,799,466	3,205,810	52,970,504
2024	52,970,504	3,843,014	3,230,108	53,583,410
2025	53,583,410	3,888,853	3,233,319	54,238,945
2026	54,238,945	3,937,501	3,246,188	54,930,258
2027	54,930,258	3,989,677	3,238,053	55,681,882
2028	55,681,882	4,046,640	3,223,325	56,505,197
2029	56,505,197	4,108,835	3,212,233	57,401,799
2030	57,401,799	4,176,499	3,201,801	58,376,497
2031	58,376,497	4,250,508	3,179,231	59,447,773
2032	59,447,773	4,333,142	3,122,286	60,658,629
2033	60,658,629	4,425,978	3,071,956	62,012,651
2034	62,012,651	4,529,578	3,020,969	63,521,260
2035	63,521,260	4,645,317	2,956,422	65,210,154
2036	65,210,154	4,775,278	2,874,420	67,111,013
2037	67,111,013	4,921,237	2,789,927	69,242,323
2038	69,242,323	5,084,784	2,697,872	71,629,235
2039	71,629,235	5,267,372	2,609,032	74,287,575
2040	74,287,575	5,470,490	2,515,870	77,242,195
2041	77,242,195	5,695,631	2,427,646	80,510,180
2042	80,510,180	5,944,253	2,339,956	84,114,477
2043	84,114,477	6,217,943	2,256,122	88,076,298
2044	88,076,298	6,518,992	2,158,761	92,436,529

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the Employer, Employee or State: 99.99

Certain Key Assumptions

Investment return assumption 7.5%

Mortality Table:

Healthy Members: RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected with Scale BB to each future decrement date. Disabled Members: RP-2000 Disabled Mortality Tables, with separate rates for males and females, with fully generational mortality improvements projected with Scale BB to each future decrement date.

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of Plan assets does not include future contributions from the City or Members. For this reason, this projection should not be viewed as representative of the amount of time the Plan can sustain benefit payments. Under the Government Accounting Standards Board standards which include City and Member contributions, the Plan is expected to be able to pay all future benefit payments.

Asset and Benefit Payment Projection
Not Reflecting Any Future Contributions
Using Assumptions Required Under 112.664(1)(a), F.S.

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2015	47,142,187	3,434,169	2,526,249	48,050,107
2016	48,050,107	3,492,615	2,766,402	48,776,320
2017	48,776,320	3,542,233	2,887,054	49,431,499
2018	49,431,499	3,587,898	2,973,513	50,045,884
2019	50,045,884	3,631,556	3,033,766	50,643,674
2020	50,643,674	3,674,893	3,071,028	51,247,539
2021	51,247,539	3,718,549	3,111,695	51,854,394
2022	51,854,394	3,762,325	3,154,974	52,461,745
2023	52,461,745	3,806,814	3,181,421	53,087,137
2024	53,087,137	3,852,929	3,201,065	53,739,001
2025	53,739,001	3,901,843	3,200,468	54,440,375
2026	54,440,375	3,954,092	3,209,266	55,185,201
2027	55,185,201	4,010,459	3,196,698	55,998,962
2028	55,998,962	4,072,270	3,177,307	56,893,926
2029	56,893,926	4,140,036	3,161,298	57,872,663
2030	57,872,663	4,214,063	3,145,809	58,940,917
2031	58,940,917	4,295,302	3,117,942	60,118,277
2032	60,118,277	4,386,145	3,054,685	61,449,737
2033	61,449,737	4,488,298	2,997,608	62,940,427
2034	62,940,427	4,602,412	2,940,043	64,602,797
2035	64,602,797	4,729,979	2,868,128	66,464,648
2036	66,464,648	4,873,230	2,778,220	68,559,658
2037	68,559,658	5,034,052	2,686,219	70,907,492
2038	70,907,492	5,214,119	2,587,171	73,534,440
2039	73,534,440	5,414,965	2,491,979	76,457,426
2040	76,457,426	5,638,181	2,392,621	79,702,985
2041	79,702,985	5,885,365	2,298,859	83,289,491
2042	83,289,491	6,158,062	2,206,539	87,241,013
2043	87,241,013	6,457,980	2,118,074	91,580,919
2044	91,580,919	6,787,571	2,016,073	96,352,417

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the Employer, Employee or State: 99.99

Certain Key Assumptions

Investment return assumption 7.5%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of Plan assets does not include future contributions from the City or Members. For this reason, this projection should not be viewed as representative of the amount of time the Plan can sustain benefit payments. Under the Government Accounting Standards Board standards which include City and Member contributions, the Plan is expected to be able to pay all future benefit payments.

Asset and Benefit Payment Projection
Not Reflecting Any Future Contributions
Using Assumptions Required Under 112.664(1)(b), F.S.

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2015	47,142,187	2,518,175	2,526,249	47,134,113
2016	47,134,113	2,510,635	2,766,402	46,878,345
2017	46,878,345	2,493,002	2,887,054	46,484,294
2018	46,484,294	2,468,775	2,973,513	45,979,555
2019	45,979,555	2,439,234	3,033,766	45,385,023
2020	45,385,023	2,405,434	3,071,028	44,719,429
2021	44,719,429	2,367,624	3,111,695	43,975,358
2022	43,975,358	2,325,422	3,154,974	43,145,806
2023	43,145,806	2,279,015	3,181,421	42,243,400
2024	42,243,400	2,228,802	3,201,065	41,271,136
2025	41,271,136	2,175,345	3,200,468	40,246,014
2026	40,246,014	2,118,703	3,209,266	39,155,451
2027	39,155,451	2,059,094	3,196,698	38,017,847
2028	38,017,847	1,997,099	3,177,307	36,837,638
2029	36,837,638	1,932,660	3,161,298	35,609,000
2030	35,609,000	1,865,543	3,145,809	34,328,734
2031	34,328,734	1,795,951	3,117,942	33,006,744
2032	33,006,744	1,725,111	3,054,685	31,677,170
2033	31,677,170	1,653,671	2,997,608	30,333,233
2034	30,333,233	1,581,455	2,940,043	28,974,645
2035	28,974,645	1,508,858	2,868,128	27,615,375
2036	27,615,375	1,436,755	2,778,220	26,273,910
2037	26,273,910	1,365,693	2,686,219	24,953,384
2038	24,953,384	1,295,990	2,587,171	23,662,203
2039	23,662,203	1,227,788	2,491,979	22,398,012
2040	22,398,012	1,161,194	2,392,621	21,166,585
2041	21,166,585	1,096,236	2,298,859	19,963,962
2042	19,963,962	1,032,819	2,206,539	18,790,242
2043	18,790,242	970,878	2,118,074	17,643,046
2044	17,643,046	910,797	2,016,073	16,537,770

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the Employer, Employee or State: 99.99

Certain Key Assumptions

Investment return assumption 5.5%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of Plan assets does not include future contributions from the City or Members. For this reason, this projection should not be viewed as representative of the amount of time the Plan can sustain benefit payments. Under the Government Accounting Standards Board standards which include City and Member contributions, the Plan is expected to be able to pay all future benefit payments.

Asset and Benefit Payment Projection
Not Reflecting Any Future Contributions
Using Assumptions Required Under 112.664(1)(a), F.S. Plus 2% on Investment Return Assumption

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2015	47,142,187	4,350,313	2,526,249	48,966,251
2016	48,966,251	4,511,413	2,766,402	50,711,262
2017	50,711,262	4,671,067	2,887,054	52,495,275
2018	52,495,275	4,836,160	2,973,513	54,357,922
2019	54,357,922	5,010,054	3,033,766	56,334,211
2020	56,334,211	5,195,911	3,071,028	58,459,093
2021	58,459,093	5,395,711	3,111,695	60,743,109
2022	60,743,109	5,610,496	3,154,974	63,198,632
2023	63,198,632	5,842,429	3,181,421	65,859,640
2024	65,859,640	6,094,228	3,201,065	68,752,803
2025	68,752,803	6,369,109	3,200,468	71,921,443
2026	71,921,443	6,669,683	3,209,266	75,381,860
2027	75,381,860	6,999,060	3,196,698	79,184,223
2028	79,184,223	7,361,269	3,177,307	83,368,185
2029	83,368,185	7,759,558	3,161,298	87,966,444
2030	87,966,444	8,197,178	3,145,809	93,017,814
2031	93,017,814	8,678,472	3,117,942	98,578,344
2032	98,578,344	9,209,933	3,054,685	104,733,592
2033	104,733,592	9,797,578	2,997,608	111,533,562
2034	111,533,562	10,446,496	2,940,043	119,040,015
2035	119,040,015	11,163,258	2,868,128	127,335,145
2036	127,335,145	11,955,858	2,778,220	136,512,783
2037	136,512,783	12,832,402	2,686,219	146,658,967
2038	146,658,967	13,801,316	2,587,171	157,873,112
2039	157,873,112	14,871,490	2,491,979	170,252,623
2040	170,252,623	16,052,586	2,392,621	183,912,588
2041	183,912,588	17,355,040	2,298,859	198,968,769
2042	198,968,769	18,790,062	2,206,539	215,552,293
2043	215,552,293	20,369,986	2,118,074	233,804,205
2044	233,804,205	22,109,094	2,016,073	253,897,226

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the Employer, Employee or State: 99.99

Certain Key Assumptions

Investment return assumption 9.5%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of Plan assets does not include future contributions from the City or Members. For this reason, this projection should not be viewed as representative of the amount of time the Plan can sustain benefit payments. Under the Government Accounting Standards Board standards which include City and Member contributions, the Plan is expected to be able to pay all future benefit payments.

ACTUARIAL DETERMINED CONTRIBUTION

	<u>Valuation Assumptions</u>	<u>112.664(1)(a), F.S. Assumptions</u>	<u>112.664(1)(b), F.S. Assumptions</u>	<u>112.664(1)(a), F.S. Assumptions Plus 2% on Investment Return Assumption</u>
A. Valuation Date	October 1, 2014	October 1, 2014	October 1, 2014	October 1, 2014
B. Actuarial Determined Contribution to Be Paid During Fiscal Year Ending	9/30/2016	9/30/2016	9/30/2016	9/30/2016
C. Annual payroll of Active Employees	\$ 10,127,588	\$ 10,127,588	\$ 10,127,588	\$ 10,127,588
D. Total Minimum Funding Requirement				
1. Total Normal Cost	\$ 902,368	\$ 779,824	\$ 2,892,439	\$ 0
2. Expected Expenses	142,131	142,131	142,131	142,131
3. Interest Adjustment	<u>37,753</u>	<u>33,324</u>	<u>81,217</u>	<u>6,445</u>
4. Total Minimum Funding Requirement	\$ 1,082,252	\$ 955,279	\$ 3,115,787	\$ 148,576
E. Expected Payroll of Active Employees for Following Plan Year (\$ / % of pay) (C x 1.000)	\$ 10,127,588 100.00%	\$ 10,127,588 100.00%	\$ 10,127,588 100.00%	\$ 10,127,588 100.00%
F. Expected Contribution Sources (\$ / % of pay)				
1. City	\$ 474,597 4.69%	\$ 347,624 3.43%	\$ 2,508,132 24.77%	\$ 0 0.00%
2. Member	<u>607,655 6.00%</u>	<u>607,655 6.00%</u>	<u>607,655 6.00%</u>	<u>607,655 6.00%</u>
3. Total	\$ 1,082,252 10.69%	\$ 955,279 9.43%	\$ 3,115,787 30.77%	\$ 607,655 6.00%

SECTION B
SUMMARY OF PLAN PROVISIONS

Retirement Plan for Employees of the City of Key West

Outline of Principal Provisions of the Retirement Plan
(as of October 1, 2014)

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 (as of October 1, 2014)

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 (as of October 1, 2014)

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 (as of October 1, 2014)

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.

SECTION C
ACTUARIAL ASSUMPTIONS AND COST METHODS
USED FOR FUNDING

Retirement Plan for Employees of the City of Key West

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation
(as of October 1, 2014)

A. Mortality

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

For disabled participants, RP-2000 Disabled Mortality Tables, with separate rates for males and females, with 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
(as of October 1, 2014)

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 (as of October 1, 2014)

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

None.

GLOSSARY

<i>Actuarial Accrued Liability</i>	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
<i>Actuarial Assumptions</i>	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members and other items.
<i>Actuarial Cost Method</i>	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of Future Normal Costs and the Actuarial Accrued Liability.
<i>Actuarial Equivalent</i>	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
<i>Actuarial Present Value</i>	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
<i>Actuarial Present Value of Future Benefits</i>	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits and inactive, non-retired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<i>Actuarial Valuation</i>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB No. 67.
<i>Actuarial Value of Assets</i>	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution.

<i>Amortization Method</i>	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.
<i>Amortization Payment</i>	That portion of the plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
<i>Amortization Period</i>	The period used in calculating the Amortization Payment.
<i>Annual Required Contribution</i>	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The annual required contribution consists of the Employer Normal Cost and Amortization Payment plus interest adjustment.
<i>Closed Amortization Period</i>	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
<i>Employer Normal Cost</i>	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
<i>Equivalent Single Amortization Period</i>	For plans that do not establish separate amortization bases (separate components of the UAAL), this is the same as the Amortization Period. For plans that do establish separate amortization bases, this is the period over which the UAAL would be amortized if all amortization bases were combined upon the current UAAL payment.
<i>Experience Gain/Loss</i>	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience, e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. Losses are the result of unfavorable experience, i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.
<i>Funded Ratio</i>	The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability.
<i>GASB</i>	Governmental Accounting Standards Board.

***GASB No. 67 and
GASB No. 68***

These are the governmental accounting standards that set the accounting rules for public retirement plans and the employers that sponsor or contribute to them. Statement No. 67 sets the accounting rules for the plans themselves, while Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement plans.

Normal Cost

The annual cost assigned, under the Actuarial Cost Method, to the current plan year.

Open Amortization Period

An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability

The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.

Valuation Date

The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.