



November 10, 2015

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  
Actuarial Valuation**

Dear Patti:

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

Please note the October 1, 2014 Actuarial Valuation Report includes minimum funding requirements for fiscal year's ending September 30, 2015 and 2016.

We appreciate the opportunity to work with the Board on this important project and look forward to presenting the key financial results of our Report at the December 4<sup>th</sup> Board Meeting.

Upon approval by the Board, we recommend you provide a copy of our Report to the following State department head:

Mr. Douglas E. Beckendorf, A.S.A.  
Bureau of Local Retirement Services  
Division of Retirement  
Building 8  
Post Office Box 9000  
Tallahassee, Florida 32315-9000

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**

*ACTUARIAL VALUATION AS OF OCTOBER 1, 2014*

This Valuation Determines the Annual Contribution for Plan Year October 1, 2014 through September 30, 2015 to be Paid in Fiscal Year October 1, 2014 to September 30, 2015 along with Plan Year October 1, 2015 through September 30, 2016 to be Paid in Fiscal Year October 1, 2015 to September 30, 2016

November 10, 2015



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

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November 10, 2015

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, 2014 Actuarial Valuation**

We are pleased to present our October 1, 2014 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 ended September 30, 2015 is \$1,082,252 (10.7%).** The figure in parentheses is the Plan cost expressed as a percentage of covered annual payroll as of October 1, 2014 (\$10,127,588).

This total cost is to be met by member and City contributions. We anticipate member contributions will be **\$607,655 (6.0%)**. The resulting minimum required City contribution is **\$474,597 (4.7%)**.

**The minimum payment for fiscal year ending September 30, 2016 is \$1,082,252 (10.7%).** The figure in parentheses is the Plan cost expressed as a percentage of covered annual payroll as of October 1, 2015 (\$10,127,588).

This total cost is to be met by member and City contributions. We anticipate member contributions will be **\$607,655 (6.0%)**. The resulting minimum required City contribution is **\$474,597 (4.7%)**.

### **Changes in Actuarial Assumptions, Methods and Plan Benefits**

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

The actuarial assumptions and methods are unchanged from the October 1, 2013 Actuarial Valuation. The actuarial assumptions and methods are outlined on Table IX.

Government Accounting Standards Board Statement Number 68 (GASB No. 68) expense and projected disclosures are included.

### **Comparison of October 1, 2013 and October 1, 2014 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, 2013. The right columns indicate the costs as calculated for October 1, 2014.

Comparing the left and right columns of Table II shows the effect of Plan experience during the year. The number of active participants increased by approximately 2%. Covered payroll increased by approximately 2%. Total Plan membership also increased by approximately 3%. 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 126.7%, which is an increase from 123.0% as of October 1, 2013. 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 \$1,171,631. 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 4.9%. Salary experience was generally an offsetting source of actuarial loss when compared to the assumed 4.5% average annual increase. Three, five and ten year average salary increases are 4.4%, 3.4% and 4.3%, respectively.

Employee turnover this year was 110% of the assumed and was generally a source of actuarial gain. Three, five and ten year turnover has averaged 100%, 110% and 130% of assumed turnover, respectively.

Smoothed actuarial value investment return of 9.3% exceeded the investment return assumption of 7.5%. 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 7.2%, 6.1% and 7.1%, respectively. The one, three, five and ten year average market value returns are 10.1%, 12.9%, 9.2% and 7.8%, respectively.

### **Member Census and Financial Data**

The Board submitted the Member census data as of October 1, 2014 used for this valuation to us. This information contains name, Social Security number, date of birth, date of hire, October 1, 2014 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, 2014 from the Comprehensive Annual Financial Report (CAFR). 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 the current 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.

The actuarial assumptions used in this Actuarial Valuation are as adopted by the Board of Trustees. The economic and demographic actuarial assumptions are based on the results of an actuarial experience study for the period October 1, 2007 – September 30, 2012. Each assumption represents an estimate of future Plan experience.

If all actuarial assumptions are met and if all 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 VSBR may be appropriate for assessing the sufficiency of Plan assets to meet the estimated cost of settling benefit obligations based upon funding assumptions but may not be appropriate for assessing the need for or the amount of future contributions.

The GASB Plan Fiduciary Net Position as a Percentage of Total Pension Liability may not be appropriate for assessing the sufficiency of Plan assets to meet the estimated cost of settling benefit obligations but may be appropriate for assessing the need for or the amount of future contributions.

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 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,



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



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Jennifer M. Borregard, E.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, 2014**

|  | <b><u>Cost<br/>Data</u></b> | <b><u>% of<br/>Payroll</u></b> |
|--|-----------------------------|--------------------------------|
| A. Participant Data Summary (Table III)  |                             |                                |
| 1. Active Employees  | 245                         | N/A                            |
| 2. Terminated Vested   | 12                          | N/A                            |
| 3. Receiving Benefits (including DROPs)  | 136                         | N/A                            |
| 4. Annual Payroll of Active Employees  | \$ 10,127,588               | 100.0%                         |
| B. Total Actuarial Present Value of Future Benefits                                  |                             |                                |
| 1. Age Retirement Benefits Active Employees  | \$ 20,458,834               | 202.0%                         |
| 2. Termination Benefits Active Employees   | 2,329,631                   | 23.0%                          |
| 3. Death Benefits Active Employees   | 552,710                     | 5.5%                           |
| 4. Disability Benefits Active Employees  | 902,934                     | 8.9%                           |
| 5. Retired or Terminated Vested Participants<br>Receiving Benefits (including DROPs) | 24,604,572                  | 242.9%                         |
| 6. Terminated Vested Participants Entitled to<br>Future Benefits                     | 616,233                     | 6.1%                           |
| 7. Deceased Participants Whose Beneficiaries<br>are Receiving Benefits               | 1,409,268                   | 13.9%                          |
| 8. Disabled Participants Receiving Benefits  | 29,173                      | 0.3%                           |
| 9. Miscellaneous Liability   | 169,130                     | 1.7%                           |
| 10. Total Present Value of Future Benefits   | <u>\$ 51,072,485</u>        | 504.3%                         |
| C. Assets (Table V)  |                             |                                |
| 1. Smoothed Actuarial Value of Assets  | \$ 45,337,795               | 447.7%                         |
| 2. Market Value of Assets  | \$ 47,883,789               | 472.8%                         |
| D. Actuarial Present Value of Future Normal<br>Costs (B. - C.1.)                     |                             |                                |
|  | \$ 5,734,690                | 56.6%                          |
| E. Actuarial Present Value of Future Salaries  |                             |                                |
|  | \$ 64,375,340               | 635.6%                         |
| F. Normal Cost Accrual Rate (D. / E.)  |                             |                                |
|  | 8.91%                       | N/A                            |
| G. Normal Cost (A.4. x F., but not less than 0)                                      |                             |                                |
|  | \$ 902,368                  | 8.9%                           |

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

**Summary of Retirement Plan Costs as of October 1, 2014**

|   | <b><u>Cost<br/>Data</u></b> | <b><u>% of<br/>Payroll</u></b> |
|---|-----------------------------|--------------------------------|
| H. Minimum Required Contribution  |                             |                                |
| 1. Normal Cost  | \$ 902,368                  | 8.9%                           |
| 2. Expected Expenses  | 142,131                     | 1.4%                           |
| 3. Interest Adjustment  | 37,753                      | 0.4%                           |
| 4. Total Minimum Required Contribution  | \$ 1,082,252                | 10.7%                          |
| I. Contribution Sources for <b>Fiscal Year Ending September 30, 2015</b>                            |                             |                                |
| 1. City   | \$ 474,597                  | 4.7%                           |
| 2. Member   | \$ 607,655                  | 6.0%                           |
| J. Expected Payroll of Active Employees for 2015/2016 Plan Year<br>(\$10,127,588 x 1.000)           | \$ 10,127,588               | 100.0%                         |
| K. Contribution Sources for <b>Fiscal Year Ending September 30, 2016</b>                            |                             |                                |
| 1. City   | \$ 474,597                  | 4.7%                           |
| 2. Member   | \$ 607,655                  | 6.0%                           |
| L. Actuarial Present Value of Vested Accrued Benefits   |                             |                                |
| 1. Retired, Terminated Vested, Beneficiaries<br>and Disabled Receiving Benefits (including DROPs)   | \$ 26,043,013               | 257.1%                         |
| 2. Terminated Vested Participants Entitled to<br>Future Benefits and Miscellaneous                  | 785,363                     | 7.8%                           |
| 3. Active Participants Entitled to Future Benefits  | 10,951,802                  | 108.1%                         |
| 4. Total Actuarial Present Value of Vested<br>Accrued Benefits                                      | \$ 37,780,178               | 373.0%                         |
| M. Unfunded Actuarial Present Value of Vested<br>Accrued Benefits (L.4. - C.2., not less than zero) | \$ 0                        | 0.0%                           |
| N. Vested Benefit Security Ratio (C.2. ÷ L.4.)  | 126.7%                      | N/A                            |

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

**Comparison of Cost Data of October 1, 2013 and October 1, 2014 Valuations**

|  | October 1, 2013 |                             | October 1, 2014 |                             |
|--|-----------------|-----------------------------|-----------------|-----------------------------|
|  | Cost<br>Data    | % of Annual<br>Compensation | Cost<br>Data    | % of Annual<br>Compensation |
| A. Participants  |                 |                             |                 |                             |
| 1. Active employees  | 240             | N/A                         | 245             | N/A                         |
| 2. Terminated vested   | 14              | N/A                         | 12              | N/A                         |
| 3. Receiving benefits  | 129             | N/A                         | 136             | N/A                         |
| 4. Annual payroll of active employees                                | \$ 9,932,184    | 100.0%                      | \$ 10,127,588   | 100.0%                      |
| B. Present Value of Future Benefits                                  | \$ 49,018,297   | 493.5%                      | \$ 51,072,485   | 504.3%                      |
| C. Total Entry Age Normal Actuarial<br>Actuarial Accrued Liability * | \$ 41,994,258   | 422.8%                      | \$ 43,878,287   | 433.3%                      |
| D. Smoothed Actuarial Value of Assets                                | \$ 42,290,953   | 425.8%                      | \$ 45,337,795   | 447.7%                      |
| E. Unfunded Entry Age Normal<br>Actuarial Accrued Liability *        | \$ (296,695)    | (3.0%)                      | \$ (1,459,508)  | (14.4%)                     |
| F. Total Normal Costs (including expenses)                           |                 |                             |                 |                             |
| 1. Aggregate Cost Method   | \$ 1,188,900    | 12.0%                       | \$ 1,044,499    | 10.3%                       |
| 2. Entry Age Normal *  | \$ 1,257,285    | 12.7%                       | \$ 1,296,171    | 12.8%                       |
| G. City Minimum Funding Payment                                      | \$ 635,941      | 6.4%                        | \$ 474,597      | 4.7%                        |
| H. Actuarial Gain / (Loss)   | \$ 1,152,628    | 11.6%                       | \$ 1,171,631    | 11.6%                       |
| I. Unfunded Actuarial Present Value<br>of Vested Accrued Benefits    | \$ 0            | 0.0%                        | \$ 0            | 0.0%                        |
| J. Vested Benefit Security Ratio                                     | 123.0%          | N/A                         | 126.7%          | N/A                         |

\* For purposes of GASB 67 and 68 only

**Table III****Retirement Plan for Employees  
of the City of Key West****Characteristics of Participants in  
Actuarial Valuation as of October 1, 2014****A. Active Plan Participants Summary**

|  |               |
|--|---------------|
| 1. Active participants fully vested          | 61            |
| 2. Active participants partially vested      | 73            |
| 3. Active participants non-vested            | 111           |
| 4. Total active participants                 | <u>245</u>    |
| 5. Annual rate of pay of active participants | \$ 10,127,588 |

**B. Retired and Terminated Vested Participant Summary**

|  |     |
|--|-----|
| 1. Retired or terminated vested participants receiving benefits<br>(including DROPs) | 107 |
| 2. Terminated vested participants entitled to future benefits                        | 12  |
| 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) | \$ 2,292,063 |
| 2. Terminated vested entitled to future benefits                     | \$ 101,680   |
| 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, 2014**

| <u>Assets</u>   | <u>Market Value</u> |
|---|---------------------|
| A. <u>Cash</u>  | \$ 2,120,499        |
| B. <u>General Investments</u>                             |                     |
| 1. Corporate Bonds  | 9,251,399           |
| 2. Templeton Global Bond Mutual Fund                      | 2,352,090           |
| 3. U.S. Government Securities                             | 1,491,171           |
| 4. Equities   | 26,963,477          |
| 5. Obligations  |                     |
| - Municipal Obligations                                   | 587,462             |
| - Collateralized Mortgage Obligations                     | 166,887             |
| 6. American Core Realty Fund LLC                          | 4,896,296           |
| C. <u>Accrued Interest</u>                                | 99,904              |
| D. <u>Accounts Payable</u>                                | 45,396              |
| E. <u>Benefits / Distributions Payable</u>                | 0                   |
| F. <u>Pending Trades</u>                                  | 0                   |
| G. <u>Total Plan Assets</u> (A. + B. + C. + D. - E. - F.) | \$ 47,883,789       |

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

**Reconciliation of Plan Assets<sup>1</sup>**

|    |  |               |
|----|--|---------------|
| A. | <u>Market Value of Assets as of October 1, 2013</u>    | \$ 44,281,241 |
| B. | <u>Receipts During Period</u>                          |               |
| 1. | Contributions  |               |
|    | (a) Employee   | \$ 655,206    |
|    | (b) City   | 919,864       |
|    | (c) Total  | \$ 1,575,070  |
| 2. | Investment income                                      |               |
|    | (a) Dividends, interest and other                      | \$ 1,164,932  |
|    | (b) Investment expenses                                | (251,675)     |
|    | (c) Net investment income                              | \$ 913,257    |
| 3. | Realized and unrealized appreciation                   | 3,517,745     |
| 4. | Total receipts during period                           | \$ 6,006,072  |
| C. | <u>Disbursements During Period</u>                     |               |
| 1. | Pension benefit payments and contribution refunds      | \$ 2,261,393  |
| 2. | DROP distributions                                     | 0             |
| 3. | Administrative expenses                                | 142,131       |
| 4. | Total disbursements during period                      | \$ 2,403,524  |
| D. | <u>Market Value of Assets as of September 30, 2014</u> | \$ 47,883,789 |
| E. | <u>Reconciliation of DROP Account Balances</u>         |               |
| 1. | DROP account balances as of October 1, 2013            | \$ 443,635    |
| 2. | Benefit payments into DROP accounts during year        | 242,623       |
| 3. | Investment gains (losses) during year <sup>2</sup>     | 55,344        |
| 4. | Distributions from DROP accounts during year           | 0             |
| 5. | DROP account balances as of October 1, 2014            | \$ 741,602    |

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<sup>1</sup> As reported in the Comprehensive Annual Financial Report (CAFR).

<sup>2</sup> 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>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| A. Preliminary smoothed actuarial value from prior year         | 40,148,171  | 42,290,953  | 45,337,795  |             |             |             |
| B. Market value end of year                                     | 44,281,241  | 47,883,789  |             |             |             |             |
| C. Market value beginning of year                               | 40,333,862  | 44,281,241  | 47,883,789  |             |             |             |
| D. Non-investment net cash flow                                 | (1,337,332) | (828,454)   |             |             |             |             |
| E. Investment return  |             |             |             |             |             |             |
| 1. Total market value return: B. - C. - D.                      | 5,284,711   | 4,431,002   |             |             |             |             |
| 2. Amount for immediate recognition (8.0% / 7.5%)               | 3,173,216   | 3,290,026   |             |             |             |             |
| 3. Amount for phased-in recognition: E.1. - E.2.                | 2,111,495   | 1,140,976   |             |             |             |             |
| F. Phased-in recognition of investment return                   |             |             |             |             |             |             |
| 1. Current year: 20% of E.3.                                    | 422,299     | 228,195     |             |             |             |             |
| 2. First prior year   | 515,456     | 422,299     | 228,195     |             |             |             |
| 3. Second prior year  | (664,593)   | 515,456     | 422,299     | 228,195     |             |             |
| 4. Third prior year   | 83,911      | (664,593)   | 515,456     | 422,299     | 228,195     |             |
| 5. Fourth prior year  | (50,175)    | 83,913      | (664,595)   | 515,455     | 422,299     | 228,196     |
| 6. Total phased-in recognition of investment return             | 306,898     | 585,270     | 501,355     | 1,165,949   | 650,494     | 228,196     |
| G. Total smoothed actuarial value end of year                   |             |             |             |             |             |             |
| 1. Preliminary total smoothed actuarial value end of year:      |             |             |             |             |             |             |
| A. + D. + E.2. + F.6.   | 42,290,953  | 45,337,795  |             |             |             |             |
| 2. Upper corridor limit: 120% of B.                             | 53,137,489  | 57,460,547  |             |             |             |             |
| 3. Lower corridor limit: 80% of B.                              | 35,424,993  | 38,307,031  |             |             |             |             |
| 4. Total smoothed actuarial value end of year:                  |             |             |             |             |             |             |
| G.1., not more than G.2., nor less than G.3.                    | 42,290,953  | 45,337,795  |             |             |             |             |
| H. Difference between market value and smoothed actuarial value | 1,990,288   | 2,545,994   |             |             |             |             |
| I. Smoothed actuarial value rate of return                      | 8.8%        | 9.3%        |             |             |             |             |
| J. Market value rate of return                                  | 13.3%       | 10.1%       |             |             |             |             |

Table VI

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

**Actuarial Gain / (Loss) for  
Plan Year Ended September 30, 2014**

A. Derivation of Actuarial Gain (Loss)

|  |    |            |
|--|----|------------|
| 1. Actuarial present value of projected payroll        | \$ | 64,375,340 |
| 2. Normal cost for benefits as a percentage of payroll |    |            |
| (a) Prior valuation                                    |    | 10.73%     |
| (b) Current valuation                                  |    | 8.91%      |
| (c) Difference (a) - (b)                               |    | 1.82%      |
| 3. Actuarial gain / (loss): (1. x 2.c)                 | \$ | 1,171,631  |

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

|   |    |            |
|---|----|------------|
| 1. Smoothed actuarial value of assets previous year                                 | \$ | 42,290,953 |
| 2. Contributions during year  |    | 1,575,070  |
| 3. Benefits and administrative expenses during year                                 |    | 2,403,524  |
| 4. Expected net appreciation for period   |    | 3,140,754  |
| 5. Expected smoothed actuarial value of assets current year:<br>(1. + 2. - 3. + 4.) | \$ | 44,603,253 |
| 6. Smoothed actual actuarial value of assets current year                           | \$ | 45,337,795 |
| 7. Approximate gain / (loss) due to investments: (6. - 5.)                          | \$ | 734,542    |

C. Approximate Portion of Gain / (Loss)  
from Other Sources: A. - B.

\$ 437,089



Table VII

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

**Accounting Disclosure Exhibit**

|   | <u>10/01/2013</u> | <u>10/01/2014</u> |
|---|-------------------|-------------------|
| <b>I. <u>Number of Plan Members</u></b>   |                   |                   |
| 1. Retirees and beneficiaries receiving benefits  | 129               | 136               |
| 2. Terminated plan members due deferred benefits  | 14                | 12                |
| 3. Active plan members  | 240               | 245               |
| 4. Total plan members   | 383               | 393               |
| <b>II. <u>Financial Accounting Standards Board Allocation</u></b><br><b><u>As of October 1, 2014</u></b>  |                   |                   |
| <b>A. <u>Statement of Accumulated Plan Benefits</u></b>   |                   |                   |
| 1. Actuarial present value of accumulated<br>vested plan benefits   |                   |                   |
| a. Participants currently receiving benefits  | \$ 23,922,070     | \$ 26,043,013     |
| b. Other participants   | 12,066,412        | 11,737,165        |
| c. Total  | \$ 35,988,482     | \$ 37,780,178     |
| 2. Actuarial present value of accumulated<br>non-vested plan benefits                                     | \$ 1,526,584      | \$ 1,523,622      |
| 3. Total actuarial present value of accumulated<br>plan benefits  | \$ 37,515,066     | \$ 39,303,800     |
| <b>B. <u>Statement of Change in Accumulated Plan Benefits</u></b>   |                   |                   |
| 1. Actuarial present value of accumulated plan benefits<br>as of October 1, 2013                          |                   | \$ 37,515,066     |
| 2. Increase (decrease) during year attributable to:   |                   |                   |
| a. Plan amendment   |                   | \$ 0              |
| b. Change in actuarial assumptions  |                   | 0                 |
| c. Benefits paid including contribution refunds   |                   | (2,261,393)       |
| d. Other, including benefits accumulated, increase<br>for interest due to decrease in the discount period |                   | 4,050,127         |
| e. Net increase   |                   | \$ 1,788,734      |
| 3. Actuarial present value of accumulated plan benefits<br>as of October 1, 2014                          |                   | \$ 39,303,800     |
| <b>C. <u>Significant Matters Affecting Calculations</u></b>   |                   |                   |
| 1. Assumed rate of return used in determining actuarial<br>present values                                 |                   | 7.5%              |
| 2. Change in plan provisions  |                   | None              |
| 3. Change in actuarial assumptions  |                   | None              |

**Table VII  
(Cont'd)**

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

**Accounting Disclosure Exhibit**

**III. Net Pension Liability and Related Ratios (GASB No. 67 & No. 68)**

| Measurement date  | 9/30/2014            | Projected<br>9/30/2015* |
|---|----------------------|-------------------------|
| <b>A. <u>Total Pension Liability (TPL)</u></b>  |                      |                         |
| Service Cost  | \$ 1,134,108         | \$ 1,154,040            |
| Interest  | 3,149,825            | 3,293,606               |
| Benefit Changes   | 0                    | 0                       |
| Difference Between Actual and Expected Experience   | (795,460)            | (151,484)               |
| Assumption Changes  | 1,479,338            | 0                       |
| Benefit Payments, including Refunds of Member Contributions   | (2,261,393)          | (2,235,171)             |
| Net Change in Total Pension Liability   | 2,706,418            | 2,060,991               |
| Total Pension Liability (TPL) - (beginning of year)   | 41,323,353           | 44,029,771              |
| Total Pension Liability (TPL) - (end of year)   | <u>\$ 44,029,771</u> | <u>\$ 46,090,762</u>    |
| <b>B. <u>Plan Fiduciary Net Position</u></b>  |                      |                         |
| Contributions - City  | \$ 919,864           | \$ 474,597              |
| Contributions - Member  | 655,206              | 607,655                 |
| Net Investment Income   | 4,431,002            | 3,542,720               |
| Benefit Payments, including Refunds of Member Contributions   | (2,261,393)          | (2,235,171)             |
| Administrative Expenses   | (142,131)            | (142,131)               |
| Other   | 0                    | 0                       |
| Net Change in Plan Fiduciary Net Position   | 3,602,548            | 2,247,670               |
| Plan Fiduciary Net Position - (beginning of year)   | 44,281,241           | 47,883,789              |
| Plan Fiduciary Net Position - (end of year)   | <u>\$ 47,883,789</u> | <u>\$ 50,131,459</u>    |
| <b>C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u></b>   | (3,854,018)          | (4,040,697)             |
| <b>D. <u>Plan Fiduciary Net Position as a Percentage of TPL: (B) / (A)</u></b>  | 108.75 %             | 108.77 %                |
| <b>E. <u>Covered Employee Payroll</u> **</b>  | \$ 11,033,246        | \$ 10,660,622           |
| <b>F. <u>NPL as a Percentage of Covered Employee Payroll: (C) / (E)</u></b>   | (34.93)%             | (37.90)%                |
| <b>G. <u>Notes to Schedule:</u></b>   |                      |                         |
| Valuation Date  | 10/01/2013           | 10/01/2014              |
| Update procedures used to roll forward TPL excluding DROP account balances to the measurement dates - actual DROP account balances as of measurement dates included in TPL. |                      |                         |
| See Table VII, Item V. for assumption changes during the year fiscal year end 9/30/2014.  |                      |                         |
| No benefit changes during the year fiscal year end 9/30/2014.   |                      |                         |

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

\*\* As reported for valuation - GASB No. 67 and No. 68 reference total payroll

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

**Accounting Disclosure Exhibit**

**IV. Schedule of Employer Contributions (GASB No. 67 & No. 68)<sup>1</sup>**

| <u>Fiscal Year<br/>End</u> | <u>Actuarially<br/>Determined<br/>Contribution</u> | <u>Actual<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Covered<br/>Payroll<sup>2,3</sup></u> | <u>Actual Contribution<br/>as a % of<br/>Covered Payroll</u> |
|----------------------------|--|--------------------------------|---|--|--|
| 2005                       | \$ 999,852   | \$ 1,147,792                   | \$ (147,940)                                    | \$ 9,189,889                             | 12.49%   |
| 2006                       | 1,136,922  | 1,318,334                      | (181,412)                                       | 10,387,449                               | 12.69%   |
| 2007                       | 961,724  | 1,250,735                      | (289,011)                                       | 10,882,478                               | 11.49%   |
| 2008                       | 893,546  | 1,331,364                      | (437,818)                                       | 11,705,277                               | 11.37%   |
| 2009                       | 745,087  | 1,265,870                      | (520,783)                                       | 10,982,201                               | 11.53%   |
| 2010                       | 640,444  | 1,163,828                      | (523,384)                                       | 10,277,176                               | 11.32%   |
| 2011                       | 684,153  | 1,133,177                      | (449,024)                                       | 9,938,506                                | 11.40%   |
| 2012                       | 842,538  | 879,008                        | (36,470)  | 9,608,967                                | 9.15%  |
| 2013                       | 987,241  | 987,241                        | 0   | 9,945,221                                | 9.93%  |
| 2014                       | 635,941  | 919,864                        | (283,923)                                       | 11,033,246                               | 8.34%  |
| 2015 <sup>4</sup>          | 474,597  | 474,597                        | 0   | 10,660,622                               | 4.45%  |

<sup>1</sup> Per City CAFR prior to September 30, 2014

<sup>2</sup> Projected (excludes DROP payroll, if any, prior to September 30, 2014)

<sup>3</sup> As reported for valuation - GASB No. 67 and No. 68 reference total payroll

<sup>4</sup> Projected - actual amounts will be available after fiscal year end

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

**Accounting Disclosure Exhibit**

V. Notes to Schedule of Contributions (GASB No. 67 & No. 68)

**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                 | 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.<br><br>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. |
| Cost-of-Living Increases  | None.  |

**Other Information:**

**Benefit Changes**

2005: Final monthly compensation updated to average of best thirty-six (36) consecutive months; multiplier updated to 2.5% and members receiving benefits will receive a 2.0% ad hoc COLA.

**Assumption Changes**

2013: Investment return assumption updated to 7.5% compounded annually, net of investment expenses; withdrawal, salary increase and retirement rates updated. 2011: Funding method updated to Aggregate Actuarial Cost Method; mortality, withdrawal, salary increase and retirement rates updated.

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

**Accounting Disclosure Exhibit**

**VI. Discount Rate (GASB No. 67 & No. 68)**

A discount rate of 7.5% was used to measure the TPL. 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 TPL.

**VII. Sensitivity of the NPL to the Discount Rate Assumption (GASB No. 67 & No. 68)**

Measurement date: 9/30/2014

|               | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|---------------|--------------------|----------------------------------|--------------------|
| Discount Rate | 6.5%               | 7.5%                             | 8.5%               |
| NPL           | \$ 1,101,444       | \$ (3,854,018)                   | \$ (8,000,580)     |

Measurement date: 9/30/2015 \*

|               | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|---------------|--------------------|----------------------------------|--------------------|
| Discount Rate | 6.5%               | 7.5%                             | 8.5%               |
| NPL           | \$ 1,080,846       | \$ (4,040,697)                   | \$ (8,323,407)     |

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

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

**Accounting Disclosure Exhibit**

**VIII. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (GASB No. 68)**

Pension Expense for Fiscal Year Ended September 30, 2015 \$ 395,111

Summary of Outstanding Deferred Inflows and Outflows of Resources as of September 30, 2015

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between actual and expected experience on liabilities                | 0   | 629,739                                      |
| Changes of assumptions or other inputs   | 1,171,143                                     | 0  |
| Net difference between projected and actual earnings on pension plan investments | <u>0</u>                                      | <u>912,781</u>                               |
| Total  | <u>\$ 1,171,143</u>                           | <u>\$ 1,542,520</u>                          |

Summary of Deferred Outflows and Inflows of Resources that will be Recognized in Pension Expense in Future Years.

| <u>Year Ending<br/>30-Sep</u> | <u>Amount</u> |
|-------------------------------|---------------|
| 2016                          | \$ (85,721)   |
| 2017                          | \$ (85,721)   |
| 2018                          | \$ (85,721)   |
| 2019                          | \$ (114,214)  |
| 2020                          | 0             |
| Thereafter                    | 0             |

**Table VII  
(Cont'd)**

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

**Accounting Disclosure Exhibit**

The following information is not required to be disclosed but is provided for informational purposes.

**IX. Components of Pension Expense (GASB No. 68)**

| Measurement Date   | <u>9/30/2014</u>  | <u>Projected<br/>9/30/2015*</u> |
|--|-------------------|---------------------------------|
| Service Cost   | \$ 1,134,108      | \$ 1,154,040                    |
| Interest on Total Pension Liability  | 3,149,825         | 3,293,606                       |
| Current-Period Benefit Changes   | 0                 | 0                               |
| Contributions - Member   | (655,206)         | (607,655)                       |
| Projected Earnings on Plan Investments                                       | (3,290,026)       | (3,542,720)                     |
| Administrative Expenses  | 142,131           | 142,131                         |
| Other Changes in Plan Fiduciary Net Position                                 | 0                 | 0                               |
| Recognition of Beginning Deferred Outflows /<br>(Inflows) due to Liabilities | 142,474           | 110,915                         |
| Recognition of Beginning Deferred Outflows /<br>(Inflows) due to Assets      | <u>(228,195)</u>  | <u>(228,195)</u>                |
| Total Pension Expense  | <u>\$ 395,111</u> | <u>\$ 322,122</u>               |

\* Projected - actual amounts will be available after measurement date

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

**Accounting Disclosure Exhibit**

The following information is not required to be disclosed but is provided for informational purposes.

**X. Recognition of Deferred Outflows and (Inflows) due to Liabilities (GASB No. 68)**

Recognition of Deferred Outflows due to Differences Between Actual and Expected Experience on Liabilities

| Established | Initial Balance | Initial<br>Recognition<br>Period | Remaining<br>Recognition<br>Period as of<br>9/30/2014 | Recognition<br>Amount for<br>2013 / 2014 | Balance as of<br>9/30/2014 |
|-------------|-----------------|----------------------------------|---|--|----------------------------|
| 2013 / 2014 | \$ 0            | 4.8                              | 3.8   | \$ 0                                     | \$ 0                       |
| TOTAL       |                 |                                  |   | \$ 0                                     | \$ 0                       |

Recognition of Deferred (Inflows) due to Differences Between Actual and Expected Experience on Liabilities

| Established | Initial Balance | Initial<br>Recognition<br>Period | Remaining<br>Recognition<br>Period as of<br>9/30/2014 | Recognition<br>Amount for<br>2013 / 2014 | Balance as of<br>9/30/2014 |
|-------------|-----------------|----------------------------------|---|--|----------------------------|
| 2013 / 2014 | \$ (795,460)    | 4.8                              | 3.8   | \$ (165,721)                             | \$ (629,739)               |
| TOTAL       |                 |                                  |   | \$ (165,721)                             | \$ (629,739)               |

Recognition of Deferred Outflows due to Changes of Assumptions or Other Inputs

| Established | Initial Balance | Initial<br>Recognition<br>Period | Remaining<br>Recognition<br>Period as of<br>9/30/2014 | Recognition<br>Amount for<br>2013 / 2014 | Balance as of<br>9/30/2014 |
|-------------|-----------------|----------------------------------|---|--|----------------------------|
| 2013 / 2014 | \$ 1,479,338    | 4.8                              | 3.8   | \$ 308,195                               | \$ 1,171,143               |
| TOTAL       |                 |                                  |   | \$ 308,195                               | \$ 1,171,143               |

Recognition of Deferred (Inflows) due to Changes of Assumptions or Other Inputs

| Established | Initial Balance | Initial<br>Recognition<br>Period | Remaining<br>Recognition<br>Period as of<br>9/30/2014 | Recognition<br>Amount for<br>2013 / 2014 | Balance as of<br>9/30/2014 |
|-------------|-----------------|----------------------------------|---|--|----------------------------|
| 2013 / 2014 | \$ 0            | 4.8                              | 3.8   | \$ 0                                     | \$ 0                       |
| TOTAL       |                 |                                  |   | \$ 0                                     | \$ 0                       |



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

**Accounting Disclosure Exhibit**

The following information is not required to be disclosed but is provided for informational purposes.

**XI. Recognition of Deferred Outflows and (Inflows) due to Assets (GASB No. 68)**

Recognition of Deferred Outflows / (Inflows) due to Difference Between Projected and Actual Earnings on Pension Plan Investments

| Established | Initial Balance | Initial<br>Recognition<br>Period | Remaining<br>Recognition<br>Period as of<br>9/30/2014 | Recognition<br>Amount for<br>2013 / 2014 | Balance as of<br>9/30/2014 |
|-------------|-----------------|----------------------------------|---|--|----------------------------|
| 2013 / 2014 | \$ (1,140,976)  | 5                                | 4   | \$ (228,195)                             | \$ (912,781)               |
|             |                 |                                  | <b>TOTAL</b>  | <b>\$ (228,195)</b>                      | <b>\$ (912,781)</b>        |

**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 1/15<sup>th</sup> 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)

Incurring 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 Incurring 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, 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**

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

None.



**Table X**

**Retirement Plan for Employees  
of the City of Key West  
Distribution by Attained Age Groups  
and Service Groups as of October 1, 2014**

| <u>Attained<br/>Age Group</u> | -----COMPLETED YEARS OF SERVICE----- |            |              |                      |              |                      |                      | <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 &amp; Over</u> |              |
| Under 25                      | 15                                   | -          | -            | -                    | -            | -                    | -                    | 15           |
| 25-29                         | 9                                    | 5          | -            | -                    | -            | -                    | -                    | 14           |
| 30-34                         | 18                                   | 4          | 1            | -                    | -            | -                    | -                    | 23           |
| 35-39                         | 7                                    | 8          | -            | -                    | -            | -                    | -                    | 15           |
| 40-44                         | 14                                   | 15         | 11           | 2                    | -            | -                    | -                    | 42           |
| 45-49                         | 7                                    | 12         | 6            | 4                    | 2            | 1                    | -                    | 32           |
| 50-54                         | 23                                   | 6          | 5            | 2                    | 1            | -                    | -                    | 37           |
| 55-59                         | 7                                    | 13         | 5            | 1                    | 3            | -                    | -                    | 29           |
| 60-64                         | 8                                    | 3          | 2            | 3                    | 1            | -                    | -                    | 17           |
| 65 & Over                     | 3                                    | 7          | 4            | 4                    | 2            | -                    | 1                    | 21           |
| <b>TOTAL</b>                  | <b>111</b>                           | <b>73</b>  | <b>34</b>    | <b>16</b>            | <b>9</b>     | <b>1</b>             | <b>1</b>             | <b>245</b>   |
|                               |                                      |            |              | <u>10/01/2013</u>    |              | <u>10/01/2014</u>    |                      |              |
|                               |                                      |            |              | Average Attained Age | 46.35 years  | Average Attained Age | 46.41 years          |              |
|                               |                                      |            |              | Average Hire Age     | 39.29 years  | Average Hire Age     | 39.48 years          |              |
|                               |                                      |            |              | Average Pay          | \$ 41,384    | Average Pay          | \$ 41,337            |              |
|                               |                                      |            |              | Percent Female       | 36.3%        | Percent Female       | 35.5%                |              |

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

| <b><u>Current Age<br/>Group</u></b> | <b><u>Count</u></b> | <b><u>Total<br/>Annual<br/>Benefit</u></b> | <b><u>Average<br/>Annual<br/>Benefit</u></b> |
|-------------------------------------|---------------------|--|--|
| <b>Less than 50</b>                 | 5                   | \$ 59,425                                  | \$ 11,885                                    |
| 50-54                               | -                   | -  | -  |
| 55-59                               | 3                   | 24,633                                     | 8,211  |
| 60-64                               | 1                   | 4,814                                      | 4,814  |
| 65-69                               | 3                   | 12,808                                     | 4,269  |
| 70 & Over                           | -                   | -  | -  |
| <b>TOTAL</b>                        | <u>12</u>           | <u>\$ 101,680</u>                          | <u>\$ 8,473</u>                              |

B. Receiving Benefits

| <b><u>Current Age<br/>Group</u></b> | <b><u>Count</u></b> | <b><u>Total<br/>Annual<br/>Benefit</u></b> | <b><u>Average<br/>Annual<br/>Benefit</u></b> |
|-------------------------------------|---------------------|--|--|
| <b>Less than 50</b>                 | 13                  | \$ 98,015                                  | \$ 7,540                                     |
| 50-54                               | 9                   | 316,085                                    | 35,121                                       |
| 55-59                               | 13                  | 368,439                                    | 28,341                                       |
| 60-64                               | 20                  | 482,189                                    | 24,109                                       |
| 65-69                               | 28                  | 463,967                                    | 16,570                                       |
| 70-74                               | 24                  | 415,181                                    | 17,299                                       |
| 75-79                               | 11                  | 115,639                                    | 10,513                                       |
| 80 & Over                           | 18                  | 176,606                                    | 9,811  |
| <b>TOTAL</b>                        | <u>136</u>          | <u>\$ 2,436,121</u>                        | <u>\$ 17,913</u>                             |

**Table XII**

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

|   |      |
|---|------|
| <b>A. <u>Active Participants</u></b>  |      |
| 1. Active participants previous year  | 240  |
| 2. Retired during year  | (6)  |
| 3. Entered DROP during year   | (3)  |
| 4. Died during year   | 0    |
| 5. Disabled during year   | 0    |
| 6. Terminated refunded during year  | (26) |
| 7. Terminated not refunded  | (2)  |
| 8. Terminated vested  | (2)  |
| 9. Rehired  | 1    |
| 10. New active participants   | 43   |
| 11. Active participants current year  | 245  |
| <b>B. <u>Participants Receiving Benefits</u></b>                            |      |
| 1. Participants receiving benefits previous year                            | 122  |
| 2. New retired participants   | 6    |
| 3. New terminated vested receiving benefits                                 | 1    |
| 4. New disabled receiving benefits  | 0    |
| 5. New beneficiaries receiving benefits                                     | 0    |
| 6. Died or ceased payment during year                                       | (3)  |
| 7. Retired or terminated vested receiving benefits current year             | 126  |
| <b>C. <u>DROP Participants</u></b>  |      |
| 1. DROP participants previous year  | 7    |
| 2. Died during year   | 0    |
| 3. Became disabled during year  | 0    |
| 4. Employment terminated and retired during year                            | 0    |
| 5. Entered DROP during year   | 3    |
| 6. DROP participants current year   | 10   |
| <b>D. <u>Terminated Vested Participants Entitled to Future Benefits</u></b> |      |
| 1. Terminated vested entitled previous year                                 | 14   |
| 2. Died during year   | 0    |
| 3. Commenced receiving benefits during year                                 | (1)  |
| 4. New terminated vested  | 2    |
| 5. Refunded member contributions  | (2)  |
| 6. Rehired  | (1)  |
| 7. Terminated vested entitled current year                                  | 12   |

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

**Projected Retirement Benefits**

| <b><u>Fiscal Year</u></b> | <b><u>Projected Total<br/>Annual Payout</u></b> |
|---------------------------|---|
| 2015                      | 2,235,171                                       |
| 2016                      | 2,789,287                                       |
| 2017                      | 2,938,946                                       |
| 2018                      | 3,068,827                                       |
| 2019                      | 3,184,711                                       |
| 2020                      | 3,291,105                                       |
| 2021                      | 3,415,584                                       |
| 2022                      | 3,567,775                                       |
| 2023                      | 3,710,948                                       |
| 2024                      | 3,860,276                                       |

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<br>Year | Compensation             |                     | Termination                    | Investment Return              |                 |                 |
|----------------|--------------------------|---------------------|--------------------------------|--------------------------------|-----------------|-----------------|
|                | % Increase<br>(Decrease) | Assumed<br>Increase | Ratio of Actual<br>to Expected | Smoothed<br>Actuarial<br>Value | Market<br>Value | Assumed<br>Rate |
| 2014           | 4.9%                     | 4.5%                | 1.1                            | 9.3%                           | 10.1%           | 7.5%            |
| 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%            |
| Last 3 Years   | 4.4%                     | 6.6%                | 1.0                            | 7.2%                           | 12.9%           | 7.8%            |
| Last 5 Years   | 3.4%                     | 7.1%                | 1.1                            | 6.1%                           | 9.2%            | 7.9%            |
| Last 10 Years  | 4.3%                     | 7.3%                | 1.3                            | 7.1%                           | 7.8%            | 7.9%            |

Table XV

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

**Summary of Transaction Information**<sup>1</sup>

| Year<br>Ended | Benefits<br>Paid <sup>2</sup> | Expenses   | Employee<br>Contributions | City<br>Contributions | Market<br>Value <sup>3</sup> |
|---------------|-------------------------------|------------|---------------------------|-----------------------|------------------------------|
| 09/30/2014    | \$ 2,261,393                  | \$ 393,806 | \$ 655,206                | \$ 919,864            | \$ 47,883,789                |
| 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                 |

<sup>1</sup> Information prior to October 1, 2000 as reported by prior actuaries

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

<sup>3</sup> 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<br/>Date</u> | <u>Contribution<br/>Fiscal<br/>Year End</u> | <u>Minimum Required<br/>Employer<br/>Contributions</u> | <u>Actual Employer<br/>Contributions<br/>Made</u> |
|---------------------------|---|--|---|
| 10/01/2014                | 09/30/2016                                  | \$ 474,597   | N/A   |
| 10/01/2014                | 09/30/2015                                  | \$ 474,597   | N/A   |
| 10/01/2013                | 09/30/2014                                  | \$ 635,941   | \$ 919,864  |
| 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, 2014**

**State Required Exhibit**

|   | <u>10/01/2013</u>    | <u>10/01/2014</u>    |
|---|----------------------|----------------------|
| <b>A. <u>Participant Data</u></b>   |                      |                      |
| 1. Active participants  | 240                  | 245                  |
| 2. Retired participants and beneficiaries<br>receiving benefits (including DROPs)                             | 128                  | 135                  |
| 3. Disabled participants receiving benefits   | 1                    | 1                    |
| 4. Terminated vested participants   | 14                   | 12                   |
| 5. Annual payroll of active participants  | \$ 9,932,184         | \$ 10,127,588        |
| 6. Annual benefits payable to those currently<br>receiving benefits   | \$ 2,253,654         | \$ 2,436,121         |
| <b>B. <u>Value of Assets</u></b>  |                      |                      |
| 1. Smoothed actuarial value of assets   | \$ 42,290,953        | \$ 45,337,795        |
| 2. Market value of assets   | \$ 44,281,241        | \$ 47,883,789        |
| <b>C. <u>Liabilities</u></b>  |                      |                      |
| 1. Actuarial present value of future expected<br>benefit payments for active members                          |                      |                      |
| a. Retirement benefits  | \$ 20,533,716        | \$ 20,458,834        |
| b. Termination benefits   | 2,312,488            | 2,329,631            |
| c. Death benefits   | 556,656              | 552,710              |
| d. Disability benefits  | 883,716              | 902,934              |
| e. Total  | <u>\$ 24,286,576</u> | <u>\$ 24,244,109</u> |
| 2. Actuarial present value of future expected<br>benefit payments for terminated<br>vested members            | \$ 648,923           | \$ 616,233           |
| 3. Actuarial present value of future expected<br>benefit payments for members currently<br>receiving benefits |                      |                      |
| a. Service retired (including DROPs)  | \$ 22,459,326        | \$ 24,604,572        |
| b. Disability retired   | 29,732               | 29,173               |
| c. Beneficiaries  | 1,433,012            | 1,409,268            |
| d. Miscellaneous  | 160,728              | 169,130              |
| e. Total  | <u>\$ 24,082,798</u> | <u>\$ 26,212,143</u> |



**Table XVII  
(Cont'd)**

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

**Actuarial Valuation as of October 1, 2014**

**State Required Exhibit**

|   | <u>10/01/2013</u> | <u>10/01/2014</u> |
|---|-------------------|-------------------|
| 4. Total actuarial present value of future expected benefit payments                                      | \$ 49,018,297     | \$ 51,072,485     |
| 5. Actuarial accrued liabilities (Entry Age Normal)   | \$ 41,994,258     | \$ 43,878,287     |
| 6. Unfunded actuarial accrued liabilities (Entry Age Normal)  | \$ (296,695)      | \$ (1,459,508)    |
| <br><b>D. <u>Statement of Accumulated Plan Benefits</u></b>   |                   |                   |
| 1. Actuarial present value of accumulated vested benefits   |                   |                   |
| a. Participants currently receiving benefits including DROPs  | \$ 23,922,070     | \$ 26,043,013     |
| b. Other participants   | 12,066,412        | 11,737,165        |
| c. Total  | \$ 35,988,482     | \$ 37,780,178     |
| 2. Actuarial present value of accumulated non-vested plan benefits  | 1,526,584         | 1,523,622         |
| 3. Total actuarial present value of accumulated plan benefits   | \$ 37,515,066     | \$ 39,303,800     |
| <br><b>E. <u>Statement of Change in Accumulated Plan Benefits</u></b>                                     |                   |                   |
| 1. Actuarial present value of accumulated plan benefits as of October 1, 2013                             |                   | \$ 37,515,066     |
| 2. Increase (decrease) during year attributable to:   |                   |                   |
| a. Plan amendment   |                   | \$ 0              |
| b. Change in actuarial assumptions  |                   | 0                 |
| c. Benefits paid including contribution refunds   |                   | (2,261,393)       |
| d. Other, including benefits accumulated and increase for interest due to decrease in the discount period |                   | 4,050,127         |
| e. Net increase   |                   | \$ 1,788,734      |
| 3. Actuarial present value of accumulated plan benefits as of October 1, 2014                             |                   | \$ 39,303,800     |

**Table XVII  
(Cont'd)**

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

**Actuarial Valuation as of October 1, 2014**

**State Required Exhibit**

|   | <u>10/01/2013</u> | <u>10/01/2014</u> |
|---|-------------------|-------------------|
| <b>F. <u>Pension Cost</u></b>   |                   |                   |
| 1. Total normal cost  | \$ 1,188,900      | \$ 1,044,499      |
| 2. Interest adjustment  | 42,972            | 37,753            |
| 3. Total required contribution  | \$ 1,231,872      | \$ 1,082,252      |
| 4. Item 3 as a percentage of payroll  | 12.4%             | 10.7%             |
| 5. Estimated employee contributions   | \$ 595,931        | \$ 607,655        |
| 6. Item 5 as a percentage of payroll  | 6.0%              | 6.0%              |
| 7. Net amount payable by City   | \$ 635,941        | \$ 474,597        |
| 8. Item 7 as a percentage of payroll  | 6.4%              | 4.7%              |
| <b>G. <u>Past Contributions</u></b>   |                   |                   |
| 1. Total contribution required  | \$ 1,231,872      | \$ 1,082,252      |
| 2. Actual contributions made:   |                   |                   |
| a. Employees  | \$ 655,206        | N/A               |
| b. City   | 919,864           | N/A               |
| c. Total  | \$ 1,575,070      | N/A               |
| <b>H. <u>Net Actuarial Gain (Loss)</u></b>  | \$ 1,152,628      | \$ 1,171,631      |
| <b>I. <u>Disclosure of Following Items:</u></b>                                   |                   |                   |
| 1. Actuarial present value of future salaries<br>- attained age                   | \$ 62,723,754     | \$ 64,375,340     |
| 2. Actuarial present value of future employee<br>contributions - attained age     | \$ 3,763,425      | \$ 3,862,520      |
| 3. Actuarial present value of future contributions<br>from other sources          | N/A               | N/A               |
| 4. Amount of active members' accumulated<br>contributions                         | \$ 3,968,723      | \$ 3,982,810      |
| 5. Actuarial present value of future salaries and<br>future benefits at entry age | N/A               | N/A               |
| 6. Actuarial present value of future employee<br>contributions at entry age       | 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: November 10, 2015



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Lawrence F. Wilson, A.S.A.