

April 24, 2008

Board of Trustees  
Retirement System for General Employees of  
The Utility Board of the City of Key West  
Key West, Florida 33040

The fundamental financial objective of the Retirement System for General Employees of the Utility Board of the City of Key West is to provide benefits that are properly funded. An actuarial valuation is prepared annually to determine the Utility Board minimum contribution under the requirements of Florida State law. The contribution rate is developed using the entry age normal actuarial cost method as a level percentage of payroll, plus operating expenses. Gains and losses are reflected in unfunded actuarial accrued liabilities and amortized as level dollar amounts.

The information being provided is compiled from annual actuarial valuations, including the most recent as of January 1, 2008. In performing these valuations, the Utility Board staff provides certain data and the plan auditor submits financial statements. We rely on the accuracy of this information.

The data being provided includes the following:

- Summary of actuarial assumptions and methods
- Schedule of active and retired member data
- Solvency tests
- Analysis of financial experience
- Summary of plan provisions and changes
- Schedule of funding progress and employer contributions
- Schedule of benefit expenses by type
- Schedule of retired members by type of benefit
- Schedule of average benefit payments

We compiled all of the above information.

To the best of our knowledge, the assumptions and methods being utilized conform to the Government Accounting Standards Board (GASB) Statements No. 25 and No. 27.

On the basis of the January 1, 2008 Actuarial Valuation, it is our opinion that the Retirement System for General Employees of the Utility Board of the City of Key West continues in sound financial condition under generally accepted actuarial principles.

Sincerest regards,



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

**Retirement System for General Employees of the  
Utility Board of the City of Key West**

**Actuarial Section**

**Summary Actuarial Assumptions and Methods**

**A. Mortality**

The 1983 Group Annuity Table was used with separate rates for males and females.

**B. Investment Return**

8.0%, compounded annually.

**C. Allowances for Expenses or Contingencies**

Estimated annual expenses based upon prior year's experience.

**D. Employee Withdrawal Rates**

Withdrawal rates were used in accordance with tables per the following illustrative example:

<b>Withdrawal Rates Per 100 Employees</b>		
<b><u>Age</u></b>	<b><u>Males</u></b>	<b><u>Females</u></b>
20	19.9	29.9
25	11.9	19.9
30	5.9	11.9
35	1.9	5.9
40	0	1.9
45	0	0
50	0	0
55	0	0
60 & Over	0	0

**E. Disability Benefits**

Class (01) Inter-Company modified disability rates for males were used. Rates for females were doubled. No Workers' Compensation benefits are assumed to be payable.

**F. Salary Increase Factors**

Current salary was assumed to increase at a rate equal to 5.5% per year, including 3.5% for inflation. Prior to January 1, 2003, current salary was assumed to increase at a rate equal to 6.0% per year.

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**Summary Actuarial Assumptions and Methods**

**G. Assumed Retirement Age**

<u>Age</u>	<u>Rate of Retirement</u>
55	10%
56	20%
57	40%
58	60%
59	80%
60	100%

Employees who attain age 60 or age 50 with 30 years of service after the valuation date are assumed to retire no later than age 60 or age 50 with 30 years of service. Employees who have reached age 60 or age 50 with 30 years of service as of the valuation date are assumed to remain employed for an additional year.

**H. Death Benefits**

- (1) The assumed incidence of deaths is 90% service incurred and 10% as non-service incurred.
- (2) There are no children assumed eligible for future children's benefits.
- (3) 90% of participants are assumed to be married.
- (4) No remarriage assumed.

**I. Valuation of Assets**

The method used for determining the actuarial value of assets phases in the deviation between the expected and actual return on assets at the rate of one-fifth per year. The 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. Prior to January 1, 2003, the actuarial value of assets was market value.

**J. Increase in Covered Payroll**

3.0% per year, limited to average annual increase over most recent ten years (4.3%).

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**Actuarial Section**

**Summary Actuarial Assumptions and Methods**

**K. Cost Methods**

Normal Retirement Benefit, Termination, Disability and Death Benefit: Entry-Age-Actuarial Cost Method. Under this method the normal cost for each active employee is the amount that is calculated to be a level percentage of pay that would be required annually from his age at hire to his assumed retirement age to fund his estimated benefits, assuming the Plan had always been in effect. The normal cost for the Plan is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the Plan is the excess of the actuarial present value of estimated current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the actuarial value of assets of the Plan.

**L. Treatment of Actuarial Gains and Losses**

Gains and losses are amortized over a period of 30 years.

**M. Changes Since Previous Actuarial Impact Statement**

None.

**N. Choice of Assumptions and Methods**

The actuarial assumptions and methods are recommended by the actuary and adopted by the Board of Trustees at various times. Unless otherwise indicated (above) the actuarial assumptions were adopted prior to 1998. The recommendations are based on a review of actual plan experience, although no formal experience study has been performed.

**Resolutions Passed (Beginning 1998):**

**Resolution No. 56** – Amending Benefit Factor from 2.2% to 2.4%. Passed by the Board of Trustees May 18, 1998

**Resolution No. 57** – Extending Pre-retirement Survivor Benefits to domestic partners. Passed by the Board of Trustees May 18, 1998

**Resolution No. 58** – Reducing Maximum Credited Service from 35 Years to 30 Years Passed by the Board of Trustees November 20, 1998

**Resolution No. 60** – Increasing Cost of Living Adjustment from 2% to 3% per year. Passed by the Board of Trustees September 28, 2000

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**Resolution No. 62** – Increasing Non-Service Death Benefit from 60% to 75% of anticipated normal retirement benefit. Passed by the Board of Trustees August 14, 2002

**Resolution No. 63** – Providing for Plan amendment and Plan termination rights. Passed by the Board of Trustees February 13, 2003

**Resolution No. 64** – Creating a probationary period prior to membership for employees hired after October 1, 2003. Passed by the Board of Trustees February 17, 2004

**Resolution No. 65** – Eliminating an optional payment method for receiving benefit payments (any other payment form requested by member agreeable to Board of Trustees). Passed by the Board of Trustees February 17, 2004

**Resolution No. 66** – Amending definition of Pensionable Earnings to use member's base hourly rate each pay period, multiplied by 80 hours, less any hours considered leave without pay. Passed by the Board of Trustees May 18, 2004

**Resolution No. 67** – Allowing certain employees to sign checks and to make transfers on-line. Passed by the Board of Trustees November 16, 2004

**Resolution No. 68** – Amending definition of actuarial equivalence. Passed by the Board of Trustees November 16, 2004

**Resolution No. 69** – Amending appointment of Trustees, Trustee terms of office and number of Trustees required to constitute a quorum. Passed by the Board of Trustees May 16, 2005

**Resolution No. 70** – Allowing certain employees to sign checks and to make transfers on-line. Passed by the Board of Trustees November 14, 2005

**Resolution No. 71** – Allowing certain employees to sign checks and to make transfers on-line. Passed by the Board of Trustees February 13, 2006

**Resolution No. 72** – Amending terms of office for Trustees. Passed by the Board of Trustees March 6, 2006

**Resolution No. 73** – Amending eligibility for Disability Benefits, definition of total and permanent injury and disability application process. Passed by the Board of Trustees May 15, 2006

**Resolution No. 74** – Amending terms of office for Trustees. Passed by the Board of Trustees March 13, 2007

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**Schedule of Active and Retiree Valuation Data**

Active Members					
Valuation Date	Number	Annual Payroll	Average Pay	% Increase	Inflation Increase % (CPI)
01/01/1999	160	\$ 6,126,555	\$ 38,291	4.0%	1.6%
01/01/2000	157	6,167,798	39,285	2.6%	2.2%
01/01/2001	155	6,397,560	41,275	5.1%	3.4%
01/01/2002	155	6,763,524	43,636	5.7%	1.6%
01/01/2003	154	6,845,370	44,450	1.9%	2.4%
01/01/2004	148	6,897,648	46,606	4.9%	1.9%
01/01/2005	139	6,933,885	49,884	7.0%	3.3%
01/01/2006	144	7,644,008	53,083	6.4%	3.4%
01/01/2007	147	8,343,673	56,760	6.9%	2.5%
01/01/2008	153	9,202,549	60,147	6.0%	4.1%

Retirant and Beneficiary Data				Annual Allowances					Retiree Lives as Portion of Active Members			
Valuation Date	Number Added	Number Removed	Number	Added to Roll*	Removed from Roll*	COLA*	Benefit Adjustment	Total	Average Annual Allowances	% Increase in Annual Allowances	Number of Lives	Allowances/Active Pays
01/01/1999	N/A	N/A	119	N/A	N/A	N/A	N/A	\$ 1,847,548	\$ 15,526	20.1%	74.4%	30.2%
01/01/2000	N/A	N/A	119	N/A	N/A	N/A	N/A	1,977,918	16,621	7.1%	75.8%	32.1%
01/01/2001	N/A	N/A	121	N/A	N/A	N/A	N/A	2,096,399	17,326	6.0%	78.1%	32.8%
01/01/2002	7	5	123	\$ 153,528	\$ 97,005	\$ 64,463	N/A	2,217,385	18,028	5.8%	79.4%	32.8%
01/01/2003	9	3	129	151,719	66,021	67,505	N/A	2,370,588	18,377	6.9%	83.8%	34.6%
01/01/2004	10	5	134	161,309	62,107	74,317	N/A	2,544,107	18,986	7.3%	90.5%	36.9%
01/01/2005	10	2	142	188,866	15,047	78,209	\$ (110,784)	2,685,351	18,911	5.6%	102.2%	38.7%
01/01/2006	11	4	149	177,235	65,652	83,719	N/A	2,880,653	19,333	7.3%	103.5%	37.7%
01/01/2007	7	7	149	152,323	90,793	88,268	N/A	3,030,451	20,339	5.2%	101.4%	36.3%
01/01/2008	8	7	150	181,911	88,078	93,736	N/A	3,218,020	21,453	6.2%	98.0%	35.0%

\*Information prior to January 1, 2002 not available

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**Solvency Test**

Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	Portion of Accrued Liability Covered by Assets		
					(1)	(2)	(3)
01/01/1999	\$ 333,959	\$ 20,600,759	\$ 19,360,253	\$ 48,031,711	100.0%	100.0%	100.0%
01/01/2000	273,780	21,915,406	19,586,431	53,398,335	100.0%	100.0%	100.0%
01/01/2001	239,334	25,057,879	23,349,127	52,329,142	100.0%	100.0%	100.0%
01/01/2002	216,625	26,641,717	23,861,847	49,513,555	100.0%	100.0%	94.9%
01/01/2003	175,931	28,516,151	23,741,406	50,458,881	100.0%	100.0%	91.7%
01/01/2004	152,915	30,734,020	24,521,288	51,439,056	100.0%	100.0%	83.8%
01/01/2005	117,921	32,683,883	24,709,690	53,036,477	100.0%	100.0%	81.9%
01/01/2006	105,952	34,747,993	26,149,556	54,265,771	100.0%	100.0%	74.2%
01/01/2007	80,737	36,188,970	28,074,123	55,876,434	100.0%	100.0%	69.8%
01/01/2008	61,282	38,866,974	29,180,801	59,924,147	100.0%	100.0%	72.0%

**Analysis of Financial Experience**

Year	Gain (or Loss) During Year From Financial Experience	Gain (or Loss) During Year Due To Liabilities	Composite Gain (or Loss) During Year
1998	\$ 4,597,385	\$ 434,063	\$ 5,031,448
1999	2,576,082	676,288	3,252,370
2000	(3,842,311)	(107,604)	(3,949,915)
2001	(5,700,919)	856,995	(4,843,924)
2002	(10,249,011)	752,571	(9,496,440)
2003	(1,694,583)	(291,507)	(1,986,090)
2004	(1,381,687)	(445,053)	(1,826,740)
2005	(1,785,209)	(538,117)	(2,323,326)
2006	(1,541,149)	(50,836)	(1,591,985)
2007	688,320	(332,075)	356,245

**Retirement System for General Employees of the  
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**Summary of Plan Provisions and Changes**

- A. Effective Date** - April 9, 1954, as amended and restated as of September 28, 1983, and further amended through Resolution No. 73 effective May 15, 2006.
- B. Eligibility Requirements** - All regular and permanent employees of the Utility Board shall become members of the System immediately upon completion of the probationary period. All regular and permanent employees of the Utility Board prior to October 2, 2003 became members of the System immediately upon employment.
- C. Member Contributions** - Eliminated effective October 1, 1985 (October 1, 1983 for management members).
- D. Utility Board Contributions** - The Utility Board shall contribute an amount that will be determined annually by decision of the Utility Board.
- E. Credited Service** - Credited service is service performed subject to a maximum of 30 years. However, any member with more than 30 years of credited service as of November 20, 1998 will be *grandfathered* under the prior 35-year cap.
- F. Average Final Compensation** - Average final compensation (AFC) equals the average annual pensionable earnings received during a period of the five highest years out of the last ten years of service immediately preceding retirement. Pensionable earnings are calculated using the member's base hourly rate each pay period, multiplied by 80 hours, less any hours that are considered *leave without pay*.
- G. Normal Retirement**
1. Eligibility - Earliest of:
    - (a) Attainment of age 60.
    - (b) Completion of 30 years of credited service.With approval of the Utility Board, a member may remain in active employment beyond his normal retirement date.
  2. Benefit - 2.4% times AFC times years of credited service.
- H. Early Retirement**
1. Eligibility - Earliest of:
    - (a) Attainment of age 55 with completion of 10 years of credited service.
    - (b) Completion of 20 years of credited service.
  2. Benefit - Benefit as calculated for normal retirement based on credited service and AFC as of early retirement date. The member may elect to defer receipt of the benefit until the normal retirement date or alternatively, may elect a benefit reduced 5% for each year the benefit commencement date precedes normal retirement date.

**Retirement System for General Employees of the  
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**Summary of Plan Provisions and Changes**

**I. Disability Benefit**

1. Eligibility - Totally and permanently disabled as defined under the Plan and completion of ten years of credited service as of date of disability.

2. Benefit - Benefit as calculated for normal retirement based on credited service and average basic compensation during the three years immediately preceding disability, minimum benefit of 20% of final three-year average basic compensation at date of disability. These benefits will be offset by any benefits payable under Workers' Compensation or similar injury or disability benefit payments.

**J. Pre-Retirement Death Benefit**

In the case of death of a member while currently employed, the spouse or domestic partner, or children under the age of 21 if no spouse, shall receive 75% of the projected benefit which such member would have received had the member continued employment until normal retirement date at the current rate of pay. Within 90 days from the date of death, a spouse or domestic partner with children under 21 years of age may elect to continue this benefit for life of the spouse or domestic partner, or alternatively, may elect to receive 100% of the projected retirement benefit such member would have received until the youngest child is 21 years of age. Upon attainment of age 21 by the youngest child, the benefits payable to an eligible surviving spouse or domestic partner shall be reduced to 60% of the projected retirement benefit.

Notwithstanding the above, the minimum death benefit paid shall not be less than the accumulated employee contributions, if any, as of date of death.

**Retirement System for General Employees of the  
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**Actuarial Section**

**Summary of Plan Provisions and Changes**

**K. Termination Benefit**

Upon termination prior to normal or early retirement date a participant shall be entitled to choose (1) or (2) below, where:

(1) is a refund of member contributions plus 1% if termination with 5 years or less of service, or 3% if termination after 5 years of service; and,

(2) is (a) x (b), where (a) is the benefit as calculated for normal retirement, based on AFC and credited service at date of termination, and (b) is a percentage as shown on the following table:

<b>Years of Credited Service</b>	<b>Percentage</b>
Less than 5	0%
5	25%
6	30%
7	40%
8	60%
9	80%
10	100%

If this option is selected, unreduced vested benefits commence as of the terminated employee's normal retirement date. Alternatively, the member may elect to commence receiving a reduced vested benefit any time after early retirement eligibility requirements are met. Such benefit is reduced by 5% for each year that commencement of benefits precedes the date that the member would have been eligible for normal retirement.

**L. Normal Form of Payment**

Monthly life annuity with final payment due in month in which death occurs. Effective January 1, 1986, the monthly benefit is increased annually by 2%. The increase was changed to 3% per annum, effective January 1, 2001.

**M. Changes Since Last Actuarial Valuation**

None.