

CITY OF KEY WEST POLICE OFFICER'S AND FIREFIGHTER'S RETIREMENT PLAN

SUMMARY PLAN DESCRIPTION

JUNE, 2024

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INTRODUCTION

This document is intended to be a plain language summary of the administration and benefits provided by the City of Key West Police Officer's and Firefighter's Retirement Plan (the "Plan").

While efforts have been made by the Board of Trustees (the "Board") to provide an accurate summary, this document is not the official Plan document and your actual benefits are governed by the appropriate provisions of the actual statutes, charter provisions and ordinances which create this Plan, the Key West City Code, and Chapters 112, Part VII and Chapters 175 and 185, Florida Statutes. A copy of the Plan document may be found online at www.municode.com or upon request to any member of the Board or the Plan Administrator. This summary has been updated through Ordinance 24-12, dated May 10, 2024.

If there is any conflict between those legislative provisions and this summary, the legislative provisions control. Nothing in this document is intended to nor does it create a contract for benefits greater than that provided by law. Any questions you have regarding your rights or benefits under this Plan should be directed to the Administrator of the Pension Board whose name, address and telephone number are:

Susy Pita, Administrator
The City of Key West Police Officer's
and Firefighter's Retirement Plan
233 Seaside Landings Dr. S.
Flagler Beach, Florida 32136
(352)787-9795
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WHAT IS THE OFFICIAL NAME OF THE PLAN?

The official name of the Plan is The City of Key West Police Officer's and Firefighter's Retirement Plan.

WHAT TYPE OF PLAN IS THIS?

This is a defined benefit plan. This means the amount of benefits that you receive is a percentage of your salary multiplied by years of service in the Police or Fire Department. Money is contributed to the Plan by you and by the City. The Plan also receives insurance premium rebate monies from the State of Florida pursuant to Chapters 175 and 185, Florida Statutes. Under Florida law, the City is ultimately responsible for making certain that the Plan is actuarially sound.

HOW IS THE PLAN ADMINISTERED?

The Plan is administered by a five-member Board. One Trustees is an active firefighter elected by active firefighter members of the Plan; one Trustees is an active police officer elected by the police officer members of the Plan; two Trustees are appointed by the City Commission and must be legal residents of the City, preference shall be given to retired police officers and firefighters of the Plan; and a fifth Trustee is appointed by the other four. The fifth Trustee need not be a resident of the City.

The Board is responsible for directing the investment of the assets of the Plan to ensure that there will be adequate monies for future benefits. Those investments are actually made by professional money managers whose performance is monitored by investment consultants on a quarterly basis to ensure that the Board is receiving a proper return on the investment of pension assets.

The Fund Plan employs a professional actuary who helps determine the cost of future benefits; accountants who determine the proper allocation of monies; and an attorney with expertise in the area of public pension law to advise the Board. With the assistance of these professionals, the Board is responsible for interpreting and applying the pension ordinance and for determining eligibility on all benefit claims.

The Trustees serve a two-year term and are eligible for re-election or re-appointment. The Trustees receive no compensation for their service, and they only receive reimbursement for travel and for educational activities on behalf of the Plan. In order to keep up on the latest trends in pension management, Trustees regularly attend schools and seminars pertaining to the management of pension funds for public employees.

The current Trustees are:

Terry Lee Garcia, Chair
Alfredo Vazquez_
Chris Saunders
Kevin Cates
Matt Haley

WHO ADMINISTERS THE PLAN?

The Plan employs an administrator, Susy Pita, whose address is:

233 Seaside Landings Dr. S.
Flagler Beach, Florida 32136

The day-to-day record-keeping functions of the Plan are the responsibility of the Plan Administrator. All records and books of the Plan, except medical records, are available for public inspection at the office of the Board.

WHAT ARE THE LEGAL DOCUMENTS CREATING THE PLAN?

The Plan arises out of Chapter 46, Article IV of the Key West City Code, Chapter 112, Florida Statutes and Chapters 175 and 185, Florida Statutes, which provides a system for the taxation of property insurance policies covering property located within the City of Key West.

WHAT IS REQUIRED TO PARTICIPATE IN THE PLAN?

The Plan is open solely to active firefighters and police officers of the City of Key West. A firefighter is any person employed full time in the Fire Department of the City, who is certified as a firefighter as a condition of employment in accordance of the provisions of Florida Statutes, Section 633.35, and whose duty is to extinguish fires, to protect life, and protect property. A police officer is a person who is certified under Chapter 943, Florida Statutes, to carry a firearm and exercise powers of arrest and is charged with the enforcement of the criminal, highway, and traffic laws of the state. These definitions include all supervisory and command personnel whose duties include, in whole or in part, the supervision, training, guidance, and management responsibilities of full-time police officers and firefighters. All full-time police officers and firefighters of the City of Key West must participate in this Plan.

WHAT MUST I CONTRIBUTE TO THE PLAN?

Each active member of the Plan contributes 7% of their salary to the Plan. This contribution is accomplished through what is known as a “pick up” plan. A pickup plan provides for the withdrawal from an employee’s pay of the 7% contribution prior to the

time that the pay is subjected to federal income taxation. The money is then placed directly in the Plan on behalf of the employee by the City.

The purpose of the pickup plan is to allow an employee to defer taxation on the 7% contribution until such time as an employee actually receives a pension. The pickup plan is authorized pursuant to City Ordinance and the provisions of Section 414(h)(2) of the Internal Revenue Code.

WHAT BENEFITS DO I RECEIVE FROM THE PLAN?

The Plan provides for three types of retirement: normal service retirement, early service retirement, and disability retirement. Before you can receive any benefits from the Plan, you must be vested. A member who completes 10 years of service and whose contributions remain in the Plan has a vested right to accrued benefits from the Plan.

A member is eligible for a full normal service retirement on the first day of the month coincident with or next following the earlier of (i) the date that the member has completed 20 years of service, regardless of age, or (ii) the date that the member attains age 55 with 10 years of service. A member may also retire once they have become half vested in the Plan, at age 55 with 5 years of service. A member retiring at age 55 with 5 years of service will only be half vested in the Plan, entitling them to 50% of the normal retirement benefit. For each year of service between the 5th and 10th year of service, the member's vesting percentage shall increase by 10%. For example, a member retiring with 6 years of service will be 60% vested in the Plan and entitled to 60% of the normal retirement benefit; a member retiring with 9 years of service will be 90% vested and

entitled to 90% of the normal retirement benefit. A member will be completely vested in the Plan after the completion of 10 years of service.

A member is eligible for early retirement upon the attainment of age 50 with 10 years of service. An early retirement benefit will be actuarially reduced in order to ensure that the monies received by an individual retiring early are the monetary equivalent of that which would have been received had the member waited until the normal retirement age. The Plan provides a fixed 3% per year early retirement reduction. For example, if a member retires 2 years earlier than normal retirement, the member's benefit will be 94% of the normal retirement benefit.

If you reach normal retirement age and have attained a vested interest in the Plan, you are entitled to a retirement benefit of 3% percent of average final compensation for service, multiplied by the number of years of service for all years and months of service. Average final compensation is the average monthly rate of earnable compensation during the highest consecutive 36 months of earnings out of the last 120 months of employment. Earnable compensation is a member's base salary and overtime, assignment pay, and educational incentive pay. Persons retiring on or after October 1, 1988, shall be eligible for any future benefit changes from the date of the change forward. Pension payments under this Plan are made in 12 monthly installments per year.

If a member becomes disabled prior to receiving either a normal or early service retirement benefit, disability benefits are available under certain circumstances. If a member becomes permanently and totally disabled from useful and efficient service as a police officer or firefighter as the result of an accident, illness, or injury arising in the line

of duty (with certain exclusions, including drug and alcohol abuse), a member is entitled to a disability pension which is the greater of the employee's then accrued benefit, 42% of the employee's average final compensation, or 18x the member's rate of final monthly compensation. If a member suffers a catastrophic injury which renders the member totally and permanently disabled from all gainful employment, the member shall receive a disability benefit equal to 75% of the member's compensation at the time of disability.

If a member is injured outside the line of duty, the member is eligible for a non-service-connected disability retirement which is equal to the greater of the member's accrued benefit or 18x the member's rate of final monthly compensation. A member must have at least 10 years of service in order to receive a non-service-connected disability, but there is no time-of-service requirement to receive a service-connected disability.

Disability benefits cannot be based on a condition which preexisted membership in the Plan. The Board has the authority to promulgate administrative rules to require new members to submit to a pre-entry physical exam.

WHAT IS A DROP?

Your Plan has created a Deferred Retirement Option Plan (the "DROP") which offers the active member an opportunity, prior to retirement, to keep working and simultaneously accumulate pension benefits. In other words, the DROP provides the opportunity to earn two incomes at the same time, with pension income being saved and invested without current tax liability. From a technical standpoint, the DROP program represents a method of providing for the deferred receipt of retirement benefits from a defined benefit plan.

Once an active member has attained eligibility for normal service retirement (20 years of service regardless of age, or age 55 with 5 years of service) or early service retirement (age 50 with 10 years of service), the member can exercise the option to DROP. The member submits a DROP application to the Board and all rights in the Plan are frozen as of that time. The member may participate in the DROP for up to 8 years, with certain exceptions discussed below.

Participation in the DROP must be exercised within the first 33 years of employment, provided that participation in the DROP when combined with participation in the Plan may not exceed 33 years. For example, a member with 25 years of service would be permitted to participate in the DROP for 8 years; a member with 29 years of service would only be permitted to participate in the DROP for four years. Entry into the DROP is irrevocable once made. A failure to enter the DROP during a member's first 33 years of service constitutes an irrevocable waiver of DROP participation.

When a member enters the DROP, the member's service pension is calculated by the Plan's actuary as if the member had actually retired and separated from service on the date of entry into the DROP. The member, however, keeps working for the City for up to 8 years. The pension payments which the member would have received had he or she actually separated from service are deposited into an account for the member's benefit and are invested as part of the Plan. The member ceases making contributions to the Plan during his or her DROP participation and is no longer eligible to earn additional service credit during the period of their DROP participation.

One disadvantage of participating in a DROP plan is that the amount of monthly pension that a member receives will be substantially lower than the amount that the member would have received had the member retired under a normal retirement calculation performed at the time of actual retirement. Moreover, if you get a raise or a promotion after you enter the DROP, that salary increase will not count toward your pension. Another disadvantage is that the decision to enter the DROP is irrevocable. Sometimes employees change their minds about continuing to work, but once they have entered the DROP, they are not allowed to reverse the decision to retire.

At the end of participation in the DROP, and not more than 8 years after entry into the DROP, the member must actually separate from service with the City. Upon separation the member receives the proceeds of his or her DROP account together with any interest earnings. The member also begins to receive his or her monthly service pension on the first day of the month following his or her actual separation from service.

HOW IS DROP MONEY DISTRIBUTED?

A member is given the choice to receive payment of their DROP monies in a single lump sum, in regular installments (monthly, quarterly, or annually), or by rollover to another qualified plan. A member selecting payment in regular installments should be aware that such payments will only continue until such time as the member has exhausted the balance of their DROP account. A member may also elect to receive their DROP account balance in the form of actuarially computed annuity payments which will last for the member's lifetime.

WHAT IS A "QUALIFIED RETIREMENT PLAN" INTO WHICH

DROP MONEY CAN BE ROLLED OVER?

Qualified retirement plans include individual retirement accounts (IRAs) described in Section 408(a) of the Internal Revenue Code, individual retirement annuities described in Section 408(b) of the Internal Revenue Code, and qualified trusts described in Section 401(a) of the Internal Revenue Code. The most common kind of qualified retirement plans are IRAs which are available at banks, through financial planners and stockbrokers, or through mutual fund companies.

WHAT IF I DIE BEFORE I RETIRE?

If a member dies prior to retirement, benefits are payable to the member's designated beneficiary. Death benefits shall be paid in the form of monthly income which shall be the greater of (i) the value of the member's accrued benefit, or (ii) the smaller of 18x the member's rate of final monthly compensation or 100x the member's anticipated monthly retirement income commencing at the normal retirement date.

If a member dies while participating in DROP, irrespective of the cause of death, the member is presumed to have separated from service on the date of death and the proceeds of the member's DROP account are paid to the member's designated beneficiary and pension payments are made in accordance with the survivor option elected by the member prior to death.

In addition to benefits payable from the Plan, death benefits are also available from a variety of other sources as well. The State of Florida, for example, provides a \$75,000.00 death benefit if a police officer is accidentally killed while engaged in the performance of law enforcement duties. If the officer is accidentally killed while in hot

pursuit or in responding to what is reasonably believed to be an emergency, the death benefit is \$75,000.00. If the officer is intentionally killed while engaged in the performance of law enforcement duties, the death benefit is increased to \$225,000.00.

Similarly, the State of Florida provides a \$75,000.00 death benefit if a firefighter is accidentally killed while engaged in the performance of firefighter duties. If the firefighter is accidentally killed while responding to what is reasonably believed to be an emergency, the death benefit is \$75,000.00. If the firefighter is intentionally killed by a fire caused by an act of arson while engaged in the performance of firefighter duties, the death benefit is increased to \$225,000.00.

Moreover, the children of a police officer or firefighter intentionally killed in the line of duty are entitled to a college education at a Florida public university, community college or vocational-technical school at the expense of the state. The spouse and children are also entitled to receive free health insurance. Workers' Compensation provides benefits of up to \$100,000.00 and funeral expenses of up to \$5,000.00.

The United States Department of Justice has created a Public Safety Officer Death Benefit Program. Police officers killed in the line of duty as of October 1, 2023, a \$437,503.00 payment from the United States government. These programs are administered by the United States Department of Justice, Law Enforcement Administration. Finally, Social Security death benefits provide additional income based on statutory criteria.

HOW DO I RECEIVE MY RETIREMENT BENEFIT?

When a member takes a normal service retirement or early service retirement, various benefit options are available.

The standard form of retirement is known as a ten-year certain and life thereafter pension. This means that a member is guaranteed 120 payments regardless of whether the member dies prior to the 120th payment. If death occurs prior to receipt of the 120th payment, the remaining payments are paid in accordance with the beneficiary designation of the member. If a member is still alive after the payment of the 120th pension check, the pension continues for the life of the member, but there is no survivorship benefit paid to a spouse or any other beneficiary.

A member can also elect a larger pension payment called a life annuity which is a life only option. This means that a member's pension will continue for his or her life, but upon death the pension ceases without the guarantee of receiving the 120 payments. There is no minimum payment guaranteed under this option and there is no survivor benefit under this option.

Members may also take what is known as a joint and survivor pension. This means that a member takes a slightly reduced amount and leaves a specific percentage of the base pension benefit to a survivor. The options for the joint survivor pension are to leave a 50% benefit, 66-2/3% benefit, 75% benefit, or 100% benefit.

The consent of a member's joint annuitant or beneficiary is not required for the selection of any option. A retiree may replace a designated joint annuitant, provided that the previously designated joint annuitant is alive at the time of removal. The amount of

the benefit payable to the member upon the designation of a new joint annuitant is actuarially redetermined taking into account the ages and sex of the former joint annuitant, the new joint annuitant, and the member. The consent of the Board is required regarding these changes.

If a member leaves the service of the City with less than 10 years of credited service, all accumulated contributions are returned to the member. If the member earns 10 years of credited service and then separates from service with the City, the member may receive either a return of contributions or an accrued benefit with payment beginning at the member's early or normal retirement age.

ARE BENEFITS IN THIS PLAN FORFEITABLE?

As discussed above, if you separate from service before you vest, you will not receive any benefits from the Plan, although you are entitled to a refund of your contributions. In addition, benefits are forfeitable pursuant to the provisions of Section 112.3173, Florida Statutes, which provides for the forfeiture of retirement benefits of persons convicted of specific offenses.

**ARE MY PENSION BENEFITS SUBJECT TO CLAIMS FOR ALIMONY,
CHILD SUPPORT OR ANY OTHER CREDITOR?**

Under state law and local ordinance, this Plan is exempt from claims of creditors. The only exception is a court award of child support or alimony. Under Florida's laws, there is a specific exemption permitting these payments to be made from the Plan.

Effective January 1, 2019, changes in the federal tax laws eliminated tax deductions for alimony if a marriage was dissolved or a property settlement agreement was made on or after January 1, 2019. Modifications to existing orders or agreements on or after January 1, 2019, may be tax deductible if both parties agree.

In a divorce proceeding, a court can order a member to pay a portion of his or her benefits to a spouse once that benefit is received. Once pension monies are actually paid to a retiree, the pension money is no longer exempt from attachment or claim by any creditor.

ARE MY PENSION BENEFITS TAXABLE?

Service retirement payments and non-duty disability pensions are taxable as ordinary income. The retiree will receive a tax form from the Plan at the end of each January reporting the income received in the prior year. Service-connected disability retirement pensions, coordinated with Workers' Compensation, are generally considered to be tax exempt. For specific tax advice you should consult a qualified tax expert.

HOW DO I APPLY FOR BENEFITS?

Application for service retirement benefits is made by filing a form application with the Board's secretary or the Plan Administrator. Application for disability retirement requires the completion of a form application and submission to such medical exams as may be determined by the Board. All applications may be obtained from the Board's Administrator as identified above.

If a member is dissatisfied with any benefit application brought before the Board, the member has the opportunity to appeal that decision within 30 days of the date of any written decision by the Board by filing a petition for common law certiorari in the circuit court of Monroe County.

ON WHAT BASIS ARE PLAN RECORDS KEPT?

The Board keeps accurate and detailed accounts of all investments, receipts, disbursements, and other transactions pertaining to Plan property. The Board's Secretary keeps a record of all its proceedings, and they are available for public inspection. The Board's meetings are open to the public, under the Government In Sunshine Law.

ARE THERE COLLECTIVE BARGAINING AGREEMENTS THAT GOVERN THE PLAN?

From time to time, the police and fire unions and the City have negotiated Plan changes. Any contract provision must be made effective by changing the ordinances which govern this Plan.

CAN I BUYBACK PRIOR MILITARY, POLICE OR FIRE SERVICE
PRIOR MILITARY SERVICE

Any Plan member who successfully completed his or her probationary period and who has served on active military duty in the Armed Forces of the United States, before entry or reentry into the Plan, may receive credit for a maximum of 5 years of military service time in the Plan, provided that for each year being purchased the member pays to the Plan the full actuarial cost of the buyback. However, credited service time may only be bought back provided the member has not received and will not receive a benefit from another retirement plan based on such prior service.

PRIOR POLICE OR FIRE SERVICE

Any Plan member who has successfully completed all terms of his or her probation and who has been employed in a full-time position as a police officer or firefighter with another government agency prior to entry or re-entry into the Plan may receive credit for up to 5 years of such respective police or fire service in the Plan, provided that for each year being purchased the member pays to the plan the full actuarial cost of the buyback. However, credited service time may only be bought back provided the member has not received and will not receive a benefit from another retirement plan based on such prior police officer employment.

WHAT IF I HAVE FURTHER QUESTIONS REGARDING MY BENEFITS?

All questions should be directed in writing to the Chair or Secretary of the Plan.

SUMMARY

The foregoing Summary Plan Description has been designed to help answer some of your questions about how your Plan is organized and managed. The final authority on any interpretation of the Plan, however, is the actual legislation which created the Plan. In the event of any conflict between this booklet and those laws, the provisions in law control.