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February 4, 2010

To: Members of the Pension Committee
(Mr. Strauss-Kahn, Chair; Mr. Alazzaz, Mr. Fayolle, Mr. Kiekens, Mr. Mojarrad, Ms. Alonso-Gamo, Mr. Ghosh)

From: Padma Gotur, Committee Secretary

Subject: **Reforms to the IMF's Retirement Benefits Program**

Attached for the Pension Committee's review and discussion, at its meeting on February 25, 2010, is a paper on Reforms to the IMF's Retirement Benefits Program. The Report of the Task Force on Pension Reform is included in the paper's Annex.

Questions may be referred to Mr. Rodlauer (ext. 38789) and Mr. Burston (ext. 35350) in HRD.

Att: (2)

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INTERNATIONAL MONETARY FUND

Reforms to the IMF's Retirement Benefits Program

Prepared by the Human Resources Department

In consultation with the Legal Department

Approved by Shirley Siegel

February 4, 2010

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EXECUTIVE SUMMARY

This paper proposes modifications to the IMF's retirement benefits program. The changes would align the Fund's retirement benefits with its evolving business and human resource strategy, and modernize certain features of the Staff Retirement Plan (SRP):

- Improvements to the SRP's withdrawal benefit formula, making this benefit a more attractive, competitive and portable option, especially for shorter-service staff who are expected to comprise a growing proportion of the Fund's future workforce;
- Increases in the SRP's commutation (lump sum) factors, reflecting reduced mortality risk of retirees;
- Reduction in gross pensionable remuneration (through adjustments to the SRP's grossing-up formulae), reflecting decreases in the tax rates in comparator countries;
- Additional pension transfer agreements with other organizations, to facilitate mobility into and out of the Fund; and
- A new voluntary savings plan, offering Fund employees a convenient vehicle to supplement their retirement savings.

The proposed changes complete a comprehensive review of the retirement program by the Task Force on Pension Reform. The initial work of the Task Force, in 2007–2008, focused on issues related to the restructuring/downsizing exercise and resulted in the addition of the Rule of Age 50. In 2009, the Task Force turned to a broader review of the IMF's retirement program. The report of the Task Force, presented in the Annex, provides the background and rationale for the recommended changes, and sets out the detailed analysis of the current plan and the proposed reforms.

Upon a thorough review of alternative design options, the Task Force concluded that the Fund is best served by continuing with the current basic design of the SRP for current and future staff, albeit with the modifications described above. Since the majority of staff will continue to be those working many years for the Fund, the SRP in its current form remains the most appropriate type of plan supporting the retirement needs of its workforce. In particular, shifting to alternative plan designs would not by itself reduce costs (assuming unreduced overall benefit levels) and certain design options would entail significant disadvantages (such as a shift of investment risk to employees), while the current plan design offers sufficient scope for modifications to support the Fund's strategic human resource objectives.

The proposed reforms would reduce the Fund's required contributions to the SRP by about $7.5 million annually, by FY 2015. The Actuary's letter is included in Appendix J of the report of the Task Force.

Management supports the work and conclusions of the Task Force. This paper submits the recommendations to the Pension Committee for consideration and endorsement to the Executive Board. Subject to endorsement of the recommendations by the Pension Committee and approval by the Executive Board, staff will prepare a separate paper with the specific text of amendments to the SRP as well as the new grossing-up formulae (by different salary scales) for endorsement by the Pension Committee and formal approval by the Executive Board.

I. Background

1. **In 2006, the Steering Committee of the Employment, Compensation, and Benefits Review (ECBR) recommended changes to the Fund's employment strategy to seek a better balance between longer-term and shorter-term employment.**[1] With respect to the SRP, the ECBR Steering Committee concluded that the SRP's defined-benefit design should be retained but modified to more effectively support the Fund's employment strategy. In particular, early retirement provisions should be enhanced to encourage earlier separations; lump-sum withdrawal benefits should be improved for shorter-service staff; and a voluntary savings plan introduced to enhance portability and assist mid-career hires with accumulating retirement savings.

2. **An SRP Task Force addressed these recommendations in two phases.** Following the completion of the ECBR, management created an SRP Task Force in 2007 to review various aspects of the Fund's retirement benefits.[2] A key goal of the review was to create greater flexibility in the provision of retirement benefits by the Fund, so as to support the evolving staffing needs of the institution. Given the broad agenda, the SRP Task Force prioritized its work program into two phases. The first phase focused on measures that could facilitate the ongoing restructuring and downsizing exercise, resulting in the addition of the Rule of Age 50 to the SRP effective April 1, 2008.

3. **The second phase of work, which took place in 2009, was a comprehensive review and analysis of the Fund's retirement benefits, aimed at modernizing the SRP in line with the evolving human resource strategy and staffing needs.** While it is expected that the majority of staff will continue to have long tenures with the Fund, the hiring trend of recent years, coupled with greater emphasis on mobility into and out of the Fund, will gradually increase the proportion of mid-career and younger staff with shorter periods of Fund employment. This shift suggests a modernization of the retirement program to improve its attractiveness to the future workforce, and updating certain features of the SRP, such as the grossing-up formulae and the commutation (lump sum) factors, to ensure the program remains reflective of relevant costs and risks.

II. Recommendations

4. **The SRP, with its defined benefits design, should remain the cornerstone of the Fund's retirement program, with some important modifications.** The main purpose of the SRP is to provide lifetime pension benefits to Fund staff, the majority of whom will spend most of their careers at the IMF without access to the national social security

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[1] *Executive Board Chairman's Summing Up, Employment, Compensation & Benefits Review* (BUFF/06/30, 2/17/06), and *Employment, Compensation & Benefits Review Overview Paper* (EBAP/06/2, 1/6/06).

[2] The terms of reference of the SRP Task Force are included in the attached Task Force report.

retirement programs of their home countries. The SRP provides a competitive edge and a unified and inclusive approach, where all participants who meet the eligibility criteria can get the same types of benefits at the end of their period of Fund service. The proposed changes are aimed at improving portability, enhancing flexibility, facilitating mobility, and updating certain features of the SRP.

5. **The following changes would be applicable to active participants as of May 1, 2011 and thereafter:**

- **Improve the withdrawal benefit formula by reaching 200 percent of Highest Average Gross Remuneration (HAGR) after 10 years of service.** This will provide a more competitive and attractive benefit to shorter-tenured participants (achieving the full accrual percentage over a 10-year period rather than the current 19-year period), improving portability and facilitating mobility for current and future staff. The eligibility for a withdrawal benefit would also be aligned with the Rule of Age 50 provision, by paying a pension in lieu of a withdrawal benefit to those separating at age 50 or later with at least five years of service.

- **Update the commutation factors** (for retiring participants who elect to receive up to one-third of the value of their pension in a lump sum payment). The lump sum payment is determined by applying an age-based commutation factor to the pension benefit. The update to the commutation factors will reflect recently-published United Nations Mortality Tables, and will increase the lump sum payments to future retirees.

- **Adjust the grossing-up formulae used to determine pensionable earnings.**[3] The 2009 review of the grossing-up formulae indicates that the current grossing-up formulae overstate the tax rates of the three comparator countries (the United States, France and Germany) by about 14 percent. An average reduction of 7 percent is recommended to bring gross remuneration more in line with current tax rates while maintaining the SRP's competitiveness (as measured by the 2005 Quadrennial Benefits Survey).[4] Transition arrangements are proposed in order to protect the reasonable expectations of existing participants.

6. Additional changes would be implemented as soon as feasible:

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[3] SRP benefits and contributions are based on pensionable remuneration, which is the gross, pre-tax equivalent of the Fund's net-of-tax salaries. Participants' salaries are converted to pensionable remuneration using a set of "grossing-up" formulae specified in the Plan. These formulae use the combined tax rates of the United States, France, and Germany and are subject to periodic review. Due to changes in the tax laws since the formulae were last revised, the current formulae overstate pensionable gross remuneration.

[4] *The 2005 Quadrennial Benefits Survey* (EBAP/06/144, 11/22/06).

- **Pursue new pension transfer agreements with other international organizations, and agreements with countries that allow the recognition of pension credits as part of their legislation.** This would facilitate mobility into and out of the Fund, and minimize pension losses that would be incurred without an agreement. An inter-departmental working group will be established to negotiate the new agreements.

- **Add a voluntary savings plan for all staff to expand benefits portability and facilitate mobility.** This would allow new staff to roll over balances from eligible plans of previous employers upon joining the IMF, and provide a means for all staff to supplement their retirement savings in a tax-advantageous manner. Plan administration and investments would be outsourced to a third-party vendor.

7. **The changes to the SRP would apply for all active participants as of May 1, 2011 and those hired thereafter.** However, SRP benefits payable to separations under the Fund's downsizing exercise would not be impacted by the proposed changes.[5]

III. FINANCIAL IMPACT

SRP funding costs

8. **The proposed SRP changes are projected to result in a net decrease in the present value of benefits and the Fund's actuarially-required contributions.** As discussed in greater detail in the attached report of the Task Force and the Actuary's letter (Appendix J), the decrease in costs resulting from the adjustment to the grossing-up formulae would exceed the increase in costs from the improvements to the withdrawal benefit and commutation factors, resulting in a net decrease in the Fund's actuarially-required contribution. It is envisioned that the Fund would continue to make annual contributions of 14 percent of gross remuneration to the SRP under the existing funding framework; however, the gross remuneration base would be lower, reflecting the revised grossing-up formulae.[6] Table 1 summarizes the financial impact of the proposed changes on the projected actuarially-required contributions.

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[5] For this purpose, separations under the downsizing exercise include all separations described in Figure 4 of *The FY2009–FY2011 Medium-Term Administrative, Restructuring, and Capital Budgets* (EBAP/08/20, 3/20/08). This includes the voluntary and mandatory separations starting in May 2008, and separations from FIN, HRD and TGS that will occur into FY2011 largely due to outsourcing/off shoring of functions.

[6] Under the terms of the SRP, the Fund as the Employer is required to contribute any amounts needed to meet a shortfall in the pension fund, and therefore effectively guarantees the payment of the defined benefits of Plan participants. The Fund contributes 14 percent of gross pensionable remuneration under the funding framework endorsed by the Executive Board in 2004. In years that the 14 percent contribution exceeds the actuarially-required contributions, the excess is allocated to the voluntary reserve account; if the actuarially-required contribution exceeds 14 percent, the difference is drawn from the voluntary reserve account.

Table 1. Costs (+)/Savings (-) of Proposed Changes—Summary 1/

Year	Withdrawal Benefits	Commutation Factors	Grossing-Up Formulae (-7%)	Combined (1), (2), (3)
2015	3.8	2.2	-12.5	-7.5
2020	3.2	1.3	-12.4	-8.4
2025	8.5	3.7	-12.2	-9.7
2030	9.3	3.5	-23.2	-11.2

1/ Increase (+)/Decrease (-) in annual Fund contribution, in millions of U.S. dollars.

Note: The projected costs/savings shown in Table 1 are based on the Plan's assets as of August 31, 2009, and the 7.5 percent rate of return on assets assumed in the actuarial valuation.

Financial statement impact (IAS 19)

9. **For financial reporting purposes, the impact of the proposed changes to the SRP would be recognized in accordance with International Financial Reporting Standards (IFRS).**[7] Under IAS 19, the additional prior-service cost due to the changes in the withdrawal benefit and the commutation factors will be recognized in the year the changes are adopted as these changes apply to service already accrued under the Plan.[8] There is no prior-service cost associated with the revision to the grossing-up formulae, which will only apply to future service after the effective date. As a result, from a financial accounting viewpoint, the combined effect of the proposed changes would increase costs of pension benefits in the year of adoption and then, ceteris paribus, decrease ongoing pension costs in subsequent years. The Actuary has estimated the prior-service cost that would be recognized in the initial year of adoption at $28 million. Thereafter, the additional cost for these changes is estimated at $2 million per year. The decrease in plan costs related to the proposed reduction in the grossing-up formulae would be about $9 million in the year it becomes effective. The combined effect in the year that all three changes are effective would be a reduction in cost of about $8 million. The timing of recognition for IAS 19 purposes differs from plan funding; the Actuary's projections of plan funding (Appendix J) are based on the full recognition of the plan changes beginning in the year after their effective date

[7] The Fund follows IFRS, which apply a different set of rules for the valuation of the defined benefit obligation than that used for funding purposes. These rules are set out in IAS 19, Employee Benefits; see *Annex II of the Review of the Fund's Income Position for FY 2006 and FY 2007* (EBS/06/51, 4/12/06) for a detailed discussion of IAS 19 accounting.

[8] The amount charged against the Fund's income statement in any given period is determined by the accounting rules and not by the amount funded. Thus, there can be an accounting expense even in the absence of new funding, and vice-versa. Over the lifetime of a pension plan, the differences would net to zero. In other words, the amount funded in the annual administrative budget must be recognized in the income statement, but not necessarily in the same period.

(FY2013, based on a May 1, 2011 effective date), and Table 1 summarizes the results at 5-year intervals.

10. **The actuarial valuation of the SRP and the SRBP for financial reporting purposes is conducted at the end of each financial year.** The forthcoming IAS 19 actuarial valuation (at end of FY2010) would take into account the proposed changes to the SRP, if they were adopted before end-April 2010, and the results would be reported in the audited financial statements of the Fund. As noted above, this financial-accounting treatment differs from the impact of the proposed changes on the Fund's administrative budget and the agreed financing modalities of the SRP (with a 'normalized' Fund contribution of 14 percent of gross salaries, and the difference between that contribution and the actuarially-required contribution contributed to/drawn from the SRP reserves).

Administrative costs

11. **There would be additional administrative costs associated with implementing the proposed changes.** For the initial change and implementation phase (about 18 months), two and one-half additional (temporary) staff would be needed (in FIN, LEG and HRD), and additional technology costs are estimated at about \$0.5–\$1.0 million (including costs for the SRP changes and the implementation of the voluntary savings plan). After that, additional recurring costs are estimated at about half a man year (mainly HR and IT costs), and \$100,000 for the voluntary savings plan (legal and outside consultant fees).

IV. Proposed Decision

Based on the foregoing, it is recommended that the Pension Committee endorse for approval by the Executive Board the following draft decision:

"The Executive Board endorses the staff proposal to enter into pension transfer agreements with other international organizations and with member governments in accordance with Article 14 of the Staff Retirement Plan, and the Executive Board endorses the staff proposal for a voluntary savings plan that will be submitted to the Pension Committee and to the Executive Board for approval in the future. The Executive Board approves the following changes to the Staff Retirement Plan, with the effective date of May 1, 2011:

1. Withdrawal benefits. A participant who withdraws from the SRP in accordance with Section 4.5(a) of the SRP, or Section 4.5(c) as modified herein, shall be entitled to receive an amount equal to one and two-thirds percent of highest average gross remuneration multiplied by months of eligible service up to 120 months. In no case shall the total amount exceed 200 percent of highest average gross remuneration. The first clause of Section 4.5(c) shall be modified to substitute "fiftieth anniversary of his birth" where it reads "fifty-fifth anniversary of his birth".

2. Commutation factors. The commutation factors in paragraph 4 of Schedule D of the SRP shall be replaced by commutation factors that adopt the 2007 United Nations Mortality Tables.

3. Grossing-up formulae. The grossing-up formulae in paragraph 1 of Schedule A of the SRP shall be replaced by formulae that adopt an average reduction of seven percent.

4. Transition provisions concerning grossing-up formulae. For participants with service both before and on or after May 1, 2011:

  a) The change to the grossing-up formulae adopted in this Decision shall be applied on a prorated basis consistent with the provisions of paragraph 15 of Schedule B of the SRP concerning prorated application of the 1990 change to the grossing-up formula for participants with service both before and on or after May 1, 1990;

  b) No such participant, and no spouse, domestic partner or other beneficiary of such participant, shall (i) receive a pension or benefit payable under the SRP that is less than would have been payable under the SRP as amended through April 30, 2011, had the participant's gross remuneration as of April 30, 2011 remained unchanged, or (ii) receive a withdrawal benefit under Section 4.5 that is less than would have been payable under the SRP as amended through April 30, 2011 based on the participant's actual contributions.

5. The changes to the SRP adopted in this Decision shall not apply to participants who separate from the Fund under the approved restructuring budget for FY2009-FY2011.

6. The staff shall prepare as expeditiously as possible the amendments necessary to incorporate in the text of the SRP the modifications made by this Decision.

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ANNEX

Proposed Reforms to the IMF's Retirement Benefits Program

Prepared by the SRP Task Force

In consultation with the Human Resources, Legal, and Finance Departments

December 2009

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EXECUTIVE SUMMARY

This paper sets out the recommendations of the SRP Task Force on reforms to the Staff Retirement Plan (SRP), in support of the Fund's human resource strategy and related workforce objectives.[1] A key conclusion of the 2006 Employment, Compensation and Benefits Review (ECBR) was that the Fund should seek a better balance between longer-term and shorter-term employment in the Fund, and in support of that goal seek greater flexibility and portability of the SRP while maintaining its basic defined-benefit design. An SRP Task Force was created by management in 2007 to review and propose specific changes to the Plan.

The work of the Task Force has evolved in two stages. The ***first phase*** focused on measures to facilitate early retirement, in light of the impending restructuring exercise. The Task Force recommended the addition of the Rule of Age 50, which was approved by the Pension Committee in January 2008. The ***second phase*** of work commenced in January 2009, with the goal of aligning the SRP with the Fund's evolving business and human resource strategy. While it is expected that the majority of staff will continue to have long tenures with the Fund, the hiring trend of recent years, coupled with a greater emphasis on mobility into and out of the Fund, should gradually increase the proportion of mid-career and younger staff with shorter periods of Fund employment. This desired shift suggests a modernization of the SRP to improve its attractiveness to mid-career hires, facilitate mobility, and improve portability of benefits—while retaining core career staff, maintaining overall competitive benefits, and ensuring the cost effectiveness of the plan.

The SRP is financially strong and sustainable. Even under pessimistic assumptions for investment returns, the Fund's budgetary smoothing contributions of 14 percent of gross remuneration are projected to be sufficient for a number of years. This reflects the Fund's long-standing commitment to fully fund the SRP, the SRP's strong investment performance of past years, and plan design features that facilitate a focus on long-term sustainability.

The recommendations of the Task Force are to improve the SRP for shorter-career staff, who would benefit from more portable benefits, with measures such as improved early withdrawal benefits and additional options to transfer accrued pension rights as they join or leave the Fund. The Task Force also recommends realignment of the formulae for grossing-up net salaries, taking into account the reduced tax rates in comparator markets, and the establishment of a voluntary savings plan. The specific recommendations, which are proposed to take effect as of May 1, 2011, are as follows:

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[1] The Task Force included Mr. Portugal (chair), Ms. Atkinson, Ms. Burgi-Schmelz, Mr. Cottarelli, Mr. Miranda, Mr. Rodlauer, a SAC representative (successively Mr. Rother, Ms. Redifer, and Mr. Flores), Ms. Siegel, Mr. Tiwari, and Mr. Tweedie. It was assisted by Ms. Powers, Ms. Lester, Mr. Patterson (all LEG); Mr. Burston, Mr. Vicini, Ms. Marzouk (all HRD), and Mr. Nearpass (the Actuary for the SRP, Buck Consultants). The principal authors of this report are Roger Burston, Massimo Vicini, and Debbi Marzouk.

- **Enhance the withdrawal benefit to facilitate outward mobility**. Shortening the time period during which the full withdrawal benefit is earned (from 19 years to 10 years), with improved accrual factors, will enhance portability and facilitate mobility for current and future staff;

- **Update the commutation factors to reflect reduced mortality risk of retirees.** Using updated actuarial factors, based on the latest United Nations Mortality Tables, will provide retirees with higher (partial) lump-sum payouts, thus making the option more attractive and the plan more portable and competitive;

- **Realign the SRP's grossing-up formulae to reflect reduced tax rates in comparator countries (United States, France and Germany)**. The existing formulae overstate the tax rates of the three comparator countries, so a decrease in gross pensionable remuneration is warranted, with appropriate transition arrangements;

- **Add transfer agreements to facilitate mobility to and from other organizations. This will encourage mobility to and from partner organizations**, by minimizing any negative impact on earned retirement benefits;

- **Add a voluntary savings plan as a convenient investment vehicle, with tax advantages for staff.** Adding such a plan will help increase mobility and portability, and provide a convenient vehicle for all staff to supplement their retirement savings in a tax-advantageous manner.

After a thorough review of alternative design options, the Task Force concluded that the Fund is best served by continuing with the current basic design of the SRP for current and future staff, albeit with the modifications described above. The SRP's main purpose is to provide lifetime pension benefits, with a focus on the needs of those who spend most of their career at the IMF, without access to the social security/retirement programs of their home country. Since the majority of staff will continue to be those working many years for the Fund, the SRP in its current form remains the most relevant and attractive type of plan. In particular, the Task Force concluded that changing from a defined-benefit to a defined-contribution or a "hybrid" plan would not save costs by itself, unless benefits were reduced, and would shift investment risk to plan participants which the Task Force did not consider advisable. The Task Force also reviewed the option of shifting to a net-pay plan for new hires (from the current approach of basing contributions and benefits on a grossed-up salary). Such a move, all else equal, would reduce benefits and thus yield potential cost savings. However, the Task Force felt that such a move was, on balance, not advisable as it would raise operational, legal, financial, tax, and human resource issues. The magnitude of the cost savings from such a shift is uncertain, depending on many factors, and the administrative complexities of a tax reimbursement scheme and the potential burden for retirees, especially at an advanced age, also weigh against shifting to a net-pay plan.

Altogether, the proposed changes would deliver significant cost savings over the medium-term. The proposed changes would lower projected annual Fund contributions by about $7.5 million by FY 2015. Plan participants' contributions would also drop, reflecting the realignment of the grossing-up formulae which are the basis for both Fund and staff contributions.

I. Introduction

1. **This paper presents the recommendations of the Task Force on reforms to the Fund's Staff Retirement Plan (SRP).** Section II provides the background and rationale for the proposed reforms; Section III reviews the current and projected financial status of the SRP; Section IV sets out each recommendation and its impact on staff benefits; and Section V looks at the cost implications.

II. Background and Key Elements of Reforms

2. **In 2006, the Steering Committee of the Employment, Compensation, and Benefits Review (ECBR) recommended changes to the Fund's employment strategy to seek a better balance between longer-term and shorter-term employment.**[2] The Steering Committee concluded that, with regard to the SRP, modifications should be made to support the new employment strategy, while retaining its basic design as a defined benefit plan. The recommended changes included:

- Enhancements to the early retirement provisions (to encourage earlier separations);
- Improvements to the lump sum withdrawal benefits for shorter-service staff;
- The introduction of a voluntary savings plan to enhance portability and assist mid-career hires with accumulating retirement savings; and
- A change in the SRP remuneration base for future participants, from gross pay to net pay, with reimbursement separately provided for retirees' actual taxes on their IMF pension benefits.

3. **In early 2007, management created an SRP Task Force to review and propose changes to the Fund's retirement benefits.** Among other issues, the Task Force was asked to focus on the competitiveness of benefits for mid-career and limited-term appointees, as well as the rate of growth of benefits for long-term staff.[3]

4. **The work program of the Task Force was divided into two phases.** Phase I focused on facilitating early retirements in light of the Fund's impending restructuring exercise. This work resulted in the recommendation to add the Rule of Age 50 provision to the SRP, which was approved by the Pension Committee in January 2008.[4] During the discussions of the Rule of Age 50, some members of the Executive Board also requested that

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[2] *Executive Board Chairman's Summing Up, Employment, Compensation & Benefits Review* (BUFF/06/30, 2/17/06), and *Employment, Compensation & Benefits Review Overview Paper* (EBAP/06/2, 1/6/06).

[3] The Terms of Reference is included in Appendix A.

[4] *Reform of the Staff Retirement Plan—Proposed Decision* (EBAP/08/5, January 28, 2008).

the Phase II review include an analysis of a new plan design that would offer greater portability and flexibility for future hires.

5. **Phase II began in January 2009 with the goal of developing a set of proposals that would align the retirement program with the emerging employment model and business strategy.**[5] While it is expected that the majority of staff will continue to have long tenures with the Fund, the hiring trend of recent years, coupled with a greater emphasis on mobility into and out of the Fund, will gradually increase the proportion of mid-career and younger staff with shorter periods of Fund employment. This shift suggests a modernization of the retirement program to improve its attractiveness to the future workforce, and updating of certain features of the SRP, such as the grossing-up formulae and the commutation (lump sum) factors, to ensure the program remains reflective of relevant costs and risks. The Task Force also reviewed opportunities to improve cost effectiveness, for both the Fund and participants, while continuing to meet the SRP's objectives.

6. **The Task Force strongly believes that the SRP, with its defined benefits design, should remain the cornerstone of the Fund's retirement program.** Its main purpose is to provide lifetime pension benefits, with a focus on the needs of those who will spend most of their career at the IMF, without access to the national social security retirement programs of their home country. Since the majority of staff will continue to be those working many years for the Fund, a defined-benefit SRP remains the most relevant and attractive type of plan, with updates mainly needed in the grossing-up formulae and commutation factors. Given the SRP's solid financial position, there is also no need to change key plan design features for reasons of financial sustainability.

7. **The recommendations of the Task Force are therefore anchored around an SRP that maintains its current basic design and benefits level for all staff.** The SRP provides a competitive edge and a unified and inclusive approach, where all participants who meet the same eligibility criteria are eligible for the same types of benefits at the end of their period of Fund service. Shifting to a defined contribution or "hybrid" plan design for new participants would only result in lower costs if accompanied by a decrease in benefits and/or shifting of investment risk to staff.[6] If costs are held constant, the alternative plan designs would have the effect of distributing higher benefits to short service staff and lower benefits to long service staff (as benefits accrue more evenly over participants' careers). A shift to a net-pay plan design would, *ceteris paribus*, decrease benefits for new staff (besides posing a host of

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[5] The Phase II process is described in Appendix A, along with the list of Task Force members. More information on the Fund's employment framework is provided in Appendix B.

[6] A hybrid plan is a defined benefit plan that has features resembling a defined contribution plan, such as accruing benefits in the form of an account balance and paying a lump sum upon separation rather than a pension. However, unlike a defined contribution plan, there are no individual accounts, and the employer is responsible for investing plan assets.

other operational, legal, and human resource challenges).[7] None of these outcomes—lowering benefit levels, shifting investment risk to staff or favoring benefits for short service staff over long service participants—are desirable or in keeping with the Fund's human resource objectives. The Task Force also considered frontloading the SRP's pension benefit accrual rates to improve mobility in the later years of participants' careers. However, while separation rates tend to slow after 10–12 years of service, this may be attributable to many different factors such as family and visa status (see Appendix B), and does not justify a major redistribution of accrual rates which would entail additional costs for the Fund. Moreover, the SRP's basic design offers the flexibility to attract short and long service staff, provides scope for changes to increase mobility and improve portability, and allows the Fund to take a long-term view in assessing the plan's financial viability.

8. **The SRP can be improved to facilitate mobility and become more competitive for shorter-career staff.** For this category of staff, it is important to provide more portable benefits (as opposed to a pension), and higher benefit levels earlier in their careers than currently provided by the SRP's withdrawal lump sum benefit. The Task Force proposes several changes and updates to modernize the SRP and enhance its flexibility and portability. It is recommended that these changes would be applicable to all participants as of the effective date of the change.[8]

- **Enhance the withdrawal benefit formula.** The current withdrawal benefit formula is not competitive with other international financial institutions (IFIs), and provides significantly lower benefits compared with the value of the Fund pension. The recommended increase will provide a more attractive, portable benefit to new participants, and facilitate mobility for current and future staff;

- **Update the commutation factors.** Retiring participants may elect to receive up to one-third of the value of their pension in a lump sum payment. The pension value is determined by applying an age-based commutation factor to the pension benefit. The current commutation factors are understated because they are based on outdated mortality tables. An update to the commutation factors is recommended to reflect recently-published United Nations Mortality Tables;

- **Realign the grossing-up formulae as required under existing rules.** The current grossing-up formulae overstate the tax rates of the three comparator countries (the United States, France and Germany) by about 14 percent. An average reduction in the formulae of 7 percent is recommended to bring gross remuneration more in line with current tax rates while maintaining the SRP's competitiveness (as measured by the

[7] A net-pay plan bases contributions and benefits on net salaries of participants, rather than on gross salaries as under the current SRP (see Sections IV. C and F).

[8] The recommended changes to the SRP would apply to all active participants as of May 1, 2011. Voluntary separations under the Fund's downsizing exercise would remain under the current SRP.

2005 Quadrennial Benefits Survey (QBS)).[9] This revision is required based on long-standing rules established by the Pension Committee. In implementing this change, transition arrangements will be applied as necessary to protect acquired rights of existing participants.

9. **The Task Force also recommends that new transfer agreements be arranged for SRP participants.** Pension transfer agreements help increase mobility into and out of the Fund, especially for mid-career staff who would likely suffer significant pension losses without an agreement. A number of international organizations have expressed an interest in establishing a transfer agreement with the Fund; the Task Force recommends that an inter-departmental working group also consider agreements that could be formed with countries that allow the transfer or recognition of pension credits as part of their legislation.

10. **To expand benefits portability and facilitate mobility, the Task Force recommends that a voluntary savings plan be established for all staff.** A voluntary savings plan would offer a convenient method for new staff to roll over balances from eligible plans of previous employers upon joining the IMF, and for all staff to supplement their retirement savings in a tax-advantageous manner. While the Fund would have fiduciary responsibilities for the plan’s governance, it is proposed that the investment risk in such a savings plan be borne by participants and that plan administration and investments be outsourced to a third-party vendor.

11. **The recommendations are proposed to become effective May 1, 2011, to allow the necessary time for a smooth implementation.** It is suggested that all of the recommendations become effective at the same time. This will be easier to manage and communicate to staff, and will also be more cost-effective for the Fund in terms of the resources needed to modify systems, prepare communications for staff, and take other necessary steps.

12. Table 1 summarizes the main Task Force recommendations and how they support the Fund's strategic human resource objectives.

[9] *The 2005 Quadrennial Benefits Survey* (EBAP/06/144, 11/22/06).

Table 1: Main Task Force Recommendations

	Reform	Attract Mid-Career Hires	Encourage Mobility	Retain Core Career Staff	Improve Portability	Provide Competitive Benefits	Ensure Cost Effectiveness
1	Maintain basic benefit design	X		X		X	X
2	Enhance SRP withdrawal benefit	X	X		X	X	X
3	Update commutation factors				X	X	X
4	Update grossing-up formulae						X
5	Add transfer agreements	X	X		X		
6	Add a voluntary savings plan	X	X	X	X	X	

III. Financial Status of the SRP

13. **The IMF's long-standing commitment to fully fund the SRP and the superior investment performance of past years have allowed the plan to maintain a healthy funded status.** The SRP funding framework provides for a normalized employer contribution rate of 14 percent of gross remuneration; this contribution rate represents the Fund's long-term average contribution rate and the 2:1 ratio of contributions made by the Fund and participants. However, over the past 25 years, the Fund's average required contribution rate has only been about 10 percent. In 2004, a voluntary reserve account was established for the "excess" contributions (the amount by which the normalized 14 percent contribution exceeds the actuarially required contribution), building a cushion for years that might require a contribution rate above 14 percent. As of April 30, 2008, the date of the last actuarial valuation, the SRP's assets ($7.2 billion) exceeded its liabilities ($6.6 billion), and the voluntary reserves had accumulated to $97 million. As the 2008 valuation results generate the Fund's required contribution for FY 2010, no contribution was required for the second consecutive year due to the SRP's "overfunded" status, allowing the full contribution to be allocated to the reserve account. [10]

14. **The downturn in the market during 2008–2009 significantly impacted the SRP's asset base.** By January 31, 2009, the assets had decreased to $5 billion. In March 2009, the Actuary for the SRP prepared projections of the contribution rates based on the January 2009 asset value, the April 30, 2008 actuarial valuation results, and several scenarios for future asset returns. Table 2 presents the estimated contribution rates under the baseline scenario, with assumed asset returns of 7.5 percent in FY 2010 and beyond. Based on the January 31, 2009 asset value, this scenario shows that the required contribution rate would increase from 0 percent for FY 2010 to about 26 percent in the subsequent four years. However, because of the availability of SRP reserves, the contributions from the Administrative Budget were projected to remain at 14 percent through FY 2013. This scenario, therefore, would have provided a window of about four years for a recovery of assets before substantial additional contributions from the Administrative Budget would be needed. The Actuary has prepared an update to the projected contribution rates based on the August 31, 2009 asset value of $5.9 billion. The higher-than-anticipated returns between February and August are projected to maintain the contribution rate at the 14 percent level through FY 2020, as shown in Table 2.

15. **Although no contribution was required for FY 2010, the Executive Board, in May 2009, approved an additional contribution of $12 million to the SRP reserves for the prior year**. The additional contribution was made in order to bolster the reserves and delay the need for a contribution above 14 percent, in case assets continued to decline.

16. **Stress tests indicate that, even under pessimistic assumptions, the Plan has a window of several years during which assets can recover before an additional call has to**

[10] *The Fund's Contribution to the Staff Retirement Plan in FY 2010* (EBAP/09/56, 4/2/09).

be made on the Administrative Budget (for contributions above 14 percent).[11] Even under the more pessimistic scenario, the contribution rate is projected to remain at 14 percent through FY 2020. While the results of the stress tests are highly dependent on the assumptions for future asset returns, these results reflect the strong financial position and long-term design of the SRP.

Table 2. SRP Contributions FY 2009 to FY 2025 1/
(In millions of U.S. dollars, unless otherwise indicated)

	Actuarially Required Contribution Rate (in percent)	To (+) From (-) Reserves	Reserves (Stock)	Fund Contributions (in percent)
Scenario January 2009 Assets				
FY09	0	80	177	14
FY10	0	89 2/	266 2/	14
FY11	26	-67	199	14
FY12	26	-72	127	14
FY13	25	-70	56	14
FY14	26	-56	--	17
FY15	35	--	--	35
FY20	31	--	--	31
FY25	30	--	--	30
Scenario August 2009 Assets				
FY09	0	80	190	14
FY10	0	89 2/	279 2/	14
FY11	19	-29	250	14
FY12	3	62	312	14
FY13	7	45	357	14
FY14	17	-23	334	14
FY15	26	-85	249	14
FY20	18	-229 3/	20	14
FY25	20	20 3/	--	19

1/ Based on the market value of Plan assets as of the dates indicated and assuming an annual rate of return of 7.5 percent.

2/ The projected drawdown of SRP reserves after FY 2010, and the reserve balance, are based on the Actuary's projections using the actuarial valuation assumptions. The additional contribution of $12 million to the reserves for FY 2009 is included in the August 2009 Assets scenario.

3/ Accumulated allocations to reserves during the prior five years.

[11] Details of the stress tests are provided in Appendix I.

17. **The SRP's benefits and funding framework are designed with a long-term view, helping to ensure the plan's financial sustainability through difficult economic times, and supporting the continuation of the defined-benefit plan approach.** The predictability of the 14 percent contribution rate, the SRP's healthy asset base, and a number of valuation/funding rules allow a focus on long-term trends, rather than requiring prompt action in response to sharp market swings.[12]

IV. SPECIFIC RECOMMENDATIONS

A. SRP Withdrawal Benefits

18. **The Task Force reviewed the SRP's withdrawal benefit as it is the primary benefit payable to short-service staff.** [13] The withdrawal benefit should be aligned with the Fund's evolving employment model, particularly the expectation that a larger proportion of staff will be recruited for limited employment periods (e.g., 5–10 years). As noted, the current withdrawal benefit formula is not competitive with other IFIs, and provides significantly lower benefits compared with the value of the Fund pension.

19. **The current withdrawal benefit is calculated as a percentage of highest average gross remuneration (HAGR) over a relatively long period of up to 19 years.** The withdrawal benefit formula is 12 percent of HAGR for each of the first five years of service and 10 percent of HAGR for each of the next 14 years. The maximum benefit, 200 percent of HAGR, is reached after 19 years of service. This formula design rewards long service staff but does not facilitate mobility for those seeking shorter tenure.

20. **Over the past 20 years, most SRP participants who took a withdrawal benefit had 10 or fewer years of service; those with more than 10 years of service tended to retire with a pension.** This led the Task Force to consider shortening the accrual period for the withdrawal benefit from 19 years to 10 years.

21. **The current withdrawal benefit is low compared to the benefits provided by other IFIs, and compared to the value of the Fund pension accrued over a participant's pensionable service.** Even though the IMF has a separation grant that is not prevalent (or more limited) in other IFIs, the benefit accrual patterns show that the current SRP lags behind the other IFIs in terms of total separation payments over a 15-year career (see Figure 1). The

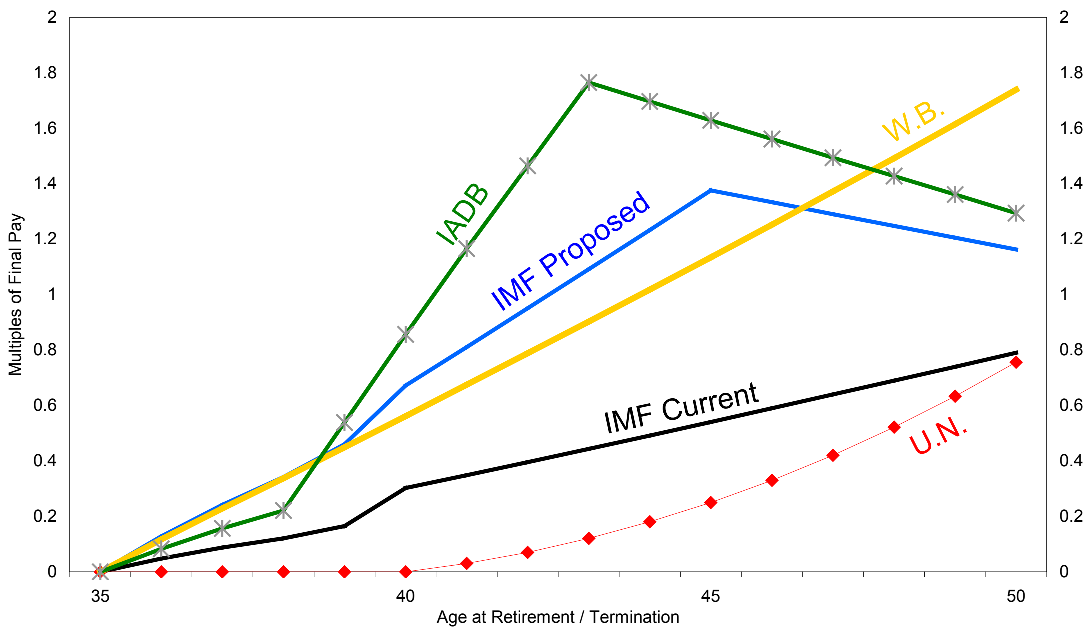
[12] Rules supporting a long-term perspective include, for example, a five-year averaging of asset values (within a corridor of plus/minus 10 percent of actual asset value), and the one-year lag from the valuation to the determination of contribution rates.

[13] Participants separating from the SRP before age 55, with three or more years service, or between ages 55 and 62, with less than five years service, currently have the option to elect a withdrawal benefit instead of a deferred or immediate pension (those under age 55 with less than three years service must take a withdrawal benefit as they are not eligible to receive a pension).

withdrawal benefit is also low compared with the value of the pension earned as of the date of separation, and is mainly a return of the participant's contributions. As service increases, the withdrawal benefit declines relative to the value of a pension. This is consistent with the SRP's longstanding primary objective of providing retirement benefits for longer-serving staff, but does not provide a competitive benefit to shorter-service staff. Figure 2 provides a comparison of the withdrawal benefit, the commuted (i.e., lump sum) value of the pension, and the value of a typical U.S. 401(k) plan benefit with a 50 percent match on participants' contributions.

Figure 1. Proposed Withdrawal Benefit Formula
(Employer-provided benefits)

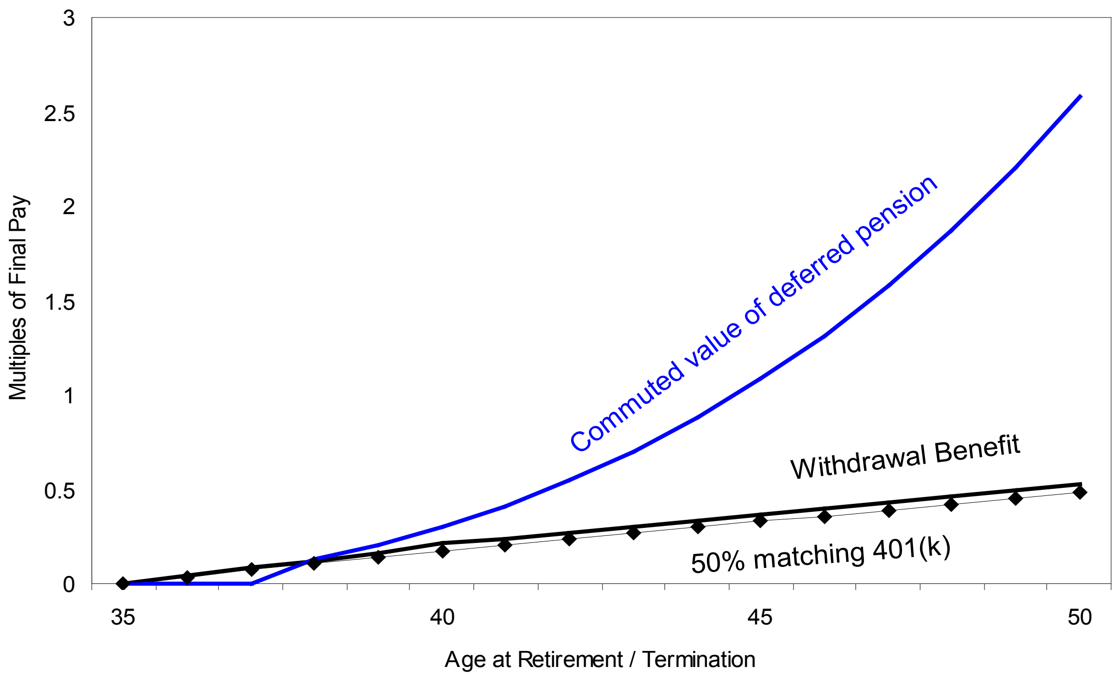
The proposed withdrawal benefit represents a significant improvement over the current benefit, and is competitive with other IFIs



1/ Figure 1 compares the employer-provided portion of the withdrawal benefits accrued over a 15-year period under the current and proposed SRP and the plans sponsored by the IADB, World Bank and UN. Separation grant-type benefit payments have been included.

Figure 2. Comparison of Withdrawal Benefit, Pension and 401(k)

There is a major gap between the value of the current pension and the current withdrawal benefit, which is broadly equivalent to a typical 401(k) plan in the U.S. providing a 50 percent match on staff contributions.



22. **The eligibility for a withdrawal benefit needs to be aligned with the Rule of Age 50 provision added in 2008.**[14] Under current rules, a withdrawal benefit is automatically paid to participants who separate before age 55 with less than three years of service. Those with three or more years of service may choose between a withdrawal benefit or a pension. However, once a participant with at least five years of service attains age 55, they are no longer eligible for a withdrawal benefit—they will be paid a pension in lieu of the withdrawal benefit. The limitations on choice between a withdrawal benefit and a pension are intended to provide portability (i.e., a withdrawal lump sum benefit) to those who separate either many years in advance of retirement age or with limited accruals toward a pension, while providing the security of a pension, with built-in survivor protection, to those who are eligible to retire and who have more service. However, the eligibility to elect a withdrawal

[14] To retire under the Rule of Age 50, the participant must be at least age 50 and have three or more years of service. The participant must also waive the right to receive any payments under the Separation Benefits Fund for which they may be eligible under GAO No. 16.

benefit was not amended to reflect the Rule of Age 50. Current rules still allow participants to elect a withdrawal benefit up to age 55, after the date they have become eligible for an immediate pension (i.e., age 50 with three years of service). This could result in participants taking a much less valuable lump sum benefit, with no survivor protection, upon separating from the Fund.

Recommendation

23. **The Task Force recommends the following modifications to the SRP's withdrawal benefit provisions:**

- Improve the current withdrawal benefit formula to 20 percent of HAGR for the first 10 years of service. The maximum benefit of 200 percent of HAGR would continue to apply;
- Align the eligibility for a withdrawal benefit with the Rule of Age 50 provision by paying a pension in lieu of a withdrawal benefit to those separating at age 50 or later with at least five years of service.

24. **The proposed withdrawal benefit is expected to support the desired shift toward greater flexibility and mobility of the Fund's workforce.** It will facilitate mobility in the first 10 years of a participant's career, reflecting the expected future pattern of short-term employment; improve the competitiveness of benefits for staff who would expect to remain at the Fund for a relatively short period of service; and reduce the disparity between the withdrawal benefit and the value of the pension earned at separation.

Implementation

25. **The changes to the withdrawal benefit formula are recommended to be implemented effective May 2011, along with the other modifications to the SRP.** There will be minor systems implications related to these changes.

B. SRP Commutation Factors

26. **The SRP allows a retiring SRP participant to elect to convert up to one-third of the value of their pension to a lump sum payment, referred to as "commutation."** A commutation payment is computed by multiplying the pension (and any applicable cost-of-living increases) by the actuarial (present value) factor for the participant's age at retirement.

27. **The current actuarial factors are based on outdated mortality tables.** The actuarial factors are based on a blend of the sex-distinct 1982 and 1984 United Nations Mortality Tables, set back one year in age (70 percent of the 1984 table for males and 30 percent of the 1982 table for females), and a 6 percent discount rate. These tables do not

reflect mortality improvements over the years, producing commutation payments that are too low, based on participants' current expected lifetimes.

28. **The World Bank's net salary plan and the IADB's pension plan currently use more favorable actuarial factors than those used in the Fund's current SRP.**[15] The UN updated their actuarial factors for the 2007 Mortality Table, as of January 1, 2009. [16]

Recommendation

29. **The Task Force recommends updating the actuarial factors used to compute lump sum commutation payments from the SRP to reflect the 2007 United Nations Mortality Table, effective for retirements on and after May 1, 2011.** The proposed actuarial factors will increase lump sum commutation payments, reflecting a truer value of the mortality risk and the "intended" lump sums. Table 3 reflects the percentage increase in the actuarial factors at sample ages, based on the proposed mortality table.

Table 3: Percentage Increase in Actuarial Factors

Age	Current	Proposed	% Increase
50	14.022	14. 595	4.1%
55	13.149	13.904	5.7%
60	12.090	12.986	7.4%
62	11.621	12.539	7.9%

30. Table 4 provides an example of the increase in the lump sum commutation payment for a participant retiring at age 55.

Table 4: Commutation Payment based on Current and Proposed Commutation Factors

Age at retirement:	55
Pension payable prior to commutation:	$80,000
Commutation based on current assumptions:	$80,000 x 13.149 x 1/3 = $350,640
Commutation based on proposed assumptions:	$80,000 x 13.904 x 1/3 = $370,773
Improvement due to assumption change:	$20,133

[15] The World Bank's gross salary plan (grandfathered in 1998) uses the same actuarial factors as those in the Fund's current SRP.

[16] The 2007 United Nations Mortality Tables is the most recent table published by the United Nations Joint Staff Pension Fund (UNJSPF).

Implementation

31. **The changes to the actuarial factors are recommended to be implemented effective May 2011, along with the other modifications to the SRP.** There will be minor systems implications related to this change.

C. SRP Grossing-Up Formulae

32. **SRP benefits and contributions are currently based on pensionable remuneration, which is the gross, pretax equivalent of the Fund's net-of-tax salaries**. Participants' salaries are converted to pensionable remuneration using a set of "grossing-up" formulae specified in the Plan. The current Plan formulae were established in 1990, based on the combined tax rates of the United States, France, and Germany.[17] Table 5 shows the current gross pensionable remuneration formulae.

Table 5. Gross Pensionable Remuneration Formulae

Net Salary Range	Gross Pensionable Remuneration
Up to $20,000	(1.38 x net salary) minus $2,100
$20,000–$30,000	(1.61 x net salary) minus $6,700
$30,000–$50,000	(1.72 x net salary) minus $10,000
$50,000–$80,000	(1.68 x net salary) minus $8,000
$80,000 or more	(1.86 x net salary) minus $22,400

33. **In 1990, the Pension Committee mandated that formal reviews of the grossing-up formulae be conducted every five years.** The reviews are to ensure that the formulae continue to produce reasonable levels of pensionable remuneration based on changes in the tax rates of the three countries, and that the Fund's retirement benefits remain competitive. The Pension Committee subsequently requested informal reviews on an annual basis so that differences of more than 10 percent in gross remuneration (due to tax rate changes) could be brought to its attention before the end of the five-year formal review period.

[17] SRP gross remuneration is based on fixed country weightings for the United States (50 percent), France (25 percent) and Germany (25 percent), analogous to the country weightings used in the Fund's compensation system (international competitiveness test) and to reflect a representative range of tax structures. Recent data indicate that about 70 percent of retirees live in the United States.

34. **The grossing up-formulae have overstated pensionable gross remuneration by more than 10 percent since 2005 (Table 6).**[18] The results of the analysis for 2009 indicate that pensionable remuneration is overstated by an average of 16.4 percent: 14.0 percent due to tax rate changes and 2.4 percent due to exchange rate movements. (See Appendix D for a breakdown of the overstatement at various salary levels).

Table 6: Overstatement of Gross Remuneration Formulae
Based on Tax Rates in Year Shown
(percentage change compared to 1990 tax rates)

	1995	2000	2005	2006	2007	2008	2009
Tax rates	2.1	4.9	12.4	12.7	13.1	13.6	14.0
Exchange rates	4.1	3.0	1.2	1.7	1.9	2.4	2.4
Total	6.2	7.9	13.6	14.4	15.0	16.0	16.4

35. **The overstatement in the grossing up formulae produces SRP benefits that build in excessive amounts attributable to taxes.** Since the contributions to the SRP are also based on gross remuneration, the Fund and participants are contributing at a higher level than is needed to provide the intended benefits.

Recommendation

36. **The Task Force recommends the following modifications with respect to the SRP's grossing-up formulae:**

- Generate revised grossing-up formulae, using an updated scale of salary ranges, that reflect a reduction of 7 percent (on average) from the current formulae;
- Apply the revised formulae from May 1, 2011;
- The formulae would be applied on a prorated basis for service earned before and after the effective date of the change;[19]

[18] Since 2005, the informal reviews have been successively delayed, first due to the Employment, Compensation, and Benefits Review and a delay in receiving the 2005 Quadrennial Benefit Survey (needed in order to confirm the SRP's competitiveness after a potential decrease in the formulae), and then as a result of the Fund's restructuring exercise.

[19] The highest average gross remuneration based on the *current* formulae, as of the participant's separation date, would apply to service earned between 1990 and the effective date of the change, and the highest average gross remuneration under the *new* formulae would apply to service earned after the date of the change. This prorating approach, which was also used in the 1990 change of the formulae, would result in a gradual decrease in the combined provided formulae and benefits.

- Participants would continue to contribute 7 percent of gross remuneration, but their gross remuneration would be calculated based on the new formulae. This will increase take-home pay as of the proposed effective date of the change. The Fund's contribution (normalized at 14 percent of gross remuneration) will also be correspondingly lower in dollar terms;

- Staff who retire(d) or separate(d) under the restructuring/downsizing exercise would not be affected by the change (i.e., the current grossing-up formulae would continue to apply for them through separation/retirement);

- Provide a "minimum benefit guarantee."[20] The SRP provides that, in case of a Plan change, the pension benefit cannot be less than the vested benefit based on service and pensionable gross remuneration as of the date of the change.[21] The minimum benefit guarantee provision provides a "floor," calculated using service through separation date and the gross remuneration in effect as of April 30, 2011, below which the benefit could not decrease. This provision would protect shorter-service staff close to retirement from a potentially significant drop in their pension benefit as a result of the change. See Appendix E for an example.

37. **Table 7 illustrates the impact of a 7 percent reduction on the annual pensions and participant contributions, at various combinations of service before and after the change.** The proposed reduction reflects the following considerations:

Table 7. Impact of Grossing-Up Formula Modification on Pensions and Staff Contributions

		Pensionable Service		Current Formula	Current Formula Reduced by 7%		
Scenario 1/	Age as of 5/1/2011	Pre-5/1/2011	Post-5/1/2011	Pension	Adjusted Pension	Reduction in pension (in percent)	Savings in Staff Contribution
32 years of total service							
1	40	10	22	$256,500	$244,100	4.8%	$30,900
2	50	20	12	$187,000	$182,100	2.6%	$14,100
3	60	30	2	$137,800	$137,100	0.5%	$2,000
22 years of total service							
4	50	10	12	$133,900	$128,700	3.8%	$14,100
5	60	20	2	$96,800	$96,200	0.6%	$2,000
12 years of total service							
6	60	10	2	$52,800	$52,200	1.2%	$2,000

1/ Assumptions: formula change is effective May 1, 2011; a $200,000 gross salary on that date; and 3 percent annual salary increases to retirement at age 62.

[20] The 1990 formulae change was introduced with the same provision.

[21] Paragraph 12.1 of the Staff Retirement Plan.

Although exchange rate movements have slightly increased the overstatement over the past five years, it is difficult to say whether there will be a persistent effect on gross remuneration. For this reason, the Task Force suggests that the correction in the grossing-up formulae consider the current tax rates but ignore the effect of exchange rate changes. The proposed reduction by 7 percent would bring the grossing-up formulae within the plus-minus 10 percent band established by the Pension Committee while maintaining the SRP's employer-provided value at a competitive level (see below);

- The Task Force recognized that tax rates in the U.S. are scheduled to increase beginning in calendar year 2011 (when certain tax limits are set to expire) and that this would reverse part of the 2009 overstatement. However, it was agreed that the impact of these changes could be captured in future years' grossing-up formulae annual reviews;

- The proposed reduction would retain the SRP's competitive positioning. Since the 2009 QBS is currently underway, the 2005 QBS provides the most recent benefits comparisons for this purpose. As shown in Table 8, the SRP's employer-provided retirement values exceed those of the World Bank's post-1998 plan and the United States, French, and German comparator markets. With an increase of about 0.6 percent in the SRP's employer-provided values to reflect the Rule of Age 50, pensionable salaries could be reduced through the revised formulae by 7 percent and remain competitive; such a reduction would bring the SRP's values close to the level of the World Bank and the U.S. market.[22]

[22] Impact of the Rule of Age 50, and a realignment of the grossing-up formulae provided by Hewitt and Associates, based on their 2005 QBS report.

Table 8. Retirement Benefits: Employer-Provided Benefit Values
(Values are expressed as a percentage of net salary)

	Fund SRP 1/		Bank	U.S.	France	Germany
Net Salary (In US$)	Current Plan	7 Percent Reduction	Post-1998 Plan			
40,000	18.8	17.6	17.0	17.7	21.0	15.3
60,000	18.8	17.6	17.0	17.3	16.8	16.8
80,000	18.4	17.2	17.0	17.0	13.3	13.3
100,000	18.1	17.0	17.0	17.1	12.3	12.9
120,000	17.8	16.7	17.0	16.0	11.5	12.7
140,000	17.6	16.5	17.0	16.0	11.4	12.7
160,000	17.5	16.4	17.0	16.8	12.0	12.6
200,000	16.8	15.8	17.0	16.7	14.4	12.2
240,000	16.2	15.3	17.0	15.6	13.7	11.9
Weighted average	18.1	16.9	17.0	16.8	13.9	13.7

Source: 2005 QBS

1/ The Rule of Age 50 plan improvement is expected to add 0.6 percentage points to the values shown under the two columns (Current Plan and 7 Percent Reduction).

Estimated plan savings

38. **The Actuary has indicated that an average decrease in gross remuneration of 7 percent would lower the Fund's annual contribution by about $12.5 million by FY 2015**. The Fund's contribution rate (applied to gross remuneration) is projected to remain about the same with or without a revision in the grossing-up formulae since the change would decrease benefit liabilities and gross remuneration by a similar percentage. However, the dollar amount of the Fund's contribution would decrease proportionally to the change in gross remuneration. The Actuary's letter is provided in Appendix J.

Implementation

39. **A significant amount of work is needed to change the grossing-up formulae.** New formulae will need to be generated based on the results of the 2009 grossing-up analysis. It is estimated that 6–8 months are needed to update the IMF's pension and tax administration systems. The suggested effective date for the change in the SRP grossing-up formulae is May 1, 2011, reflecting the implementation process and aligning the change with the start of the fiscal year.

D. Transfer Agreements

40. **A pension transfer agreement (PTA) is an arrangement between two organizations for the transfer of credit/pension service between their respective retirement plans.** These agreements are established to facilitate staff interchanges between two organizations, improve cooperation, increase knowledge sharing, provide additional

career development opportunities, and enable the circulation of talents. The Fund currently has PTAs with the World Bank, ADB, IADB, and the UN.

41. **Transfer arrangements facilitate staff movement/development by reducing "portability losses" that would otherwise occur when staff leave one plan and start service over in another plan.** Dividing service between two defined benefit plans can be disadvantageous for staff for several reasons:

- Inability to earn certain pension rights, including eligibility for a pension (vesting rights), an unreduced pension, cost of living indexation, etc.;
- The benefits earned under the first plan lose pace with salary increases earned with the second employer, under final average pay pension plans.

42. **Transfer agreements vary depending on the type of pension schemes and benefits provided by the organizations.** Typically, transfer agreements can be divided into two categories:

- "Inner circle" agreements, which are typical of organizations with similar pension plan designs and benefit levels. These agreements transfer credit for service in the first employer's retirement plan to the second employer's retirement plan, so that the transferee obtains credit in the second plan as if he or she had always been enrolled in it. The individual's participation in, and entitlement to benefits from, the first plan ends upon the transfer. The first plan pays an amount reflecting the actuarial present value of accrued benefits to the second plan. Currently the Fund has "inner circle" agreements with the IADB and the UN;
- "Outer circle" agreements transfer the value of the earned benefits in the first employer's plan, based on its provisions and actuarial factors, to the second employer's plan; the transferee acquires benefits in the second plan that are equal in value to the transferred amount, based on the rules and actuarial factors of the second plan. This type of agreement is cost neutral for the first employer, but depending on the difference in benefits level and actuarial factors, could produce large gains or losses in benefits for the staff member. Currently the Fund has an "outer circle" agreement with the ADB.

43. **A third type of agreement has been established with the World Bank.** Under this agreement, there is no transfer of assets but the retirement benefits from each organization are based on the participant's highest average pay at retirement or separation from either organization (usually this will be from the second organization). Combined plan service is used for determining eligibility for vesting and early retirement reductions. Contrary to the "inner circle" or "outer circle" agreements, the first organization remains liable for its portion

of the pension and its administration, until and when the staff member retires from the second organization.

Recommendation

44. **The Task Force recommends the addition of PTAs in support of increased employment flexibility and pension portability.** The Task Force proposes that an interdepartmental working group, led by HRD, be established to negotiate new pension transfer agreements with other IFIs. At the request of the Task Force, HRD investigated the potential interest of other IFIs to establish new pension transfer agreements with the Fund. The following IFIs have indicated their interest in developing a PTA with the Fund:

African Development Bank
Bank for International Settlements
European Central Bank
European Investment Bank
Islamic Development Bank
Organisation for Economic Cooperation and Development
World Trade Organisation

45. **Beyond transfer agreements with other IFIs, the Task Force recommends that the working group explore the possibility of establishing agreements with countries' national pension schemes.** These types of agreements between countries (so-called "totalization" or "bilateral agreements") recognize years of service in both plans to determine eligibility for vesting, early retirement reductions, and/or determination of disability benefits in both plans. Some European IFIs, the UN and OECD have established similar agreements with some countries, or are in the process of implementing them. A summary of the results of HRD's survey of the IFIs is included in Appendix G.

Implementation

46. **The addition of new transfer agreements is a long-term project requiring prioritization and resources.** The working group would be expected to develop a prioritized list of potential PTA partner organizations and a timetable for negotiation/implementation. HRD has estimated that each transfer agreement would require six to 12 months to implement, with approximately 100–150 man/days per agreement. Several departments (FIN HRD, LEG, and OBP) would need to be involved.

E. Voluntary Savings Plan

47. **The recommendation to consider a voluntary savings plan was first made during the ECBR.** While such a plan would likely be attractive to staff, implementation and ongoing costs could be quite high, depending on its structure. The addition of a voluntary savings plan, therefore, requires careful consideration and planning.

48. **The World Bank began a voluntary savings plan for its staff in July 2009.** The plan's governance structure includes a World Bank committee that conducts reviews of the plan's performance and investment fund options on a quarterly and annual basis; plan administration is fully outsourced to Wachovia. In an effort to offer the most tax effective savings for staff, the plan was designed with the following key features:

- Two types of accounts—a 401(k) pre-tax account for U.S. citizens only, and a post-tax Roth account for both U.S. and non-U.S. citizens. The 401(k) account allows U.S. citizens to make contributions by reducing their net salary during employment.[23] Deferred amounts of salary (and investment earnings) become taxable when distributed from the plan after separation. Staff who are not U.S. citizens cannot contribute to a tax deferred arrangement in the U.S. However, the Roth account allows U.S. and non-U.S. citizens to contribute from payroll on an after-tax basis. Distributions (and investment earnings) from the Roth account are not taxable as long as the participant has attained age 59½ and participated in the plan for at least five years, as of the date the distribution is made.[24] Certain limitations apply to the amount of contributions paid into the plan;[25]

- Rollovers are accepted from other U.S. tax-qualified plans;

- Eight investment options are offered in various asset classes, with most of the mutual funds being indexed funds. The plan also offers a fund that is weighted in various investments based upon the ages of the participants, for those who prefer not to select their own funds;

- Investment management fees and the costs of plan administration are charged against participants' assets. The initial fee is set at 0.42 percent of assets, but it is anticipated that this will decrease as participation levels increase. Additional fees for certain types of assets also apply;

- Distributions are payable in the form of a lump sum, or monthly, quarterly or annual installment payments. Loans (up to three) and hardship withdrawals are also available;

- A customized web site, with interactive customer service support, is provided by Wachovia. Participants may change investments and review account balances online.

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[23] Tax allowances on net salaries for U.S. staff are calculated without regard to 401(k) pretax savings account contributions.

[24] The World Bank has submitted their new plan for a determination letter from the Internal Revenue Service.

[25] The maximum contribution for 2009 is $16,500 (plus $5,500 for staff 50 and over). Contributions are also subject to an overall combined maximum contribution of $49,000 for both the World Bank SRP and 401(k). Maximum deferrals of 50 percent of net salary and overtime also apply.

49. **Adding a voluntary savings plan has several benefits.** It would round out the Fund's retirement benefits program, enhancing its attractiveness to mid-career hires and shorter-term staff. These employees, who are expected to comprise a larger share of the Fund's future workforce, would receive a smaller SRP benefit commensurate with their shorter service with the Fund, and may have more of a need to supplement their pension benefit with personal savings. In addition, a voluntary savings arrangement will:

- Offer tax advantages for both U.S. and G4 staff;

- Facilitate the transfer of savings or accrued pension benefits to and from other qualified U.S. plans (the SRP can only accept transfers from organizations with which transfer agreements are in force);[26]

- Provide an opportunity for staff to augment their retirement savings. As noted, this would be of particular interest to those who will not have a full career with the Fund, but it would also benefit full-career staff; and

- Provide a source of funds (i.e., loans or financial hardship withdrawals) to meet certain types of financial obligations.

50. **The Task Force considered various alternative arrangements, ranging from simple to complex design approaches.** Of particular importance are the tax considerations of a voluntary savings plan. Just as the SRP is a U.S. tax qualified plan, it will be necessary to protect the integrity of the tax status of any new type of savings arrangement, or participants will incur a tax liability on their contributions and earnings.

51. **A simple savings arrangement, and one which would require limited resources, would be to follow a design used by ADB, whereby staff are able to make lump sum or regular monthly savings contributions into a component of the SRP.** The savings accumulate at a guaranteed fixed rate of return, based on the length of the investment period.[27] The savings plan balances are invested by the ADB using the same investment strategy and funds as the main SRP contributions and thus attractive fixed interest rates are offered. However, the SRP fund (and ultimately the organization) takes on the investment risk for providing the fixed rates; another negative is that rollovers from prior employer plans are not permitted. The Task Force felt that it was not a viable option for the SRP to take on the investment risk for the savings plan.

52. **Another approach considered by the Task Force was to provide an investment fund which would emulate the investment returns of the SRP.** This fund would essentially yield the returns achieved by the SRP, which have generally been favorable. However, there would be complexities in introducing such an arrangement, including added

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[26] Pension transfer agreements are currently in place with the ADB, IADB, UN and World Bank.

[27] Contributions into the plan for more than three years earn a higher guaranteed rate of return (6.5 percent) than those in the plan for less than three years (5 percent).

fiduciary responsibility and risks; and the investment strategy for long-term investment of the SRP funds will differ from the shorter-term nature of participants' savings. The Task Force agreed that this option may be explored at a later date, as an additional investment option within the plan, once some experience has been gained with a new voluntary savings plan.

53. **The Task Force also reviewed the EBRD's arrangement, which allows staff to make additional voluntary contributions to its "Money Purchase Plan," a defined contribution plan.** This voluntary component of the EBRD's defined contribution plan is similar to that of the World Bank's new voluntary savings plan. The EBRD's plan offers 14 different investment fund options, including equities, cash, bonds and a "default" fund for those participants not wishing to make investment decisions. The funds follow benchmark indices and the investment risk is borne by the participants contributing to the fund, although the EBRD has the fiduciary responsibility to monitor the investments.

Recommendation

54. **The Task Force recommends exploring the possibility of joining with the World Bank to offer their voluntary savings plan to Fund participants.** Jointly sponsoring the plan would utilize the research and preparatory work already carried out by the World Bank, and greatly facilitate implementation of a plan design that meets the Fund's objectives. In addition, it would offer economies of scale in administration costs.

55. **Alternatively, if joint sponsorship with the Bank is not feasible, consideration should be given to establishing a similar savings plan and outsourcing the administration to Wachovia or other vendors (subject to necessary procurement procedures)**. This would allow the Fund to take advantage of the work put into the arrangement already in place.

56. **A new voluntary savings plan could incorporate the Fund's current 401(k) plan for contractual employees.** The existing plan for contractuals could be merged into the new voluntary savings plan, offering scope for administrative efficiencies.

Estimated costs

57. **The World Bank estimated its up-front costs to be $115,000, with investment fund and plan administration costs of about $100,000 per year.** As noted, the costs of plan administration are borne by participants. To the extent the World Bank and the Fund jointly sponsor their plan, the above costs (and participants' fees) would be somewhat reduced.

Implementation

58. **Jointly sponsor plan with the World Bank.** Staff resources from FIN, HRD, INV, LEG, and TGS would be required to implement a voluntary savings plan, and a governance structure would need to be established to monitor the plan on an ongoing basis (jointly with the World Bank, if applicable).

F. Alternative Plan Designs—A New SRP for New Participants?

59. **The Task Force took a broad view of the potential modifications to the SRP's pension benefits for new participants.** The majority of SRP participants will continue to be long-service staff, but there will be an increasing proportion of staff hired mid-career and separating after a shorter period of service. The Task Force reviewed a variety of alternative retirement plan designs (including four variations of the World Bank's hybrid plan), as summarized in Table 9. Details on the alternative plan designs can be found in Appendix C.

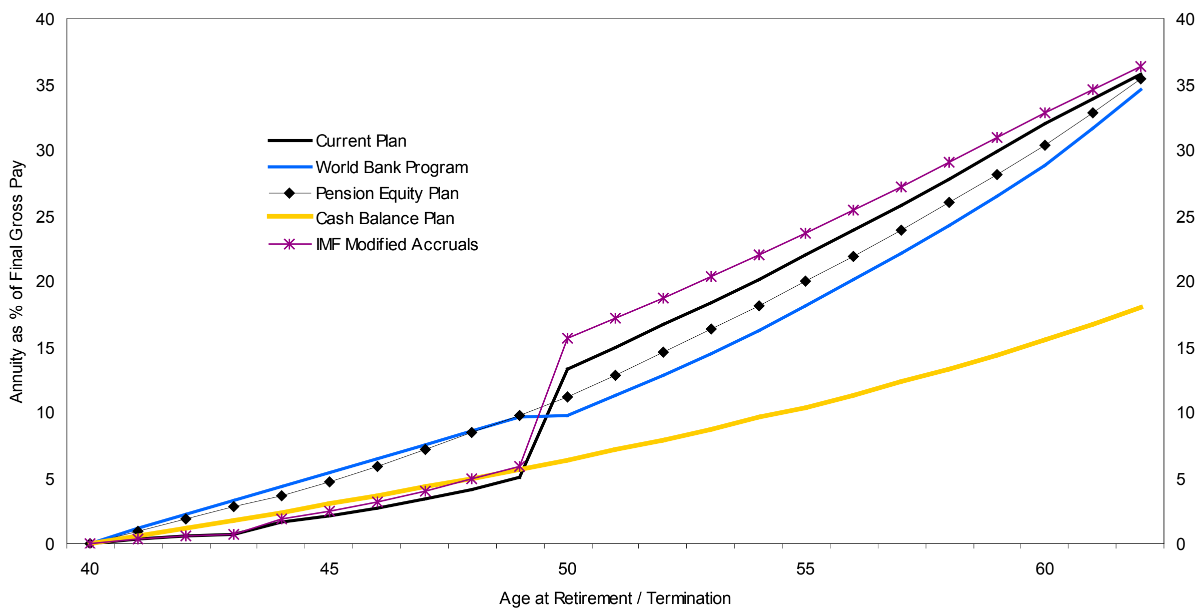
Table 9. Alternative Plan Designs Studied by the SRP Task Force

World Bank Program (Net)	Benefits based on **Net Pay**: two components: Final three-year average pay plan plus cash balance plan (hybrid approach based on career average pay)
World Bank Program (Gross Equivalent)	Benefits based on **Gross Pay**: final three-year average pay plan plus cash balance plan
	Same final average pay plan formula but lower cash balance plan formula
	Lower final average pay plan formula and lower cash balance plan formula
Pension Equity Plan	Benefits based on **Gross Pay**: hybrid defined benefit plan based on final three-year average pay
Cash Balance Plan (or Equivalent Defined Contribution Plan)	Benefits based on **Gross Pay**: cash balance plan formula of the World Bank program (without the final average pay plan component)
IMF Plan with Modified Accrual Rates	Benefits based on **Gross Pay**: final three-year average pay plan with higher accruals in the earlier years of the participant's career (as compared with the current plan formula)
IMF Plan (Net)	Benefits based on **Net Pay**: final three-year average pay plan

60. **The alternative plan designs would put the majority of Fund staff (having longer tenures) at a disadvantage, leading the Task Force to conclude that the SRP's design remains the most appropriate for the Fund's current and future workforce.** As noted,

the Task Force recognized that a shift to alternative plan designs (whether defined-benefit, hybrid, or net-pay) would not in itself reduce costs unless accompanied by a reduction in benefits. Such a reduction was not considered advisable given the importance of maintaining the Fund's attractiveness as an employer of choice. Several of the alternative plan designs reviewed provide more level accruals throughout a participant's career than the SRP which generates higher accruals in the later years of a participant's career. Figure 3 provides an illustration of the employer-provided benefit accruals under the SRP, the World Bank's plan, a comparable "Pension Equity Plan", and the Cash Balance Plan component of the World Bank's plan, for a participant hired at age 40. As shown, without reducing plan costs and benefits, the alternative plan designs would provide relatively higher pension benefits to participants with shorter service, and lower pension benefits to longer career participants. This would be an undesirable result, on balance, and would decrease the competitiveness of the Fund's retirement benefits for core staff. As noted, the Task Force did not favor frontloading pension benefit accrual rates; while staff separation rates tend to slow after 10 years of service, this may be attributable to many different factors such as family and visa status (see Appendix B).

Figure 3. Comparison of Benefit Accruals Under Various Plan Design Approach



61. **Additional considerations:**

- **Competitiveness**. The Task Force reviewed the SRP's competitiveness with the retirement programs of the World Bank, and the United States, French, and German markets. The 2005 QBS indicates that the SRP requires somewhat higher participant contributions than those required by the comparator plans and markets; however, the value of the total benefit and the benefit attributable to the Fund's contributions were found to be broadly competitive (See Appendix F);

- **Financial sustainability.** The projections of the SRP's liabilities, assets and contributions, as discussed in Section III, indicate that the plan is financially sustainable over the long-term. The SRP's financial framework is designed to support the plan over a long timeframe, with a build-up of excess contributions in reserves that can be drawn, as needed, to withstand market volatility. This allows the Fund to make contributions at a stable rate of 14 percent over many years and avoid the need to react precipitately to market downturns;

- **Flexibility.** The Task Force concluded that the SRP, with proposed changes to the withdrawal benefits and the introduction of a voluntary saving plan, provides sufficient flexibility to meet the needs of both short and long-service participants, and therefore, its current design and benefit structure should be maintained.

62. **Besides the SRP's benefit structure, the Task Force also examined the option of moving to a net pay pension plan and providing individual tax reimbursements for new staff.** As noted, the benefits paid from the SRP reflect a gross-up of participants' net salaries, with the Fund and participants also contributing based on gross remuneration. This approach overstates/understates the taxes due on benefits paid from the SRP for many Fund retirees, since the grossing-up formulae are based on average tax rates (in the three representative countries) and apply to all participants equally—while many retirees will incur a lower actual tax liability on their SRP benefits, and others will pay higher taxes due to higher tax rates in their country of residence.

63. **Upon careful consideration, the Task Force recommends to stay with the current gross plan for all (current and future) staff**. In examining a possible shift to a net plan, the Task Force found a number of disadvantages that, on balance, outweigh the possible gains.

- **Uncertain cost savings.** The magnitude of the cost savings for the Fund from shifting to a net plan are uncertain and depend on a number of factors that are difficult to predict; in some scenarios, the net savings for the Fund could be very small or even negative.[28] In any case, the proposed realignment of the grossing-up formulae reduces the potential cost savings from shifting to a net-pay plan;

[28] The net cost impact (for the Fund) depends, in particular, on the level of required Fund contributions and the cost of individual tax reimbursements which would be provided outside of the SRP. Lower Fund contributions—possibly due to sustained better investment performance of the SRP—would result in lower savings, and vice versa. The cost of tax reimbursements depends mainly on the location of residence of retirees (which might, of course, change following a shift to a net-plan approach); the tax regimes in the different countries of residence of retirees; the method used for calculating the reimbursements (e.g., based on first or average income); and retirees' additional incomes if the average-income method is used. Any applicable cost savings to the Fund would accrue gradually, over the next 30–35 years, as current staff are replaced by newly hired staff.

- **Operational, administrative, and financial issues**. A key concern of the Task Force were the complex operational, administrative, and financial issues arising in the context of a net-pay plan with individual tax compensation for retirees. Payment of tax allowances from the Administrative Budget would subject a significant part of pensions to the uncertainties of the annual budget process, a departure from one of the fundamental strengths of the SRP which is to provide a well-funded, independent and stable source of retirement income to Fund staff.[29] Reimbursing taxes to future pensioners residing in many different countries would be administratively costly and complex, and potentially increase the risk of mistakes and under/over compensation. Other IFIs have introduced net systems, but the experience so far is mixed. The World Bank remains concerned about financing and the complexity of administering tax allowances once the staff under the net plan begin to retire in large numbers;

- **Tax risk**. Currently, staff contributions cover part of the estimated tax burden and, upon retirement, all the tax risk is borne by the retiree. A shift to a net plan would mean the Fund would assume the risk of changes in national government tax rates and retiree location (e.g., the shift could result in a larger number of participants retiring in higher-tax countries);

- **Retiree administrative burden**. A net-plan system could place an undue administrative (paperwork) burden on many retirees as they grow older or become otherwise infirm. Caretakers of such retirees, whether family or professional, may not be able or willing to fulfill the requirements to have taxes reimbursed;

- **Legal**. A shift from the current gross plan to a net plan for *current* participants would raise legal complexities;

- **Human resources**. Finally, a shift to a net plan for new employees would leave the institution operating under a two-tier staffing strategy for a very lengthy period of time, undermining staff cohesiveness and morale. For new staff, a move to a net-pay scheme, *ceteris paribus*, would likely make the Fund's after-tax pension benefits less generous on average than those of important comparator institutions, weakening the Fund's competitiveness as an employer of choice.

Recommendation

64. **The Task Force recommends that the basic design of the SRP be maintained with its current defined-benefit structure, accrual rates, and gross-pay approach.** The proposal to continue the SRP with its current basic structure for future hires has the

[29] While some of these issues could be addressed through separate pre-funding arrangements, these would have their own complexities (e.g., potential tax issues).

advantage that all participants will be covered by the same basic plan features. The plan formulae and provisions for early retirement, withdrawal, disability and death benefits will be the same for all participants. This supports a unified workforce, maintains competitive retirement benefits, and simplifies Plan administration and participant communications as compared to creating a different plan design for future participants.

V. Estimated Costs/Savings of the Recommendations

65. **The recommendations of the Task Force would yield considerable cost savings (Table 10)**. Together, the proposed changes in withdrawal benefits, commutation factors, and grossing-up formulae are estimated to yield net savings of about $7.5 million by FY 2015, and $11.2 million by FY 2030.

Table 10. Costs (+)/Savings (-) of Proposed Changes—Summary 1/

Year	Withdrawal Benefits	Commutation Factors	Grossing-Up Formulae (-7%)	Combined (1), (2), (3)
2015	3.8	2.2	-12.5	-7.5
2020	3.2	1.3	-12.4	-8.4
2025	8.5	3.7	-12.2	-9.7
2030	9.3	3.5	-23.2	-11.2

1/ Increase (+)/Decrease (-) in annual Fund contribution, in millions of U.S. dollars.

66. **The proposed withdrawal benefit is estimated to increase the SRP's benefit liabilities (present value) by about $31 million, based on the April 30, 2008 actuarial valuation.**[30] This liability increase would raise the actuarially determined contribution by about $3.8 million by FY 2015.

67. **If more participants elect a withdrawal benefit, the cost of enhancing the withdrawal benefit formula will be lower.** The Fund's actuarially determined contribution reflects assumptions for participants electing a withdrawal benefit over a pension—paying a withdrawal benefit is less costly than paying a monthly pension partly because the withdrawal benefit is paid as a lump sum and is not increased by future cost-of-living adjustments that would apply to the pension benefit. The analysis of the cost impact is included in the Actuary's letter (see Appendix J).

68. **The proposed update to the commutation factors is estimated to increase the SRP's liabilities by $21 million, resulting in a $2.2 million increase in the Fund's actuarially determined contribution by FY 2015.** The Fund's actuarially determined

[30] The liability for withdrawal benefits amounted to $70 million based on the April 30, 2008 actuarial valuation.

contribution reflects the present value liability for participants' pension and commutation payments, assuming that 12 percent of the pensions for new retirees will be paid as lump sum commutations. If the lump sum commutation payments exceed 12 percent of the pensions to be paid, the cost of changing to the new mortality table will be lower—paying a lump sum is less costly than paying a monthly pension because the commutation payments do not reflect the value of future cost-of-living increases or survivor benefits that would be part of the value of the pension benefit.

69. **The SRP's annual actuarial valuation is based on the 1993 United Nations Mortality Tables and other assumptions as approved by the Pension Committee in its last five-year review, in 2006**. The next comprehensive review of the actuarial assumptions of the SRP is scheduled for 2011. The Actuary has indicated that this review will likely include, among other updates, a recommendation to update the mortality table to the 2007 United Nations Mortality Table.

70. **The Fund's contribution rate (applied to gross remuneration) is projected to remain about the same with or without a revision in the grossing-up formulae since the change would decrease benefit liabilities and gross remuneration by a similar percentage**. However, the dollar amount of the Fund's contribution would decrease proportionally to the change in gross remuneration. The Actuary has indicated that an average decrease in gross remuneration of 7 percent would lower the Fund's required annual contribution by about $12.5 million by FY 2015. (The Actuary's letter is provided in Appendix J).

71. **Additional (temporary) resources would be required in HRD and FIN to implement the recommendations**. One additional FTE would be needed in HRD, and one in FIN. Additional technology costs would also arise in updating the pension and payroll systems. Preliminary estimates put the cost of implementation at approximately $100,000 for the Voluntary Savings Plan and $175,000 for the SRP changes. The proposed changes will also lead to an increase in annual IT support costs of roughly half a man year for TGS.

APPENDIX A: TERMS OF REFERENCE, PHASE II PROCESS AND TASK FORCE MEMBERS

Terms of reference

72. The specific Terms of Reference for the Task Force, as established by the ECBR Steering Committee, in 2006, are to:

- Re-examine the level and service-based rates of accrual of benefits that would be consistent with the indicated staffing objectives and workforce profile, as well as relevant standards of competitiveness, adequacy, and cost;

- Determine what changes are needed to produce the indicated benefit levels and rates of accrual for staff with relevant age and service profiles within the defined benefit plan, focusing on the competitiveness of benefits for mid-career and limited-term appointees and the rate of growth (or "linearity") of late-career benefits for long-term staff. Consider whether there is merit to complementing the current pension system with a voluntary savings plan;

- Develop measures to facilitate benefits portability, including a savings plan and additional transfer arrangements with international organizations and national/governmental retirement plans to and from which a meaningful number of staff may move; and

- Evaluate the advantages and disadvantages, and determine the feasibility of, changing the SRP remuneration base (for future participants) from the present notional, gross remuneration to net-of-tax salaries, with reimbursement separately provided for individual retirees' actual income taxes on pensions.

Phase II process

73. Phase II of the review of the retirement program began in January 2009, with Task Force meetings of up to three times each month over the following nine months. The first discussion item was the reform objectives. After a consensus was reached on the objectives, the Task Force considered the full range of issues that they would address as part of the study:

- An alternative plan design for new participants;
- Improvements to the SRP's withdrawal benefits;
- Reductions in the SRP's grossing-up formulae;
- Updates to the SRP's commutation factors to reflect a current mortality table;
- Additional transfer agreements;
- A voluntary savings plan.

74. The Task Force was assisted by David Nearpass, Actuary for the SRP. Representatives from the World Bank also met with the Task Force to provide information about their retirement program and their new voluntary savings plan, implemented in July 2009. Colleagues from the Inter-American Development Bank (IADB) shared information about their program, and prepared examples of tax reimbursements under their benefits policy. Survey information was collected from other International Financial Institutions (IFIs), and information was extracted from the 2005 Quadrennial Benefits Survey (QBS).

75. The review considered the Terms of Reference and subsequent requests made by the Executive Board and the Pension Committee, as well as the following:

- Historical, present and future workforce demographics;
- IMF human resource objectives;
- Market trends and comparator organizations' retirement programs;
- Alternative/additional plan designs;
- Feasibility of changing and/or adding plans; and
- Impact on SRP and IMF costs.

Task Force members

76. The 2009 SRP Task Force Members included:

Mr. Portugal (Chair), Ms. Atkinson, Ms. Burgi-Schmelz, Mr. Cottarelli, Mr. Miranda, Mr. Rodlauer, a representative from the Staff Association Committee (successively Mr. Rother, Ms. Redifer, and Mr. Flores), Ms. Siegel, Mr. Tiwari, and Mr. Tweedie. The Task Force was assisted by Ms. Powers, Ms. Lester, Mr. Patterson (all LEG); Mr. Burston, Mr. Vicini, Ms. Marzouk (all HRD), and Mr. Nearpass (the Actuary for the SRP, Buck Consultants).

APPENDIX B: EMPLOYMENT FRAMEWORK

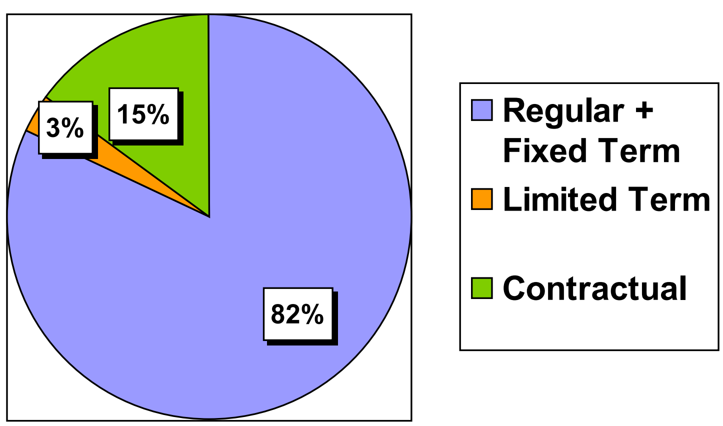
77. Throughout Phase II of the study, the Task Force relied on current workforce data and anticipated changes that would result from expected/desired changes in the Fund's employment framework. The following is a summary of the workforce data considered by the Task Force.

Current workforce profile

78. The Fund's current workforce reflects a long-tenured and permanent staff employment model with a relatively small contingent workforce of limited term and contractual staff. As of the end of 2008, the Fund employed approximately 2,526 staff, including 367 volunteers under the Fund's recent restructuring exercise.

79. Different appointment types—regular or open-ended positions (beginning as fixed term appointments); limited term appointments; and contractual/headquarters-based technical assistant (HQTA) positions—are used to fill the Fund's skill needs for specific durations. Fixed term staff generally convert to regular staff positions after three years for skills that will be needed by the Fund over a long time horizon. Employees who are in functions or who have skills for which the Fund does not have a definite long-term need are appointed to limited term positions, which range from two to three years but may be extended to five years. Generally, conversion from limited term to regular staff in the same function is not permitted. The Fund hires contractual staff and HQTAs to meet its short-term skill needs within particular functions where the required skills are unavailable internally. While contractual staff are hired for up to two years and HQTAs' contracts are generally for two years, both appointment types may be extended to a maximum of four years. Figure 4 shows the current breakdown of appointment types.

Figure 4.



80. The various appointment types define the eligibility for Fund benefits and allowances:

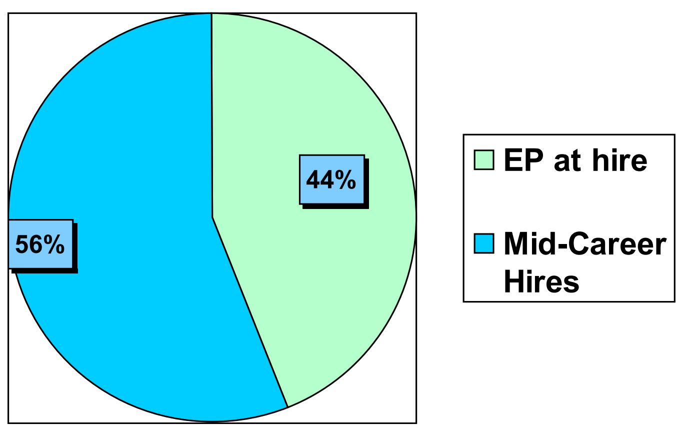
- Fixed term, limited term and regular staff are eligible for the SRP, and the Medical Benefits and Life Insurance Plans, as well as Spouse and Child allowances. Expatriates are also eligible for home leave and education allowances;

- HQTAs are generally eligible for the same plans and allowances as fixed and limited term and regular staff, except that they may participate in the Fund's Contractual Employees' Retirement Plan (CERP), a 401(k) plan, instead of the SRP;

- Contractual employees with contracts for more than one year may participate in the Medical Benefits and Life Insurance plans, and the CERP.

81. The Fund has two principal career streams—Economists and Specialized Career Stream (SCS) staff. Economists are further categorized as being hired into the Economist Program (EP) or as mid-career economist hires. Of the Fund's current economists, 44 percent entered the organization through the EP program and 56 percent were hired as mid-career economists, as indicated in Figure 5 below.

Figure 5.



82. While there are similarities in terms of staff tenure patterns between the Economist and SCS career streams, some differences are present. One key similarity between the two career streams is that both tend to have significant rates of staff separation during the first 10 years of service followed by much lower turnover in later years. Figure 6 shows this similar separation pattern for economists and other staff.

Figure 6. Staff Separations

83. Reviewing recent years' data shows that the rates of separation among economists have tended to be slightly less than that of Fund staff as a whole. Whereas approximately half of Fund staff tended to have separated after 11 years of service, half of the Fund's economists separated after about 13 years of service.

84. The Task Force also tried to examine the relationship between staff tenure and visa and child status. Although the results are not conclusive, Table 11 suggests that staff's tenure/mobility is influenced by visa and family status. G4 visa status is associated with lower mobility for staff with 10–20 years of service, while staff without children are significantly more mobile than staff with children during the first 10 years of service.

Tabel 11. G4 and Child Status of All Staff Hired Between 1988 and 2000
(In Percent)

	Total	Staff Separated With: Less than 10 Years of Service	10 to 20 Years of Service	Staff Remaining Active 1/
Total Staff	100	50	7	43
G4	70	51	6	43
Non-G4	30	48	11	41
Child	65	43	8	49
No child	35	63	7	30

1/ includes 2 noneconomists separated with more than 20 years of service.

Note: G4 and child status percentages of separated staff are relative to all staff with the same status.

Target workforce profile

85. In contrast to the Fund's current workforce structure, mainly comprised of long-tenured and permanent staff with a relatively small contingent workforce, the future workforce profile is expected to be more flexible, with a significant presence of short-term staff and a higher proportion of contingent workers. While no precise targets have been established, there is broad consensus on the dissection of change toward a lower share of fixed term or regular staff, and a higher proportion of limited term and contractual staff. This shift would impact participation in the SRP and the CERP, and calls for supporting adaptation of retirement benefits, adding benefits flexibility and portability in order to enhance the Fund's ability to attract new hires.

APPENDIX C: REFORM OPTIONS—DETAIL

A. Alternative Plan Designs

86. The Task Force considered a wide range of possible new plan designs for future participants. Each alternative was reviewed in terms of its ability to provide meaningful benefits for the Fund's future workforce—a more mobile staff with relatively shorter careers, on average, as well as a core staff working a full career with the Fund. Other considerations were:

- Benefit accrual patterns and levels;
- Competitiveness;
- Plan costs;
- Implementation and administrative costs.

World Bank plan

87. The Task Force considered the World Bank's plan for participants hired after 1998. This plan provides benefits under two types of plan formulae:

- A final average pay benefit formula of 1 percent of highest average net pay times service. If the participant has at least 10 years of service upon separation, this benefit may be paid as an annuity; otherwise, the lump sum value of this benefit is paid upon separation;

- A cash balance plan formula of 15 percent of each year's net pay, including the participant's contributions of 5 percent of net pay, with investment return based on the participant's investment elections. If the participant has at least 10 years of service upon separation, the accrued balance may be converted and paid as an annuity; otherwise, the accrued balance is paid out upon separation.

88. The nature of the cash balance plan design is to provide higher accruals in the early years of a participant's career as opposed to a final average pay formula which updates the accrued benefit by pay in the later years of a participant's career.

89. The new participant cost of the World Bank plan design using the Fund's grossing-up formulae is projected to be 26–28 percent of gross pay, the same as the cost for a new participant under the Fund's current plan.

90. The Task Force was not in favor of adopting the World Bank Plan approach because it would provide lower benefits to those working a full career (the Fund's core staff profile), at the same cost as the current SRP.

91. There would be a cost savings from using the World Bank's approach on a net salary basis, as opposed to gross remuneration. Using net pay lowers the new participant cost of the World Bank's plan design to 18–20 percent of gross pay. Moving the Fund's SRP to a net salary basis would be expected to result in the same approximate new participant cost.

Pension equity plan

92. A sample Pension Equity (PE) Plan was reviewed by the Task Force. The PE Plan formula produces a lump sum benefit, similar to the cash balance plan, but could also be converted to an annuity. The lump sum benefit formula is a percentage of highest average pay, where the percentage is accumulated for each year of service, based on the participant's age, as shown below:

Age	% of HAGR (Lump Sum Credit)
<40	10
40–44	15
45–49	20
50+	25

93. The lump sum resulting from the PE Plan formula would be added to the participant's accumulated contributions of 7 percent of gross pay.

94. The new participant cost of the PE Plan using the Fund's grossing-up formulae is projected to be 22–25 percent of gross pay, slightly lower than the new participant cost of 26–28 percent of gross pay under the Fund's current plan.

95. The Task Force was not in favor of adopting a PE Plan because it was not seen as a way to meet the objectives associated with creating a new plan, and the plan cost savings did not outweigh the concerns—dividing the workforce, and increasing the need for alternative plan communications and administration.

Cash balance plan

96. The sample cash balance plan formula is the same as the plan used in the World Bank's plan—15 percent of each year's pay, including the participant's contributions of 5 percent of pay, with investment return based on the participant's investment elections.

97. The estimated cost of this plan is much lower than the above plans since it is a stand-alone lump sum plan. The new participant employer cost is estimated to be 7.5–9.0 percent of pay.

98. The Task Force eliminated this option as it would have resulted in a very significant reduction in benefits for future participants.

IMF alternate plans A and B

99. The Task Force considered two modifications to the SRP's current plan formula, raising the benefit accrual percentage in the earlier years but keeping the maximum 73 percent of pay accrual and limit of 35 years of service recognized in the plan formula. The current and alternate plan formulae are:

> *Current Plan*: 2.2 percent of final average pay for the first 25 years of service, and 1.8 percent for the next 10 years.
>
> *Alternative A*: 2.5 percent of final average pay for the first 10 years of service, 2.0 percent for the next 15 years and 1.8 percent for the last 10 years.
>
> *Alternative B*: 2.7 percent of final average pay for the first 10 years of service, 2.0 percent for the next 15 years and 1.6 percent for the last 10 years.

100. The estimated new participant costs under Alternate Plan A and B are higher than for the current plan, as participants accrue higher benefits in the earlier years of their career. The new participant cost is 28–30 percent under Alternative A and 29–31 percent under Alternative B.

101. The Task Force was not in favor of either of the alternative SRP accrual formulae because they would increase costs without significantly increasing mobility.

IMF Net Plan

102. Moving to a net-pay plan would involve, for participants hired after the effective date of change:

- Changing the basis for computing benefits and participant contributions from gross salaries to net salaries;

- Provide tax reimbursements to participants separating or retiring under the net-pay pension plan, for income taxes incurred under their SRP benefits. A suitable approach and modality for tax reimbursements would have to be developed, including measures to address (potentially complex) tax, safeguards, and regulatory issues.

103. In considering a possible shift to a net plan for future staff, the Task Force noted several disadvantages that, overall, outweighed the potential advantages of such a shift. The main disadvantages of moving to a net plan are:

- Substantially reduced pensions for many new staff (net of taxes due);

- Complex administration of tax reimbursements, including possibly challenging tax, safeguards, and other issues;

- Separation of tax compensation from SRP would subject part of pension benefits to uncertainties and risks of annual budget process, requiring separate funding and governance arrangements;

- Savings (compared with a gross plan) are smaller in scenarios with higher asset growth and resulting lower Fund contributions; they also depend on the location of retirees, the tax regimes in the different countries of residence of retirees, and the modalities and administrative costs of tax reimbursements.

104. These disadvantages outweigh, on balance, the potential gains from moving to a net-pay plan.

- SRP benefits would be more equitable for future participants on an after-tax basis, as the tax reimbursements would more closely match the portion of income taxes owed on SRP benefit payments;

- Using net pay with tax reimbursements could be less costly for the Fund, although as noted the magnitude of savings is uncertain. While the long-term financial outlook for the SRP would not change materially (in terms of the Fund's required contribution as a percentage of pay), moving to a net-pay plan would reduce the Fund's dollar contributions over time as future hires join the SRP; future participants would also contribute less. The tax reimbursements would, however, create an additional cost to the Fund.

Modified 'World Bank' Plans A and B

105. The Task Force reviewed two lower cost options using the World Bank's plan design:

Modified World Bank Plan A

- A final average pay benefit formula of 1 percent of highest average net pay times service;
- A cash balance plan formula of 12 percent of each year's net pay, including the participant's contributions of 5 percent of net pay, with investment return based on the participant's investment elections;
- The new participant cost of Modified World Bank Plan A using the Fund's grossing-up formulae is projected to be 23–25 percent of gross pay.

Modified World Bank Plan B

- A final average pay benefit formula of 0.5 percent of highest average net pay times service;
- A cash balance plan formula of 10 percent of each year's net pay, including the participant's contributions of 5 percent of net pay, with investment return based on the participant's investment elections.

106. The new participant cost of the Modified World Bank Plan B using the Fund's grossing-up formulae is projected to be 13–15 percent of gross pay.

107. The Task Force considered that, while the Modified World Bank Plan B would sharply reduce projected plan costs for the Fund (to around the current normalized contribution rate of 14 percent), the resulting reduction of benefits would be very sharp and seriously undermine the Fund's competitiveness as an employer. Moreover, if the goal is to lower plan costs, it would best be done through a transparent reduction in the current SRP's benefit accrual rates rather than by creating a new plan design.

B. Withdrawal benefit

108. The Task Force considered five options for the withdrawal benefit, all of which would maintain the maximum benefit of 200 percent. The options were evaluated on the basis of the attractiveness of the benefit for shorter-term staff, impact on plan costs, and competitiveness among the IFIs (i.e., World Bank, IADB, and the UN).

109. The Task Force selected Option 5 because: (i) it targets a 10-year career (the data show that most separations after 10 years are retirements), (ii) its cost is relatively low, and (iii) it is comparable to the other IFIs.

110. Table 12 summarizes the options in terms of their benefit formulae, impact on SRP costs, and competitiveness with the IFIs.

Table 12. Withdrawal Benefit Options

Options	Withdrawal Formulae[31]	Plan Cost	Comparison to IFIs
Current Benefit	12 percent of HAGR for first five years of service and 10 percent of HAGR for the next 14 years of service	$70M liability as of April 30, 2008 (1.17 percent of annual gross payroll for FY 2010)	IMF benefit lags behind the other IFIs
Option 1	20 percent of HAGR for first five years of service and 10 percent of HAGR for the next 10 years of service	$50M increase in liability; $5M to 5.5M increase in annual contribution	IADB benefit is higher than Option 1 after 4 years, World Bank is higher than Option 1 after 7 years, UN benefit is higher than Option 1 after 6 years.
Option 2	25 percent of HAGR for first four years of service and 10 percent of HAGR for next 10 years of service	$50M increase in liability; $5M to 5.5M increase in annual contribution	IADB benefit is higher than Option 2 after five years, World Bank is higher than Option 2 after 8 years, UN benefit is higher than Option 2 after 7 years.
Option 3	25 percent of HAGR for first 6 years of service and 10 percent of HAGR for next five years of service	$50M increase in liability; $5.5M increase in annual contribution	IADB benefit is higher than Option 3 after 6 years, World Bank is higher than Option 3 after 11 years, UN benefit is lower than IMF, IADB, and World Bank benefits.
Option 4	15 percent of HAGR for first 8 years of service and 10 percent of HAGR for next 6 years of service and 5 percent for the next four years of service	$19M increase in liability; $2.0M increase in annual contribution	
Option 5 (proposed)	20 percent of HAGR for first 10 years of service	$31M increase in liability; $3.5M increase in annual contribution	IADB benefit is higher than Option 5 after 4 years, World Bank is higher than Option 5 after 11 years, UN benefit is lower than IMF, IADB, and World Bank benefits.

[31] Options 1, 2, and 3 provide the maximum benefit in a shorter period of time, with Option 3 being the most front-loaded. Option 4 provides the benefit accruals more gradually over the same time period as the current benefit (i.e., 19 years), but there is more of an impact in the outer years. Option 5 provides the benefit within 10 years (most separations after 10 years are retirements).

APPENDIX D: GROSSING UP FORMULAE

111. Table 13 compares gross remuneration computed using current tax rates and the SRP's grossing-up formulae at various net salaries. The 2009 review indicates that the grossing-up formulae overstate the gross remuneration based on the 2009 tax rates in the United States, France, and Germany. The average overstatement is 14.0 percent due to tax rates, 2.4 percent due to exchange rate changes and 16.4 percent overall.

Table 13: 1990-2009 Composite Change In Adjusted SRP Gross Renumeration

(in U.S. Dollars)

Net Salary	**Gross Remuneration**			**Tax and ER Combined**		**ER Only Effect**		**Tax Only Effect**	
	Current Formulae	Fully Updated (Tax & ER)	Updated (Tax Only)	Difference	Percent	Difference	Percent	Difference	Percent
	(1)	(2)	(3)	(2) - (1) (4)	(4) / (1) (5)	(2) - (3) (6)	(6) / (1) (7)	(3) - (1) (8)	(8) / (1) (9)
20,000	24,048	21,630	22,462	(2,418)	-10.1%	(832)	-3.5%	(1,586)	-6.6%
30,000	38,860	34,342	35,497	(4,518)	-11.6%	(1,155)	-3.0%	(3,363)	-8.7%
40,000	54,710	47,261	49,537	(7,449)	-13.6%	(2,276)	-4.2%	(5,173)	-9.5%
50,000	71,964	60,909	63,826	(11,054)	-15.4%	(2,916)	-4.1%	(8,138)	-11.3%
60,000	89,595	75,606	78,683	(13,988)	-15.6%	(3,077)	-3.4%	(10,911)	-12.2%
70,000	107,465	90,465	93,570	(17,001)	-15.8%	(3,105)	-2.9%	(13,896)	-12.9%
80,000	126,336	105,299	108,651	(21,038)	-16.7%	(3,352)	-2.7%	(17,686)	-14.0%
90,000	144,688	120,345	124,006	(24,343)	-16.8%	(3,661)	-2.5%	(20,682)	-14.3%
100,000	163,069	135,488	139,503	(27,581)	-16.9%	(4,014)	-2.5%	(23,566)	-14.5%
110,000	182,128	150,751	155,064	(31,377)	-17.2%	(4,314)	-2.4%	(27,064)	-14.9%
120,000	200,927	166,203	170,703	(34,724)	-17.3%	(4,500)	-2.2%	(30,224)	-15.0%
130,000	219,339	181,733	186,537	(37,605)	-17.1%	(4,803)	-2.2%	(32,802)	-15.0%
140,000	236,701	197,321	202,544	(39,380)	-16.6%	(5,223)	-2.2%	(34,157)	-14.4%
160,000	275,200	228,871	235,091	(46,329)	-16.8%	(6,219)	-2.3%	(40,109)	-14.6%
180,000	312,400	261,382	268,523	(51,018)	-16.3%	(7,141)	-2.3%	(43,877)	-14.0%
200,000	349,600	294,231	302,354	(55,369)	-15.8%	(8,124)	-2.3%	(47,246)	-13.5%
220,000	386,800	327,392	336,148	(59,408)	-15.4%	(8,755)	-2.3%	(50,652)	-13.1%
240,000	424,000	360,762	369,923	(63,238)	-14.9%	(9,161)	-2.2%	(54,077)	-12.8%
260,000	461,200	394,268	403,553	(66,932)	-14.5%	(9,285)	-2.0%	(57,647)	-12.5%
280,000	498,400	428,160	437,350	(70,240)	-14.1%	(9,190)	-1.8%	(61,050)	-12.2%
300,000	535,600	462,137	469,954	(73,463)	-13.7%	(7,817)	-1.5%	(65,646)	-12.3%
Weighted Average					**-16.4%**		**-2.4%**		**-14.0%**

Appendix E

Table 14. Example of Pension for Retirement at Age 62 Calculated Under Grossing-Up Transition Provision and Minimum Benefit Guarantee (in U.S. dollars)

	May 1 2009		May 1 2010	HAGR, Pension April 30 2011		May 1 2011		May 1 2012	HAGR, Pension April 30 2013
Service (years)				2					4
Pensionable Gross (current)	195,574		197,776			200,000		202,224	
Pensionable Gross (revised) 1/			183,932			186,000		188,069	
HAGR (current) 2/				196,675					200,000
HAGR (revised) 2/									186,000
Accrued Annual Pension				8,654					16,984
Minimum Benefit Guarantee									17,307
Annual Pension Payable at Age 62				8,654					17,307
Net Salary	117,191	+1%	118,374		+1%	119,570	+1%	120,766	

1/ Pensionable Gross (revised) reflects a 7 percent reduction from the current gross remuneration, effective May 1, 2011. The Pensionable Gross (revised) figure for May 1, 2010 is used in the computation of HAGR as of April 30, 2013.

2/ Highest Average Gross Remuneration (HAGR) is the average of Pensionable Gross over the three highest years.

APPENDIX F

112. The results of the 2005 Quadrennial Benefits Survey indicated that the Fund's total retirement benefit values exceed those of the World Bank and the comparator markets. However, this is mainly the result of the relatively high level of staff members' required contributions. The Fund's employer-provided benefit values also exceed those of the comparators, but to a lesser degree.[32]

Table 15. Total Retirement Benefit Values
(Employer- and Employee-Provided Values)
(as a percentage of net salary)

Net Salary (in US$)	Fund	World Bank Post-1989 Plan	U.S.	France	Germany
40,000	28.5	21.7	24.5	30.4	21.8
60,000	29.0	21.7	24.4	26.0	22.1
80,000	28.8	21.7	23.4	21.2	17.1
100,000	28.8	21.7	23.4	19.9	16.2
120,000	28.7	21.7	22.5	19.0	15.5
140,000	28.8	21.7	22.7	18.7	15.3
160,000	28.7	21.7	23.7	18.6	14.9
200,000	28.3	21.7	24.0	20.5	14.2
240,000	27.8	21.7	23.2	19.1	13.8
Weighted Average	28.7	21.7	23.5	21.7	17.4

[32] The 2005 Quadrennial Benefits Survey results do not include the value of the Rule of Age 50 provision, added to the SRP in 2008.

Table 16. Employer-Provided Retirement Benefit Values
(as a percentage of net salary)

Net Salary (In US$)	Fund	World Bank Post-1998 Plan	U.S.	France	Germany
40,000	18.8	17.0	17.7	21.0	15.3
60,000	18.8	17.0	17.3	16.8	16.8
80,000	18.4	17.0	17.0	13.3	13.3
100,000	18.1	17.0	17.1	12.3	12.9
120,000	17.8	17.0	16.0	11.5	12.7
140,000	17.6	17.0	16.0	11.4	12.7
160,000	17.5	17.0	16.8	12.0	12.6
200,000	16.8	17.0	16.7	14.4	12.2
240,000	16.2	17.0	15.6	13.7	11.9
Weighted average	18.1	17.0	16.8	13.9	13.7

APPENDIX G: PENSION TRANSFER AGREEMENTS

Table 17. Pension Transfer Agreements of International Financial Institutions

Pension Transfer Agreements—August 2009			
Organization	**Agreement With Other International Organizations**	**Agreement With Country's National Pension Scheme**	**Interest in a Transfer Agreement With the IMF**
AfDB	No.	No.	Yes Defined benefit plan.
ADB	International Monetary Fund (IMF) European Bank for Reconstruction and Development (EBRD) United Nations Joint Staff Pension Fund (UNJSPF) Inter-American Development Bank (IADB currently under review)	No.	ADB is interested in a review of the existing ADB-IMF transfer agreement. The ADB Staff Retirement Plan is a defined benefit plan.
BIS	No.	No.	In principle, we think that establishing a pension plan transfer agreement with the IMF is an interesting idea. However, due to other priorities in the area of compensation and benefits, we are not in a position to start discussions about such an agreement in this financial year.
CDB	No.	No.	Unlikely.
CEB	No.	No.	Yes Defined contribution plan.
EBRD	No.	No.	As EDB operates a 'cash' plan, there is no real benefit to re-introduce the transfer agreements.
ECB	Council of Europe European Centre for Medium-Range Weather Forecasts European Space Agency North Atlantic Treaty Organization Organization for Economic Co-operation and Development Western European Union	Belgium, Germany, Ireland, Greece, Spain, Luxemburg, Netherlands, Austria, Portugal, United Kingdom.	Yes. Defined benefit plan.
EIB	ECB, European Commission, European Parliament, European Investment Fund (EIF), Court of Justice of the European Communities, Council, Social and Economic Committee, Court of Auditors, Council	Austria, Belgium, Germany, Greece, Italy, Luxembourg, Spain, Portugal	Yes, The EIB has a defined benefit plan and a defined contribution plan. One's pension rights value would be transferred to the defined benefit which would award him/her additional pension insurance months or years (depending on the amount transferred).

Pension Transfer Agreements—August 2009			
Organization	**Agreement With Other International Organizations**	**Agreement with Country's National Pension Scheme**	**Interest in a Transfer Agreement With the IMF**
IADB	Asian Development Bank Commission of the European Communities European Bank for Reconstruction and Development International Monetary Fund United Nations Joint Staff Pension Fund	No.	Agreement already in place.
IMF	World Bank UN IADB ADB	No.	
IsDB	No.	No.	Yes. Defined benefit plan.
OECD	ECB WTO	Exchange of letters with HM Treasury for transfers with UK Principal Civil Service Pension Scheme France has just changed its legislation (Dec 2008) to take into account any period of work in International Organisations of which France is a member country for retirement purposes.	Yes, preliminary contacts already taken.
WB	International Monetary Fund United Nations Joint Staff Pension Fund (UNJSPF) Expect to complete transfer agreement with IADB in 2009	No.	Existing.
WTO	Council of Europe European Centre for Medium-Range Weather Forecasts European Communities European Space Agency North Atlantic Treaty Organization Organization for Economic Co-operation and Development United Nations Organization Western European Union	No.	Yes. Preliminary discussions between the IMF and the WTO Pension Plan have already taken place in 2000 in order to conclude a transfer agreement. Defined benefit plan.

Source: Staff Survey of IFIs, 2009

Appendix H. Projected Contribution Rate Under Proposed Plan

Table 18(a). Projected Contribution Rates Under Proposed Plan Effective May 1, 2011
(With 7 Percent Decrease in Grossing-Up Formulae) 1/
(In Thousands of U.S. Dollars, Unless Otherwise Indicated)

Financial Year Ending	Actuarially Required Employer Contribution Rate	Gross Salaries	Actuarially Required Employer Contribution	Normalized Fund Contribution	Reserves (Stock) BOY	To (+) From (-) Reserves	Reserves (Stock) EOY	Normalized Fund Contribution Rate
2011	19.29%	541,267	104,410	75,777	279,000	-28,633	250,367	14.00%
2012	3.43%	581,050	19,930	81,347	250,367	61,417	311,784	14.00%
2013	6.06%	578,421	35,052	80,979	311,784	45,927	357,711	14.00%
2014	17.51%	618,139	108,236	86,539	357,711	-21,697	336,014	14.00%
2015	26.80%	658,566	176,496	92,199	336,014	-84,297	251,717	14.00%
2016	22.18%	699,320	155,109	97,905	251,717	-57,204	194,513	14.00%
2017	20.19%	740,345	149,476	103,649	194,513	-45,827	148,686	14.00%
2018	19.46%	781,989	152,175	109,478	148,686	-42,697	105,989	14.00%
2019	19.19%	824,945	158,307	115,492	105,989	-42,815	63,174	14.00%
2020	18.86%	869,318	163,953	121,704	63,174	-42,249	20,925	14.00%
2021	18.66%	914,694	170,682	149,757	20,925	-20,925	0	16.37%
2022	18.79%	960,207	180,423	180,423	0	0	0	18.79%
2023	19.32%	1,006,653	194,485	194,485	0	0	0	19.32%
2024	19.95%	1,054,690	210,411	210,411	0	0	0	19.95%
2025	20.47%	1,104,039	225,997	225,997	0	0	0	20.47%
2026	21.10%	1,155,303	243,769	243,769	0	0	0	21.10%
2027	21.63%	1,207,356	261,151	261,151	0	0	0	21.63%
2028	21.96%	1,261,079	276,933	276,933	0	0	0	21.96%
2029	22.20%	1,316,966	292,366	292,366	0	0	0	22.20%
2030	22.55%	1,374,872	310,034	310,034	0	0	0	22.55%

1/ Based on SRP assets as of August 31, 2009, and assuming 7.5 percent annual investment return.

Table 18(b). Comparison of Projected Contributions under Proposed and Current Plans
(With 7 Percent Decrease in Grossing-Up Formulae) 1/
(In Thousands of U.S. Dollars, Unless Otherwise Indicated)

	Proposed Plan		Current Plan		Savings
Financial Year Ending	Normalized Fund Contribution Rate	Normalized Fund Contribution	Normalized Fund Contribution Rate	Normalized Fund Contribution	
2011	14.00%	75,777	14.00%	75,777	0
2012	14.00%	81,347	14.00%	81,347	0
2013	14.00%	80,979	14.00%	87,074	6,095
2014	14.00%	86,539	14.00%	93,053	6,514
2015	14.00%	92,199	14.00%	99,139	6,940
2016	14.00%	97,905	14.00%	105,273	7,368
2017	14.00%	103,649	14.00%	111,450	7,801
2018	14.00%	109,478	14.00%	117,718	8,240
2019	14.00%	115,492	14.00%	124,185	8,693
2020	14.00%	121,704	14.00%	130,865	9,161
2021	16.37%	149,757	16.18%	159,145	9,388
2022	18.79%	180,423	18.35%	189,460	9,037
2023	19.32%	194,485	18.83%	203,820	9,335
2024	19.95%	210,411	19.40%	220,011	9,600
2025	20.47%	225,997	19.85%	235,647	9,650
2026	21.10%	243,769	20.43%	253,794	10,025
2027	21.63%	261,151	20.92%	271,590	10,439
2028	21.96%	276,933	21.20%	287,472	10,539
2029	22.20%	292,366	21.41%	303,185	10,819
2030	22.55%	310,034	21.73%	321,247	11,213

1/ Based on SRP Assets as of August 31, 2009, and assuming 7.5 percent annual investment return.

Table 18(c). Comparison of Projected Contributions under Proposed and Current Plans
(With 7 Percent Decrease in Grossing-Up Formulae) 1/
(In Thousands of U.S. Dollars, Unless Otherwise Indicated)

	Proposed Plan		Current Plan		Savings
Financial Year	Actuarially Required Fund Contribution Rate	Actuarially Required Fund Contribution	Actuarially Required Fund Contribution Rate	Actuarially Required Fund Contribution	Actuarially Required Employer Contribution
2011	19.29%	104,410	19.29%	104,410	0
2012	3.43%	19,930	3.43%	19,930	0
2013	6.06%	35,052	6.78%	42,169	7,117
2014	17.51%	108,236	17.40%	115,652	7,416
2015	26.80%	176,496	25.98%	183,974	7,478
2016	22.18%	155,109	21.64%	162,723	7,614
2017	20.19%	149,476	19.73%	157,065	7,589
2018	19.46%	152,175	19.02%	159,929	7,754
2019	19.19%	158,307	18.76%	166,408	8,101
2020	18.86%	163,953	18.44%	172,368	8,415
2021	18.66%	170,682	18.24%	179,398	8,716
2022	18.79%	180,423	18.35%	189,460	9,037
2023	19.32%	194,485	18.83%	203,820	9,335
2024	19.95%	210,411	19.40%	220,011	9,600
2025	20.47%	225,997	19.85%	235,647	9,650
2026	21.10%	243,769	20.43%	253,794	10,025
2027	21.63%	261,151	20.92%	271,590	10,439
2028	21.96%	276,933	21.20%	287,472	10,539
2029	22.20%	292,366	21.41%	303,185	10,819
2030	22.55%	310,034	21.73%	321,247	11,213

1/ Based on SRP Assets as of August 31, 2009, and assuming 7.5 percent annual investment return.

APPENDIX I:

Table 19. Projected SRP Contributions Under Various Asset Return Scenarios 1/
(In millions of U.S. dollars, unless otherwise indicated)

	Actuarially Required Contribution Rate (in percent)	To (+) From (-) Reserves	Reserves (Stock)	Normalized Fund Contributions (in percent)
Baseline Asset Returns (7.5%)				
FY09	0	80	190	14
FY10	0	89 2/	279 2/	14
FY11	19	-29	250	14
FY12	3	62	312	14
FY13	7	45	357	14
FY14	17	-23	334	14
FY15	26	-85	249	14
FY20	18	-229 3/	20	14
FY25	20	20 3/	--	19
Pessimistic Asset Returns (5%–FY2013, 7.5%)				
FY09	0	80	190	14
FY10	0	89 2/	279 2/	14
FY11	19	-29	250	14
FY12	6	47	297	14
FY13	10	24	321	14
FY14	20	-40	281	14
FY15	31	-117	164	14
FY20	25	-164	--	14
FY25	25	0	--	25
Optimistic Asset Returns (12%–FY2013, 7.5%)				
FY09	0	80	190	14
FY10	0	89 2/	279 2/	14
FY11	19	-29	250	14
FY12	0	82	332	14
FY13	4	60	392	14
FY14	12	15	407	14
FY15	16	-14	393	14
FY20	9	297	690	14
FY25	15	23	713	14

1/ Based on the market value of Plan assets as of August 2009, and current plan benefits.

2/ The projected drawdown of SRP reserves after FY 2010, and the reserve balance, are based on the Actuary's projections using the actuarial valuation assumptions and the asset return assumptions indicated.

3/ Accumulated allocations to reserves during the prior five years.

APPENDIX J: ACTUARY'S LETTER

buckconsultants
an ACS company

January 13, 2010

Ms. Deborah Marzouk
Senior Human Resources Officer
Compensation and Benefits Policy Division
Human Resources Department
International Monetary Fund
700 19th Street, N.W.
HQ2 MSC 5-009
Washington, DC 20431

Dear Ms. Marzouk:

This letter presents the results of Buck Consultants' technical analysis of the cost impact of potential revisions to the IMF Staff Retirement Plan (SRP or Plan).

Background

In 2007, the IMF formed an internal Task Force on Pension Reform to assist Fund management in examining changes to the SRP that would help the Fund attain several important human resources goals. Among these goals are:

- To eliminate barriers to early retirement
- To assist in the recruitment and retention of mid-career hires
- To enhance portability to support a more mobile workforce
- To provide competitive and cost-effective retirement and separation benefits
- To modernize the SRP to reflect updates in the grossing-up formulae, and the mortality rates used for lump sum ("commutation") factors

The Task Force prioritized its work program in two phases. The first phase focused on eliminating the barriers to early retirement as well as making the SRP more attractive to mid-career hires. This resulted in the recommendation to add the Rule of Age 50 provision to the SRP, which was approved by the Pension Committee in January 2008.

This letter addresses the recommendations of the Task Force for Phase II of the work program.

Buck Consultants, in its role as actuary to the SRP, has assisted the Task Force in the analysis of the design and cost impact of certain potential SRP changes intended to achieve these goals.

The remainder of this letter summarizes the results of our technical analysis including a description of the data, assumptions and methodology used to arrive at these results.

Proposed Change to the Staff Retirement Plan Grossing-Up Formula

After careful consideration of issues, the Task Force is recommending a reduction of 7% to the current grossing-up formula.

The current Plan utilizes a grossing-up formulae that converts net pay to gross pay and pays benefits on a gross pay basis. The grossing-up formula requires updates as the income tax rates and regulations change.

The Task Force is recommending a reduction to the current grossing-up formula due to recent analysis that indicates the current formula overstates tax rates by an average of about 14% in 2009 due to changes in tax rates in the comparator countries (United States, Germany, France). A proposed reduction of 7% would bring the grossing-up formula within the desired plus-minus 10 percent band established by the Pension Committee, while keeping the SRP's employer-provided benefits at a competitive level. This also recognizes that tax rates in the U.S. are scheduled to increase beginning in calendar year 2011.

All SRP participants who are active in the plan as of May 1, 2011 are assumed to have the same reduction in the grossing-up formula for future service.

Past service benefits are protected under the proposed change. Service earned prior to May 1, 2011 will continue to be applied to the current grossing-up formula. In addition, the Task Force is also proposing a "minimum benefit guarantee", which guarantees that the highest average gross remuneration (HAGR) that is applied to all service is never less than the HAGR at April 30, 2011.

Proposed Change to the Staff Retirement Plan Withdrawal Benefit Formula

The Task Force examined several potential alternative changes to the withdrawal benefit formula of the SRP. The Task Force is proposing an approach that accelerates the time frame for reaching the maximum withdrawal benefit from 19 to 10 years of service.

SRP participants under age 55 with less than three years of service automatically receive a withdrawal benefit in lieu of a deferred annuity ("pension"). Participants with three or more years of service may elect to receive a withdrawal benefit or a pension benefit. If a participant is over 55 with five or more years of service, a withdrawal benefit is not available to them.

The current withdrawal benefit is based on highest average gross remuneration (HAGR), and is equal to 12 percent of HAGR for each of the first 5 years of service and 10 percent of HAGR for the next 14 years. The maximum benefit is 200 percent of HAGR.

The Task Force recommends improving the current withdrawal benefit to 20 percent of HAGR with 10 years of service, and to align the eligibility of the withdrawal benefit with the Rule of Age 50 provision. The proposed withdrawal formula would apply to all active plan participants separating from the Fund on or after May 1, 2011.

The main objective of this change was to provide competitive separation benefits, as well as enhance portability of benefits to support a more mobile workforce.

Proposed Change to the Staff Retirement Plan Commutation Factors

The SRP allows retiring participants to elect to convert up to one-third of the value of their pension to a lump sum payment, referred to as a “commutation”. The lump sum value of the pension is computed by multiplying the pension (and any applicable cost-of-living increases) by the actuarial (present value) factor for the participant’s age at retirement. The current factors are based on a 6 percent interest discounting rate and a blend of the sex distinct 1982 and 1984 United Nations (UN) Mortality Table (70 percent of the 1984 table for males and 30 percent of the 1982 table for females).

The Task Force recommends updating the actuarial factors used to compute lump sum commutation payments to the 2007 United Nations Mortality Table, effective for retirements on or after May 1, 2011. The proposed factors would apply to all active plan participants.

The main objective of this change was to modernize the SRP to reflect mortality improvements, as well as to enhance portability of benefits to support a more mobile workforce.

Participant Data Used in the Analysis

The data for this analysis was based on the 2,702 active participants covered by the SRP included in the most recent valuation of the SRP as of April 30, 2009.

The data was adjusted to reflect the known separations that occur after April 30, 2009 due to the one-time reduction in force. The proposed changes do not apply to the participants who have elected to separate during this restructuring exercise. These participants are assumed to not be replaced by new entrants as they separate. The active count remains stable at 2,331 throughout the projections after the known separations leave the workforce.

The new entrants who are expected to enter the SRP in future years are assumed to have similar demographic characteristics as the most recent group of new entrants that entered the Plan as of April 30, 2009.

Assumptions and Methods

The assumptions used for the cost analysis are based on the assumptions used in the April 30, 2009 valuation of the SRP. These assumptions reflect changes made as a result of the five-year experience study performed as of April 30, 2006 and represent the best estimate of future SRP experience.

We did not adjust our assumptions for the percentage of participants assumed to elect a withdrawal benefit or the percentage of pensions commuted upon retirement due to the proposed plan improvements. We are uncertain at this time whether or not these changes will influence participant behavior enough to merit a change to our current assumptions. Since both of these benefits do not include the cost of living adjustment that is included in either a deferred or immediate pension, a greater percentage of elections will result in a gain, or decrease in cost, to the Plan. This approach provides a conservative estimate of the cost of these plan improvements. The impact of these changes on participant behavior will be examined when we have Plan experience to review during the next five-year experience study scheduled for April 30, 2011.

Our calculations were performed using Buck's actuarial valuation system (Proval) that has been used to perform the SRP annual actuarial valuations. These programs have been modified and tested for improvements in technology and SRP plan changes. Modifications have been made to these programs to reflect the proposed SRP changes.

Current Funded Status of the SRP as of April 30, 2009

A few comments on the SRP's funding status are appropriate prior to discussing the potential cost impact due to changes to its provisions.

Prior to any data adjustments, the starting point for our analysis was the April 30, 2009 valuation of the SRP. This valuation was prepared using the assumptions recommended in the five-year experience study as of April 30, 2006. Those assumptions represent the "best estimate" of expected Plan experience.

The SRP, as of the April 30, 2009 actuarial valuation, requires a 19% contribution to be made the Trust for the fiscal year ending April 30, 2011. This contribution is calculated on a present value basis to fund projected liabilities. The recent market downturn prior to the April 30, 2009 valuation date significantly decreased the actuarial value of assets used to offset the Plan's liabilities, causing the contribution requirement to increase from 0% in the previous valuation.

The Fund has been making contributions equal to 14% of gross remuneration each year. This contribution is used to pay for the actuarially-determined amount, up to 14% of gross remuneration. The excess, if any, of the 14% over the actuarially-determined amount, is allocated to a voluntary reserve account. The 14% represents the approximate 25-year historical average Fund contribution to the SRP. If the actuarially-determined contribution percentage exceeds 14%, the difference is taken from the voluntary reserve account to the extent available.

This reserve account was established to supplement future Fund contributions in the event that the recommended actuarially-determined contribution exceeded 14% in any year. The balance of the reserve account as of the beginning of FY2011 is $279 Million. This reserve account can be used to "normalize" contribution levels at 14%, and is projected to last though FY2020 if all of the valuation assumptions are met.

20-Year Projection of SRP Results

The proposed plan changes all take effect on May 1, 2011, so it is necessary to look at future valuations to examine the impact on the funded status of the Plan. We have prepared 20-year projections of results for the current SRP design, along with a design that incorporates the proposed changes.

In order to prepare the projections, an assumption was needed regarding the future level of the Plan's active participants. We used a stable population assumption based on the active population included in the most recent valuation, April 30, 2009. The known separations that have volunteered for the restructuring exercise are assumed to leave the active population after April 30, 2009 and are assumed to not be replaced with new entrants. The active population remains stable at 2,331 after all known separations leave the workforce.

While the new entrant assumption is an important assumption in the projections, the single most important experience item affecting projected future Fund contributions is the return on the SRP's assets, particularly returns that are below the assumed rate of 7.5% per year (experience above 7.5% will improve the Plan's funded position). Due to the recent volatility in our financial markets, it was necessary to update the projections with a more recent market value of assets than the April 30, 2009 actuarial valuation. We were provided with the market value of assets as of August 31, 2009. We assumed that the annual returns described below apply to the remaining eight months of time between August 31, 2009 and April 30, 2010. To test the sensitivity of the results, we have prepared projections on four sets of asset return assumptions, as follows:

- A 7.5% annual return on SRP assets, as expected in the valuation of the Plan.

- A negative 5% annual return on SRP assets until April 30, 2013, with the remainder of the years in the projection being at the assumed 7.5% per year.

- A 12% annual return on SRP assets until April 30, 2013, with the remainder of the years in the projection being at the assumed 7.5% per year.

- A 9% annual return on SRP assets for all years. This is based on the historical return of the SRP.

Obviously, the return on asset experience impacts the cost of any plan design, including the current SRP design. The purpose of this asset return sensitivity analysis is to determine a range of required contributions under a variety of scenarios. It is necessary to determine if the cost of the Plan is beyond levels that would be deemed desirable by the Fund. The Task Force determined that these asset scenarios cover a reasonable range of market conditions from pessimistic to optimistic.

It is also important to point out that these projection results show the potential direction of the SRP financial results based on all assumptions being realized. Actual results will differ based on Plan experience relative to all assumptions.

Comments on the 20-Year Projection of SRP Results

Exhibits 1 through 8 present the results of the 20-year projection of expected contribution rates for the current and proposed Plan designs under the various asset scenarios. For each scenario we have shown the projected:

- Column E: Present Value of Future Normal Costs; which represents the present value of future contributions to be made by the Fund;

- Column G: Actuarially Required Contribution Rate; which is the required contribution rate which is determined before the voluntary reserve account is applied, if available;

- Column I: Actuarially Required Contribution; which is the dollar amount of contribution which is required before the voluntary reserve account is applied, if available;

- Column K: To/(From) Reserves; which is the portion of the 14% Fund contribution that would be taken from or allocated to the voluntary reserve account if the actuarially required contribution rate is more or less than 14%;

- Column L: Reserve Account Balance EOY; which is the value of the voluntary reserve account at the end of the fiscal year. It is equal to the sum of the contributions added to the account, reduced by any amounts allocated to the SRP assets if the SRP contribution rate exceeds 14%. All asset returns on this voluntary account are considered part of the SRP's valuation assets;

- Column M: Normalized Contribution Rate; which the contribution rate that will be required after the reserve account is applied, if available. The Normalized Contribution will be 14% for years where the voluntary reserve account has a balance at the end of the fiscal year, and will revert to the Actuarially Required Contribution if the voluntary reserve account is depleted; and

- Column N: Normalized Contribution; which the dollar amount of contribution which is determined after the reserve account is applied, if available. It is equal to the actuarially required contribution plus deposits to the reserve, or less amounts taken from the voluntary reserve account.

Of note in the results:

- Based on the expected asset performance of 7.5% for all years, the normalized contribution rates under the current Plan and the proposed plan are expected to not exceed the 14% after utilizing the reserve account until fiscal year 2021. By the end of the 20-year period, the contribution rates are projected to be between 22% and 23% under the current and proposed plans.

- The contribution rates under the proposed plan are ultimately higher than the current plan. However, there is a dollar amount of savings if the Fund adopts the proposed plan changes. The contribution rates are applied to gross pay according to the plan definition. Therefore, the proposed plan contribution rates are applied to gross pay that is 7% lower than the current plan. Changing the grossing-up formula has little effect on the ultimate contribution rate. The difference between the contribution rates under the two plans is due to the improved withdrawal formula and commutation factors that are applied to the proposed plan.

- Under the optimistic asset scenarios, particularly the 9% annual return scenario, there is likely to be a significant buildup in the voluntary reserve account under the current contribution framework. Therefore, the Task Force recommended using the voluntary reserve account to pay for the actuarially determined contributions beginning in fiscal year 2013.

<u>**Summary**</u>

This analysis represents Buck's best estimate of expected results based on the stated assumptions and SRP designs under consideration. As mentioned previously, the results may differ based on the actual experience of the Plan.

We would be happy to discuss our findings with you and the Task Force at your convenience.

Very truly yours,

David C. Nearpass, FSA EA MAAA Kelly Conlin, FSA EA MAAA
Principal and Consulting Actuary Senior Consultant

DNC/KC/c

Enclosures

Exhibit 1

International Monetary Fund
Aggregate Actuarial Cost Method
Development of Contribution Rate (in 1,000s)
Current Plan Formula

Based on Market Value of Assets as of 8/31/2009
Assets Earn 7.5% in all years

Valuation @ 4/30 of	Financial Year	(A) PV Benefits	(B) PV Future Employee Contr.	(C) Excess Contribution	(D) Actuarial Value of Assets	(E) PV Future Normal Costs	(F) PV Future Salary	(G) [(E)/(F)]*1.075 Actuarially Required Contribution Rate	(H) Gross Salary	(I) (G)*(H) Actuarially Required Contribution	(J) Reserve Account Balance BOY	(K) To / (From) Reserves	(L) Reserve Account Balance EOY	(M) [(I)+(K)]/(H) Normalized Contribution Rate	(N) (I) + (K) Normalized Contribution
2009	2011	6,681,131	363,731	(93,753)	5,478,661	932,492	5,196,156	19.29%	541,267	104,410	279,000	(28,633)	250,367	14.00%	75,777
2010	2012	6,913,234	354,493	78,708	6,318,267	161,766	5,064,182	3.43%	581,050	19,930	250,367	61,417	311,784	14.00%	81,347
2011	2013	7,324,384	374,880	(15,107)	6,626,666	337,945	5,355,423	6.78%	621,958	42,169	311,784	44,905	356,689	14.00%	87,074
2012	2014	7,762,342	392,429	(52,680)	6,514,940	907,653	5,606,129	17.40%	664,666	115,652	356,689	(22,599)	334,090	14.00%	93,053
2013	2015	8,220,236	409,134	(40,412)	6,438,842	1,412,672	5,844,765	25.98%	708,136	183,974	334,090	(84,835)	249,255	14.00%	99,139
2014	2016	8,690,526	426,311	37,106	7,001,343	1,225,766	6,090,157	21.64%	751,957	162,723	249,255	(57,450)	191,805	14.00%	105,273
2015	2017	9,201,953	448,924	22,108	7,553,948	1,176,973	6,413,205	19.73%	796,070	157,065	191,805	(45,615)	146,190	14.00%	111,450
2016	2018	9,741,528	469,294	14,488	8,071,457	1,186,289	6,704,196	19.02%	840,848	159,929	146,190	(42,211)	103,979	14.00%	117,718
2017	2019	10,310,720	491,393	11,772	8,582,617	1,224,938	7,019,893	18.76%	887,038	166,408	103,979	(42,223)	61,756	14.00%	124,185
2018	2020	10,889,170	513,555	12,685	9,104,477	1,258,453	7,336,505	18.44%	934,750	172,368	61,756	(41,503)	20,253	14.00%	130,865
2019	2021	11,506,183	540,642	12,339	9,642,935	1,310,267	7,723,456	18.24%	983,542	179,398	20,253	(20,253)	0	16.18%	159,145
2020	2022	12,147,898	564,955	10,229	10,195,077	1,377,637	8,070,779	18.35%	1,032,481	189,460	0	0	0	18.35%	189,460
2021	2023	12,818,699	591,175	7,640	10,740,183	1,479,701	8,445,350	18.83%	1,082,423	203,820	0	0	0	18.83%	203,820
2022	2024	13,502,777	618,870	7,577	11,281,150	1,595,180	8,841,002	19.40%	1,134,075	220,011	0	0	0	19.40%	220,011
2023	2025	14,221,679	651,100	9,413	11,843,342	1,717,824	9,301,434	19.85%	1,187,139	235,647	0	0	0	19.85%	235,647
2024	2026	14,966,669	681,405	9,022	12,426,633	1,849,609	9,734,351	20.43%	1,242,261	253,794	0	0	0	20.43%	253,794
2025	2027	15,734,606	712,307	10,808	13,031,601	1,979,890	10,175,817	20.92%	1,298,232	271,590	0	0	0	20.92%	271,590
2026	2028	16,518,154	745,119	13,891	13,659,602	2,099,542	10,644,563	21.20%	1,355,999	287,472	0	0	0	21.20%	287,472
2027	2029	17,338,158	783,328	15,594	14,310,816	2,228,420	11,190,396	21.41%	1,416,092	303,185	0	0	0	21.41%	303,185
2028	2030	18,182,593	818,558	15,011	14,984,792	2,364,232	11,693,686	21.73%	1,478,356	321,247	0	0	0	21.73%	321,247

Exhibit 2

International Monetary Fund
Aggregate Actuarial Cost Method
Development of Contribution Rate (in 1,000s)
Proposed Plan
Changes Apply to All Staff
Reduce Grossing-Up Formula by 7%; Effective 5/1/2011
New Withdrawal Formula and Commutation Factors; Effective 5/1/2011

Based on Market Value of Assets as of 8/31/2009
Assets Earn 7.5% in all years

Valuation @ 4/30 of	Financial Year	(A) PV Benefits	(B) PV Future Employee Contr.	(C) Excess Contribution	(D) Actuarial Value of Assets	(E) PV Future Normal Costs	(F) PV Future Salary	(G) [(E)/(F)]*1.075 Actuarially Required Contribution Rate	(H) Gross Salary	(I) (G)*(H) Actuarially Required Contribution	(J) Reserve Account Balance BOY	(K) To / (From) Reserves	(L) Reserve Account Balance EOY	(M) [(I)+(K)/(H)] Normalized Contribution Rate	(N) (I) + (K) Normalized Contribution
2009	2011	6,681,131	363,731	(93,753)	5,478,661	932,492	5,196,156	19.29%	541,267	104,410	279,000	(28,633)	250,367	14.00%	75,777
2010	2012	6,913,234	354,493	78,708	6,318,267	161,766	5,064,182	3.43%	581,050	19,930	250,367	61,417	311,784	14.00%	81,347
2011	2013	7,245,116	348,638	(10,763)	6,626,666	280,575	4,980,542	6.06%	578,421	35,052	311,784	45,927	357,711	14.00%	80,979
2012	2014	7,665,671	364,959	(53,255)	6,504,735	849,232	5,213,700	17.51%	618,139	108,236	357,711	(21,697)	336,014	14.00%	86,539
2013	2015	8,104,933	380,495	(41,172)	6,410,604	1,355,006	5,435,638	26.80%	658,566	176,496	336,014	(84,297)	251,717	14.00%	92,199
2014	2016	8,555,093	396,470	36,375	6,953,540	1,168,708	5,663,851	22.18%	699,320	155,109	251,717	(57,204)	194,513	14.00%	97,905
2015	2017	9,044,208	417,499	21,282	7,485,345	1,120,082	5,964,271	20.19%	740,345	149,476	194,513	(45,827)	148,686	14.00%	103,649
2016	2018	9,559,436	436,444	13,841	7,980,725	1,128,426	6,234,910	19.46%	781,989	152,175	148,686	(42,697)	105,989	14.00%	109,478
2017	2019	10,102,106	456,995	11,254	8,468,616	1,165,241	6,528,504	19.19%	824,945	158,307	105,989	(42,815)	63,174	14.00%	115,492
2018	2020	10,652,393	477,606	12,109	8,965,616	1,197,062	6,822,941	18.86%	869,318	163,953	63,174	(42,249)	20,925	14.00%	121,704
2019	2021	11,238,601	502,797	11,611	9,477,061	1,247,132	7,182,811	18.66%	914,694	170,682	20,925	(20,925)	0	16.37%	149,757
2020	2022	11,846,927	525,408	9,618	9,999,852	1,312,049	7,505,828	18.79%	960,207	180,423	0	0	0	18.79%	180,423
2021	2023	12,481,560	549,793	6,982	10,513,072	1,411,713	7,854,185	19.32%	1,006,653	194,485	0	0	0	19.32%	194,485
2022	2024	13,127,151	575,549	6,837	11,018,933	1,525,832	8,222,130	19.95%	1,054,690	210,411	0	0	0	19.95%	210,411
2023	2025	13,804,492	605,523	8,561	11,543,445	1,646,963	8,650,327	20.47%	1,104,039	225,997	0	0	0	20.47%	225,997
2024	2026	14,504,878	633,707	8,328	12,086,315	1,776,528	9,052,950	21.10%	1,155,303	243,769	0	0	0	21.10%	243,769
2025	2027	15,225,379	662,445	10,042	12,648,393	1,904,499	9,463,503	21.63%	1,207,356	261,151	0	0	0	21.63%	261,151
2026	2028	15,958,909	692,960	12,931	13,230,725	2,022,293	9,899,432	21.96%	1,261,079	276,933	0	0	0	21.96%	276,933
2027	2029	16,725,470	728,495	14,771	13,833,484	2,148,720	10,407,073	22.20%	1,316,966	292,366	0	0	0	22.20%	292,366
2028	2030	17,513,161	761,259	14,396	14,456,501	2,281,005	10,875,123	22.55%	1,374,872	310,034	0	0	0	22.55%	310,034

Exhibit 3

International Monetary Fund
Aggregate Actuarial Cost Method
Development of Contribution Rate (in 1,000s)
Current Plan Formula

Based on Market Value of Assets as of 8/31/2009
Assets Earn 5% until 4/30/2013 and 7.5% thereafter

Valuation @ 4/30 of	Financial Year	(A) PV Benefits	(B) PV Future Employee Contr.	(C) Excess Contribution	(D) Actuarial Value of Assets	(E) PV Future Normal Costs	(F) PV Future Salary	(G) [(E)/(F)]*1.075 Actuarially Required Contribution Rate	(H) Gross Salary	(I) (G)*(H) Actuarially Required Contribution	(J) Reserve Account Balance BOY	(K) To / (From) Reserves	(L) Reserve Account Balance EOY	(M) [(I)+(K)]/(H) Normalized Contribution Rate	(N) (I) + (K) Normalized Contribution
2009	2011	6,681,131	363,731	(93,753)	5,478,661	932,492	5,196,156	19.29%	541,267	104,410	279,000	(28,633)	250,367	14.00%	75,777
2010	2012	6,913,234	354,493	67,536	6,213,734	277,471	5,064,182	5.89%	581,050	34,224	250,367	47,123	297,490	14.00%	81,347
2011	2013	7,324,384	374,880	(19,000)	6,458,687	509,817	5,355,423	10.23%	621,958	63,626	297,490	23,448	320,938	14.00%	87,074
2012	2014	7,762,342	392,429	(47,082)	6,372,302	1,044,693	5,606,129	20.03%	664,666	133,133	320,938	(40,079)	280,859	14.00%	93,054
2013	2015	8,220,236	409,134	(50,049)	6,200,302	1,660,849	5,844,765	30.55%	708,136	216,336	280,859	(117,197)	163,662	14.00%	99,139
2014	2016	8,690,526	426,311	28,255	6,646,652	1,589,308	6,090,157	28.05%	751,957	210,924	163,662	(105,650)	58,012	14.00%	105,274
2015	2017	9,201,953	448,924	20,679	7,130,609	1,601,741	6,413,205	26.85%	796,070	213,745	58,012	(58,012)	0	19.56%	155,733
2016	2018	9,741,528	469,294	19,981	7,640,330	1,611,923	6,704,196	25.85%	840,848	217,359	0	0	0	25.85%	217,359
2017	2019	10,310,720	491,393	17,069	8,147,224	1,655,034	7,019,893	25.34%	887,038	224,775	0	0	0	25.34%	224,775
2018	2020	10,889,170	513,555	15,257	8,642,838	1,717,520	7,336,505	25.17%	934,750	235,277	0	0	0	25.17%	235,277
2019	2021	11,506,183	540,642	16,452	9,157,207	1,791,882	7,723,456	24.94%	983,542	245,295	0	0	0	24.94%	245,295
2020	2022	12,147,898	564,955	14,851	9,692,053	1,876,039	8,070,779	24.99%	1,032,481	258,017	0	0	0	24.99%	258,017
2021	2023	12,818,699	591,175	15,797	10,246,026	1,965,701	8,445,350	25.02%	1,082,423	270,822	0	0	0	25.02%	270,822
2022	2024	13,502,777	618,870	18,293	10,821,059	2,044,555	8,841,002	24.86%	1,134,075	281,931	0	0	0	24.86%	281,931
2023	2025	14,221,679	651,100	19,506	11,418,259	2,132,814	9,301,434	24.65%	1,187,139	292,630	0	0	0	24.65%	292,630
2024	2026	14,966,669	681,405	18,045	12,033,911	2,233,308	9,734,351	24.66%	1,242,261	306,342	0	0	0	24.66%	306,342
2025	2027	15,734,606	712,307	19,007	12,668,545	2,334,747	10,175,817	24.66%	1,298,232	320,144	0	0	0	24.66%	320,144
2026	2028	16,518,154	745,119	21,421	13,323,836	2,427,778	10,644,563	24.52%	1,355,999	332,491	0	0	0	24.52%	332,491
2027	2029	17,338,158	783,328	22,916	14,000,242	2,531,672	11,190,396	24.32%	1,416,092	344,394	0	0	0	24.32%	344,394
2028	2030	18,182,593	818,558	21,525	14,697,633	2,644,877	11,693,686	24.31%	1,478,356	359,388	0	0	0	24.31%	359,388

Exhibit 4

International Monetary Fund
Aggregate Actuarial Cost Method
Development of Contribution Rate (in 1,000s)
Proposed Plan
Changes Apply to All Staff
Reduce Grossing-Up Formula by 7%; Effective 5/1/2011
New Withdrawal Formula and Commutation Factors Apply to All Staff; Effective 5/1/2011

Based on Market Value of Assets as of 8/31/2009
Assets Earn 5% until 4/30/2013 and 7.5% thereafter

Valuation @ 4/30 of	Financial Year	(A) PV Benefits	(B) PV Future Employee Contr.	(C) Excess Contribution	(D) Actuarial Value of Assets	(E) PV Future Normal Costs	(F) PV Future Salary	(G) [(E)/(F)]*1.075 Actuarially Required Contribution Rate	(H) Gross Salary	(I) (G)*(H) Actuarially Required Contribution	(J) Reserve Account Balance BOY	(K) To / (From) Reserves	(L) Reserve Account Balance EOY	(M) [(I)+(K)/(H)] Normalized Contribution Rate	(N) (I) + (K) Normalized Contribution
2009	2011	6,681,131	363,731	(93,753)	5,478,661	932,492	5,196,156	19.29%	541,267	104,410	279,000	(28,633)	250,367	14.00%	75,777
2010	2012	6,913,234	354,493	67,536	6,213,734	277,471	5,064,182	5.89%	581,050	34,224	250,367	47,123	297,490	14.00%	81,347
2011	2013	7,245,116	348,638	(15,707)	6,458,687	453,498	4,980,542	9.79%	578,421	56,627	297,490	24,352	321,842	14.00%	80,979
2012	2014	7,665,671	364,959	(47,614)	6,361,117	987,209	5,213,700	20.36%	618,139	125,853	321,842	(39,314)	282,528	14.00%	86,539
2013	2015	8,104,933	380,495	(50,760)	6,171,381	1,603,817	5,435,638	31.72%	658,566	208,897	282,528	(116,698)	165,830	14.00%	92,199
2014	2016	8,555,093	396,470	27,498	6,598,537	1,532,588	5,663,851	29.09%	699,320	203,432	165,830	(105,527)	60,303	14.00%	97,905
2015	2017	9,044,208	417,499	19,954	7,061,878	1,544,877	5,964,271	27.84%	740,345	206,112	60,303	(60,303)	0	19.69%	145,809
2016	2018	9,559,436	436,444	19,312	7,549,827	1,553,853	6,234,910	26.79%	781,989	209,495	0	0	0	26.79%	209,495
2017	2019	10,102,106	456,995	16,702	8,035,571	1,592,838	6,528,504	26.23%	824,945	216,383	0	0	0	26.23%	216,383
2018	2020	10,652,393	477,606	14,579	8,505,714	1,654,494	6,822,941	26.07%	869,318	226,631	0	0	0	26.07%	226,631
2019	2021	11,238,601	502,797	15,602	8,992,157	1,728,045	7,182,811	25.86%	914,694	236,540	0	0	0	25.86%	236,540
2020	2022	11,846,927	525,408	14,149	9,496,621	1,810,749	7,505,828	25.93%	960,207	248,982	0	0	0	25.93%	248,982
2021	2023	12,481,560	549,793	15,007	10,017,932	1,898,828	7,854,185	25.99%	1,006,653	261,629	0	0	0	25.99%	261,629
2022	2024	13,127,151	575,549	17,522	10,557,788	1,976,292	8,222,130	25.84%	1,054,690	272,532	0	0	0	25.84%	272,532
2023	2025	13,804,492	605,523	18,734	11,117,376	2,062,859	8,650,327	25.64%	1,104,039	283,076	0	0	0	25.64%	283,076
2024	2026	14,504,878	633,707	17,408	11,692,742	2,161,021	9,052,950	25.66%	1,155,303	296,451	0	0	0	25.66%	296,451
2025	2027	15,225,379	662,445	18,302	12,284,521	2,260,111	9,463,503	25.67%	1,207,356	309,928	0	0	0	25.67%	309,928
2026	2028	15,958,909	692,960	20,668	12,894,220	2,351,061	9,899,432	25.53%	1,261,079	321,953	0	0	0	25.53%	321,953
2027	2029	16,725,470	728,495	22,090	13,522,347	2,452,538	10,407,073	25.33%	1,316,966	333,587	0	0	0	25.33%	333,587
2028	2030	17,513,161	761,259	20,769	14,168,737	2,562,396	10,875,123	25.33%	1,374,872	348,255	0	0	0	25.33%	348,255

Exhibit 5

International Monetary Fund
Aggregate Actuarial Cost Method
Development of Contribution Rate (in 1,000s)
Current Plan Formula

Based on Market Value of Assets as of 8/31/2009
Assets Earn 12% until 4/30/2013 and 7.5% thereafter

Valuation @ 4/30 of	Financial Year	(A) PV Benefits	(B) PV Future Employee Contr.	(C) Excess Contribution	(D) Actuarial Value of Assets	(E) PV Future Normal Costs	(F) PV Future Salary	(G) [(E)/(F)]*1.075 Actuarially Required Contribution Rate	(H) Gross Salary	(I) (G)*(H) Actuarially Required Contribution	(J) Reserve Account Balance BOY	(L) (K) To / (From)[1] Reserves	Reserve Account Balance EOY	(M) [(I)+(K)]/(H) Normalized Contribution Rate	(N) (I) + (K) Normalized Contribution
2009	2011	6,681,131	363,731	(93,753)	5,478,661	932,492	5,196,156	19.29%	541,267	104,410	279,000	(28,633)	250,367	14.00%	75,777
2010	2012	6,913,234	354,493	98,606	6,504,435	(44,300)	5,064,182	0.00%	581,050	0	250,367	81,347	331,714	14.00%	81,347
2011	2013	7,324,384	374,880	(25,741)	6,762,337	212,908	5,355,423	4.27%	621,958	26,558	331,714	(26,558)	305,156	0.00%	0
2012	2014	7,762,342	392,429	(37,317)	6,793,997	613,233	5,606,129	11.76%	664,666	78,165	305,156	(78,165)	226,991	0.00%	0
2013	2015	8,220,236	409,134	(8,774)	7,046,734	773,142	5,844,765	14.22%	708,136	100,697	226,991	(100,697)	126,294	0.00%	0
2014	2016	8,690,526	426,311	61,537	7,927,316	275,362	6,090,157	4.86%	751,957	36,545	126,294	(36,545)	89,749	0.00%	0
2015	2017	9,201,953	448,924	28,048	8,680,469	44,512	6,413,205	0.75%	796,070	5,971	89,749	(5,971)	83,778	0.00%	0
2016	2018	9,741,528	469,294	4,776	9,262,199	5,259	6,704,196	0.08%	840,848	673	83,778	(673)	83,105	0.00%	0
2017	2019	10,310,720	491,393	(10,090)	9,729,408	100,009	7,019,893	1.53%	887,038	13,572	83,105	(13,572)	69,533	0.00%	0
2018	2020	10,889,170	513,555	(16,588)	10,125,830	266,373	7,336,505	3.90%	934,750	36,455	69,533	(36,455)	33,078	0.00%	0
2019	2021	11,506,183	540,642	(13,554)	10,552,104	426,991	7,723,456	5.94%	983,542	58,422	33,078	(33,078)	0	2.58%	25,344
2020	2022	12,147,898	564,955	(9,344)	11,026,960	565,327	8,070,779	7.53%	1,032,481	77,746	0	0	0	7.53%	77,746
2021	2023	12,818,699	591,175	(8,466)	11,522,731	713,259	8,445,350	9.08%	1,082,423	98,284	0	0	0	9.08%	98,284
2022	2024	13,502,777	618,870	(9,092)	12,006,486	886,513	8,841,002	10.78%	1,134,075	122,253	0	0	0	10.78%	122,253
2023	2025	14,221,679	651,100	(6,578)	12,513,585	1,063,572	9,301,434	12.29%	1,187,139	145,899	0	0	0	12.29%	145,899
2024	2026	14,966,669	681,405	(5,223)	13,045,720	1,244,767	9,734,351	13.75%	1,242,261	170,811	0	0	0	13.75%	170,811
2025	2027	15,734,606	712,307	(2,360)	13,604,006	1,420,653	10,175,817	15.01%	1,298,232	194,865	0	0	0	15.01%	194,865
2026	2028	16,518,154	745,119	1,688	14,188,843	1,582,504	10,644,563	15.98%	1,355,999	216,689	0	0	0	15.98%	216,689
2027	2029	17,338,158	783,328	4,068	14,800,148	1,750,614	11,190,396	16.82%	1,416,092	238,187	0	0	0	16.82%	238,187
2028	2030	18,182,593	818,558	4,815	15,437,387	1,921,833	11,693,686	17.67%	1,478,356	261,226	0	0	0	17.67%	261,226

[1] The required fund contribution is assumed to be contributed from the reserve account for optimistic asset scenarios on and after FY2013.

Exhibit 6

International Monetary Fund
Aggregate Actuarial Cost Method
Development of Contribution Rate (in 1,000s)
Proposed Plan
Changes Apply to All Staff
Reduce Grossing-Up Formula by 7%; Effective 5/1/2011
New Withdrawal Formula and Commutation Factors Apply to All Staff; Effective 5/1/2011

Based on Market Value of Assets as of 8/31/2009
Assets Earn 12% until 4/30/2013 and 7.5% thereafter

Valuation @ 4/30 of	Financial Year	(A) PV Benefits	(B) PV Future Employee Contr.	(C) Excess Contribution	(D) Actuarial Value of Assets	(E) PV Future Normal Costs	(F) PV Future Salary	(G) [(E)/(F)]*1.075 Actuarially Required Contribution Rate	(H) Gross Salary	(I) (G)*(H) Actuarially Required Contribution	(J) Reserve Account Balance BOY	(K) To / (From) [1] Reserves	(L) Reserve Account Balance EOY	(M) [(I)+(K)/(H)] Normalized Contribution Rate	(N) (I) + (K) Normalized Contribution
2009	2011	6,681,131	363,731	(93,753)	5,478,661	932,492	5,196,156	19.29%	541,267	104,410	279,000	(28,633)	250,367	14.00%	75,777
2010	2012	6,913,234	354,493	98,606	6,504,435	(44,300)	5,064,182	0.00%	581,050	0	250,367	81,347	331,714	14.00%	81,347
2011	2013	7,245,116	348,638	(19,678)	6,762,337	153,819	4,980,542	3.32%	578,421	19,204	331,714	(19,204)	312,510	0.00%	0
2012	2014	7,665,671	364,959	(37,993)	6,785,158	553,547	5,213,700	11.41%	618,139	70,530	312,510	(70,530)	241,980	0.00%	0
2013	2015	8,104,933	380,495	(10,354)	7,013,185	721,607	5,435,638	14.27%	658,566	93,977	241,980	(93,977)	148,003	0.00%	0
2014	2016	8,555,093	396,470	60,077	7,867,073	231,473	5,663,851	4.39%	699,320	30,700	148,003	(30,700)	117,303	0.00%	0
2015	2017	9,044,208	417,499	26,847	8,593,846	6,016	5,964,271	0.11%	740,345	814	117,303	(814)	116,489	0.00%	0
2016	2018	9,559,436	436,444	3,969	9,149,559	(30,536)	6,234,910	0.00%	781,989	0	116,489	0	116,489	0.00%	0
2017	2019	10,102,106	456,995	(10,661)	9,590,709	65,063	6,528,504	1.07%	824,945	8,827	116,489	(8,827)	107,662	0.00%	0
2018	2020	10,652,393	477,606	(16,070)	9,968,873	221,984	6,822,941	3.50%	869,318	30,426	107,662	(30,426)	77,236	0.00%	0
2019	2021	11,238,601	502,797	(14,176)	10,367,277	382,703	7,182,811	5.73%	914,694	52,412	77,236	(52,412)	24,824	0.00%	0
2020	2022	11,846,927	525,408	(9,947)	10,809,813	521,653	7,505,828	7.47%	960,207	71,727	24,824	(24,824)	0	4.88%	46,903
2021	2023	12,481,560	549,793	(5,901)	11,296,784	640,884	7,854,185	8.77%	1,006,653	88,284	0	0	0	8.77%	88,284
2022	2024	13,127,151	575,549	(6,756)	11,775,339	783,019	8,222,130	10.24%	1,054,690	108,000	0	0	0	10.24%	108,000
2023	2025	13,804,492	605,523	(8,142)	12,246,397	960,714	8,650,327	11.94%	1,104,039	131,822	0	0	0	11.94%	131,822
2024	2026	14,504,878	633,707	(6,647)	12,735,737	1,142,081	9,052,950	13.56%	1,155,303	156,659	0	0	0	13.56%	156,659
2025	2027	15,225,379	662,445	(3,769)	13,248,814	1,317,889	9,463,503	14.97%	1,207,356	180,741	0	0	0	14.97%	180,741
2026	2028	15,958,909	692,960	220	13,785,802	1,479,927	9,899,432	16.07%	1,261,079	202,655	0	0	0	16.07%	202,655
2027	2029	16,725,470	728,495	2,691	14,346,765	1,647,519	10,407,073	17.02%	1,316,966	224,148	0	0	0	17.02%	224,148
2028	2030	17,513,161	761,259	3,665	14,931,216	1,817,021	10,875,123	17.96%	1,374,872	246,927	0	0	0	17.96%	246,927

[1] The required fund contribution is assumed to be contributed from the reserve account for optimistic asset scenarios on and after FY2013.

Exhibit 7

International Monetary Fund
Aggregate Actuarial Cost Method
Development of Contribution Rate (in 1,000s)
Current Plan Formula

Based on Market Value of Assets as of 8/31/2009
Assets Earn 9% in all years

Valuation @ 4/30 of	Financial Year	(A) PV Benefits	(B) PV Future Employee Contr.	(C) Excess Contribution	(D) Actuarial Value of Assets	(E) PV Future Normal Costs	(F) PV Future Salary	(G) [(E)/(F)]*1.075 Actuarially Required Contribution Rate	(H) Gross Salary	(I) (G)*(H) Actuarially Required Contribution	(J) Reserve Account Balance BOY	(K) To / (From) [1] Reserves	(L) Reserve Account Balance EOY	(M) [(I)+(K)]/(H) Normalized Contribution Rate	(N) (I) + (K) Normalized Contribution
2009	2011	6,681,131	363,731	(93,753)	5,478,661	932,492	5,196,156	19.29%	541,267	104,410	279,000	(28,633)	250,367	14.00%	75,777
2010	2012	6,913,234	354,493	85,371	6,380,603	92,767	5,064,182	1.97%	581,050	11,447	250,367	69,900	320,267	14.00%	81,347
2011	2013	7,324,384	374,880	(18,697)	6,671,673	296,528	5,355,423	5.95%	621,958	37,007	320,267	(37,007)	283,260	0.00%	0
2012	2014	7,762,342	392,429	(48,110)	6,602,696	815,327	5,606,129	15.63%	664,666	103,887	283,260	(103,887)	179,373	0.00%	0
2013	2015	8,220,236	409,134	(23,491)	6,691,000	1,143,593	5,844,765	21.03%	708,136	148,921	179,373	(148,921)	30,452	0.00%	0
2014	2016	8,690,526	426,311	53,180	7,440,814	770,221	6,090,157	13.60%	751,957	102,266	30,452	(30,452)	0	9.55%	71,814
2015	2017	9,201,953	448,924	32,806	8,160,628	559,595	6,413,205	9.38%	796,070	74,671	0	0	0	9.38%	74,671
2016	2018	9,741,528	469,294	11,893	8,743,538	516,803	6,704,196	8.29%	840,848	69,706	0	0	0	8.29%	69,706
2017	2019	10,310,720	491,393	6,796	9,294,113	518,418	7,019,893	7.94%	887,038	70,431	0	0	0	7.94%	70,431
2018	2020	10,889,170	513,555	8,825	9,866,088	500,702	7,336,505	7.34%	934,750	68,611	0	0	0	7.34%	68,611
2019	2021	11,506,183	540,642	8,041	10,465,073	492,427	7,723,456	6.85%	983,542	67,373	0	0	0	6.85%	67,373
2020	2022	12,147,898	564,955	7,035	11,087,827	488,081	8,070,779	6.50%	1,032,481	67,111	0	0	0	6.50%	67,111
2021	2023	12,818,699	591,175	6,851	11,734,614	486,059	8,445,350	6.19%	1,082,423	67,002	0	0	0	6.19%	67,002
2022	2024	13,502,777	618,870	8,528	12,406,309	469,070	8,841,002	5.70%	1,134,075	64,642	0	0	0	5.70%	64,642
2023	2025	14,221,679	651,100	7,852	13,104,799	457,928	9,301,434	5.29%	1,187,139	62,800	0	0	0	5.29%	62,800
2024	2026	14,966,669	681,405	6,859	13,826,562	451,843	9,734,351	4.99%	1,242,261	61,989	0	0	0	4.99%	61,989
2025	2027	15,734,606	712,307	7,245	14,573,873	441,181	10,175,817	4.66%	1,298,232	60,498	0	0	0	4.66%	60,498
2026	2028	16,518,154	745,119	8,571	15,347,270	417,194	10,644,563	4.21%	1,355,999	57,088	0	0	0	4.21%	57,088
2027	2029	17,338,158	783,328	7,699	16,147,252	399,879	11,190,396	3.84%	1,416,092	54,378	0	0	0	3.84%	54,378
2028	2030	18,182,593	818,558	7,151	16,974,052	382,832	11,693,686	3.52%	1,478,356	52,038	0	0	0	3.52%	52,038

[1] The required fund contribution is assumed to be contributed from the reserve account for optimistic asset scenarios on and after FY2013.

Exhibit 8

International Monetary Fund
Aggregate Actuarial Cost Method
Development of Contribution Rate (in 1,000s)
Proposed Plan
Changes Apply to All Staff
Reduce Grossing-Up Formula by 7%; Effective 5/1/2011
New Withdrawal Formula and Commutation Factors Apply to All Staff; Effective 5/1/2011

Based on Market Value of Assets as of 8/31/2009
Assets Earn 9% in all years

Valuation @ 4/30 of	Financial Year	(A) PV Benefits	(B) PV Future Employee Contr.	(C) Excess Contribution	(D) Actuarial Value of Assets	(E) PV Future Normal Costs	(F) PV Future Salary	(G) [(E)/(F)]*1.075 Actuarially Required Contribution Rate	(H) Gross Salary	(I) (G)*(H) Actuarially Required Contribution	(J) Reserve Account Balance BOY	(K) To / (From)[1] Reserves	(L) Reserve Account Balance EOY	(M) [(I)+(K)/(H)] Normalized Contribution Rate	(N) (I) + (K) Normalized Contribution
2009	2011	6,681,131	363,731	(93,753)	5,478,661	932,492	5,196,156	19.29%	541,267	104,410	279,000	(28,633)	250,367	14.00%	75,777
2010	2012	6,913,234	354,493	85,371	6,380,603	92,767	5,064,182	1.97%	581,050	11,447	250,367	69,900	320,267	14.00%	81,347
2011	2013	7,245,116	348,638	(13,777)	6,671,673	238,582	4,980,542	5.15%	578,421	29,789	320,267	(29,789)	290,478	0.00%	0
2012	2014	7,665,671	364,959	(48,718)	6,593,076	756,354	5,213,700	15.60%	618,139	96,430	290,478	(96,430)	194,048	0.00%	0
2013	2015	8,104,933	380,495	(24,957)	6,657,020	1,092,375	5,435,638	21.60%	658,566	142,250	194,048	(142,250)	51,798	0.00%	0
2014	2016	8,555,093	396,470	51,776	7,380,514	726,333	5,663,851	13.79%	699,320	96,436	51,798	(51,798)	0	6.38%	44,638
2015	2017	9,044,208	417,499	31,616	8,073,872	521,221	5,964,271	9.39%	740,345	69,518	0	0	0	9.39%	69,518
2016	2018	9,559,436	436,444	14,247	8,657,515	451,230	6,234,910	7.78%	781,989	60,839	0	0	0	7.78%	60,839
2017	2019	10,102,106	456,995	5,887	9,186,338	452,886	6,528,504	7.46%	824,945	61,541	0	0	0	7.46%	61,541
2018	2020	10,652,393	477,606	7,859	9,730,797	436,131	6,822,941	6.87%	869,318	59,722	0	0	0	6.87%	59,722
2019	2021	11,238,601	502,797	6,954	10,299,798	429,052	7,182,811	6.42%	914,694	58,723	0	0	0	6.42%	58,723
2020	2022	11,846,927	525,408	6,111	10,889,795	425,613	7,505,828	6.10%	960,207	58,573	0	0	0	6.10%	58,573
2021	2023	12,481,560	549,793	5,941	11,501,253	424,573	7,854,185	5.81%	1,006,653	58,487	0	0	0	5.81%	58,487
2022	2024	13,127,151	575,549	7,454	12,134,784	409,364	8,222,130	5.35%	1,054,690	56,426	0	0	0	5.35%	56,426
2023	2025	13,804,492	605,523	6,813	12,792,061	400,095	8,650,327	4.97%	1,104,039	54,871	0	0	0	4.97%	54,871
2024	2026	14,504,878	633,707	5,893	13,469,566	395,712	9,052,950	4.70%	1,155,303	54,299	0	0	0	4.70%	54,299
2025	2027	15,225,379	662,445	6,273	14,169,537	387,124	9,463,503	4.40%	1,207,356	53,124	0	0	0	4.40%	53,124
2026	2028	15,958,909	692,960	7,564	14,892,393	365,992	9,899,432	3.97%	1,261,079	50,065	0	0	0	3.97%	50,065
2027	2029	16,725,470	728,495	6,646	15,638,663	351,666	10,407,073	3.63%	1,316,966	47,806	0	0	0	3.63%	47,806
2028	2030	17,513,161	761,259	6,219	16,408,491	337,192	10,875,123	3.33%	1,374,872	45,783	0	0	0	3.33%	45,783

[1] The required fund contribution is assumed to be contributed from the reserve account for optimistic asset scenarios on and after FY2013.