

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

Required Supplementary Information

Under GASB No. 67

Fiscal Year October 1, 2015
through September 30, 2016

DuLaney and Company, Inc.
Actuarial Services

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Disclosures Related to the City of Key West Municipal Police Officers' & Firefighters' Retirement Plan**Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2016 were as follows:

	<u>2016</u>
Total pension liability	\$ 97,576,768
Plan fiduciary net position	<u>(86,800,603)</u>
City net pension liability	<u>\$ 10,776,165</u>
Plan fiduciary net position as a percentage of total pension liability	88.96%

Participant Summary Data

Active Participants	163
Terminated Vested	6
Receiving Benefits	103
DROP Participants	15
Annual Covered Payroll	\$ 11,325,253

INFORMATION USED TO DETERMINE NET PENSION LIABILITY

Actuarial Valuation Date	October 1, 2015
Measurement Date	September 30, 2016

Methods and Assumptions

Cost Method	Entry Age Normal
Inflation	2.50%
Projected salary increases	4.50% per annum, including inflation
Investment rate of return	8.44% compounded annually, net of pension plan investment expense, including inflation.
Mortality	For healthy participants, the 1983 Group Annuity Mortality Table was used with separate rates for males and females. For disabled participants, the 1985 Pension Disability Table was used with separate rates for males and females.

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Disclosures Related to the City of Key West Municipal Police Officers' & Firefighters' Retirement Plan

Determination of the Long-Term Rate of Return on Plan Assets

Asset Class	Target Allocation	Expected Long-Term Return
Domestic Equity	45%	7.50%
International Equity	15%	8.50%
Domestic Bonds	23%	2.50%
International Bonds	5%	3.50%
Real Estate	6%	4.50%
Infrastructure	6%	4.50%
 Total / Weighted Arithmetic Average	 100%	 5.94%
Assumed Rate of Inflation		2.50%
Expected Nominal Long Term Rate of Return		8.44%

Discount Rate

The discount rate used to measure the total pension liability was 8.44%. The projection of cash flows used to determine the discount rate assumed that Trust member contributions will be made at the current contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments of current Trust members. Therefore, the long term expected rate of return on pension Trust investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City using the discount rate of 8.44%, as well as what the employer net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.44 percent) or 1-percentage-point higher (9.44 percent) than the current rate:

City Net Pension Liability

	1% Decrease (7.44%)	Current Discount Rate (8.44%)	1% Increase (9.44%)
September 30, 2016	\$ 19,339,144	\$ 10,776,165	\$ 3,522,607



Schedule I

Schedule of Changes in the City's Net Pension Liability

	9/30/2016	9/30/2015	09/30/2014
Total Pension Liability			
Service Cost	\$ 1,616,830	\$ 1,454,688	\$ 1,481,267
Interest	7,783,325	7,402,128	7,063,784
Changes of benefit terms	-	-	-
Difference Between Expected and Actual Experience	473,539	260,206	-
Changes of Assumptions	1,231,928	2,284,845	-
Benefit Payments, including Refunds of Member Contributions	(4,852,091)	(4,300,292)	(4,065,051)
Net Change in Total Pension Liability	6,253,531	7,101,575	4,480,000
Total Pension Liability-Beginning	91,323,237	84,221,662	79,741,662
Total Pension Liability-Ending	97,576,768	91,323,237	84,221,662
Plan Fiduciary Net Position			
Contributions - City	2,835,282	2,801,375	2,975,423
Contributions - State	532,550	578,511	727,859
Contributions - Member	822,496	777,269	764,013
Net Investment Income	7,042,214	614,042	8,116,553
Benefit Payments, including Refunds of Member Contributions	(4,852,091)	(4,300,292)	(4,065,051)
Administrative Expense	(175,719)	(142,080)	(109,548)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	6,204,732	328,825	8,409,249
Plan Fiduciary Net Position - Beginning	80,595,871	80,267,046	71,857,797
Plan Fiduciary Net Position - Ending	\$ 86,800,603	\$ 80,595,871	\$ 80,267,046
City's Net Pension Liability	\$ 10,776,165	\$ 10,727,366	\$ 3,954,616

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Disclosures Related to the City of Key West Municipal Police Officers' & Firefighters' Retirement Plan

Total Pension Liability	\$	97,576,768	\$	91,323,237	\$	84,221,662
Plan Fiduciary Net Position		86,800,603		80,595,871		80,267,046
City's net pension liability	\$	10,776,165	\$	10,727,366	\$	3,954,616

Plan Fiduciary Net Position as a Percentage of the Total Pension

Liability		88.96%		88.25%		95.30%
Covered-Employee Payroll	\$	11,325,253	\$	9,977,377	\$	10,553,410
City's Net Pension Liability as a Percentage of Covered- Employee Payroll		95.15%		107.52%		37.47%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



Schedule II

Schedule of Contributions by Employer

	2016	2015	2014	2013	2012
Schedule of Contributions by Employer					
Last 10 Fiscal Years					
Actuarially determined contribution	\$ 3,356,443	\$ 3,322,536	\$ 3,496,584	\$ 3,468,100	\$ 3,214,291
Contributions in relation to the actuarially determined contribution	3,356,443	3,322,536	3,496,584	3,468,100	3,214,291
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 11,325,253	\$ 9,977,377	\$ 10,050,867	\$ 9,634,039	\$ 9,645,464
Contributions as a percentage of covered-employee payroll	29.6%	33.3%	34.8%	36.0%	33.3%
Schedule of Contributions by Employer					
Last 10 Fiscal Years					
Actuarially determined contribution	\$ 2,897,915	\$ 2,547,657	\$ 2,467,552	\$ 2,476,424	\$ 2,529,791
Contributions in relation to the actuarially determined contribution	2,897,915	2,547,657	2,467,552	2,476,424	2,529,791
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 9,681,323	\$ 8,737,622	\$ 9,292,842	\$ 9,779,826	\$ 10,277,147
Contributions as a percentage of covered-employee payroll	29.9%	29.2%	26.6%	25.3%	24.6%



Schedule III

**Schedule of Investment Returns
For the Year Ended September 30, 2016**

Annual money-weighted rate of return, net of investment expense:

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
9.4%	(0.2%)	12.6%	16.3%	20.2%
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
(3.3%)	6.3%	(1.7%)	(13.7%)	15.4%

The annualized compounded return is 5.6%.

Notes to Required Supplementary Information

Method and assumptions used in calculations of the City's actuarially determined contributions

1. Actuarial Cost Method: Entry Age Normal
2. Amortization Method: Level Dollar, closed
3. Remaining Amortization Period: 30 years
4. Asset Valuation Method:

The actuarial value of assets is determined by smoothing the differences between actuarial investment earnings and assumed investment return over five (5) years.

5. Interest: 7.50%, net of investment expenses, compounded annually
6. Inflation: 3.00%
7. Salary Increases: 4.50% per annum
8. Rates of Retirement:

The following are the retirement rates assumed for the participants eligible for retirement / DROP:

Participants with <u>20 or more</u> years of Credited Service		Participants with <u>less than 20</u> years of Credited Service	
Age	Percentage Retiring	Age	Percentage Retiring
40-44	75%	50-54	50%
45+	100%	55-59	75%
		60	100%

9. Mortality:

For healthy participants, the 1983 Group Annuity Mortality Table was used with separate rates for males and females.

For disabled participants, the 1985 Pension Disability Table was used with separate rates for males and females.

No provisions for future mortality improvements were built into these tables.

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