

RP/CP/08/4

CONFIDENTIAL

January 16, 2008

To: Members of the Pension Committee  
(Mr. Strauss-Kahn, Chairman; Mr. Gakunu, Mr. Ge, Mr. Kiekens,  
Ms. Alonso-Gamo, Mr. Ghosh)

From: Padma Gotur, Pension Committee Secretary

Subject: **Background Material for the Pension Committee Meeting on January 17, 2008**

Please find attached some background material for tomorrow's Pension Committee Meeting. Please note that these materials are still of a very tentative nature.

Attachment I: Table 1: Illustration of Annual Pension Benefits under Current and Alternative Early Retirement Provisions, and Table 2: Comparison of Separation Package and Annual Pension Benefits with Rule of 50 Alternatives.

Attachment II: IMF and Other IFIs, Comparison of Pension Plan Designs, Power Point Presentation.

Attachment III: Table 1: Effective Contribution Rates, and Table 2: Present Value of Future Required Fund Contributions.

Attachment IV: Two Charts on the Estimate of the Highest Separation Benefit Value Based on Staff Age and Service.

Attachment V: Memorandum on Determination of the Change in Net Present Value of Benefits Attributable to Rule of 50 Change, and Table 1: Determination of Change in Net Present Value of Benefits Attributable to Rule of 50 SRP Change.

Questions may be referred to Mr. Ebrill (ext. 37893) and Ms. Brookbank (ext. 36764).

Att: (5)

Other Distribution:

Members of the Executive Board  
Members of the Investment Committee  
Members of the Administration Committee



**Table 1. Illustration of Annual Pension Benefits under Current and Alternative Early Retirement Provisions**

Staff age	Years of service	Staff grade level	Salary assumptions		Annual gross pension benefits			Gross pensions as percentage of gross income		
			Net average salary	Corresponding Gross Salary	Current SRP	Rule of 50 & 15 years (*)	Alternative rule of 50 (**)	Current SRP	Rule of 50	Alternative rule of 50
50	15	A08	73,414	115,336	na	38,061	31,210	na	0.33	0.27
		A15	163,954	282,554	na	93,243	76,459	na	0.33	0.27
		B03	215,406	378,255	na	124,824	102,356	na	0.33	0.27
		B04	244,096	431,619	na	142,434	116,796	na	0.33	0.27
50	20	A08	73,414	115,336	na	50,748	41,613	na	0.44	0.36
		A15	163,954	282,554	na	124,324	101,945	na	0.44	0.36
		B03	215,406	378,255	na	166,432	136,474	na	0.44	0.36
		B04	244,096	431,619	na	189,912	155,728	na	0.44	0.36
50	25	A08	73,414	115,336	44,008	63,435	53,920	0.38	0.55	0.47
		A15	163,954	282,554	107,812	155,405	132,094	0.38	0.55	0.47
		B03	215,406	378,255	144,328	208,040	176,834	0.38	0.55	0.47
		B04	244,096	431,619	164,690	237,390	201,782	0.38	0.55	0.47
55	10	A08	73,414	115,336	20,045	20,045	22,710	0.17	0.17	0.20
		A15	163,954	282,554	49,108	49,108	55,635	0.17	0.17	0.20
		B03	215,406	378,255	65,741	65,741	74,478	0.17	0.17	0.20
		B04	244,096	431,619	75,015	75,015	84,986	0.17	0.17	0.20
55	15	A08	73,414	115,336	30,068	38,061	34,064	0.26	0.33	0.30
		A15	163,954	282,554	73,662	93,243	83,452	0.26	0.33	0.30
		B03	215,406	378,255	98,611	124,824	111,718	0.26	0.33	0.30
		B04	244,096	431,619	112,523	142,434	127,479	0.26	0.33	0.30
55	20	A08	73,414	115,336	43,136	50,748	45,419	0.37	0.44	0.39
		A15	163,954	282,554	105,675	124,324	111,270	0.37	0.44	0.39
		B03	215,406	378,255	141,467	166,432	148,957	0.37	0.44	0.39
		B04	244,096	431,619	161,426	189,912	169,972	0.37	0.44	0.39
55	25	A08	73,414	115,336	58,677	63,435	58,677	0.51	0.55	0.51
		A15	163,954	282,554	143,749	155,405	143,749	0.51	0.55	0.51
		B03	215,406	378,255	192,437	208,040	192,437	0.51	0.55	0.51
		B04	244,096	431,619	219,586	237,390	219,586	0.51	0.55	0.51
60	10	A08	73,414	115,336	23,851	23,851	24,613	0.21	0.21	0.21
		A15	163,954	282,554	58,432	58,432	60,297	0.21	0.21	0.21
		B03	215,406	378,255	78,223	78,223	80,720	0.21	0.21	0.21
		B04	244,096	431,619	89,259	89,259	92,107	0.21	0.21	0.21
60	15	A08	73,414	115,336	35,777	38,061	36,919	0.31	0.33	0.32
		A15	163,954	282,554	87,648	93,243	90,446	0.31	0.33	0.32
		B03	215,406	378,255	117,335	124,824	121,079	0.31	0.33	0.32
		B04	244,096	431,619	133,888	142,434	138,161	0.31	0.33	0.32
60	20	A08	73,414	115,336	47,703	50,748	49,225	0.41	0.44	0.43
		A15	163,954	282,554	116,864	124,324	120,594	0.41	0.44	0.43
		B03	215,406	378,255	156,446	166,432	161,439	0.41	0.44	0.43
		B04	244,096	431,619	178,518	189,912	184,215	0.41	0.44	0.43
60	25	A08	73,414	115,336	63,435	63,435	63,435	0.55	0.55	0.55
		A15	163,954	282,554	155,405	155,405	155,405	0.55	0.55	0.55
		B03	215,406	378,255	208,040	208,040	208,040	0.55	0.55	0.55
		B04	244,096	431,619	237,390	237,390	237,390	0.55	0.55	0.55

(\*) Unreduced pension at age 50 with 15 years of service. For staff with less than 15 years of service, early retirement reductions are the same as the current plan's 3.0 and 1.5 percent reductions (better of 3 percent per year before age 62 or 1.5 percent before the date that age plus service totals 85).

(\*\*) Reduced pension available at age 50 or older with 15 or more years of service. Early retirement reductions of 1.5 percent apply to all retirements (1.5 percent from earlier of age 62 or Rule of 85 date down to age 50). Early retirement is only extended to those age 50-55 with at least 15 years of service; otherwise, the current rules apply (retirement at age 55 or later).

**Table 2 . Comparison of Separation Package and Annual Pension Benefits with Rule of 50 Alternatives**

Staff age	Years of service	Staff grade level	Net average salary	SBF (number of months) under current alternative	SBF Package		No SBF New SRP only	
					SBF lump sum	Annual Pension with Current SRP benefits (*)	Annual Pension with Rule 50 (**)	Annual pension with alternative rule of 50 (***)
50	15	A08	73,414	18.75	114,709	na	38,061	31,210
		A15	163,954	18.75	256,178	na	93,243	76,459
		B03	215,406	18.75	336,572	na	124,824	102,356
		B04	244,096	18.75	381,400	na	142,434	116,796
50	20	A08	73,414	22.5	137,651	na	50,748	41,613
		A15	163,954	22.5	307,414	na	124,324	101,945
		B03	215,406	22.5	403,886	na	166,432	136,474
		B04	244,096	22.5	457,680	na	189,912	155,728
50	25	A08	73,414	22.5	137,651	44,008	63,435	53,920
		A15	163,954	22.5	307,414	107,812	155,405	132,094
		B03	215,406	22.5	403,886	144,328	208,040	176,834
		B04	244,096	22.5	457,680	164,690	237,390	201,782
55	10	A08	73,414	12.5	76,473	20,045	20,045	22,710
		A15	163,954	12.5	170,785	49,108	49,108	55,635
		B03	215,406	12.5	224,381	65,741	65,741	74,478
		B04	244,096	12.5	254,267	75,015	75,015	84,986
55	15	A08	73,414	18.75	114,709	30,068	38,061	34,064
		A15	163,954	18.75	256,178	73,662	93,243	83,452
		B03	215,406	18.75	336,572	98,611	124,824	111,718
		B04	244,096	18.75	381,400	112,523	142,434	127,479
55	20	A08	73,414	22.5	137,651	43,136	50,748	45,419
		A15	163,954	22.5	307,414	105,675	124,324	111,270
		B03	215,406	22.5	403,886	141,467	166,432	148,957
		B04	244,096	22.5	457,680	161,426	189,912	169,972
55	25	A08	73,414	22.5	137,651	58,677	63,435	58,677
		A15	163,954	22.5	307,414	143,749	155,405	143,749
		B03	215,406	22.5	403,886	192,437	208,040	192,437
		B04	244,096	22.5	457,680	219,586	237,390	219,586
60	10	A08	73,414	12.5	76,473	23,851	23,851	24,613
		A15	163,954	12.5	170,785	58,432	58,432	60,297
		B03	215,406	12.5	224,381	78,223	78,223	80,720
		B04	244,096	12.5	254,267	89,259	89,259	92,107
60	15	A08	73,414	18.75	114,709	35,777	38,061	36,919
		A15	163,954	18.75	256,178	87,648	93,243	90,446
		B03	215,406	18.75	336,572	117,335	124,824	121,079
		B04	244,096	18.75	381,400	133,888	142,434	138,161
60	20	A08	73,414	22.5	137,651	47,703	50,748	49,225
		A15	163,954	22.5	307,414	116,864	124,324	120,594
		B03	215,406	22.5	403,886	156,446	166,432	161,439
		B04	244,096	22.5	457,680	178,518	189,912	184,215
60	25	A08	73,414	12	73,414	63,435	63,435	63,435
		A15	163,954	12	163,954	155,405	155,405	155,405
		B03	215,406	12	215,406	208,040	208,040	208,040
		B04	244,096	12	244,096	237,390	237,390	237,390

(\*) SRP benefits will increase if extended SBF payment option is elected by the staff member.

(\*\*) Unreduced pension at age 50 with 15 years of service. For staff with less than 15 years of service, early retirement reductions are the same as the current plan's 3.0 and 1.5 percent reductions (better of 3 percent per year before age 62 or 1.5 percent before the date that age plus service totals 85).

(\*\*\*) Reduced pension available at age 50 or older with 15 or more years of service. Early retirement reductions of 1.5 percent apply to all retirements (1.5 percent from earlier of age 62 or Rule of 85 date down to age 50). Early retirement is only extended to those age 50-55 with at least 15 years of service; otherwise, the current rules apply (retirement at age 55 or later).

# IMF and Other IFIs Comparison of Pension Plan Designs



January 16, 2008

# Eligibility for an Unreduced Pension

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- At normal retirement age (unreduced pension)
  - Age 60: ADB, AfDB, ECB,EIB, EU, OECD (Old Plan)
  - Age 62: IADB, IMF, IBRD, IsDB, UN
  - Age 63: OECD (new Plan)
  - Age 65: BIS
- Or under specific rules (limited number of IFIs)
  - Rule of 70: ADB
  - Rule of 85: IADB, IMF
  - Rule of 90: IsDB
  - Unreduced with 30 years of service: AfDB
  - Unreduced with 35 years of service: BIS
  - Unreduced at age 50 with 3 years of service: IBRD (Old Plan) if separation benefits waived

# Minimum Length of Service for a Retirement (Annuity) Entitlement (\*)

IFI	Age		
	50-55	55-60	60-65
IMF	Rule 75	no Min	no Min
ADB	Rule 70	Min 3 YOS	na
AfDB	na	Min 3 YOS	na
BIS	Min 10 YOS	Min 10 YOS	Min 10 YOS
ECB	Min 10 YOS	Min 10 YOS	no Min
EIB	na	Min 5 YOS	na
EU, OECD	Min 10 YOS	Min 10 YOS	na
IADB, IsDB	Min 15 YOS	Min 3 YOS	Min 3 YOS
IBRD (**)	Min 10 YOS	Min 10 YOS	Min 10 YOS
UN	na	Min 3 YOS	Min 3 YOS

(\*) YOS = Years of Service

(\*\*) Exception apply: minimum 5 YOS when staff meet Rule 60 (Age + Service = 60)

# Early Retirement Reductions (\*)

IFI	Early retirement factor for years <b>before age 55</b>	Early retirement factor for years <b>after age 55</b>
IMF	ABR = 5%	The lowest of ABR 3% and SBR 1.5% Rule 85
ADB	The lowest of ABR 1.5% and SBR 1.5% Rule 70	The lowest of ABR 1.5% and SBR 1.5% Rule 70
AfDB	na	ABR 5% and unreduced pension after 30 YOS
BIS	ABR = 4%	ABR = 4% and unreduced pension after 35 YOS
ECB	ABR = 6%	ABR = 6%
EIB	na	ABR = 6%
EU	ABR = 3.5%	ABR = 3.5%
IADB	ABR = 5%	The lowest of ABR 3% (59-62), 4% (55-59) and SBR Rule 85 1.5%
IBRD (new Plan)	ABR 5%	ABR 5%
IsDB	The lowest of ABR 3% and SBR 1.5% Rule 90	The lowest of ABR 3% and SBR 1.5% Rule 90
OECD (**)	ABR 4%	ABR 4%
UN	na	ABR 6% or ABR 3% if service >25 or ABR 1% if service >30

(\*) **ABR** = Age Based Rule (Normal Pension Age - Age) \* %; **SBR** = Service Based Rule ((X - age - service) \* %)

(\*\*) Early retirement Reduction is reduced to 3% if departure is at the initiative of the organization

# Plan Design

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Most of IFI have a defined benefits plan except:

- EBRD (defined lump sum and money purchase plan)
- IBRD (mix of defined benefits and cash balance)

# Accrual Rate, Income Base and Maximum Pension

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- Accrual rate between 2% and 2.95%

Some IFIs accrual rate fluctuate over service period (eg., IMF 2.2% for the 1<sup>st</sup> 25 years of service and 1.8% thereafter)

- Income base:
  - Average 3 years: EIB, IADB, IBRD, IMF, IsDB, UN
  - Average 2 years: ADB, AfDB
  - Final Net Salary: EBRD, ECB, EU
  - Other: BIS, OECD
- Maximum pension: between 70% and 80%  
(IMF = 73%)

Table 1. Effective Contribution Rates

Rule of 50: Unreduced pensions at age 50 with 15 years of service; reductions of 3%/1.5% apply for those with less than 15 years of service. (3% from age 62 or 1.5% from Rule of 85 date, if less.)

FY	Current Plan - 400 Separations			Rule of 50 - 400 Separations			Rule of 50 - 7.5%	
	Rate of Return on Plan Assets			Rate of Return on Plan Assets			Assumed Retirements	
	7.5%	5.5%	9.5%	7.5%	5.5%	9.5%	Bank Experience <sup>1/</sup>	20% <sup>2/</sup>
2010	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0.00%	0.00%	0.00%	0.00%	0.49%	0.00%	0.00%	0.00%
2015	0.00%	0.00%	0.00%	0.00%	2.75%	0.00%	0.00%	0.00%
2016	0.00%	2.29%	0.00%	0.00%	5.46%	0.00%	0.00%	0.00%
2017	0.00%	5.55%	0.00%	0.00%	8.31%	0.00%	0.00%	0.00%
2018	0.00%	8.88%	0.00%	0.00%	11.20%	0.00%	0.00%	0.00%
2019	0.00%	11.99%	0.00%	0.00%	13.91%	0.00%	0.00%	0.00%
2020	0.00%	14.88%	0.00%	0.00%	16.46%	0.00%	0.00%	0.00%
2021	0.00%	17.86%	0.00%	0.00%	19.12%	0.00%	0.00%	0.00%
2022	0.00%	20.78%	0.00%	0.00%	21.77%	0.00%	0.00%	0.00%
2023	0.00%	23.66%	0.00%	0.00%	24.41%	0.00%	0.00%	0.00%
2024	0.00%	26.50%	0.00%	0.00%	27.03%	0.00%	0.00%	0.00%
2025	0.00%	29.31%	0.00%	2.20%	29.67%	0.00%	0.00%	0.00%
2026	0.02%	32.11%	0.00%	5.64%	32.31%	0.00%	0.65%	0.00%
2027	1.85%	33.94%	0.00%	9.23%	34.96%	0.00%	1.91%	2.30%
2028	3.26%	36.55%	0.00%	10.97%	37.65%	0.00%	3.51%	6.34%
2029	5.29%	39.66%	0.00%	11.74%	40.37%	0.00%	5.50%	10.54%
2030	7.58%						7.83%	
2031	9.59%						10.47%	
2032	13.05%						13.38%	
2033	15.45%						16.53%	
2034	17.48%						19.92%	
2035	18.69%						20.71%	
2036	21.07%						21.75%	
2037	21.10%						22.67%	
2038	21.75%						23.54%	
2039	22.58%						24.35%	
2040	23.39%						25.09%	
2041	24.36%						25.77%	
2042	25.12%						26.40%	
2043	25.67%						26.97%	
2044	25.99%						27.50%	
2045	26.16%						27.97%	
2046	26.27%						28.40%	
2047	26.35%						28.79%	
2048	26.51%						29.13%	

1/ 145 separations under Rule of 50 and 255 separations under current SRP (taking SBF) in first year; separations in future years of 10 percent per year of those ages 50-55. Current actuarial valuation assumptions for retirement apply at ages 55 and older.

2/ 400 separations under Rule of 50 in first year; separations in future years of 20% per year of those ages 50-55. Current actuarial valuation assumptions for retirement apply at ages 55 and older.

Table 2. Present Value of Future Required Fund Contributions

Rule of 50: Unreduced pensions at age 50 with 15 years of service; reductions of 3%/1.5% apply for those with less than 15 years of service. (3% from age 62 or 1.5% from Rule of 85 date, if less.)

FY	Current Plan - 400 Separations		Rule of 50 - 400 Separations			Rule of 50 - 7.5%	
	Rate of Return on Plan Assets		Rate of Return on Plan Assets			Assumed Retirements	
	7.5%	5.5%	7.5%	5.5%	9.5%	Bank Experience <sup>1/</sup>	20% <sup>2/</sup>
2010	-393	-93	-240	-21	-311	-266	-310
2011	-401	-247	-370	-43	-702	-371	-589
2012	-647	-377	-625	-173	-1,107	-637	-862
2013	-759	-341	-734	-128	-1,389	-746	-990
2014	-815	-200	-783	16	-1,660	-794	-1,058
2015	-872	-52	-842	168	-1,969	-854	-1,139
2016	-902	140	-876	361	-2,285	-888	-1,197
2017	-915	380	-955	583	-2,608	-895	-1,231
2018	-913	650	-863	829	-2,941	-875	-1,240
2019	-853	929	-827	1,085	-3,298	-839	-1,236
2020	-798	1,215	-772	1,349	-3,682	-784	-1,217
2021	-692	1,532	-673	1,645	-4,069	-685	-1,157
2022	-559	1,872	-535	1,965	-4,469	-546	-1,061
2023	-372	2,237	-349	2,311	-4,879	-360	-923
2024	-132	2,628	-109	2,684	-5,297	-120	-735
2025	-71	3,049	195	3,088	-5,719	-44	-489
2026	-5	3,502	571	3,525	-6,141	59	-176
2027	191	3,890	1,003	3,998	-6,558	201	215
2028	375	4,380	1,263	4,512	-6,964	396	695
2029	642	4,975	1,425	5,069	-7,352	657	1,245
2030	972					987	
2031	1,301					1,389	
2032	1,842					1,867	
2033	2,312					2,423	
2034	2,752					3,065	
2035	3,101					3,389	
2036	3,641					3,724	
2037	3,869					4,071	
2038	4,165					4,430	
2039	4,525					4,801	
2040	4,911					5,184	
2041	5,355					5,581	
2042	5,791					5,991	
2043	6,205					6,414	
2044	6,590					6,852	
2045	6,952					7,304	
2046	7,315					7,770	
2047	7,689					8,252	
2048	8,100					8,750	

1/ 145 separations under Rule of 50 and 255 separations under current SRP (taking SBF) in first year; separations in future years of 10 percent per year of those ages 50-55. Current actuarial valuation assumptions for retirement apply at ages 55 and older.

2/ 400 separations under Rule of 50 in first year; separations in future years of 20% per year of those ages 50-55. Current actuarial valuation assumptions for retirement apply at ages 55 and older.

Estimate of the Highest Separation Benefit Value Based on Staff Age and Service

Staff age	Staff Grade	Staff Service			
		10	15	20	25
<u>50</u>	A8	[Red]	[Yellow]		
	A15		[Yellow]		
	B3		[Yellow]		
	B4		[Yellow]		
<u>55</u>	A8	[Red]	[Yellow]		[Green]
	A15		[Yellow]		[Red]
	B3		[Yellow]		[Red]
	B4		[Yellow]		[Red]
<u>60</u>	A8	[Red]	[Red]		
	A15		[Red]		
	B3		[Red]		
	B4		[Red]		

[Yellow] Proposed SRP with Rule 50 has the highest Value

[Red] SBF has the highest value

[Green] SBF and Rule 50 have broadly the same Value

Average values

Service	Age		
	50	55	60
10			
15			
20			
25			

or

Age	Service			
	10	15	20	25
50				
55				
60				

**International Monetary Fund****Memorandum on Determination of the Change in  
Net Present Value of Benefits Attributable to Rule of 50 Change**Background

Buck Consultants performed calculations to determine the financial impact on the SRP of implementing a Rule of 50 (Unreduced Benefit at 50 and 15). It was determined that the cost, in terms of the present value of additional future contributions to be made by the Fund, would be \$153 million. The Pension Committee has requested a more detailed explanation of the reasonableness of this result. This document provides such explanation, describing the steps involved in the development of the liability.

Calculation Details

In order to determine the financial impact of the Rule of 50 on the SRP, we needed to consider the following:

- 1) The anticipated separation program that will reduce the number of ongoing active participants in the SRP by 400 employees in 2008, reducing the active population in the Plan from 2,911 to 2,511. These expected separations were conservatively assumed for costing purposes to receive benefits under the Rule of 50.
- 2) The introduction of additional early retirement assumptions in the SRP valuation to estimate the future experience of staff expected to take advantage of the improvement in the early retirement reduction factors.
- 3) The change in benefit provisions that will increase the accrued benefits of staff retiring under the Rule of 50 due to the improvement in the early retirement factors used to calculate the benefit payable at retirement.

The combination of these three factors results in a net increase in value of benefits to be paid by the SRP of \$153 million.

### Valuation Process Steps

The following steps are performed in the valuation process to determine the expected net impact on the SRP.

#### **Step 1**

Determine the baseline value of the SRP against which these changes will be measured separately for the two groups of SRP participants, the 2,511 ongoing participants and the 400 anticipated separations. Simply put, the baseline value is the liability determined as if none of the changes in assumptions, workforce level or benefit improvements had occurred.

#### **Step 2**

Determine the financial impact on the current SRP provisions of assuming more retirements at earlier ages for the ongoing staff separately for each group. For the 400 separating staff, the impact is measured by comparing the value of benefits on the current assumptions against the assumption of immediate retirement under the current SRP provisions.

The result of Step 2 serves as the baseline to determine the value of the benefit improvement for those staff retiring under the Rule of 50.

#### **Step 3**

Determine the value of the SRP using the revised assumptions and improved early retirement factors that would apply to the accrued pensions of staff assumed to retire under the Rule of 50, separately for each group. The difference between Step 3 and Step 2 represents the value of the early retirement improvement alone.

The combination of Step 2 minus Step 1 (Impact of Assumptions/Separations), plus Step 3 minus Step 2 (Impact of Benefit Improvement to Rule of 50) provides the net cost to the SRP of \$153 million. The financial impact of each of these Steps is shown on the enclosed Table 1.

Comments on Assumptions Change and Immediate Separation of 400 staff –  
Prior to Benefit Improvements

The valuation methodology used for the SRP develops a present value of benefits by taking into account each participant's service and pay projected to expected future retirement dates at which point benefits are calculated and discounted back to the valuation date. The process also determines the expected value of the participant's future contributions of 7% of gross remuneration which is used to pay for a portion of the total cost of the benefits provided.

Changing the assumptions, or experiencing an immediate reduction in staff, prior to reflecting any benefit improvements, changes the expected cost of the Plan. Assuming earlier retirements reduces the expectation that a participant will remain actively employed to receive benefits based on higher levels of service and pay and the better early retirement factors associated with increasing age and service. An offset to this reduction in benefits is a reduction in the value of future staff contributions expected to be made.

The impact of this change is dependent on the age/service demographics of the population and the ages at which this earlier retirement is assumed. In this case, we have determined that assuming earlier retirements, or immediate termination down to age 50, thereby reducing future benefit accruals, reduces the value of Plan benefits by \$514 million.

Summary

The Rule of 50 is a valuable benefit that provides a significant improvement to the accrued benefits of those participants electing to retire. In and of itself, the increase in present value of benefits attributable to an improvement in the early retirement factors on the accrued benefits of participants taking advantage of the Rule of 50 is \$667 million. This amount, combined with the decrease in present value of \$514 million due to the assumed earlier retirements eliminating valuable future accruals, results in a net increase in benefit liabilities to the Plan of \$153 million.

**Table 1**

**International Monetary Fund  
Determination of Change in Net Present Value of Benefits  
Attributable to Rule of 50 SRP Change  
(amounts in \$millions)**

Baseline cost of 2,911 Active Participants Prior to Separation Program	\$ 4,290
Reduction in Net Present Value of Benefits Due to 400 Separations	(30)
Reduction in Net Present Value of Benefits for 2,511 Active Participants due to expected change in future retirement pattern (i.e., anticipated earlier retirement ages)	(484)
Increase in Net Present Value of Benefits for 400 Separations assumed to receive SRP Improvement	83
Increase in Net Present Value of Benefits for Future Assumed Retirements Under Rule of 50	584
<b>Total Net Present Value of Benefits Under Rule of 50 and 400 Separations with SRP improvements</b>	<b>\$ 4,443</b>
<b>Total Increase in Net Present Value of Benefits attributable to Rule of 50</b>	<b>\$ 153</b>