GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

301 East Las Olas Blvd. • Suite 200 • Ft. Lauderdale, FL 33301-2254 • 954-527-1616 • FAX 954-525-0083

June 15, 2005

Ms. Raquel Elejabarrieta
Weiss, Serota & Helfman, P.A.
2665 South Bayshore Drive, Suite 420
Miami, Florida 33133

Re: Key Biscayne Police and Firefighters Retirement Plan

Dear Raquel:

You have asked us to determine the effect on the required Village contribution if the Plan is amended to comply with the contribution structure set forth in Chapters 175 and 185, Florida Statutes. The Plan now provides for a fixed rate of Village contribution, and employee contributions that vary depending on Plan experience and Chapter revenues. Chapters 175 and 185 provide for a fixed employee contribution rate and a variable employer rate depending on experience.

The Plan became effective October 1, 1997. For the first three years, employees paid 14% of salary to the Plan. Since October 1, 2000, employees have contributed 10.5% of salary. The difference between 10.5% and 14% has been covered by Chapter revenue.

The Plan was originally designed so that no contributions would be required by the Village. To date, however, there have been three amending ordinances under which the Village has agreed to make payments to help fund disability benefits and a 3% multiplier. The Village's commitment is now equal to 2.06% of gross pay plus 9% of base pay. This commitment is expected to result in a payment by the Village of $504,539, or 9.91% of gross pay, this fiscal year.

In determining how much the Village would have to contribute under the Chapter 175/185 structure, it is necessary to know how much the employees will pay. For our analysis we assumed that employees would continue to pay 10.5%, but this rate will likely be subject to negotiation between the employees and the Village.

If the employee rate is 10.5%, then the remaining funding needed would be $784,631, or 15.41% of gross pay. The Village would be able to take an annual credit of $158,284 from Chapter 175/185 revenue. (See the enclosed letter dated December 16, 2004 for details.) When this credit is subtracted from $784,631, the remaining balance is $626,347, or 12.30% of gross pay. The last amount is what the Village would have to contribute under the Chapter

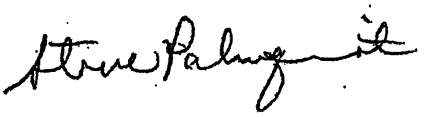
175/185 contribution structure. This amount exceeds the present Village contribution by $121,808, or 2.39% of payroll.

As you know, the Division of Retirement would like this issue to be resolved by way of an amending ordinance. The annual distribution of Chapter revenue is scheduled to occur next month. It is possible that the Division of Retirement will not distribute this year's revenue to the Retirement Plan until the Plan is amended. You may wish to call the Division (850-922-0667) to obtain their opinion.

There are three tables enclosed that show more detail of the costs and liabilities.

We welcome your questions and comments.

Sincerely yours,



J. Stephen Palmquist

JSP/or

Enclosure

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December 16, 2004

Ms. Joan Wall
Pension Administrator
2955 Myrtle Oak Circle
Davie, Florida 33328-6739

Re: Key Biscayne Police & Firefighters Pension Plan

Dear Joan:

We have discussed with Trish Shoemaker and Keith Brinkman of the Division of Retirement the Board's goal of bringing the Plan's funding mechanism in line with other police and fire retirement plans throughout the State. One of the first considerations in this process is how much Chapter 175/185 revenue the Village may take as a credit against its required contribution.

The so-called base year revenue, i.e., the amount received in 1998 is $32,525. The Village may credit this amount against the annual required contribution. After discussing with Trish and Keith how additional Chapter revenue has been spent since October 1, 2000 (by reducing the employee contribution rate), they agreed to add $125,758 to the base amount for a total of $158,283. The source of the $125,758 is the cost increase for the 2000-01 fiscal year attributable to the reduction in employee contributions from 14% to 10.5% of pay. (See page 4 of our 2003 Report, line (e), left column.)

Their reasoning is that since October 1, 2000 the employee rate has been constant at 10.5%. The practical effect is the same as if there was a Plan amendment effective October 1, 2000. Had there been such an amendment in 2000, the related actuarial impact statement would have indicated that the cost increase was $125,758.

If the Board wishes to take advantage of this interpretation, the State would like the Village to pass an ordinance amending the employee contribution rate to 10.5% with a retroactive effective date of October 1, 2000.

Please let us know how the Board would like to proceed on this issue. We welcome your questions and comments.

Sincerely yours,

Steve Palmquist

J. Stephen Palmquist

JSP/or
Enclosures

cc: Steve Cypen

ANNUAL REQUIRED CONTRIBUTION (ARC)

A. Valuation Date	October 1, 2004 *Regular Valuation*	October 1, 2004 *Fixed Employee Contribution of 10.5%*
B. ARC to Be Paid During Fiscal Year Ending	9/30/2005	9/30/2005
C. Assumed Date of Employer Contrib.	Quarterly	Quarterly
D. Annual Payment to Amortize Unfunded Actuarial Liability	$ 0	$ 0
E. Employer Normal Cost	565,941	744,133
F. ARC if Paid on the Valuation Date: D+E	565,941	744,133
G. ARC Adjusted for Frequency of Payments	596,741	784,631
H. ARC as % of Covered Payroll	11.72 %	15.41 %
I. Assumed Rate of Increase in Covered Payroll to Contribution Year	0.00 %	0.00 %
J. Covered Payroll for Contribution Year	5,091,213	5,091,213
K. ARC for Contribution Year: H x J	596,741	784,631
L. Expected Employer Contribution (9.91% of Payroll)	504,539	NA
M. Credit for Baseline State Revenue	32,526	158,284
N. Net Remaining Contribution (NRC) in Contribution Year	59,676	NA
O. Required Village Contribution	NA	626,347
P. Village Contribution as % of Payroll	NA %	12.30 %

ACTUARIAL VALUE OF BENEFITS AND ASSETS

A. Valuation Date	October 1, 2004 *Regular Valuation*	October 1, 2004 *Fixed Employee Contribution of 10.5%*
B. Actuarial Present Value of All Projected Benefits for		
1. Active Members		
a. Service Retirement Benefits	$ 10,695,475	$ 10,695,475
b. Vesting Benefits	1,209,861	1,209,861
c. Disability Benefits	1,348,457	1,348,457
d. Preretirement Death Benefits	311,593	311,593
e. Return of Member Contributions	69,511	69,511
f. Total	13,634,897	13,634,897
2. Inactive Members		
a. Service Retirees & Beneficiaries	982,109	982,109
b. Disability Retirees	-	-
c. Terminated Vested Members	342,232	342,232
d. Total	1,324,341	1,324,341
3. Total for All Members	14,959,238	14,959,238
C. Actuarial Accrued (Past Service) Liability per GASB No. 25	8,021,413	8,021,413
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	6,033,236	6,033,236
E. Plan Assets		
1. Market Value	4,355,229	4,355,229
2. Actuarial Value	4,400,914	4,400,914
F. Actuarial Present Value of Projected Covered Payroll	42,873,584	42,873,584
G. Actuarial Present Value of Projected Member Contributions	6,002,302	4,501,726

CALCULATION OF EMPLOYER NORMAL COST

A. Valuation Date	October 1, 2004 *Regular Valuation*	October 1, 2004 *Fixed Employee Contribution of 10.5%*
B. Actuarial Present Value of Projected Benefits	$ 14,959,238	$ 14,959,238
C. Actuarial Value of Assets	4,400,914	4,400,914
D. Unfunded Actuarial Accrued Liability	0	0
E. Actuarial Present Value of Projected Member Contributions (14% of Payroll)	6,002,302	4,501,726
F. Actuarial Present Value of Projected Employer Normal Costs: B-C-D-E	4,556,022	6,056,598
G. Actuarial Present Value of Projected Covered Payroll	42,873,584	42,873,584
H. Employer Normal Cost Rate: F/G	10.63 %	14.13 %
I. Covered Annual Payroll	5,091,213	5,091,213
J. Employer Normal Cost: H x I	541,196	719,388
K. Assumed Amount of Administrative Expenses	24,745	24,745
L. Total Employer Normal Cost: J+K	565,941	744,133
M. Employer Normal Cost as % of Covered Payroll	11.12 %	14.62 %

ORDINANCE NO. 2005-

AN ORDINANCE AMENDING THE CODE OF ORDINANCES OF THE VILLAGE OF KEY BISCAYNE, FLORIDA BY AMENDING CHAPTER 23 "RETIREMENT" AT SECTION 23-35 "CONTRIBUTIONS" TO SET THE EMPLOYEE CONTRIBUTION RATE AT 10.5%; PROVIDING FOR INCLUSION IN CODE; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the State of Florida, Division of Retirement has advised the Village that in order to continue to receive excise tax monies from the State it is necessary to amend its Police Officers and Firefighters Retirement Plan (the "Plan") to set the employee's contribution rate at 10.5 percent; and

WHEREAS, the Division of Retirement has stated that such an amendment is necessary in order to continue to receive excise tax monies from the State to fund the Plan's benefits; and

WHEREAS, the Village Council desires to continue to receive excise tax monies from the State to fund the Plan; and

WHEREAS, the Village Council finds that it is in the best interest of the Village and its employees to amend the Plan.

NOW, THEREFORE, BE IT ORDAINED BY THE VILLAGE COUNCIL OF THE VILLAGE OF KEY BISCAYNE, FLORIDA, AS FOLLOWS:

Section 1. Recitals Adopted. That each of the above stated recitals is hereby adopted and confirmed.

Section 2. Village Code Amended. Section 23-35 "Contributions" of Chapter 23 "Retirement" of the Village Code is hereby amended to read as follows:[1]

Sec. 23-25. Contributions.

(a) Member contributions.

(1) Amount. Effective October 1, 2000, each Member of the System shall be required to make regular contributions to the Fund in the amount of 10.5 percent of the Member's Salary. ~~From the Effective Date through September 30, 2000, each Member of the System shall be required to make regular~~

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[1] / Proposed additions to the existing Village Code text are indicated by underline; proposed deletions from the existing Village Code text are indicated by ~~strikethrough~~.

~~contributions to the Fund in the amount of 14 percent of his Salary. This rate shall be adjusted each year thereafter to an amount equal to the total cost for the year (as shown by the most recent actuarial valuation of the System) less the amount of revenue received from the State pursuant to F.S. chs. 175 and 185; provided, however, that in no event shall the Member contribution rate be less than eight percent of Salary.~~ Each year after September 30, 2000 in which the Member contribution rate is eight percent of Salary and the total of such rate plus the State contribution exceeds the total cost for the year (as shown by the most recent actuarial valuation of the System) such excess shall be contributed to the Share Plan. Member contributions withheld by the Village on behalf of the Member shall be deposited with the Board at least monthly. The contributions made by each Member to the Fund shall be designated as employer contributions pursuant to § 414(h) of the Code. Such designation is contingent upon the contributions being excluded from the Members' gross income for Federal Income Tax purposes. For all other purposes of the System, such contributions shall be considered to be Member contributions.

(2) Method. Such contributions shall be made by payroll deduction.

(b) State contributions. Any monies received or receivable by reason of laws of the State of Florida, for the express purpose of funding and paying for retirement benefits for Police Officer or Firefighters of the Village shall be deposited in the Fund comprising part of this System immediately and under no circumstances more than five days after receipt by the Village.

(c) Village contributions. So long as this System is in effect, the Village shall make contributions to the Fund in an amount equal to the difference in each year between the total aggregate Member contributions for the year, plus State contributions for such year that are not contributed to the Share Plan, and the total cost for the year, as shown by the most recent actuarial valuation of the System. The total cost for any year shall be defined as the total normal cost plus the additional amount sufficient to amortize the unfunded past service liability in accordance with the requirements of F.S. ch. 112.

(d) Other. Private donations, gifts and contributions shall be deposited to the Fund, but such deposits must be accounted for separately and kept on a segregated bookkeeping basis. Funds arising from these sources shall be used to reduce Member contributions.

Section 3. Severability. The provisions of this Ordinance are declared to be severable and if any section, sentence, clause or phrase of this Ordinance shall for any reason be held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining sections, sentences, clauses, and phrases of this Ordinance but they shall remain in effect, it being the legislative intent that this Ordinance shall stand notwithstanding the invalidity of any part.

Section 4. Inclusion In The Code. It is the intention of the Village Council, and it is hereby ordained that the provisions of this Ordinance shall become and made a part of the Code of Key Biscayne, Florida; that the sections of this Ordinance may be renumbered or relettered to accomplish such intentions; and that the word "Ordinance" shall be changed to "Section" or other appropriate word.

Section 5. Effective Date. This Ordinance shall take effect retroactive to October 1, 2000, upon passage by the Village Council on second reading.

PASSED AND ADOPTED on first reading this ___day of _____, 2005.

PASSED AND ADOPTED on second reading this ____ day of _____, 2005.

_____
MAYOR ROBERT OLDAKOWSKI

ATTEST:

_____
CONCHITA H. ALVAREZ, CMC, VILLAGE CLERK

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

_____
VILLAGE ATTORNEY

F:\data\WORK\13362\Ord Amending FF & PO Pension Plan re Employee Contribution.DOC