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**IMMEDIATE
ATTENTION**

EBAP/83/114

April 26, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Cost of Living Supplements for Pensioners, Effective May 1, 1983

The Managing Director has requested that the attached memorandum from the Chairman of the Administration Committee of the Staff Retirement Plan, dealing with the cost of living supplements for pensioners effective May 1, 1983, be brought to the Executive Directors for their consideration.

It is not intended to place this matter on the agenda unless an Executive Director so requests by noon on Friday, April 29, 1983. In the absence of such a request, the recommendation in the memorandum will be deemed approved and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

Other Distribution:
Members of the Pension Committee
Department Heads



Office Memorandum

TO: The Managing Director

FROM: Chairman, Administration Committee
Staff Retirement Plan

SUBJECT: Cost of Living Supplements for Pensioners
Effective May 1, 1983

DATE: April 25, 1983

The purpose of this memorandum is to provide the necessary information so that a decision can be taken with respect to funding cost of living supplements for pensioners in the fiscal year beginning May 1, 1983.

The rules and procedures governing the determination, funding and payment of cost of living supplements to pensioners are set forth in Section 4.11 of the Staff Retirement Plan and in EBAP/76/194, Supplement 2 approved at EBM/76/127, in EBAP/79/93 approved at EBM/79/53, and in EBAP/82/333 approved on September 23, 1982.

On Friday, April 22, 1983, the U.S. Bureau of Labor of Statistics published the Washington, D. C. Consumer Price Index for All Urban Consumers (CPI-U) for the period ending March 31, 1983. Table (1) in Attachment I shows that the actual increase in the cost of living for the 12-month period ending in March was 3.7 per cent.

Paragraph 5 of the decision taken at EBM/76/127 (EBAP/76/194, Supplement 2) reads as follows:

"Estimated amounts which may be required to fund cost of living supplements above 2 per cent will be submitted for approval prior to the beginning of a fiscal year in which the supplements become effective and will be included in the Administrative Budget for the following fiscal year. Payment to the Plan will be effected following receipt of the annual actuarial valuation which will provide the precise amount to be contributed."

In accordance with that decision and on the assumption that there is no reduction of the supplements "for good cause" under Section 4.11(b) of the Plan, a cost of living supplement of 1.7 per cent--i.e., the difference between the 3.7 per cent and the 2 per cent that is prefunded and paid for by the regular contributions of the Employer and the participants--would need to be funded by the Employer. This amount would include the 1 per cent guaranteed under the Plan and .7 per cent subject to possible reduction "for good cause."

It has been estimated by the Actuary that the cost of funding the 1.7 per cent portion of the total cost of living supplements of 3.7 per cent would be approximately \$2,142,000 (Attachment II). However, the precise amount will not be known until the Actuary's Report with the

results of the April 30, 1984 valuation is received. The actual amount will be included in the Administrative Budget for Fiscal Year 1985.

It is recommended that this matter be brought to the attention of the Executive Directors and that they be requested to approve, pursuant to Paragraph 5 of EBAP/76/194, Supplement 2, the payment to the Staff Retirement Fund of the amount required to meet the cost of funding the portion of the augmentation equivalent to 1.7 per cent effective May 1, 1983.

Attachments

Table 1. Consumer Price Index for All Urban Consumers:
Indexes and Percent Changes for Selected Periods.
Washington D.C.-Md.-Va. (1967=100)

Group	Relative importance, November 1982	Unadjusted indexes		Unadjusted percent change to Mar. 1983 from-	
		Jan. 1983	Mar. 1983	Mar. 1982	Jan. 1983
Expenditure category					
All items	100.000	289.0	289.0	3.7	0.0
All items (1957-59=100)	-	336.7	336.7		-
Food and beverages.....	18.221	291.4	295.2	3.7	1.3
Food.....	16.925	295.0	298.9	3.7	1.3
Food at home.....	11.363	295.0	300.9	3.0	2.0
Cereals and bakery products.....	1.361	301.8	304.2	6.1	.8
Meats, poultry, fish, and eggs	3.748	273.0	277.0	6.3	1.5
Meats, poultry, and fish.....	3.565	282.2	286.2	7.4	1.4
Dairy products.....	1.353	226.1	226.4	-.3	.1
Fruits and vegetables.....	1.679	306.9	324.6	-5.6	5.8
Other foods at home	3.222	378.7	385.9	4.5	1.9
Food away from home.....	5.562	299.4	299.4	5.2	.0
Alcoholic beverages.....	1.296	252.0	253.8	3.0	.7
Housing	41.720	301.4	300.2	3.1	-.4
Shelter.....	25.887	316.6	314.2	2.1	-.8
Renters' costs <u>1/</u>	10.116	103.7	103.8	-	.1
Rent, residential.....	9.042	244.7	245.6	8.4	.4
Other renters' costs	1.074	424.2	417.0	8.5	-1.7
Homeowners' costs <u>1/</u>	15.312	99.8	98.4	-	-1.4
Owners' equivalent rent <u>1/</u>	15.080	99.8	98.4	-	-1.4
Fuel and other utilities.....	7.053	334.9	334.3	8.3	-.2
Fuels	5.339	472.6	470.3	8.9	-.5
Fuel oil, coal, and bottled gas	1.503	831.6	792.2	2.1	-4.7
Gas (piped) and electricity	3.836	406.1	410.4	11.4	1.1
Household furnishings and operation	8.780	238.1	239.6	3.1	.6
Apparel and upkeep.....	5.561	199.3	206.2	5.1	3.5
Apparel commodities.....	4.654	181.9	189.0	4.9	3.9
Men's and boys' apparel.....	1.550	177.7	186.6	4.2	5.0
Women's and girls' apparel.....	1.557	162.1	166.7	3.6	2.8
Footwear.....	.750	232.2	237.2	8.9	2.2
Transportation.....	20.812	285.7	281.2	.8	-1.6
Private transportation.....	18.913	280.7	276.0	.4	-1.7
Public transportation.....	1.899	334.1	332.6	5.4	-.4
Medical care.....	5.217	366.1	368.2	13.2	.6
Entertainment	3.695	219.5	219.9	2.7	.2
Other goods and services	4.774	279.6	280.4	11.3	.3
Personal care.....	1.565	236.8	239.6	7.3	1.2
Commodity and service group					
All items.....	100.000	289.0	289.0	3.7	0.0
Commodities.....	49.695	265.5	266.3	3.2	.3
Food and beverages.....	18.221	291.4	295.2	3.7	1.3
Commodities less food and beverages.....	31.474	246.6	245.9	2.8	-.3
Nondurables less food and beverage....	19.398	269.8	268.2	1.9	-.6
Durables.....	12.076	224.7	225.1	4.5	.2
Services.....	50.305	324.8	323.9	4.1	-.3
Medical care services.....	4.485	399.3	400.7	14.1	.4
Special indexes:					
All items less shelter.....	74.113	277.9	278.6	4.3	.3
All items less medical care.....	94.783	284.7	284.6	3.2	.0
All items less energy <u>1/</u>	88.345	150.5	151.0	4.1	.3
Energy <u>2/</u> <u>4/</u>	11.655	186.5	181.8	.3	-2.5
Commodities less food.....	32.770	247.4	246.8	2.8	-.2
Nondurables less food.....	20.694	268.8	267.5	1.9	-.5
Nondurables.....	37.619	282.6	283.5	2.7	.3
Services less rent of shelter <u>1/</u>	25.177	101.7	101.9	-	.2
Services less medical care.....	45.820	315.1	314.0	3.2	-.3

^{1/} December 1982=100.

^{2/} November 1977=100.

^{3/} June 1978=100.

^{4/} Excludes motor oil, coolant, and other products as of January 1983.

BUCK
CONSULTANTS

March 29, 1983

Mr. Francis X. Hogan
Senior Pensions Officer
International Monetary Fund
Room 6-320
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Hogan:

Based on data submitted with your letter of March 14, 1983, we have estimated that the maturity funding cost, payable on April 30, 1984, for each 1% of the cost-of-living increases in pensions in excess of 2% granted on May 1, 1983 will be \$1,260,000.

Please note that our estimate includes an allowance for the cost-of-living payments expected to be made between May 1, 1983 and April 30, 1984.

Please let me know if you have any questions.

Sincerely,

GEORGE B. BUCK CONSULTING ACTUARIES, INC.



Donald S. Grubbs, Jr., F.S.A.
Consulting Actuary

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